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LEADING HEALTH GROUPS OUTLINE GUIDANCE ON OUTCOMES-BASED INCENTIVES

Industry collaboration produces guidance for the use of outcomes-based incentives in employer-sponsored workplace wellness programs

EDINA, Minn. (July 17, 2012)—A forward-thinking new initiative by a group of leading health care organizations has produced the industry’s most consensus-driven guidance for the use of outcomes-based incentives in employer-sponsored wellness (or health management) programs.

The guidance is intended to help ensure that worksite wellness programs utilizing such incentives are effective and fair to all employees, and improve health results. Outcomes-based incentives are expected to become more common in the workplace as a result of provisions in the Patient Protection and Affordable Care Act – which encourage their use.

The guidance, which was published in the July 13th issue of the *Journal of Occupational and Environmental Medicine*, is unique in that it represents the collaborative thinking of six well-respected health care organizations with diverse constituencies and roles in the health care system.

Recognizing the need for best practices as outcomes-based incentives become more commonly used, the organizations compared their varying approaches and opinions in order to identify key areas of consensus.

The resulting guidance, titled [“Guidance for a Reasonably Designed Employer-Sponsored Wellness Program Using Outcomes-based Incentives.”](#) incorporates research, practical application, policy perspectives, and a set of basic considerations for employers who want to maximize the health improvement results of their incentive programs while also providing proper protection for employees against discrimination, unaffordable coverage and loss of access to health care.

The participating organizations are the [Health Enhancement Research Organization](#), [American College of Occupational and Environmental Medicine](#), [American Cancer Society](#), [American Cancer Society Cancer Action Network](#) (ACS CAN), [American Diabetes Association](#), and the [American Heart Association](#). Together, they represent a wide range of stakeholders, including patients, care providers and the business community.

“Employers play a significant role in influencing the health behaviors of their workforce, and increasingly, they realize that a healthy workforce can reduce health care costs, disability, and absenteeism, while increasing productivity,” said Jerry Noyce, president and CEO of the Health Enhancement Research Organization. “As employers seek new ways to engage employees in

programs that change health behaviors, their interest in outcomes-based incentives has grown considerably as has the need for a unified voice on the issue.”

For employers that choose to implement outcomes-based incentives, the published guidance provides direction on two key questions:

- What are the elements of a reasonably designed wellness program that incorporates outcomes-based incentives?
- How can employers who use outcomes-based incentives be sure that their programs comply with the Health Insurance Portability Accountability Act (HIPAA) guidelines for a “reasonable alternative standard” to those who cannot meet the health standard?

To develop the joint guidance, the collaborative reviewed existing research related to incentives and best practices, regulations, case studies and other resources, and created a set of parameters that reflect best practices and do not discriminate based on employee health status or make coverage unaffordable for any employee population. The published guidance also explores future areas of research that can increase understanding of the impact of financial incentives on program effectiveness, employee health, health care costs and access to the delivery of health care to employees.

The varied backgrounds, constituencies and functions of the organizations involved in this collaborative effort help ensure that the guidance reflects the interests of individual employees, employers that sponsor health care benefits and workplace wellness programs, and wellness companies that offer these programs.

“In order to achieve and maintain good health, employees need insurance coverage that includes basic preventive care, as well as effective treatments for chronic conditions,” said Nancy Brown, CEO, American Heart Association. “Workplace wellness programs can provide the tools and opportunities to improve health and wellness, but they should not be used in ways that undermine an employee’s ability to obtain adequate and affordable health insurance coverage. By following this guidance, these unintended consequences can be avoided.”

Outcomes-based incentives are a relatively new incentive design in which employees receive a financial reward for meeting a specific health outcome—or a penalty may be imposed for failure to meet a health standard. While the ability of outcomes-based incentives has not been well researched or documented, the impact of incentives linked to participation in wellness programs has been demonstrated by leading researchers as a means to increase employee participation.

The sponsoring organizations stress that the new guidance is not meant to advocate for an outcomes-based incentive approach over a variety of other strategies for increasing employee engagement in wellness programs.

“Incentives can be an effective way to motivate some employees to participate in workplace wellness programs and to begin behavior changes,” said Larry Hausner, CEO of the American Diabetes Association. “If not implemented carefully, however, incentives can also operate as penalties—imposing financial or other burdens on employees which may be counterproductive. One of our goals with this paper is to provide a framework for helping

employees make healthy lifestyle changes while providing adequate protection and accommodation for those with disabilities and other barriers.”

For example, workplace culture is one of the keys to a successful worksite wellness program. A workplace culture that supports healthy behaviors is one of the proven best practices for effective and sustained improvements in employee health. Other best practices include preparing a strategic plan to guide and support company wellness goals, developing a risk assessment and screening program, as well as behavioral intervention programs, employee engagement strategies, ongoing employee communications, and a commitment to measurement and evaluation.

“Incentives are just one tool employers need to consider when implementing workplace wellness. To be effective, the incentive strategy must be part of a comprehensive workplace health improvement plan,” said Ron Loeppke, M.D., FACOEM, president elect of the American College of Occupational and Environmental Medicine, and vice chair of U.S. Preventive Medicine. “The guidance established by this collaborative reflects cutting-edge wellness research, innovative program design, forward-looking health care policy, and the real-world experience of practitioners across the country. It is our hope that employers who are considering outcomes-based incentives put this guidance into practice, and that this collaborative continues to help monitor and define the evolution of incentives in workplace wellness programs.”

“We hope companies will look to this guidance as they consider the expanded workplace wellness incentives allowed under the Affordable Care Act,” said Christopher W. Hansen, president of ACS CAN, the advocacy affiliate of the American Cancer Society. “We believe this blueprint could lead to well-designed programs that effectively improve workforce health by creating a culture and atmosphere that encourages employees to take their own initiative in getting and staying healthy. This collaborative will continue to monitor trends and research in incentive design and best practices so the wellness industry, and employers of all sizes, can benefit from our collective experience and thinking.”

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