

Wellness Programs

Introduction

Employers may sponsor wellness programs as a means to promote better health and higher morale among employees, with the hope that helping employees to embrace a culture of health will lead to higher productivity with lower health-related costs.

Wellness plans may be included in health insurance programs, or they may stand alone. These plans may include, but are not limited to, the following:

- Tobacco cessation, exercise, weight management, or other behavior modification programs.
- Health risk assessments.
- High blood pressure or cholesterol screenings.
- Health education.
- Subsidized health club memberships.

While participation in wellness programs is voluntary, employers may offer incentives for participation or even disincentives for nonparticipation.



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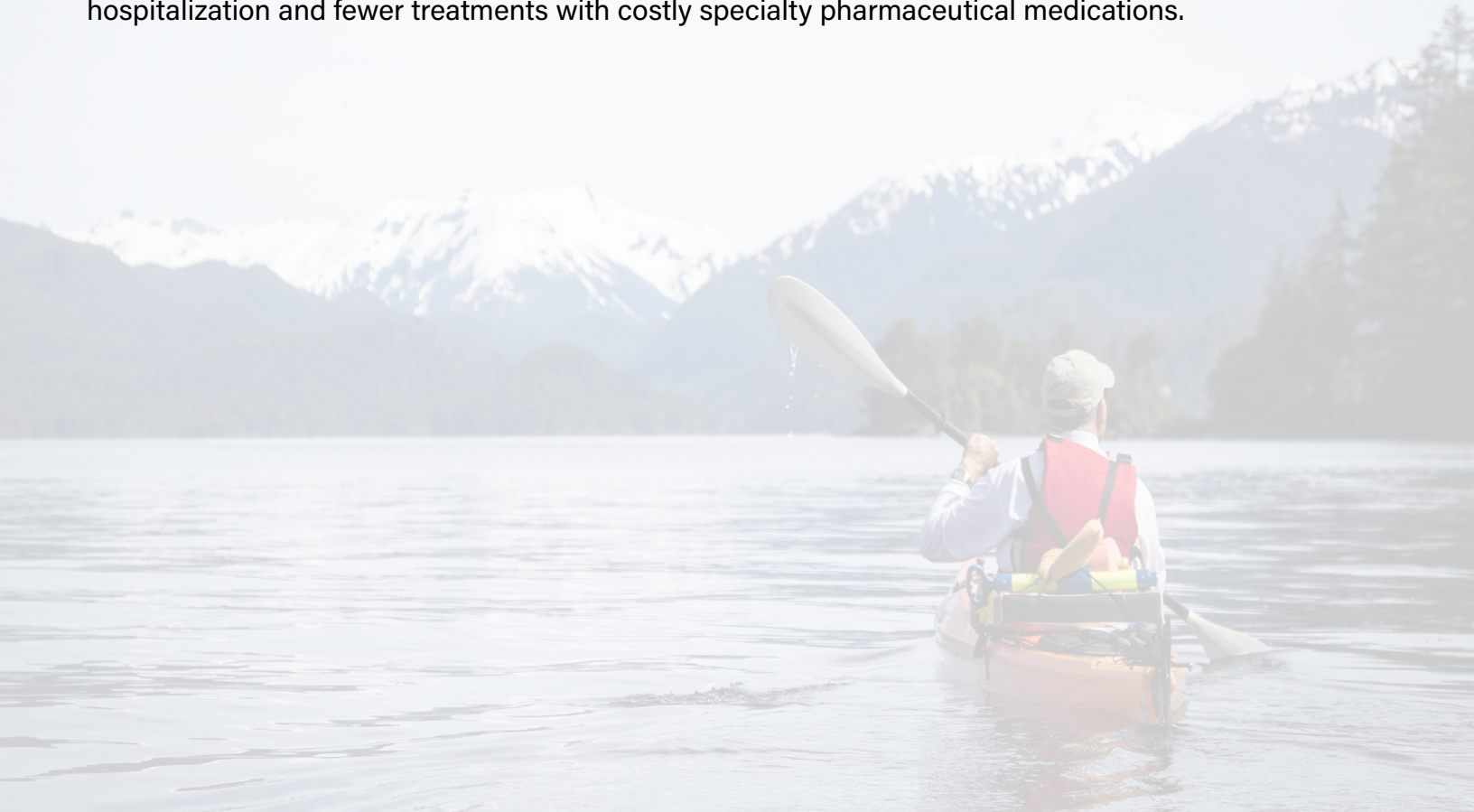
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Advantages

