



AMERICAN COLLEGE OF
OCCUPATIONAL AND
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American
Diabetes
Association



Fact Sheet

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What employers need to know:

10 steps for developing outcomes-based incentives for wellness programs

Highlights from [*“Guidance for a Reasonably Designed Employer-Sponsored Wellness Program Using Outcomes-based Incentives.”*](#) include the following suggestions for employers:

1. Consider using the four biometric target categories of weight, cholesterol, blood pressure, and tobacco use. These align with the guidance provided in a 2008 Field Assistance Bulletin issued by the Department of Labor and are the most commonly used targets by employers.
2. Factor in potential financial and time burdens for employees when determining the specific standard you are asking them to meet.
3. Consider whether the incentive design is likely to place a greater economic burden on one race, ethnic group or other category of employees.
4. Consider incentive designs that are reasonable goals (preferably individualized to the employee) rather than ideal targets applied rigidly to all employees.
5. Offer (as required by law) a reasonable alternative standard to employees for whom it would be unreasonably difficult to achieve a health standard due to a medical condition, or who have a medical reason that makes it inadvisable for them to do so within the allotted time.
6. For employees with a medical condition that makes it unreasonably difficult to achieve the health standard, or medically inadvisable to do so, consider deferring to the views of the employee’s health care provider for setting and achieving a reasonable alternative standard or providing a waiver.
7. Consider providing all employees with options for attaining the incentive, rather than only offering an alternative standard to those with a medical circumstance. This can be particularly important for employees who have legitimate hardships, outside of medical circumstances, that make it difficult for them to meet a rigid health standard.
8. Avoid using a reward or penalty that is so large it discourages health plan enrollment, denies coverage, or creates too heavy a financial penalty on individuals who do not satisfy an initial wellness standard. Some industry experts suggest, based on extensive real-world experience administering such programs, that amounts in the range of \$40 to \$60 per month are capable of generating behavior changes by many participants, at least in the short run.
9. Consider an incentive design that rewards for progress toward the standard targets, instead of just rewarding employees who meet the goal. This acknowledges the effort and behavior change that is at play, rather than focusing only on the outcome.
10. Consider strategies that help employees integrate healthy behaviors into their personal value framework by promoting individual choice, so they are more likely to sustain healthy behavior changes over time. For example, encourage autonomy and personalization by using a health coach or other qualified health professional to tailor a standard to an individual’s circumstances or to provide follow-up support in pursuit of a standard.

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