

A red background with several overlapping circles of varying sizes and a faint silhouette of a fish swimming to the right.

## EXPLORING INCENTIVES:

## A Survey of Incentives Practices Among U.S. Employers



**Incentives can greatly improve employee engagement in health and wellness programs.**

## INTRODUCTION

With no end in sight to rising health care costs, many organizations are implementing prevention-based health and wellness programs. Getting employees to participate, however, remains a challenge. Research has shown that offering incentives as part of these programs greatly improves employee engagement, and employers are beginning to recognize this powerful tool.

*Workforce Management Magazine* recently conducted a survey for Virgin HealthMiles — a leading provider of employee health programs — to determine how organizations are approaching incentives. The sample included 548 companies, half of which employ 1,000 to 10,000 employees or more. In this report, find out how your peers are using incentives to drive participation in health programs, which incentives are the most effective, and what they believe are the biggest obstacles when managing incentives programs. In addition, discover other key factors that influence program success.

## KEY FINDINGS

- » The overwhelming majority of respondents will increase or maintain their investments in incentives as compared to last year. Only 5% will decrease their spending on incentives.
- » Not surprisingly, cash is king. Most respondents believe that cash is the most effective incentive to motivate employees to improve their health behaviors. Many also ranked discounts on health care premiums at the top as well.
- » Respondents report that the biggest challenge to managing incentives programs is the inability to measure their impact. Many also lack resources to manage their programs and find it challenging to manage multiple incentives programs.

Survey: Exploring Incentives

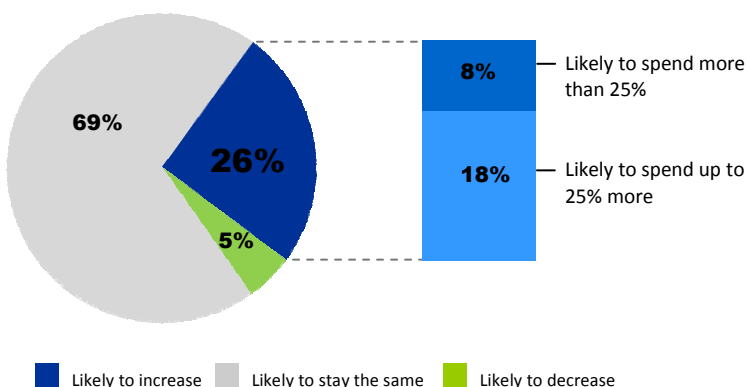
HOW MANY, HOW MUCH, WHAT KIND

One half of the organizations surveyed offer incentives to encourage participation in employee health and wellness programs. And many offer incentives of substantial annual value: 50 percent offer \$300 or more per year, while 15 percent offer incentives valued at \$1,000 or more per year. Often times, high total incentives value is the result of more than one program. Tom Abshire, Senior Vice President of Marketing and Member Engagement at Virgin HealthMiles, believes that an integrated approach – one where all program offerings and incentives opportunities are communicated, tracked and redeemed in one central place – is beneficial in these circumstances: “Even with high incentives value, integrating the incentives offered will help drive higher value recognition, and it allows companies to easily add additional programs or qualifiers to employee segments without increasing the overall incentives budget. Integrating multiple incentives programs also allows employers to engage and motivate employees in one place, and promote and manage all of their incentives together.”

26% of respondents plan to increase their investment in incentives over last year.

Organizations are recognizing that incentives work and plan to increase their investments in them. Twenty-six percent of respondents say that they are likely to spend more on incentives than they did last year: as Figure 1 illustrates, 8 percent plan to spend more than 25 percent than they did last year, and 18 percent plan to spend up to 25 percent more. Sixty-nine percent will spend the same as last year. Only 5 percent plan to spend less.

Figure 1: What are your incentives spending plans for employee health-related programs in 2011 as compared to last year?