While employers are searching for definitive methods to establish return on investment (ROI) for dollars spent on wellness programs, development of financial measurement tools for wellness ROI is not yet mature. Still, it is logical for employers in the United States to seek financial advantages from promoting a culture of health in an environment where the onset of chronic disease is shifting to people of younger age who, prior to becoming eligible for Medicare, are most frequently covered under health plans paid for by employers. Advantages for both employers and employees arise when employers seize the opportunity to use their access to employees as an opportunity to provide education and facilitate changes leading to an increase in emotional well-being and reduced risk of illness.

According to the U.S. Centers for Disease Control and Prevention, chronic diseases are the leading causes of death and disability in the United States. Among the most common, manageable or preventable chronic diseases are diabetes, heart disease, stroke, arthritis, and cancer. Obesity is also an urgent health concern, affecting as many as one in three adults and one in five children. Rising rates of obesity are leading to more diabetes and heart disease. Reducing the prevalence or severity of these diseases and conditions can reduce the emotional stress experienced by individuals, empowering them to focus more on productive work-related activities. Additionally, preventing or delaying the onset of diseases will likely correlate to less demand for employers to pay for expensive hospitalization and fewer treatments with costly specialty pharmaceutical medications.



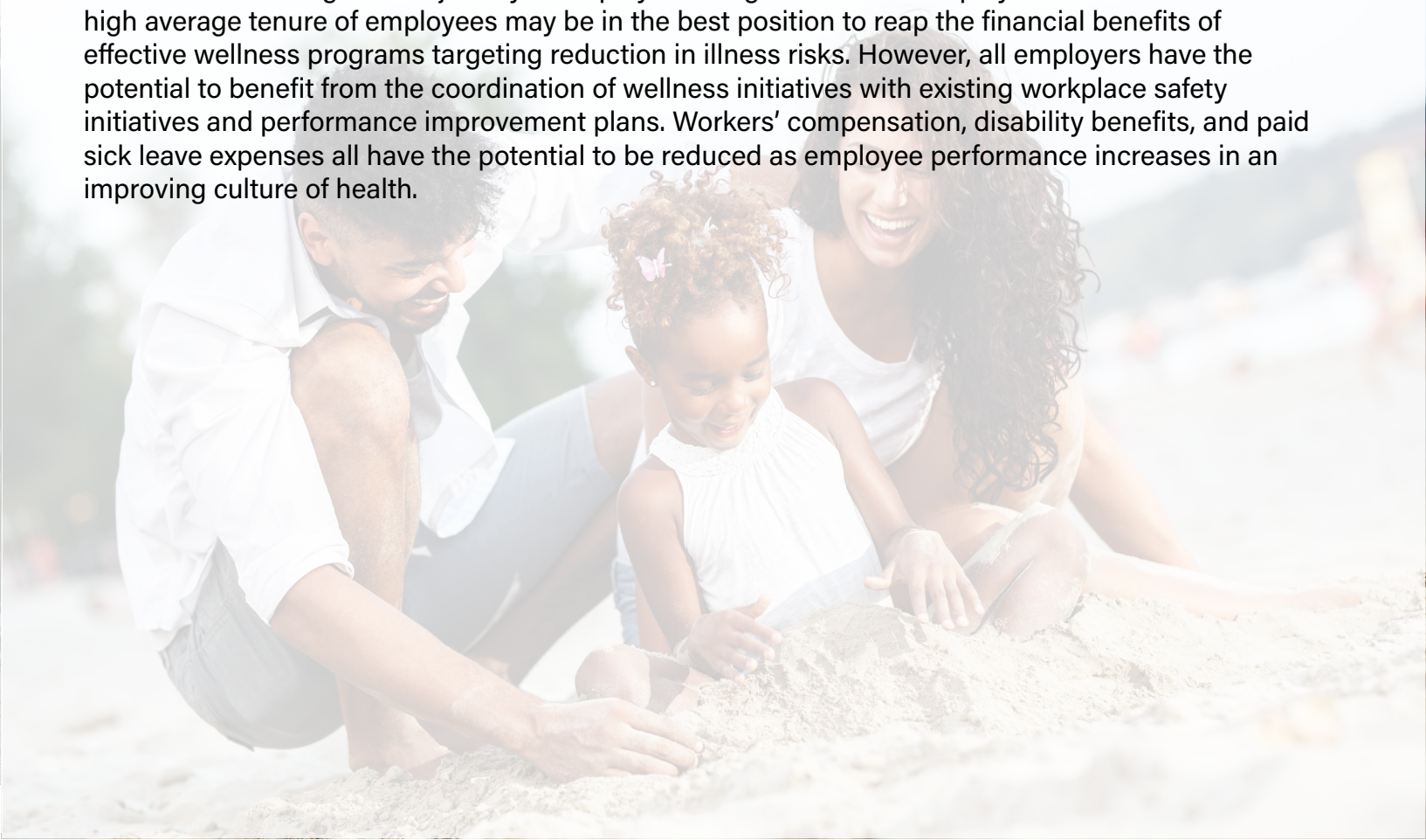
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Financial Savings

