

## Employer-Sponsored Health Promotion Programs

### Cost Containment Strategy and Logic

Employer-sponsored health promotion programs—also known as worksite or workplace wellness programs—help employees become healthier by encouraging regular physical activity, stress management, healthy eating and not smoking. Providing ways to change behaviors associated with a higher incidence of chronic disease and disability—known as modifiable health risk factors—can lead to healthier employees, lower health care and health insurance costs, reduce absenteeism and increase productivity.

Components of worksite programs include risk identification tools, behavior modification programs, educational programs and work environment changes (Table 1). Some worksite wellness programs—such as free health club memberships, onsite health education programs and nutrition counseling—provide opportunities for employees to improve their health. Others also reward employees who actively engage in such activities or meet specific risk reduction goals (e.g., lose a certain amount of weight). Examples of rewards include cash, lower prescription drug copayments, additional vacation days and health insurance premium discounts. Some programs target those with several high risk factors, while others are open to all employees.

Restrictions exist on the types of health promotion incentives employers can offer. Employer-sponsored programs must comply with the Americans with Disabilities Act and the Patient Protection and Affordable Care Act, signed March 23, 2010 (Section 2705(j)). They cannot place conditions upon premium discounts, rebates, waivers of copayments, reduced deductibles or other rewards related to the presence or absence of a medical condition (e.g., diabetes or heart disease). An employer can, however, reward employees who satisfy a standard (e.g., not smoking) related to the incidence and severity of a medical condition (e.g., lung cancer). Where it is unreasonably difficult for an employee to meet a standard, federal law requires employers to provide a reasonable alternative standard for obtaining the reward.

**Evidence indicates that well-designed worksite wellness programs can reduce health expenditures and reduce absenteeism, at least for large employers, including state government.**

State interest in worksite wellness programs has grown in recent years. According to a 2009 report, “The enthusiasm for workplace programs stems in part from the fact that more than 60 percent of Americans get their health insurance coverage through an employment based plan, as well as from the recognition that many employees spend the majority of their waking hours in the workplace—which makes it a natural venue for investments in health.”<sup>1</sup> Among employers offering health benefits, 74 percent of those with between three and 199 workers and 92 percent of those with 200 or more workers offer at least one worksite wellness program (e.g., Web-based resources for healthy living, gym memberships, smoking cessation programs, personal health coaching, etc.).<sup>2</sup>

### Target of Cost Containment

The main targets of worksite wellness programs are chronic diseases, such as diabetes, chronic obstructive pulmonary disease and heart disease. Nationally, at least 50 percent of health care expenditures are lifestyle-related and therefore potentially avoidable. According to the American Heart Association, “An estimated 25–30 percent of companies’

**Table 1. Types of Wellness Activities**

#### Risk identification tools

- Health risk assessments\*
- Biometric screenings for such factors as blood-pressure and cholesterol levels

#### Behavior modification programs

- Personal health coaching
- Tobacco cessation
- Weight management
- Nutrition and diet
- Exercise
- Workplace competitions/contests

#### Educational programs

- Health fairs and seminars
- Online health resources

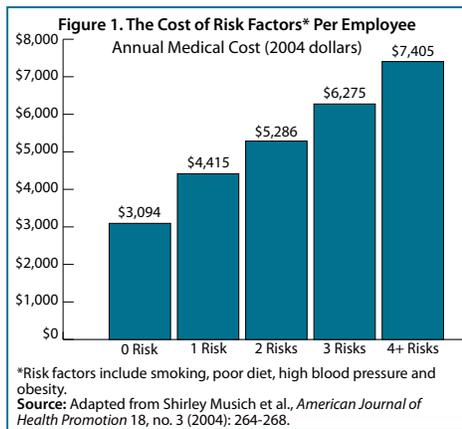
#### Changes to the work environment

- Altering buildings and grounds to encourage walking
- Healthier foods in workplace cafeterias and vending machines

\*A health risk assessment is an electronic or paper tool used to collect employee self-reported data (e.g., frequency of alcohol consumption, number of cigarettes smoked each day, etc.) to assess an individual's risk of developing a disease.