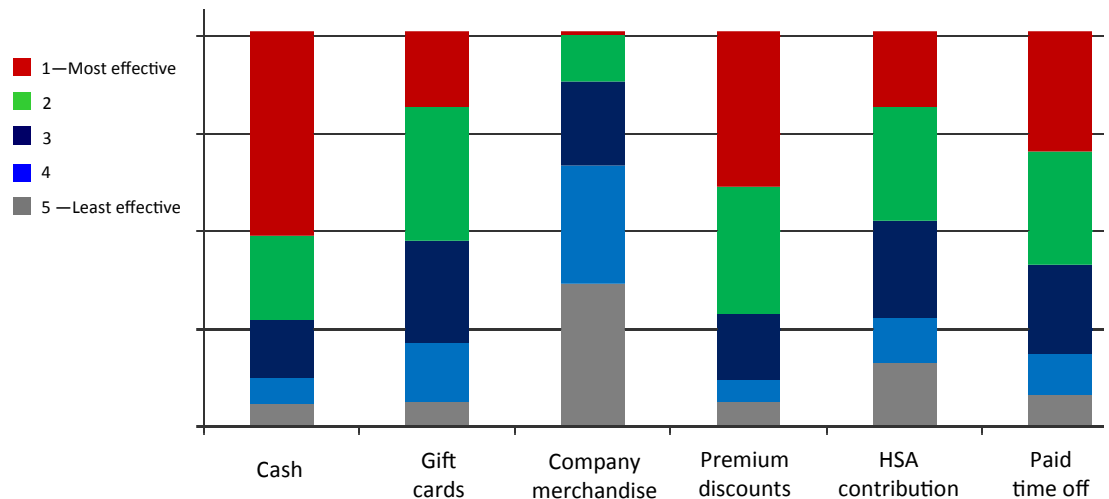


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Not surprisingly, **cash is king**.  
 But other kinds of incentives  
 are effective as well,  
 proving that **choice is key**.

Cash topped the list as the most effective and appealing to employees. Other types ranked high as well: discounts on health care premiums ranked as the second most effective, and additional paid time ranked third. Gift cards and employer contributions to health savings accounts fell in the middle of the pack, while branded company merchandise was chosen as the least effective and attractive to employees.

Figure 2: Please rank the following incentives based on how effective and well-received you believe they are.



The data in Figure 2 illustrates that choice is key when implementing incentives programs. Slightly more than half of the respondents chose cash as the most effective and well-received incentive, but almost three-quarters selected premium discounts as the most or second most effective incentive. Many also ranked time off with top marks. Individuals are motivated by different things at different points in time, and providing more than one type of incentive will help drive participation and long-term engagement.

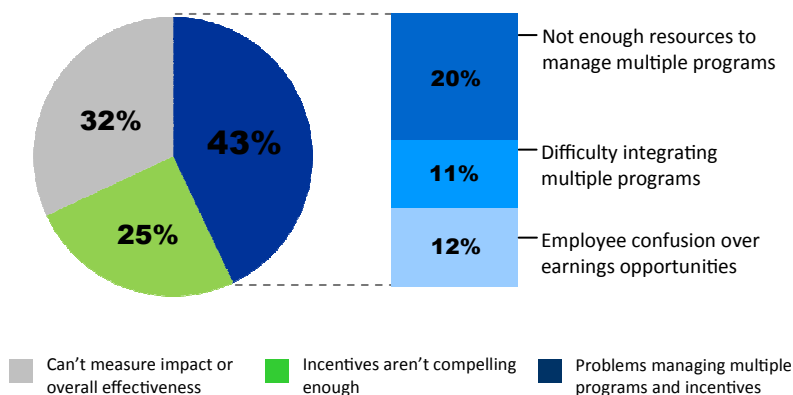
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THE CHALLENGES

While compelling incentives are highly motivating for employees, managing them can present challenges to program administrators. As Figure 3 illustrates, one-third of respondents believe that their biggest challenge is the inability to measure the impact and overall effectiveness of the program. Indeed, without the ability to point to quantifiable improvements in employee health, it is difficult to justify the investment. As a result, many employers are forced to abandon these initiatives. Fortunately, it is possible to invest in programs which provide transparency into their impact. Rooted in technology, these programs provide validated performance data and give employers the assurance that the actions for which they reward employees, and the health improvements they see in reports, are actual. Abshire explains, “With validated employee performance and health shift data, HR managers are confident that they’re rewarding the right employees. They’re rewarding those who are putting in the effort, taking care of themselves, and having a positive impact on the company’s health care costs. This also helps to garner even greater support – and funding – for the programs over the long term.”

With validated data, HR managers can reward the employees who are making a positive impact on the company’s health care costs.

Figure 3: What is your biggest challenge when managing incentives in your employee health programs?



**43%** of respondents say **managing multiple programs** is their biggest challenge.

An integrated approach **simplifies incentives management** and provides an easy way to promote and administer all incentives.

