



Integrated Incentives: The Missing Link in Reducing Bottom-line Healthcare Costs

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Integrated Incentives & Disease Management

The Business Need

The Value Proposition

The Challenge

Shift in Focus

The Future



The Need for Incentives

Essential for driving program participation, activity and behavior change:

- 80% of CEOs from 150 large United States employers said that incentives were the most promising tool for reducing healthcare costs (*PricewaterhouseCoopers*)
- 2/3 of large employers are now offering incentives to improve employees' health (*PricewaterhouseCoopers*)
- Employers are using incentives to encourage employees to:
 - Complete Health Risk Assessments (53%)
 - Improve personal health (43%)
 - Use lower cost providers (21%)(*Watson Wyatt Worldwide*)
- In its 2006 survey of employers, WELCOA found that 58 percent believed incentive programs would be the most important resource required by employers (*WELCOA*)

Employer's Needs

Patient Engagement in Their Care

Appropriate HealthCare Utilization

Medical Expense Savings

Optimal Employee Productivity

High Quality Care



Individual's Needs

Making Ends Meet

Being Recognized

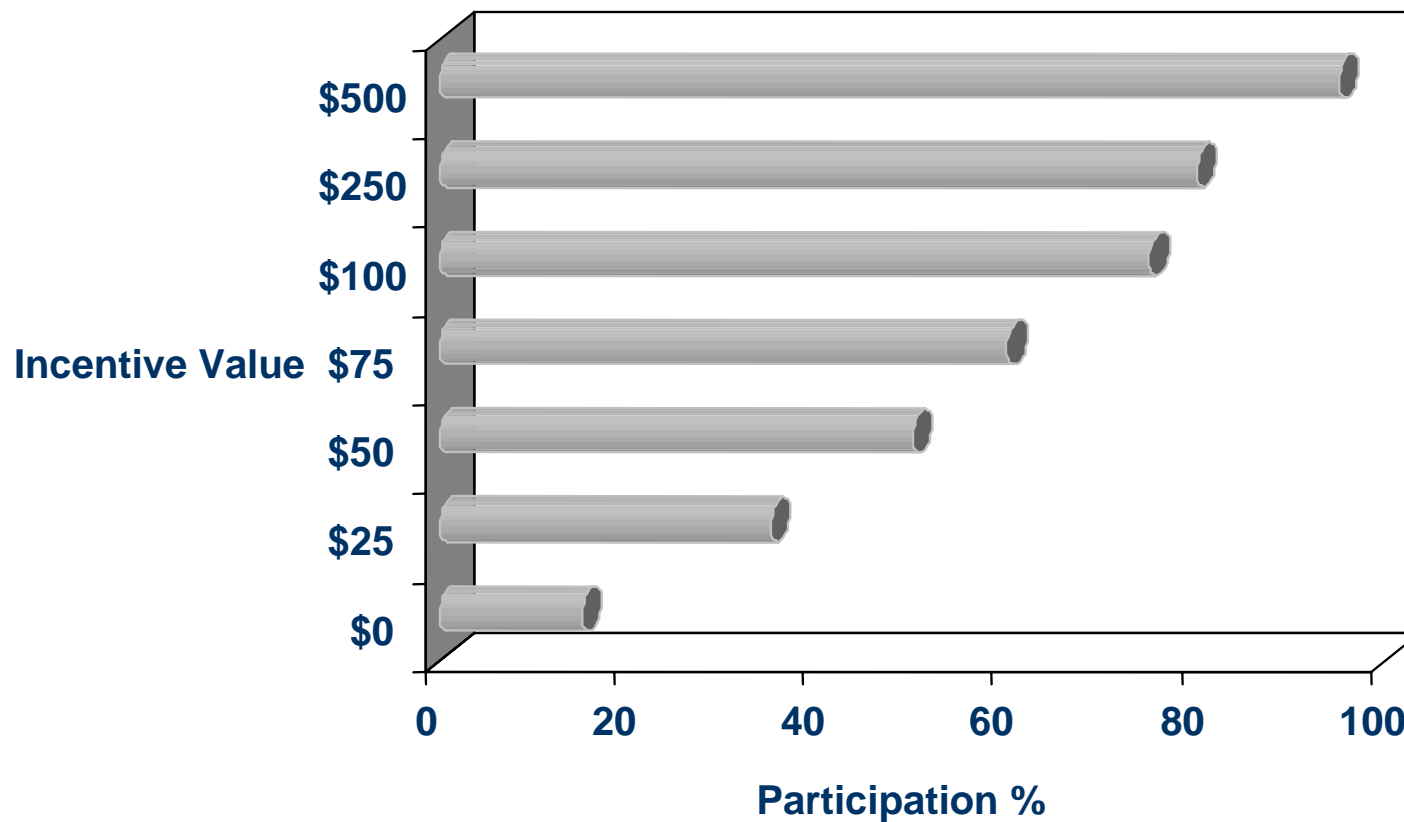
Taking Care of Their Loved Ones

Become or Stay Healthy

Self Esteem



Incentives Drive Participation



Source: Deloitte Center for Health Solutions, 2005.

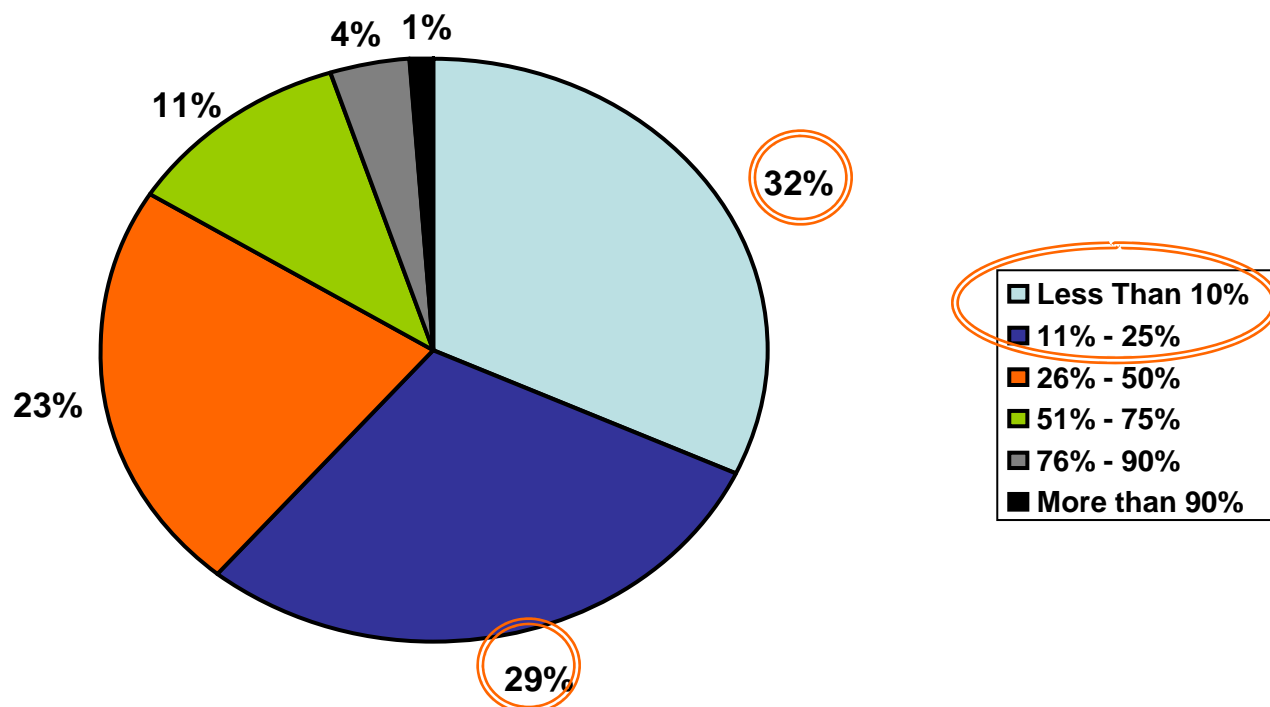
Impact of Incentives on Behavior Change¹