Source: Ha T. Tu and Ralph C. Mayrell, *Employer Wellness Initiatives Grow, but Effectiveness Varies Widely* (Washington, D.C.: National Institute for Health Care Reform, 2010); <http://www.nihcr.org/Employer-Wellness-Initiatives.html>.

annual medical costs are spent on employees with excess [modifiable] health risk defined in large part by their risk for cardiovascular disease.<sup>3</sup> Obesity and smoking—two leading causes of preventable death—are the major focus of most worksite wellness programs. Depression and alcohol consumption also are common targets. People with more risk factors are likely to require more expensive care (Figure 1).



## Federal Health Reform

The Patient Protection and Affordable Care Act of 2010 includes several worksite wellness program provisions. It specifies allowable wellness incentives and limits the size of health insurance-related rewards for meeting a risk reduction standard to 30 percent of the cost of employee-only coverage (2705(j)). The act establishes a five-year grant program to encourage and help small employers sponsor comprehensive wellness programs (section 10408). It directs the U.S. secretary of Health and Human Services to report, by 2013, on the effectiveness of wellness programs in promoting health and preventing disease; the effects of wellness programs on access to care and affordability of coverage for participants and nonparticipants; the effect of premium-based and cost sharing incentives on participant behavior; and the effectiveness of various rewards (section 2705(m)).

## State Worksite Wellness Legislation

Between 2006 and June 2010, 28 states passed worksite wellness laws concerning health insurance incentives, state employee programs, tax credits and studies.<sup>4</sup>

- **Health insurance incentives.** Several states (e.g., Alaska, Colorado, Indiana, Georgia, Maryland, Michigan, Texas, Utah and Washington) authorize in statute certain types of worksite wellness program rewards that otherwise would violate insurance discrimination, rebate or rating laws. The laws include provisions similar to those contained in the Patient Protection and Affordable Care Act. Some state laws are narrowly construed (e.g., Indiana's Public Law 136, HB 1420 applies to tobacco cessation programs only). Most apply broadly to any employer health plan wellness reward, so long as the wellness program has a reasonable chance to improve participants' health or prevent disease, is not overly burdensome, and is not a subterfuge for discriminating based on an existing medical condition.

- **State employee programs.** States more often include worksite wellness benefits in their employee health plans and offer on-site health promotion programs. Arkansas (2005 Ark. Acts, Act 724), for example, authorized leave incentives for state employees who participate in the Arkansas Healthy Employee

Lifestyle Program (AHELP). In 2007, a Texas law (HB 1297) created a state employee wellness program that allows employees 30 minutes a day for exercise and encourages and provides time to complete a health risk assessment. A 2009 Maine law (2009 Me. Laws, Chap. 78 (Laws of Maine)) requires the state to provide employees access to fitness programs and calls for an assessment of the financial impact on group health plans

- **Tax credits.** Nine states and the District of Columbia have considered employer-sponsored health promotion program tax credits, but only Indiana enacted legislation (2007 Ind. Acts, P.L. 2218). Indiana's Small Employer Wellness Tax Credit Program allows employers with two to 100 employees to receive a tax credit for 50 percent of the cost incurred in a given year for providing state-certified employee wellness programs.<sup>5</sup>

- **Studies.** Several states have enacted laws or resolutions to study or make recommendations regarding worksite wellness programs. New Mexico, for example, adopted a 2009 resolution calling for a study of the potential effects of business-based wellness programs (New Mexico HJM 24, 2009, resolution).

## State Worksite Wellness Program Examples<sup>6</sup>

- The Arkansas employee health benefit program introduced health risk assessments in 2004. Employees who complete an assessment receive a \$10 discount on their monthly insurance premium; those found to be at low risk receive an additional \$10 discount. The 2005 law (2005 Ark. Acts, Act 724), provides that state employees who meet targets for eating fruits and vegetables, engage in regular physical activity, obtain age-appropriate health screenings, and avoid or quit use of all tobacco products can earn up to three days' annual leave. Between inception of the Arkansas Healthy Employee Lifestyle Program (AHELP) in April 2005 and June 2008, 39 participants earned one day of leave, 40 earned two, and 108 earned three.