In addition to measurement, other factors pose challenges when it comes to incentives. Forty-three percent feel their biggest challenges arise when managing multiple programs. They don't have the resources to manage multiple programs (20 percent); they have difficulty integrating multiple programs to get maximum impact (11 percent); or their employees are confused about earnings opportunities and are overwhelmed by the options (12 percent). The same integrated approach recommended by Abshire to drive higher value recognition also addresses these challenges by simplifying incentives management. Integration provides a common way to administer, report and manage incentives—easing the burden on HR teams. It allows employers to leverage their incentives spend for maximum impact, and provides an easy solution to help define incentives for each component of their health and wellness strategies. What's more, streamlined communications make it easy for employees to understand all of their earnings opportunities, and helps to prevent information overload. Abshire adds, "A highly engaging program like Virgin HealthMiles at the core of the integrated solution drives interest, provides greater understanding of all earnings opportunities, and maximizes the impact of all the programs."

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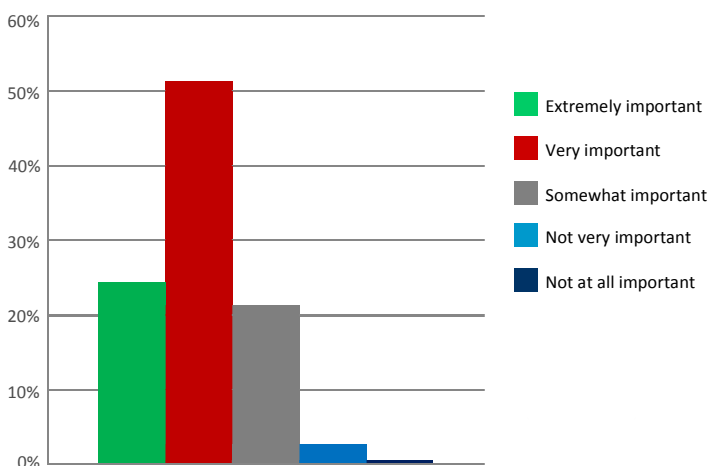
OTHER KEYS TO SUCCESS

Attractive incentives packages are proven to motivate employees to adopt healthier behaviors. But other factors impact the success of health and wellness programs as well. One of those is the support of leadership: 60 percent of respondents say that senior leadership was either “extremely” or “very” supportive of their employee health and wellness initiatives. Employees will often take cues from management, and having the support of company leadership — their visible participation and program advocacy — will go a long way toward creating a healthy culture in the workplace. Abshire explains, “Showing employees that program participation is crucial at all levels of the company helps to increase buy-in from the greater employee population and drive increased enrollment and engagement.” A key factor in getting senior staff behind the programs, he maintains, is the ability to demonstrate true program impact, and suggests implementing ones that capture and deliver real, validated data with effective reporting mechanisms.

Having support and visible participation from senior leadership will go a long way toward creating a healthy culture in the workplace.

In addition to the support of leadership, respondents firmly believe that the support of peers is critical. As Figure 4 illustrates, one-quarter say that social interaction and peer support is “extremely” important, and 51 percent say that it is “very” important. Only 3 percent believe it has little or no importance at all.

Figure 4: How important do you think social interaction and peer support is in the overall success of your employee health-related programs?



25% of respondents say social interaction and peer support is “extremely” important. Over half say it is “very” important.

In an 18-month study of 11,000 HealthMiles members, 50% of participants who were inactive at the start of the program achieved and exceeded CDC-recommended levels of physical activity.

While still a relatively new development, applying social networks to workplace health and wellness is increasingly compelling to companies. In fact, a recent survey conducted by Towers Perrin found that 42% of high performing companies plan to incorporate some element of social networking into their employee health initiatives by 2012. Abshire adds, “Social networks help create a community around good health by giving people a platform to share common interests and activities. The networks help build social relationships and allow employees to recognize positive behaviors among their colleagues and increase accountability for their own healthy behaviors.”

