

WELLNESS TRENDS: DOUBLING DOWN ON INCENTIVES – AND OTHER BEST PRACTICE STRATEGIES

RESULTS FROM THE FOURTH ANNUAL JOINT NATIONAL BUSINESS GROUP ON HEALTH/FIDELITY INVESTMENTS HEALTH IMPROVEMENT SURVEY

Fidelity Investments and the National Business Group on Health (NBGH) recently conducted a joint survey to identify key trends and issues in health improvement. The survey is the latest in a series of studies Fidelity and NBGH have conducted since 2009 to analyze the growth of health improvement programs in the workplace across various industries nationwide.

The results demonstrate that not only have employers doubled their spending on wellness incentives in the last four years, the prevalence of incentives has risen to the point where they are now the marketplace norm. Employers have stepped up their adoption of best practice strategies and continue to use a variety of tactics to promote and support the health of their employees and covered dependents.

“An increasing number of employers understand how wellness programs contribute to a healthy workforce,” says Helen Darling, president and chief executive officer of NBGH. “And it’s encouraging to see employers take the necessary steps to tailor their wellness programs in a way that will incent and motivate their employees to engage in health-improvement activities and find ways to reward them for their progress.”



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KEY FINDINGS

In a positive sign despite an uncertain economic climate, employers continue to invest in the health of their most valuable asset — their employees. The survey results suggest that employers are increasingly relying on the power of incentives and other best practice strategies to engage employees in their health improvement programs. Among the survey key findings:

- The prevalence of incentives has steadily increased to the point where they are now are the marketplace norm, with nearly nine out of ten employers (86%) offering them.
 - The median incentive value has increased to over \$500 per employee per year.
 - For the first time, a majority of employers (54%) offer incentives to dependents.
 - 41% of employers reward incentives for specific actions or outcomes such as biometrics results — not just participation in activities.
 - Employers are successfully engaging their senior management (80%) for support of their programs, and a large majority (70%) is engaging middle management to help implement them.
 - Improvement is needed, however, to better target program communications to employee audiences.
 - Interest in measurement is high, with 95% of respondents measuring program success and 80% using clinical metrics and other key outcomes.
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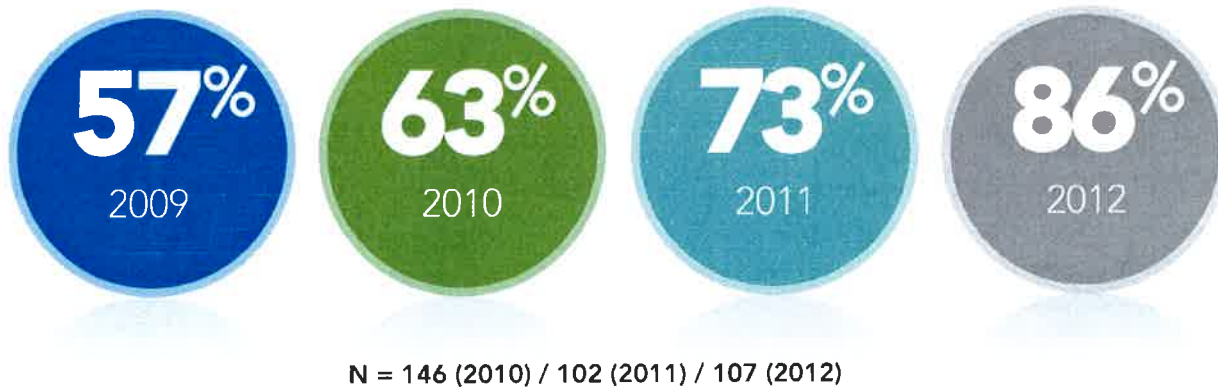
NEARLY NINE OUT OF TEN (86%) COMPANIES
IN THE STUDY USED INCENTIVES.