Industry	Incentive	Programs	Program Participation
Johnson and Johnson	\$500 Rebate on Medical Premiums	HRA Wellness Programs	No Incentive: 20% With incentive: 90% HRA Participation \$225 per employee savings on Medical costs due to risk reduction
Quaker Oats	Up to \$300 allocated across numerous activities	HRA, Health Screening, Lifestyle programs.	No Incentive: 50% With Incentive: 82% HRA participation High-Mod risk reduction = \$2M in savings
We Energy	Point-based program \$200 - \$300/year	HRA, Online programs, fitness challenge ³	5 year participation rates sustained at 50%
Motorola	\$240 Cash Reimbursement of Wellness Center Fee	Participation in Wellness Center Programs	Participants increased lifestyle-related costs by 2.5%; Non participants by 18%. 4:1 ROI
Hoffman LaRoche	\$25 gift certificates	Participation in 12-health related activities	No incentive: 10% participation With Incentive: 30% participation

¹ Use of Incentives to motivate healthy behaviors among employees. E. Finkelstein and K. Kosa. Literature Review. Gender Issues, Summer 2003.

The Problem

Approximately 61% of employers have less than 25% of employees participating in employer sponsored-health management programs:



Source: Deloitte Center for Health Solutions, 2005.

“Having many programs available to employees is helpful, but obviously has no impact if employees do not take advantage of them.”

Other DM Incentive Challenges

Severity Level and Type (s) of Disease(s)

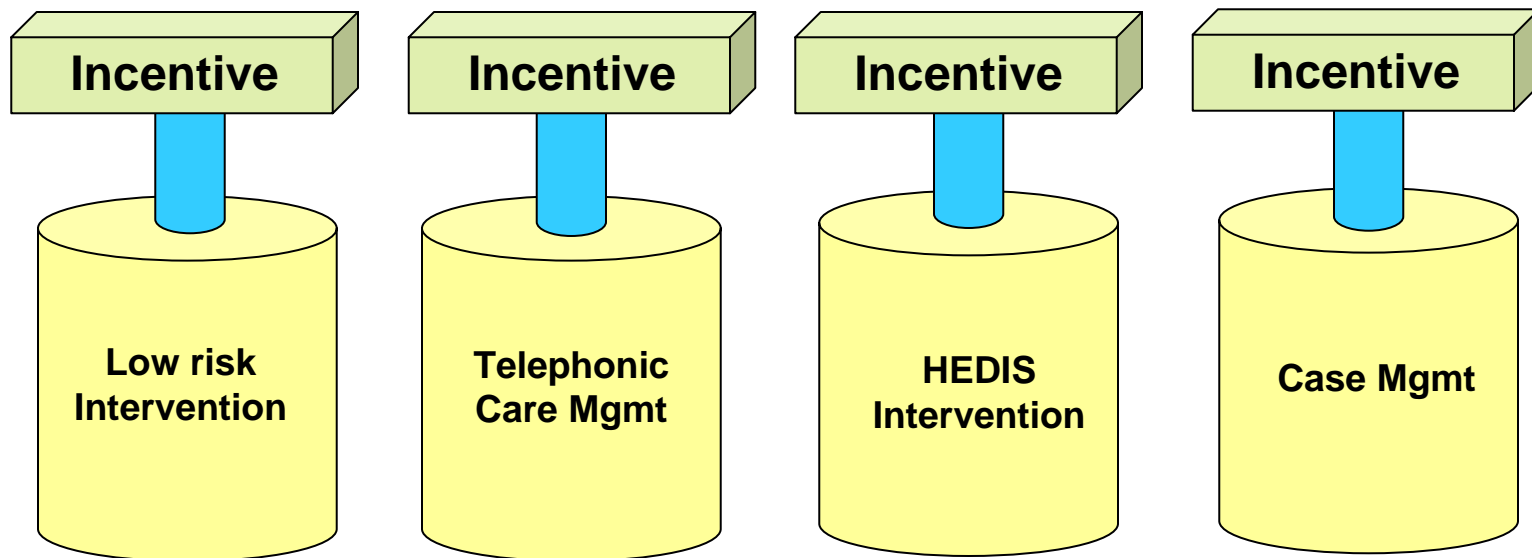
Privacy Issues

Engagement, Outcomes or Both?

