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Programs Use Creative 'Carrots' For Wellness

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By Rick Byrne

R. J. Dutton

Employers are taking a tougher stance against smoking and obesity among workers in an effort to control healthcare costs, but their efforts use more carrots than sticks. Health plans and benefits consultants in Kansas-Missouri say it's unlikely employers will go as far as the Michigan firm that recently fired four workers who refused to be tested for tobacco use.

For one thing, state laws in the two states, along with 28 others, protect workers who smoke from being fired, according to the National Workrights Institute. Furthermore, Kansas City employee benefits firm R. J. Dutton Inc. says while employers can charge obese employees more than those of normal weight, they must do so under certain conditions. "You can, as long as you do it within a bona fide wellness program, as long as you don't discriminate in cases where, for medical reasons, an individual can't participate in a weight-loss or exercise program," Dutton said.

Dutton also said it's difficult to place surcharges on obesity for employees because there is a lack of consensus on what constitutes obesity. "An example is someone who exercises and lifts weights may actually have a higher body-mass index than someone who does not."

United Benefits Advisors, a national alliance of benefits consultants, reported in the fall of 2005 that 3.1 percent of employers surveyed nationally have adopted premium differentials for tobacco users. An additional 11.2 percent said they would probably adopt a differential in the next year.

Firing employees for tobacco use is extreme, but "we may see more of that happening as evidence builds around personal behavior and how it affects health costs," said David Steurer, director of membership for the Wellness Councils of America. "We wouldn't recommend such measures for everybody, but it might be interesting to watch."

In 2001, the federal government issued new guidelines under the Health Insurance Portability and Accountability Act that specifically defined what measures employers could take to offer what it called a Bona Fide Wellness Plan, or BFWP. Now, employers, health plans and vendors have begun to experiment within those guidelines, finding new incentives for employee wellness, and in some ways, exploring new territory that even HIPAA creators didn't think of.

Punishment And Reward. Scotts Miracle-Gro, an Ohio-based maker of lawn and garden products, has told its 5,300 U.S. workers that those who smoke could be fired this fall unless they make an effort to quit. The company has hired an outside vendor, Whole Health Management, to launch a 24,000-square-foot on-site health clinic, pharmacy, and wellness and fitness center, and also undertake management of attendant programs, including smoking cessation.

Others have taken a more nurturing approach. Last April, Humana Inc., the health insurer based in Louisville, Ky., with members in both Kansas and Missouri, took a poll of its employees to see who smoked in the last year. Those who hadn't smoked received $5 off of their portion of the premium per pay period."

"We did implement that to help encourage healthy behaviors," said Mary Sellers, spokeswoman for Humana. "Seventy percent of our employee population who enrolled on July 1 are nonsmokers, which totaled about 8,000 of Humana's associates. They received the discount."

At its multiple offices in the Topeka area, Blue Cross and Blue Shield of Kansas has reduced the number of places available for employees who smoke. A new headquarters campus is under construction that will bring most staff in satellite offices under one roof, and the plan includes Club Blue, an on-site fitness center.

"We also run Weight Watchers programs on campus, and the corporation sends out information on how to avoid repetitive stress injuries, and the benefits of walking," said Mary Beth Chambers, spokeswoman for the Kansas Blues. "But as far as incentives and bonuses, we haven't gotten that far yet."

For plan members, the Kansas Blues offers wellness options that aren't workplace-driven in a package called Resource Blue. It's typical of what many insurers now offer, with discounts to a network of fitness centers, massage therapy, and complementary medicine, such as acupuncture and chiropractic that would not be covered by insurance.

Humana has also now partnered with Virgin Lifecare, a vendor that coordinates wellness rewards programs, to offer such options for the insurer's employer groups. Employees of participating companies earn reward points for healthy behaviors, which can be applied to everything from paying the copay for health services to purchasing workout or outdoor equipment. Participants are even eligible to win prizes like a car, or a trip to Virgin entrepreneur Richard Branson's personal island.