- Alabama law (2008, Ala. Acts, Act #2008-80) allows the State Employees' Insurance Board to make adjustments or surcharges to an employee's health insurance premium based on wellness and preventive care participation. The board established a Wellness Premium Discount Program that gave employees a \$25 per month discount on their 2010 health insurance premiums for submitting, by Nov. 30, 2009, baseline readings for blood pressure, cholesterol, glucose and body mass index. Effective Jan. 1, 2011, employees can receive the discount if the board considers them not to be at risk based on screening results and they participate and complete an approved wellness program, report improvement in their risk factors, or have a medical condition that prevents them from improving these factors.<sup>7</sup>

- Delaware's DelaWELL program assesses employee health risks and provides confidential, personalized feedback and coaching on lifestyle topics such as back care, blood pressure management, exercise, nutrition and stress management. The program is available to state, school district, charter school and higher education employees and pre-65 retirees currently enrolled in group health insurance programs. Starting Oct. 1,

2010, eligible members earn Wellness Credits for participating in program activities; credits can translate into DelaWELL Rewards of \$100 to \$200.

- South Dakota's online wellness program helps employees set health risk reduction goals. Program enrollees can receive \$100 per year in a Health Rewards and Wellness Account and up to five gift incentive items per year for reaching at least one individual wellness goal.

### Non-State Worksite Wellness Program Examples

- The University of Miami spent \$40 million to build and maintain two on-campus wellness centers. It offers employees a 20 percent rebate for wellness center membership and a \$150 health insurance premium credit if they participate in an online health risk assessment.

- In 2010, Whole Foods announced that employees could receive an enhanced discount on purchases at Whole Foods stores based on their body mass index, cholesterol level, blood pressure and nicotine use. While all employees receive a 20 percent store discount, those who have low test results for all four health risk factors will receive a 30 percent discount.

- Kellogg Company, Humana Companies, Johnson & Johnson, Safeway and Dell Corporation link discounts on employee insurance payments to a range of health indicators to create incentives for healthy behaviors.

### Evidence of Effectiveness

Studies of worksite wellness programs demonstrate that well-designed programs can reduce employer and employee health expenditures and absenteeism, at least for large employers, including state government. Research for this brief did not uncover any studies of the effectiveness of state laws to encourage more employers to offer, or more employees to participate in, worksite wellness programs.

- A systematic review of worksite wellness program studies published in 2010 concluded the programs produce net savings for large employers.<sup>8</sup> The average size of wellness program groups in the studies was more than 3,000 workers. Large employer wellness programs saved an average of \$358 in reduced health care costs per employee per year at a cost to the employer of \$144 per employee per year. The report also found savings from reduced absenteeism. The average savings was \$294 (1.8 days) per employee per year, assuming an average hourly wage of \$20.49; the average program cost was \$132 per employee per year. The literature review could not determine which interventions (e.g., on-site fitness programs, cash awards, reduced copayments, free smoking cessation classes, health risk assessments, etc.) were most effective.

- The independent, nonfederal Task Force on Community Preventive Services examined evidence of the effectiveness of several worksite health promotion interventions. It found that, "Health risk assessments combined with feedback to change employees' health improved one or more health behaviors

or conditions in populations of workers."<sup>9</sup> It also found that smoke-free policies and employer-sponsored incentives and competitions to stop smoking reduced worker tobacco use. The study did not examine the programs' costs or savings.

- Research on worksite wellness programs suggests that untargeted health promotion campaigns have little long-term effects.<sup>10</sup> Programs are more likely to produce a positive return on investment if they target those at high-risk and tailor the program to individual employees.

- Vermont began a state employee worksite wellness program more than a decade ago. According to a 2008 *Governing* article, "Vermont's health care spending for state employees still has increased, but generally at a lower rate than other states."<sup>11</sup> Regarding program savings, the article quotes David Herlihy, commissioner of the Vermont Department of Human Resources: "It's hard to say exactly where the savings have come from. There are very complex questions of trying to quantify what the return on investment is." The article also notes that Vermont's returns have been inconsistent from year to year.