INCENTIVES HAVE BECOME THE NORM

The use of wellness-based incentives to drive employee engagement has expanded to where it has become the marketplace norm. And while the percentage of employers offering incentives has increased across all markets, growth of their use in the mid-market is particularly significant.

Figure 1 illustrates the growth of incentives since 2009. Nearly nine out of ten (86%) companies in the study used incentives in 2012 to engage employees in health improvement, up from 73% in 2011 and 63% in 2010.

FIGURE 1. PERCENTAGE OF EMPLOYERS OFFERING INCENTIVES TO EMPLOYEES, BY YEAR

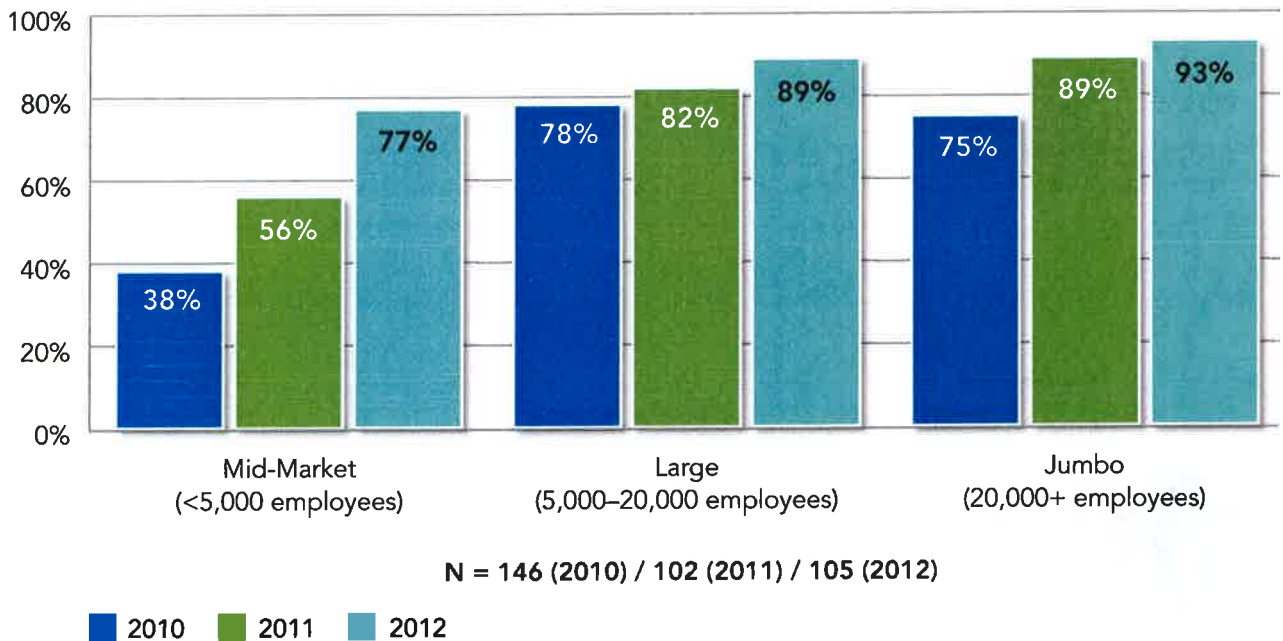


About the survey

An online survey was sent to select Fidelity clients and NBGH member companies in November and December 2012 and was completed by 120 employers from numerous industries with sizes ranging from 1,000 to 100,000 employees. The respondents were asked questions related to their company's health improvement programs that covered a number of areas, including: a) costs and measurement, b) prevalence and impact of programs, c) incentives, assessments, and communication, and d) measuring return on investment.

Figure 2 shows that 77% of mid-market employers surveyed offer wellness-based incentives, up from 56% last year, and more than double the 38% of mid-market employers that offered wellness-based incentives in 2010.