Provider Participation

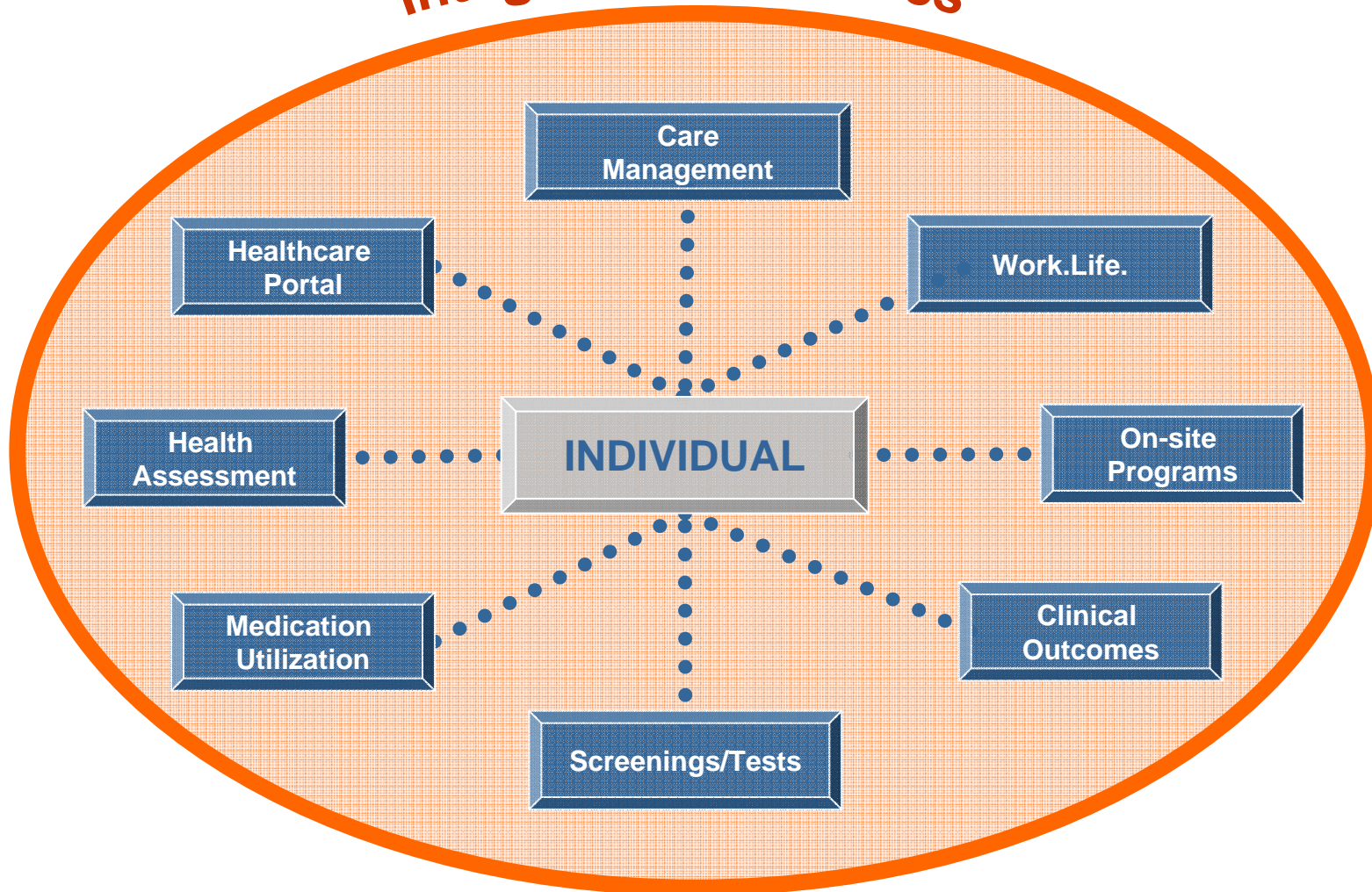
Budget

The Current DM Focus – Silo's

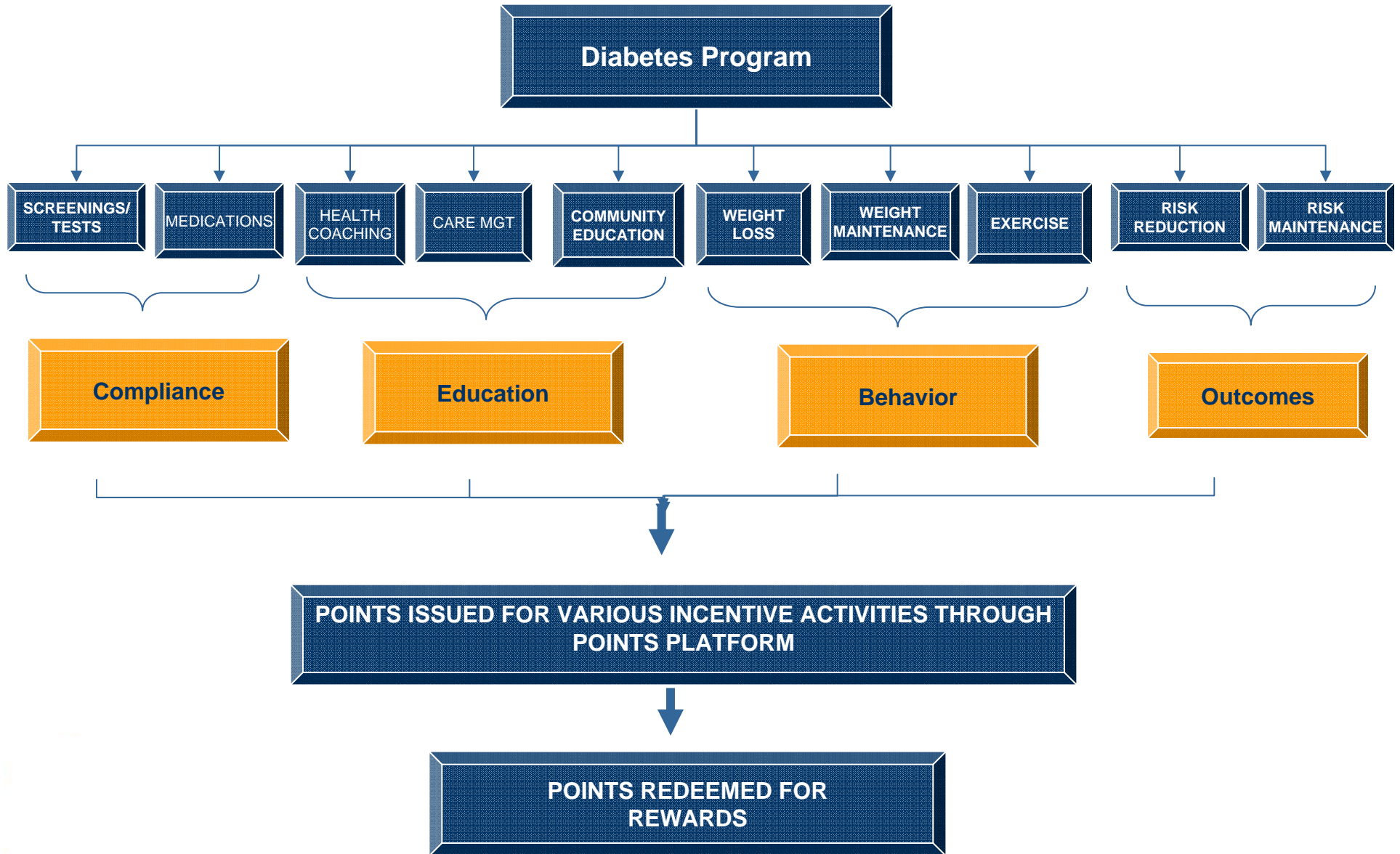


Solution

Integrated Incentives



Data Integration Model



Integrated Incentive Components

- Reward value matched to activity value
- Flexibility: To support diverse programs, audiences and incentive rules
- Broad Reward Portfolio:
 - Monetary Rewards (premium/HRA/HSA)
 - Non-Monetary Rewards (gift cards, etc)
- Award and Points Solutions
- Tracking and Reporting
- Offline and Online Components



The Incentives Standard

Different incentives have varying influence on participation

Incentives	Preventive Care	Exercise	Diet
	Key Levers	Key Levers	Key Levers
Discounts (Health Care Premiums)	<ul style="list-style-type: none"> Above the \$200 threshold 	<ul style="list-style-type: none"> Greatest impact above \$200 	<ul style="list-style-type: none"> Impact is always less than cash
Cash	<ul style="list-style-type: none"> Above the \$200 threshold Avoid levels below \$100 	<ul style="list-style-type: none"> Above the \$200 threshold Avoid levels below \$100 	<ul style="list-style-type: none"> Greatest impact above \$100
Non-monetary Incentives	<ul style="list-style-type: none"> Above \$50 threshold 	<ul style="list-style-type: none"> Raffles can have impact than cash below \$100 Avoid levels below \$100 	<ul style="list-style-type: none"> Gift cards have a greater impact than discounts below \$100
Penalties*	<ul style="list-style-type: none"> Miniscule impact Co-payment increases 	--	--

* The analysis of the impact of penalties on exercise and diet failed to meet traditional levels of statistical significance.

