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Commentary

Financial Incentives: Only One Piece of the Workplace Wellness Puzzle

Comment on "Corporate Wellness Programs: Implementation Challenges in the Modern American Workplace"

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Abstract

In this commentary, we argue that financial incentives are only one of many key components that employers should consider when designing and implementing a workplace wellness program. Strategies such as social encouragement and providing token rewards may also be effective in improving awareness and engagement. Should employers choose to utilize financial incentives, they should tailor them to the goals for the program as well as the targeted behaviors and health outcomes.

Keywords

Workplace, Wellness Programs, Health and Wellness Promotion, Lifestyle Management, Incentives, Employees, Workplace Culture, Employee Engagement

The commentary "Corporate Wellness Programs: Implementation Challenges in the Modern American Workplace" by Mujtaba and Cavico strives to offer insights into reward (carrot) versus penalty-based (stick) incentives to encourage participation in workplace wellness programs and to describe the legal framework that governs those incentives in the U.S. (1). Leading up to the discussion, the authors provide a description of the workplace wellness landscape by providing an overview of (a) various definitions of workplace wellness programs and the need for a "universally accepted definition"; (b) a list of common components of wellness programs, including health risk assessments, stress management programs, and smoking cessation programs; and (c) potential health benefits to be accrued from offering wellness programs beyond saving money for employers, such as improved health outcomes at both the employer and societal levels.

We agree with the authors' argument that there is an urgent need to address chronic illness and the spiraling costs of healthcare in the U.S., and their analysis that penalties can have unintended consequences, such as shifting costs to sick individuals or creating negative perceptions among employees. The title of the paper is a stretch, however—the authors overwhelmingly focus on financial incentives, fail to clearly distinguish between implementation of *wellness programs* and implementation of *incentives* as part of wellness programs, and do not clarify that the particularities of the U.S. legal environment do not apply to other countries.

In their description of approaches to program implementation, Mujtaba and Cavico state one key issue is "to ascertain which approach to take in implementing a wellness program—'carrots' or 'sticks'", which implies that incentives are a necessary component of such programs and that the choice is only between rewards and penalties. We do not agree with this view because incentives are one of many strategies to encourage engagement in programs (2). Other types of positive reinforcement—such as peer pressure, workplace environment or token rewards—may also be effective. Further, the "carrot versus stick" distinction is only one consideration when choosing incentive schemes. We describe various incentive targets, such as program participation, health-related behaviors, or attaining specific health standards or outcomes. Finally, we point the reader to important legal implications when considering wellness program implementation in the U.S.

To address Mujtaba and Cavico's emphasis on financial incentives, we acknowledge that they are commonly offered, but they are only one component of wellness programs. According to RAND's Employer Survey, as part of the recently published "Workplace Wellness Programs Study", two-thirds of U.S. employers with wellness programs use financial incentives to improve employee engagement. Despite their broad use and increasing popularity (3), incentives are only one of many key components that employers should consider when designing and implementing a program. Assessing employee risks and health status, tailoring interventions to the employee population, creating strategies to integrate population health programs, effective messaging, and conducting program evaluation are other important considerations.

With regards to engagement, we would argue that a promising approach is to create a "wellness culture" by utilizing positive reinforcement and token rewards to engage employees and raise awareness (4,5). Social encouragement from peers and managers helps to reinforce healthy behaviors without use of financial incentives. According to findings from RAND's Wellness Programs Study, employers find it advantageous to encourage friendly competition among colleagues by creating fitness challenges, such as achieving a specific number of steps per day or participating in "The Biggest Loser" competitions.

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Line managers can increase buy-in among their employees by encouraging participation and discussing wellness opportunities at daily meetings or huddles, and senior managers can utilize broad messaging to help create a vision of health and productivity. In addition to social pressure, employees respond to cues, such as token rewards that encourage participation or engagement in programs. For example, employees who attend a health fair or lunch-and-learn session may be rewarded with a gift card, a yoga mat, or a waived fee to participate in a 5k race. Other token rewards may be focused on accumulating points for healthy behaviors, which can be exchanged for products (e.g., gym memberships and pedometers) (3).

Should an employer decide to utilize financial incentives, the question is not only whether to use rewards or penalties, but also to which behaviors or outcomes the incentives target. Broadly, incentive schemes are divided into participatory and health-contingent incentives. Participatory incentives, which are tied to participation in lifestyle management interventions, such as those that target smoking, diet, and exercise, are more common than (1) health-contingent incentives, which reward achieving health-related standards, such as blood pressure control, or making progress toward such health goals. One large manufacturing employer in our study rewarded employees for making improvements, such as losing five pounds or lowering their cholesterol. Another large employer in the financial industry rewarded employees for meeting personalized goals, such as exercising four times a week or increasing fruit and vegetable intake. Such progress-oriented incentives may be particularly useful for motivating individuals with complex conditions or a number of health risk factors, as small steps may be perceived attainable (6).

Turning to the discussion regarding legal considerations, we agree that the legal and regulatory framework in the U.S. is complex because privacy, anti-discrimination, and insurance laws interact both at the state and at the federal level. We recently provided an overview of the different laws, but found that in practice, employers have substantial discretion to design incentive schemes under workplace wellness programs (7). But we would like to point out that this complexity is highly specific to the U.S., and other jurisdictions may have very different frameworks. Further, most of the legal and regulatory concerns in the United States focus on health-contingent incentives. Most notable is the current rule (8), set by the Health Insurance Portability and Accountability Act (HIPAA), which limits the value of incentives that group health plans can offer to less than 30% of the total cost of health insurance (meaning premiums paid by both employer and employee). In addition, final rules allow employers with wellness programs designed to prevent or reduce tobacco use to charge tobacco users up to 50% more in premiums than non-users (8).

In summary, the use of financial incentives is becoming increasingly popular as a strategy to encourage participation and engagement. While they have the potential to increase awareness and engagement, employers should think beyond the "carrot versus stick" dichotomy and consider their goals for the programs as well as the behaviors they wish to target and tailor incentives accordingly. We would also argue that accessible and attractive programs increase uptake. Positive reinforcement, such as token rewards and social pressure, can go a long way in catching employees' attention.

Ethical issues

Not applicable.

Competing interests

The authors declare that they have no competing interests.

Authors' Contributions

Both KVB and SM developed the key points for the commentary. KVB wrote the first draft, and SM revised it critically. Both authors approved the final version.

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