To appreciate the potential financial savings possible through the prevention or delay in onset of disease, it is important for employers to understand how small percentages of high-utilization participants in health plans may drive much of the cost. In general, 20 percent of a health plan's population drives 80 percent of cost for all medical and prescription claims paid in a plan year. Often, just 5 percent of a health plan's population in a given year will be high-cost claimants accounting for approximately half of all paid claims. Such individual high-cost claimants increasingly include inpatient hospital treatment and pharmaceutical claims costing in excess of \$500,000 for a single claimant's course of care. For example, a claimant could cost more than \$600,000 annually for treatment of diabetes that has advanced to end stage renal disease requiring kidney dialysis. Similar costs are associated with other diseases moving from chronic to acute stages. On the other hand, \$600,000 could be more than it would cost in a year for an employer-sponsored plan with 1,000 enrolled employees to pay for all employees plus dependents to have annual preventative physical examinations performed by their primary care physicians. When average coverage for an employee plus family enrolled in a plan costs over \$16,800 per year, it can be frustrating for the employer to realize that there will not be significant, immediate discounts in return for providing wellness benefits. However, it takes premium payments from a pool of many members to offset the claims paid for just one high-cost claimant.

The financial rewards associated with the successful movement of a pool of insured members into a culture of health are likely to be more prevalent over the long term. Efforts directly promoting healthy behaviors can change the trajectory of employees' long term health. Employers with low turnover and high average tenure of employees may be in the best position to reap the financial benefits of effective wellness programs targeting reduction in illness risks. However, all employers have the potential to benefit from the coordination of wellness initiatives with existing workplace safety initiatives and performance improvement plans. Workers' compensation, disability benefits, and paid sick leave expenses all have the potential to be reduced as employee performance increases in an improving culture of health.



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Elements of Wellness Programs

Long-term wellness strategies involve screening to identify health risks, which may be followed by offering chronic condition management and wellness coaching to a level of intensity commensurate with the severity of the health risk. Such a program will seek to promote exercise and balanced intake of nutrition, while managing the risks associated with a cluster of risk factors (metabolic syndrome) proven to lead to severe illness. These risk factors include waist circumference, triglycerides, glucose, and blood pressure, measured by biometric screenings that may be arranged for by an employer by contracting with independent service providers.

Many wellness programs will include a health risk assessment (HRA) questionnaire which may be filled out on paper, or through an online or smartphone application. These assessments are usually administered by third parties with experience in protecting patient privacy. Such risk assessments typically exclude questions about family health history that risk violating patient protections under the Genetic Information Nondiscrimination Act of 2008 (GINA). Vendors provide employers with analytical reports accumulating the results of HRAs to provide insight as to the total population health of the group covered under the program. Individual health information is usually not provided to the employer.