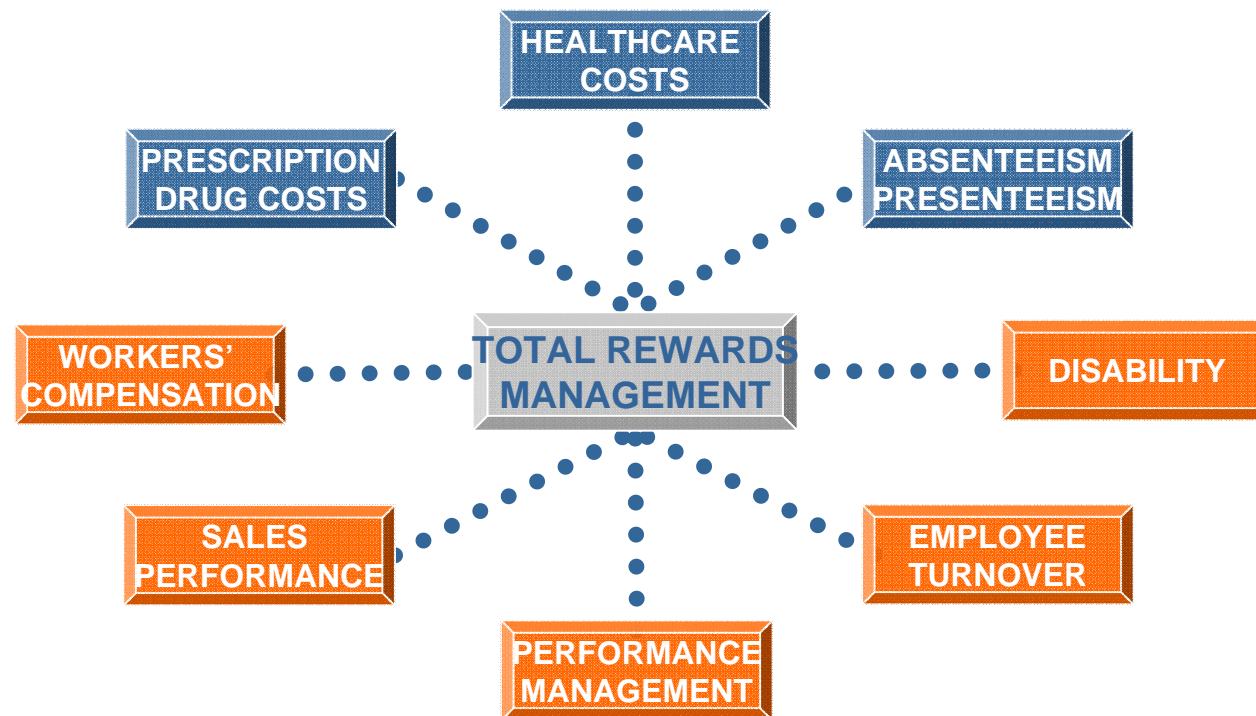
Sources: WELCOA, Benefits Roundtable Health Behaviors Survey

What Motivates Better – Cash or Non-Cash?

Non-Cash Rewards	Cash Rewards
Trophy Value	Intangible....disappear into wallet.
Linked to with the employer	Minimal association with employer
More memorable	Fleeting Impact
Appeal to need for social acceptance, increased self- esteem and self-realization	Used to satisfy basic needs (car payments, groceries, etc.)
Provide strong emotional appeal to participants' personal wants and interests	Cold currency not very personal
Participant's family is involved in selecting awards	No family input into choosing a reward

The Future: Total Rewards Management

Incentive strategies should drive behaviors that impact revenue and cost:



SIMPLE MESSAGE:
*PERFORM...
AND BE REWARDED*