Respondents are optimistic about the participation rates they believe they will see in this year’s programs. Forty-five percent predict that more than half of their workforce will participate, while 20 percent believe they will see participation rates as high as 80 percent or more. These numbers far exceed the average participation rates of traditional wellness programs, and may indicate a belief that incentives will play a significant role in driving higher participation. Typically, participation has hovered around 15 percent for most traditional wellness programs—a big reason why wellness has not been successful at improving employee health and lowering health care costs. In Abshire’s experience, the Virgin HealthMiles program has exceeded average participation rates: “Our clients are pleasantly surprised at how many employees join the program, and, more importantly, how many stay engaged throughout the year. We recently conducted an 18-month longitudinal study with 11,000 HealthMiles members. Results showed that 50 percent of participants who were inactive at the start of the program achieved and maintained a level of physical activity exceeding CDC guidelines.”

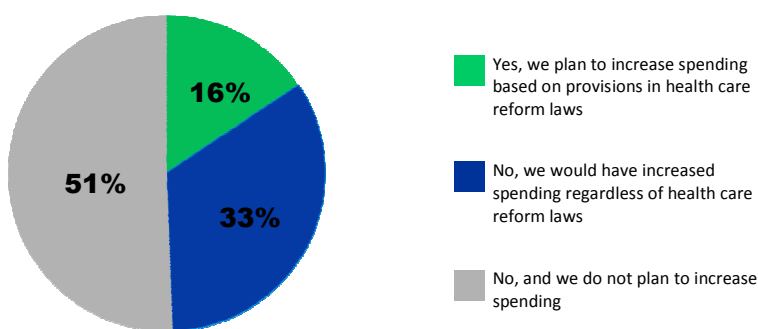
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THE INFLUENCE OF HEALTH CARE REFORM

Amidst rising health care costs and the search for solutions, Virgin HealthMiles was also interested to know if recent health care reform laws have had an impact on employers' plans for incentives spending. Under the recently passed Patient Protection and Affordable Care Act (PPACA), a HIPAA provision has been changed to allow employers to increase the discounts on health insurance premiums for wellness program participants from 20 percent to 30 percent, with the opportunity to increase to 50 percent at the discretion of the Secretary of Health and Human Services. This promising legislation indicates that the government is formally recognizing the value of prevention and the cultivation of healthy lifestyles. It is telling employers to provide substantial incentives to employees to take care of themselves first, instead of waiting to be treated after chronic conditions and diseases have developed. As Figure 5 illustrates, however, most employers are not yet influenced by the legislation. A little over half of the respondents said that they had no plans to increase incentives spending, and that the new law did not affect this decision. One third of respondents said that they'd planned to increase spending anyway, despite the legislation. Some (16 percent), however, were influenced by the law and plan to increase their incentives spending as a result. Abshire states, "We hope to see more organizations taking advantage of the legislation as it provides even greater opportunity to promote prevention in the workplace. In addition, premium discounts provide a way for organizations to implement programs on a cost-neutral basis through a combination of cost-shifting and aligned incentives."

Under the new PPACA legislation, employers may now give up to a 30% discount on health insurance premiums to wellness program participants.

Figure 5: Have recent health care reform laws influenced your decision to increase spending on employee health-related initiatives in 2011?



## TAKING AN ACTIVE ROLE

The vast majority of respondents (85 percent) believe that employers should take a more active role in managing employee health risks. This is not surprising, considering that out-of-control health care costs have become a board level issue for virtually every organization in the U.S. As employers take on this role, more and more are offering compelling incentives for their health and wellness initiatives.

Abshire concludes, “In the past few years, we’ve seen businesses begin to perceive incentives-based health programs as playing a more important role in their wellness strategy. They no longer question the value of offering incentives, but, instead, are wondering how best to invest in them to maximize the impact and their budgets. I encourage an integrated approach, which allows companies to be more agile in adapting incentives to changing business needs. The centralized management of this approach also helps companies easily review results, add or replace programs, and change the rewards structure as their health and wellness strategies evolve.”

**The centralized management of an integrated incentives approach helps companies easily review results, add or replace programs and change rewards structures as their health and wellness strategies evolve.**

### *About Virgin HealthMiles*

*Virgin HealthMiles provides employee health programs that pay people to get active. The company’s Pay-for-Prevention™ approach, based on physical activity and healthy lifestyle change, attracts an average of 40 percent of employees who participate, which helps organizations reduce medical costs and improve employee productivity and satisfaction. The program is offered by employers, government entities, and insurers. Over 120 industry leaders representing more than 700,000 employees across the U.S. have selected Virgin HealthMiles’ award-winning program for their employees. The company is a member of Sir Richard Branson’s Virgin Group. For more information, visit [www.virginhealthmiles.com](http://www.virginhealthmiles.com).*