Incentives in Health Care: A review of current research and practice

Why Incentive Programs?

It is generally accepted that a healthy workforce influences the productivity and performance of an employer and reduces health care costs. As healthcare costs continue to rise, employers, insurers, and government are looking for ways to help control these costs. In order to improve member compliance with healthcare treatments and to encourage engagement in healthy behaviors and preventive care, many health insurance companies, employers and Medicaid agencies have begun offering incentive programs to their members. In 2006 Health Insurance Portability and Accountability Act (HIPAA) legislation placed limits on the incentive values for outcome driven incentive programs. Through this regulation, incentives were restricted to 20% of the total cost of the member’s health care insurance.

In 2009, Senators Ensign (R-Nev) and Carper (D-Del) sponsored the "Safeway Amendment" to encourage more employers to implement substantial standard-based wellness programs (Harrison & Anderson, 2010). This amendment proposed expanding the limit for outcome based incentive programs to 30% of the total cost of the health care plan (or potentially 50% with HHS Secretary approval). This proposition was added to the Patient Protection and Affordable Care Act (H.R. 3590) (ACA), and is now spurring even more groups to look into incentivizing desired behavior. ACA also established a 10-state pilot program to allow implementation of reward programs in the individual market by July 2014 (Harrison & Anderson, 2010). If these demonstrations indicate success after three years they will be expanded.

How are incentives used?

A nationwide survey of 500 employers found that nearly 75% of these employers use incentives to promote better health and productivity (Rula, PhD & Sacks, 2009).

Incentives are also used to spur initial and ongoing participation in health and wellness programs in an attempt to expand the program. Incentives can provide increased motivation by improving the perceived cost-benefit ratio to those who are ready for change. Research is beginning to show that appropriate incentives are effective at increasing enrollment and retention (Rula, PhD & Sacks, 2009).

Incentives have been used to enact behavior change in members. Incentives can be seen as a tipping point to convince those who are already considering the behavior change but perceive it too difficult. Incentives appear to be more successful at encouraging simple behaviors such as doctor visits or vaccinations (Rula, PhD & Sacks, 2009). Complex behaviors such as smoking, eating, and exercise have proven more difficult to impact with incentives. However, some studies indicate the larger incentives may be productive at accomplishing change. For example, one study showed participation in an online fitness program and regular physical activity were dramatically improved by providing substantial ($150.00) cash rebates for these behaviors (Herman, Musich, Lu, Sill, Young, & Edington, 2006).
There has been a recent movement towards incentivizing long-term outcomes. As noted above, there is some indication that incentives for health outcomes (e.g. weight loss) can drive short-term improvements in health. However, long-term outcomes and improvements are what provide the most cost-savings in health care. Some studies have found success in providing more routine incentives as a stair step towards compliance with the behavior and, after the outcome is achieved, for maintaining compliance (Volpp, et al., 2009). In these studies, the success rate was markedly higher than the rate for a non-incentivized control group.

**Types of Incentives**

There are two primary types of incentives to achieve desired behavior change: rewards (or “carrots”) such as reduction in premiums or gift certificates and penalties (or “sticks”) such as paying higher premiums if you smoke. Much research surrounds to use of rewards to incent behavior change and healthy choices however, much less documentation exists surrounding the use of a stick in enacting change.

“Sticks”

While both methods may produce change, a distinct advantage of penalties is that they are typically do not cost the organization money. For example, by charging members a higher premium if they choose to smoke, a company can either realize savings from the member’s cessation or, if the penalty is not persuasive enough to stop the behavior, receive higher premiums from the member. In either situation, the company does not incur additional costs. Therefore, in a vacuum, penalties would appear to have a higher cost-benefit ratio. However, there are concerns with these types of penalty programs. Concerns have been raised that some penalty programs run the risk of effectively denying members care due to factors beyond their control (such as mental health issues or economic barriers to care) and, therefore, the usage of these types of programs to incentives behavior change must be carefully considered (Redmond, Solomon, & Lin, 2007). Although few studies exists to test the efficacy of negative incentives, those that do exist indicate a lower success rate than reward type incentive programs and do not evidence long-term behavior change with penalty program (Jochelson, 2007). Data may even suggest that penalty based incentive programs actually reinforce to the individual that they cannot change.

“Carrots”

Although penalty programs may be more popular and avoid the sour taste some get from rewarding members for taking care of themselves, reward programs give the member a sense of support and cooperation from their insurer and can help foster a mutually beneficial partnership (Kevin G. Volpp, David A. Asch, Robert Galvin, & George Loewenstein, 2011). Monetary rewards such as cash or gift cards appear to be most effective at encouraging participation in behavior change. When considering a structuring an incentive program, the socioeconomic status of the population must be taken into consideration as those in higher incomes may require larger sums of money to consider the incentive
valuable (Patel, et al., 2011). Unlike in penalty programs, the cost of a reward program must also be considered to ensure that the program’s budget will not be exceeded by enacting the incentive program.

**When to Incent**

Strategies of when to incentivize behavior generally fall into three categories.

**Participation-Based Incentives**

Incentives are provided for participation in a program (e.g. a weight management class) or completion of a specific task (e.g. a health risk assessment). Participation-based incentives are geared towards initially engaging members in a health program. This incentive strategy isn’t designed to produce long-term behavior change (Noyce, 2011).

**Outcomes-Based Incentives**

Incentives are provided for achieving specific health outcomes such as smoking cessation or lowering cholesterol. The ACA established guidelines are mainly focused on outcomes-based incentives and effecting behavior change. These programs must be designed thoughtfully or they have the potential to be discriminatory (Noyce, 2011).

**Progress-Based Incentives**

Incentives are provided for making meaningful progress toward specific health goals. Tailored health goals are developed for members and incentives are provided for progress on the way towards achievement of that goal. The focus is on long-term, sustained change.

**Best Practices**

Overall, data seems to indicate that incentives do promote behavior changes. However, the incentive must be perceived as valuable by the member (which may fluctuate based on socio-economic status) and the change achieved is often limited in scope (Jochelson, 2007). Positive incentives (“carrots”) appear to be quite successful at impact simple behaviors such as immunizations or wellness exams. However, these simple behaviors do not result in long-term change and savings in most scenarios. Little evidence has shown widespread success in promoting lasting complex behavior change (Oliver, 2010).

Recent studies attempting to identify how to promote this lasting change have investigated incentive programs. The most successful method in creating sustained change over more than a few months appears to be a structured, highly engaging reward programs that incents frequent incremental progress towards a goal or health status (Patel, et al., 2011). To be effective, the program must reward the behaviors (and results) desired, focus on issues that generate the greatest return and reward both short- and long-term progress on the path to success (Elizabeth Barbeau, 2011).
Works Cited