Employer Steps

In the short term, employee morale can be enhanced by programs promoting regular breaks for stretching and exercise throughout the workday. Instituting an Employee Assistance Program (EAP) so that employees can receive confidential assistance with emotional, legal, and financial issues can also help to boost employee morale and productivity, as these issues cause emotional stress that can lead to absenteeism and presenteeism. Absenteeism is easily recognizable as it often is manifest by an employee staying home from work, while presenteeism is when employees show up to work without performing to their full potential, such as when they are exhausted or sick. Those suffering presenteeism may work in an impaired state, creating safety hazards for other employees or spreading illnesses like influenza, causing others around them to be less productive as well.

Strategies

Strategies implemented by employers to promote a culture of health range from simple education campaigns, to making changes within the working environment, to using outside vendors in the implementation of comprehensive screenings and coaching to support employees in adopting and sustaining healthy lifestyles. Employers may choose to offer rewards or incentives to encourage employees to invest their personal time and effort into embracing a culture of health. The choice to offer rewards needs to be undertaken with advice from skilled advisors.

Regulations Governing Wellness Plans

Employers must consider multiple facets of regulation when developing strategies to reward employees for embracing wellness. The Americans with Disabilities Act (ADA) warns employers not to create “rewards” (incentives) so large that they become penalties, although it does this without defining clear dollar amounts or percentages. However, the Affordable Care Act (ACA), uses the term “reward” in a more precise manner — the ACA refers both to an incentive payment or a penalty surcharge as a reward. Further, the ACA categorizes wellness programs as either “participatory” or “health-contingent” and applies different rules for each category:

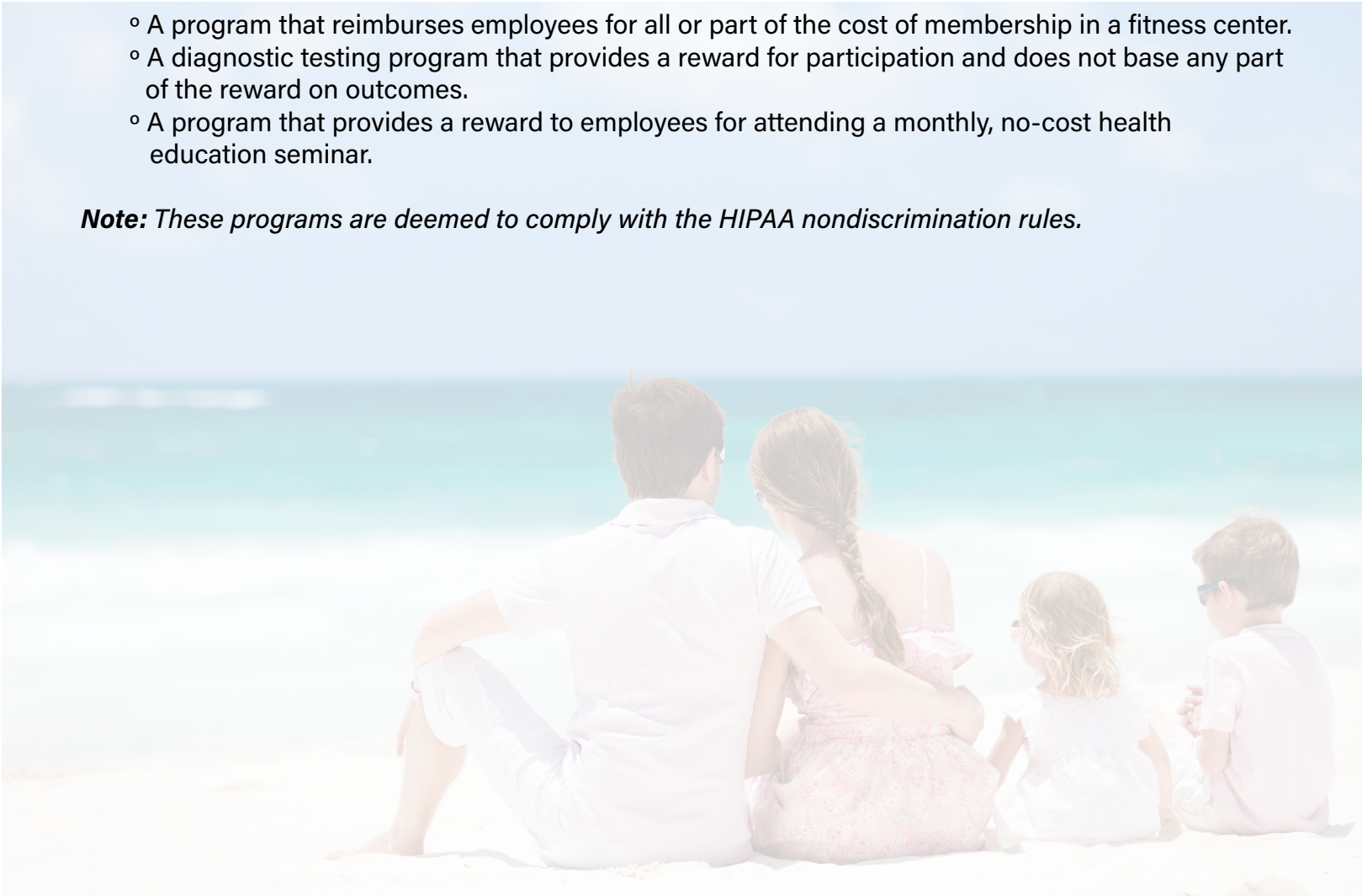
- Participatory wellness programs.
- Health-contingent wellness programs.