- With respect to worksite wellness program tax credits, a 2010 brief on wellness initiatives reported, "The evidence to date suggests gains from wellness programs are too uncertain to justify broad taxpayer supported subsidies."<sup>12</sup> Data on the Indiana Small Employer Wellness Tax Credit Program indicate that relatively few employers have claimed the credit. According to the Indiana Department of Revenue, in 2007 (the first year of the program), 50 employers claimed \$107,960 in small employer wellness tax credits; in 2008, 184 employers claimed \$219,782; and in 2009, 186 employers claimed \$225,085.

- Some question the long-term beneficial effects of worksite wellness programs. According to Kevin Volpp, director of the University of Pennsylvania's Center for Health Incentives, changing behavior in the long-term, particularly with weight loss, is difficult, tricky to measure, and often does not pay off for employers.<sup>13</sup> A July 2010 study cautioned, "The long-term results of behavior modification programs are mixed, with participants losing weight only to gain it back or quitting smoking only to start again."<sup>14</sup>

### Challenges

- Determining the return on investment for wellness programs can be difficult. Several years of data analysis are necessary to assess the effects of wellness programs on cost savings and sustainable changes in modifiable health risk factors.

- Building a successful program requires staff, time and money. A Texas worksite wellness publication notes, "Some larger organizations may spend 20 hours per week for three to six months preparing for all the steps prior to launching a worksite wellness program."<sup>15</sup>

- Although some comprehensive worksite wellness programs have yielded as much as a \$3 to \$6 return on each \$1 invested, it usually takes three to five years to realize these savings.

■ Researchers report no evidence exists to determine the size of incentive required to change various health habits. For example, it is not known whether smoking cessation requires a higher financial incentive than weight loss or blood pressure control.

■ Small employers may not have the resources to mount a cost-effective wellness program. Several experts have noted it is more difficult for small employers to shoulder the added cost of worksite programs, particularly staffing expenses.

■ Several major national consumer advocacy organizations oppose programs that provide discounts on health insurance premiums, deductibles or copayments to reward employees who meet risk reduction targets. A joint policy statement from the American Cancer Society Cancer Action Network, American Diabetes Association and American Heart Association noted, "The evidence that insurance-based incentives change behavior is lacking, and the risk that these plans could be used to discriminate against persons who are less healthy than their counterparts is not insignificant."<sup>16</sup>

## Complementary Strategies

Worksite wellness programs can be used with other cost containment strategies. Examples include public health and preventive care programs, and health insurance benefit plan redesign. Using employer-sponsored health promotion programs in conjunction with these strategies (which are the subject of other briefs in this series) may offer a greater level of cost containment than could be achieved by implementing a single strategy.

## For More Information

Baicker, Katherine, David Cutler and Zirui Song. "Workplace Wellness Programs Can Generate Savings." *Health Affairs* 29, no. 2 (February 2010); [www.wellsteps.com/blog/ROI-copy.pdf](http://www.wellsteps.com/blog/ROI-copy.pdf).

Council of State Governments. *Promoting Workplace Health: Legislator Policy Brief*. Lexington, Ky.: CSG, January 2008; [www.healthystates.csg.org/NR/rdonlyres/B6FC0AB2-A14A-4321-AAF8-778E57AA9752/0/LPBWorkplaceHealth\\_screen.pdf](http://www.healthystates.csg.org/NR/rdonlyres/B6FC0AB2-A14A-4321-AAF8-778E57AA9752/0/LPBWorkplaceHealth_screen.pdf).

National Conference of State Legislatures. State Wellness Legislation Web page [www.ncsl.org/default.aspx?tabid=13826](http://www.ncsl.org/default.aspx?tabid=13826). The latest information on this topic is available in an NCSL online supplement at [www.ncsl.org/?tabid=19938](http://www.ncsl.org/?tabid=19938).

## Notes

1. Katherine Baicker, David Cutler and Zirui Song, "Workplace Wellness Programs Can Generate Savings," *Health Affairs* 29, no. 2 (February 2010); [www.wellsteps.com/blog/ROIcopy.pdf](http://www.wellsteps.com/blog/ROIcopy.pdf).

