

# Lessons From Health Coaching...

## Progress-Based Incentives: Putting the Goldilocks Parable to Work in Wellness Part 1 of 2



...by Paul Terry and David Anderson

What do the following facts have in common?

1. A large majority of employers do not plan to impose financial penalties based on employee health status in the years ahead.
2. Most healthcare costs are due to aging, genetics, and the environment.

**Answer:** the inverse of both seems to be getting the most attention. The fact that much of the rest of today's healthcare cost problem can be attributed to lifestyle, and that only a minority of employers have responded with lifestyle-based financial penalties, seems to have hijacked the nation's prevention policy agenda. We think this is all right — *if* the energetic debate emerging about the pros and cons of such “outcomes-based” incentives vs. more traditional “participation-based” incentives spawns closer examination of the evidence on

the best use of incentives in employee health management.

Recent articles in the *American Journal of Health Promotion* offer just such contrasting views. In several commentaries, Michael O'Donnell, PhD (the editor and publisher) identifies what he considers to be tremendous opportunities for employee health resulting from the 2010 health care reform act section that permits employer-sponsored plans to offer premium reductions, rebates, or other rewards based on satisfying a health standard, commonly referred to as an outcomes-based incentive. A rebuttal commentary was submitted by leaders of the American Heart Association, American Cancer Society, and American Diabetes Association who believe outcomes-based incentives are an inappropriate form of insurance underwriting that will lead to undue discrimination based on health status.

The Goldilocks parable captures the essence of the debate. Many view participation-based incentives as “too soft” (easily exploited, insufficient to break obstinate habits) and outcomes-based incentives as “too hard” (draconian, victim blaming, discriminatory). The journal invited our commentary, “Finding Common Ground in the Use of Financial Incentives,” where we attempt to move beyond these opposing views by proposing an alternative “progress-based” incentive model. We believe it can increase employee accountability and engagement while preserving fairness and equity. Not too soft, not too hard. Just right!<sup>1</sup>

We don't envy the excruciating challenge faced by human resource and wellness managers. They need to escalate employees' shared accountability for the cost of health benefits while keeping those benefits attractive and offering engaging, fun



wellness programs. Getting the balance right is a mix of science, risk-taking, and experimentation.

## Outcomes-Based vs. Progress-Based

An outcomes-based incentive model provides financial rewards for those who satisfy a prescribed health standard (such as a BMI of less than 30), meet a “reasonable alternative standard,” or obtain a physician waiver. Depending on future government rule-making related to the healthcare reform act or other legislation, some worry that such a model may become an opt-out approach to wellness. In contrast, a progress-based incentive strategy will provide a participant-centered, risk-adjusted, and safer approach to achieving population health goals.

In a progress-based model, a reasonable individually tailored health goal, such as losing 10% of body weight, offers every participant who fails to satisfy the health standard an opportunity to earn incentives — regardless of how far from the recommended standard they begin their journey. Confining rewards only to those who hit the outcome target will risk alienating those at highest risk, who have the farthest to go, and generate the highest costs to the organization. A progress-based approach, on the other hand, has the potential to engage everyone in setting

achievable, measurable targets that yield health improvements.

StayWell research shows that incentives are effective for enlisting participation in events such as completing a health assessment or enrolling with a health coach, particularly when the program is well communicated in a supportive culture.<sup>2</sup> But because everyone has a different starting point and learning needs/styles vary considerably, an outcomes-based regimen that works for some individuals may not match the needs of many others. A progress-based approach provides alternatives to achieve an incentive if targeted health standards are out of reach. This may include a range of activities and attainments that reward participation and progress toward, as well as achievement of, health outcomes. This formula:

- Provides individuals with practical, achievable options for meeting incentive requirements
- Recognizes individuals' efforts to reach meaningful health improvements, both within and outside of the formal program.

Incentives are most effective when used in conjunction with broad-based culture change and strong communications about the value of health to employees and employer. An example would be using incentives to encourage healthy eating while also making access to healthy food choices very easy in the work setting. Offering weight loss incentives while sponsoring vending machines with no attractive healthy options is self-defeating and may be perceived as insincere.


## An Unfolding Story

According to Maria Tatar<sup>3</sup>, a Harvard expert in children's folklore, many view the story of “Goldilocks and the Three Bears” as a cautionary

tale intended to invoke lessons about exploring unknown territory. Discovering what is “just right” in the use of financial incentives may well be a classic struggle for health promotion practitioners today that leads to future stories about lessons learned. Our sincere hope in advancing a progress-based incentive approach is that practitioners end up on the righteous side of the parable.

To request our comprehensive white paper<sup>4</sup> on the role of incentives in improving engagement and outcomes in population health management, see [www.staywellhealthmanagement.com/Contactus/IncentivesWhitePaper.aspx](http://www.staywellhealthmanagement.com/Contactus/IncentivesWhitePaper.aspx).

Part 2, in the next *Practitioner*, will discuss how to put progress-based incentives to work in wellness.

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1 Terry, PE, Anderson, DR. Finding common ground in the use of financial incentives for employee health management: A call for a progress-based approach. *American Journal of Health Promotion*, Sept. 2011, Vol. 26, No. 1, ev-evii.

2 Seaverson, ELD, Grossmeier, J, Miller, TM, Anderson, DR. The role of incentive design, communications strategy and worksite culture on health assessment participation. *American Journal of Health Promotion*, 2009;23:343-352.

3 Tatar, M. *Breezes From Wonderland*, Maria Tatar's forum for storytelling and children's literature. <http://blogs.law.harvard.edu/tatar/>.

4 Terry, PE, Anderson, DR, Sept. 2011. The Role of Incentives in Improving Engagement and Outcomes in Population Health Management: An evidence-based perspective. [www.staywellhealthmanagement.com/Contactus/IncentivesWhitePaper.aspx](http://www.staywellhealthmanagement.com/Contactus/IncentivesWhitePaper.aspx).