Participatory Wellness Programs

Participatory wellness programs are programs that either do not provide a reward or do not include any conditions for obtaining a reward that are based on an individual satisfying a standard that is related to a health factor. Examples include:

- A program that reimburses employees for all or part of the cost of membership in a fitness center.
- A diagnostic testing program that provides a reward for participation and does not base any part of the reward on outcomes.
- A program that provides a reward to employees for attending a monthly, no-cost health education seminar.

Note: These programs are deemed to comply with the HIPAA nondiscrimination rules.



Health-Contingent Wellness Plans

Health-contingent wellness programs require an individual to satisfy a standard related to a health factor to obtain a reward (or require an individual to undertake more than a similarly situated individual based on a health factor in order to obtain the same reward). This standard may be performing or completing an activity relating to a health factor, or it may be attaining or maintaining a specific health outcome.

There are two types of health-contingent wellness programs:

- Activity-only wellness programs.
- Outcome-based wellness programs.

Activity-only wellness programs require an individual to perform or complete an activity related to a health factor in order to obtain a reward. Activity-only wellness programs do not require an individual to attain or maintain a specific health outcome. Examples of activity-only wellness programs include walking, diet, or exercise programs.

Outcome-based wellness programs require an individual to attain or maintain a specific health outcome (such as not smoking or attaining certain results on biometric screenings) in order to obtain a reward.

The reward may be a discount or rebate of premium, waiver of all or part of a cost-sharing mechanism (deductible, co-payment or co-insurance); it may also be the absence of a penalty, such as a surcharge or the reduction of a benefit that would otherwise be provided under the health plan.

These programs must satisfy certain requirements to comply with HIPAA’s nondiscrimination rules. For additional information, see [HIPAA Portability and Nondiscrimination Requirements](#).

Incentives and Penalties

Starting with 2014 plan years, the maximum allowable reward (incentive or penalty) in a healthcontingent wellness program under the ACA is 30 percent of the health plan cost, or 50 percent if the program is designed to prevent or reduce tobacco use. (Health plan cost generally is the COBRA rate minus the 2 percent administrative fee.) If the program is merely participatory, however, there is no limit under the ACA for the amount of reward an employer can give an employee.

Regardless of the ACA provisions for wellness programs, the Equal Employment Opportunity Commission (EEOC) presently believes that compliance with the ADA prevents employers from offering rewards amounting to steep or enormous penalties — even in a participatory-only program. Considering the EEOC’s public comments endorsing voluntary wellness programs, and that their enforcement activity is focused on programs imposing penalties that they describe as enormous or steep, it appears likely the use of wellness program incentives will continue to be permitted.

Promoting a Culture of Wellness

As employers compete to recruit and retain qualified employees, wellness programs present an opportunity to communicate a message of commitment to the well-being of employees. Promoting a culture of wellness can improve morale by creating a safe and supportive work environment. Promoting emotional health may also improve the productivity of employees on the job and enrich their personal lives. A sustained program also creates the opportunity to counter the trend towards inflation in spending on employer-sponsored health care by diminishing the demand for hospitalization and specialty pharmaceuticals during the pre-retirement years.



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