2. The Kaiser Family Foundation and Health Research and Educational Trust, *Employer Health Benefits 2010 Annual Survey* (Washington, D.C.: KFF and HRET, September 2010); [ehbs.kff.org/pdf/2010/8085.pdf](http://ehbs.kff.org/pdf/2010/8085.pdf).

3. American Heart Association, *Worksite Wellness Programs Lower Healthcare Costs, Make Employees Healthier*, news release, Sept. 30, 2009; [www.newsroom.heart.org/index.php?s=43&item=832](http://www.newsroom.heart.org/index.php?s=43&item=832).

4. For a complete list of state worksite wellness bills and laws, see National Conference of State Legislatures, State Wellness Legislation Web page, [www.ncsl.org/default.aspx?tabid=13826](http://www.ncsl.org/default.aspx?tabid=13826).

5. For more information, see the Indiana State Health Department Certified Wellness Program Web page, [www.in.gov/isdh/19944.htm](http://www.in.gov/isdh/19944.htm).

6. For more examples of state employee worksite wellness programs, see National Conference of State Legislatures, "Wellness Programs for State employees Becoming More Widespread," State Employee Health Plan Benefits, [www.ncsl.org/?tabid=14345](http://www.ncsl.org/?tabid=14345).

7. State of Alabama Wellness Premium Discount Program Web page, [www.alseib.org/PDF/SEHIP/SEHIPWellnessPremiumDiscount.pdf](http://www.alseib.org/PDF/SEHIP/SEHIPWellnessPremiumDiscount.pdf).

8. Katherine Baicker, David Cutler and Zirui Song, "Workplace Wellness Programs Can Generate Savings."

9. Task Force on Community Preventive Services, "Recommendations for Worksite-Based Interventions to Improve Workers' Health," *American Journal of Preventive Medicine* 38, no. 2S (2010); [www.thecommunityguide.org/worksites/Worksite2010Recommendations\\_TaskForce.pdf](http://www.thecommunityguide.org/worksites/Worksite2010Recommendations_TaskForce.pdf).

10. Texas Department of State Health Services, Choosing the Right Type of Worksite Wellness Program Web page, [www.dshs.state.tx.us/wellness/PDF/ht-page4.pdf](http://www.dshs.state.tx.us/wellness/PDF/ht-page4.pdf).

11. Josh Goodman, "The Price of Prevention," *Governing* (April 2008); [www.governing.com/topics/health-human-services/The-Price-of-Prevention.html](http://www.governing.com/topics/health-human-services/The-Price-of-Prevention.html).

12. Ha T. Tu and Ralph C. Mayrell, *Employer Wellness Initiatives Grow, but Effectiveness Varies Widely* (Washington, D.C.: National Institute for Health Care Reform, 2010); [www.nihcr.org/Employer-Wellness-Initiatives.html](http://www.nihcr.org/Employer-Wellness-Initiatives.html).

13. Cindy Krischer Goodman, "Health Care Reform May Spur More Office Wellness Programs," *Kansascity.com*, July 6, 2010.

14. Ha T. Tu and Ralph C. Mayrell, *Employer Wellness Initiatives Grow, but Effectiveness Varies Widely*.

15. Texas Department of State Health Services, Choosing the Right Type of Worksite Wellness Program Web page, [www.dshs.state.tx.us/wellness/PDF/ht-page4.pdf](http://www.dshs.state.tx.us/wellness/PDF/ht-page4.pdf).

16. American Cancer Society, American Diabetes Association and American Heart Association, *Financial Incentives to Encourage Health Behaviors*, a joint issue brief (Washington D.C.: ACA, November 2009); <http://pulse.ncpolicywatch.org/wp-content/uploads/2009/11/PolicyStatement-AHA-ACS-ADA2.pdf>.

### About this Project

NCSL's Health Cost Containment and Efficiency Series describes multiple alternative state policy approaches, with an emphasis on documented and fiscally calculated results. The project is housed at the NCSL Health Program in Denver, Colorado. It is led by Richard Cauchi, program director, and Martha King, group director, with Barbara Yondorf as lead researcher. Ashley DePaulis provided research and drafts for this brief.

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