"You will see more incentives. Maybe not as strong as you see on nonsmoker discounts. But employers will start to set up

CRITERIA FOR HIPAA'S BONA FIDE WELLNESS PROGRAM (BFWP)

- » The plan must limit the reward to 10%, 15% or 20% of the cost of coverage. The premium differential may not exceed 20% of the full cost of single coverage under the plan (even if they have family coverage).
- » The program must be reasonably designed to promote health or prevent disease.
- » The plan must allow participants to re-qualify for the reward/incentive at least once per year.
- » The plan must be available to all similarly situated participants and a reasonable alternative must be available for them to gain the reward. Tailored alternatives must be available to anyone unable to achieve the health standard due to a medical condition, or for whom the health standard is medically inadvisable.
- » All plan materials describing the program must include adequate disclosure about the BFWP and the fact that individual accommodations are available.

Source: HIPPA

wellness accounts or funds," said Beth Bierbower, vice president of product innovation for Humana. "Through those accounts and programs like Virgin, they'll expand so they're not just for adults, but also for children. The initial focus will be on the employee, but it will evolve to cover the whole family."

Mercy Health Plans in St. Louis for two years has offered to self-insured employers a product called My Choice that meets HIPAA requirements to be a BFWP. Sixteen employers in St. Louis and another two in southwest Missouri have chosen My Choice, for a total of more than 16,000 members. About 75 percent of the people who have it as an option sign up and stick with My Choice. Of the remaining employees, most are smokers who wouldn't or couldn't quit, said William Bennett, senior vice president of field operations for Mercy.

It begins with the member's agreement to undergo a health appraisal through a secure Web-based site, with non-employee specific global results shared with the employer. Those indicate the overall health status of the group. The employee must pledge to take part in age-appropriate preventive care, to not smoke or enter a smoking-cessation program, enter into a weight-loss program over a certain body-mass index, and wear seat belts at all times. In addition, the chronically ill must follow nationally recognized best practices for disease management.

In exchange, the employee will see some kind of financial benefit, compared to those who enroll in Mercy's standard plan. Mercy recommends a tiered co-insurance set-up and premium incentives, but each employer decides what the incentives will be in accordance with HIPPA guidelines.

Risk-Rating. Highsmith, a mail-order firm of about 240 employees in Fort Atkinson, Wisc., is one of the first firms to introduce employee risk-rating, which requires employees to pay more toward health premiums if they don't participate in wellness activities. Its activities include health screening and weight loss and smoking cessation, all on company time.

Highsmith's insurance costs went from almost 53 percent increases in 1989 to single-digit healthcare increases. The Wellness Council reports that Highsmith's expenditures within its HMO are consistently 20 to 30 percent lower than the average for all employers in the pool.

"There are a lot of different ways wellness spreads around in different companies," Steurer said. "But if the CEO believes in this, that can make it happen. If it starts in the human resources department, or the middle or lower ranks of a company the program can be strengthened by capturing senior-level and involvement." Duncan Highsmith (CEO of the family-owned company), has made a commitment through strong leadership. He's proven that by doing that, he gets bottom-line return."

Dutton said there's no denying that offering wellness programs and incentives cost employers money. Insurers typically add them.

"The employers have to make an investment in curbing their own costs," he said. "The costs for the first year might go up a bit because employees who haven't been going to the doctor may begin getting routine check-ups. But it may result in avoiding larger expenses in the future."

He said many of R. J. Dutton's clients have come to the conclusion that managed care has not been effective in holding down costs. "Employers are more challenged than ever to control their costs. Consumer plans shift more cost to employees and are intended to encourage accountability. Wellness programs can effectively complement these types of plans by educating employees and encourage modification of behavior to more healthy lifestyles."

"The last frontier is when an employer asks, 'What can I do to help my employees be better consumers?'" he said.

OUTLOOK: The value-add of wellness programs will continue to increase as more employers adopt consumer-driven health plans. There's a vast vendor market ready to assist them, but as our analysis shows, some companies have the appropriate leadership to go it alone. ■