FIGURE 2. MID-MARKET EMPLOYERS SHOW STRONG INCENTIVE GROWTH

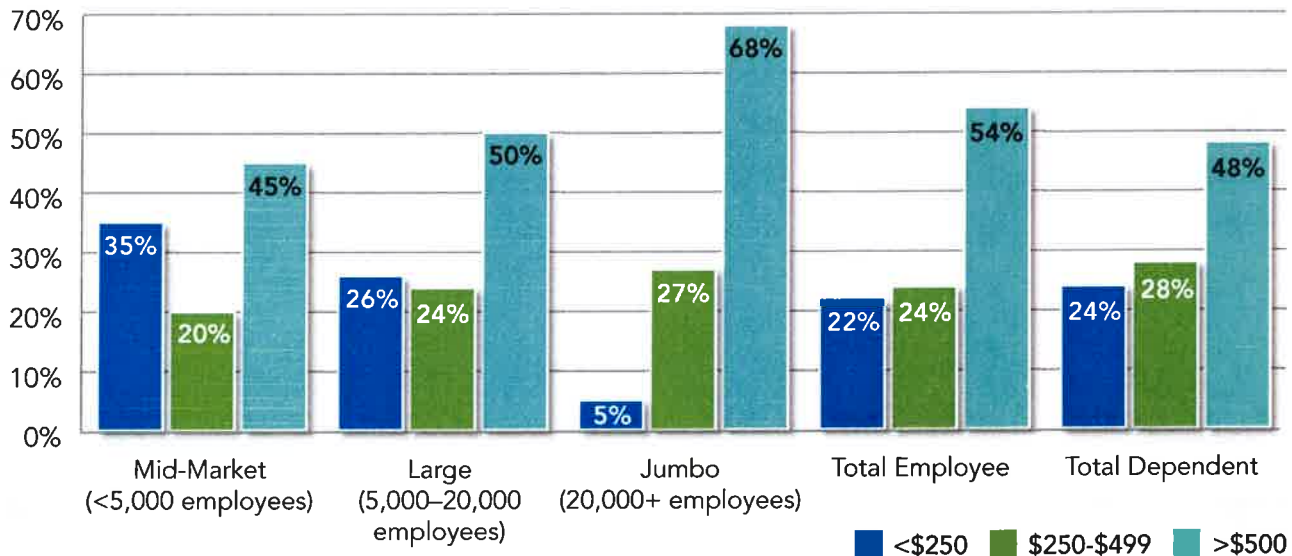


EMPLOYERS SPEND AN AVERAGE OF \$521 PER EMPLOYEE ON INCENTIVES, AND OVER HALF (54%) OF EMPLOYERS EXTEND THEM TO DEPENDENTS, UP FROM 45% IN 2011.

VALUE OF INCENTIVES INCREASING AND MORE ARE EXTENDED TO DEPENDENTS

Figure 3 illustrates how the median incentive has increased in all markets. The overall value of incentives continues to increase, with the median value increasing 25% since 2011 to \$500. The average incentive increased to \$521, up from \$460 in 2011 and double the per-employee average of \$260 reported in 2009. The median dependent incentive is \$375, up from \$300 in 2011.

FIGURE 3. VALUE OF INCENTIVES CONTINUES TO INCREASE



A POSITIVE SIGN: MORE AND MORE EMPLOYERS ARE LINKING THEIR INCENTIVES TO SPECIFIC HEALTHY ACTIONS TAKEN BY EMPLOYEES.

EMPLOYERS ARE TYING INCENTIVES TO HEALTHY ACTIONS

As shown in Figure 4, employers are increasingly linking the awarding of incentives to specific healthy activities. For example, 46% of companies who offer incentives include the following three: completion of a Health Risk Assessment (HRA), employer-sponsored biometric screenings, and smoking cessation programs. Other incentives being rewarded by employers include physical activity such as walking programs and weight management programs.

FIGURE 4. PREVALENCE OF INCENTIVES TIED TO HEALTHY ACTIONS

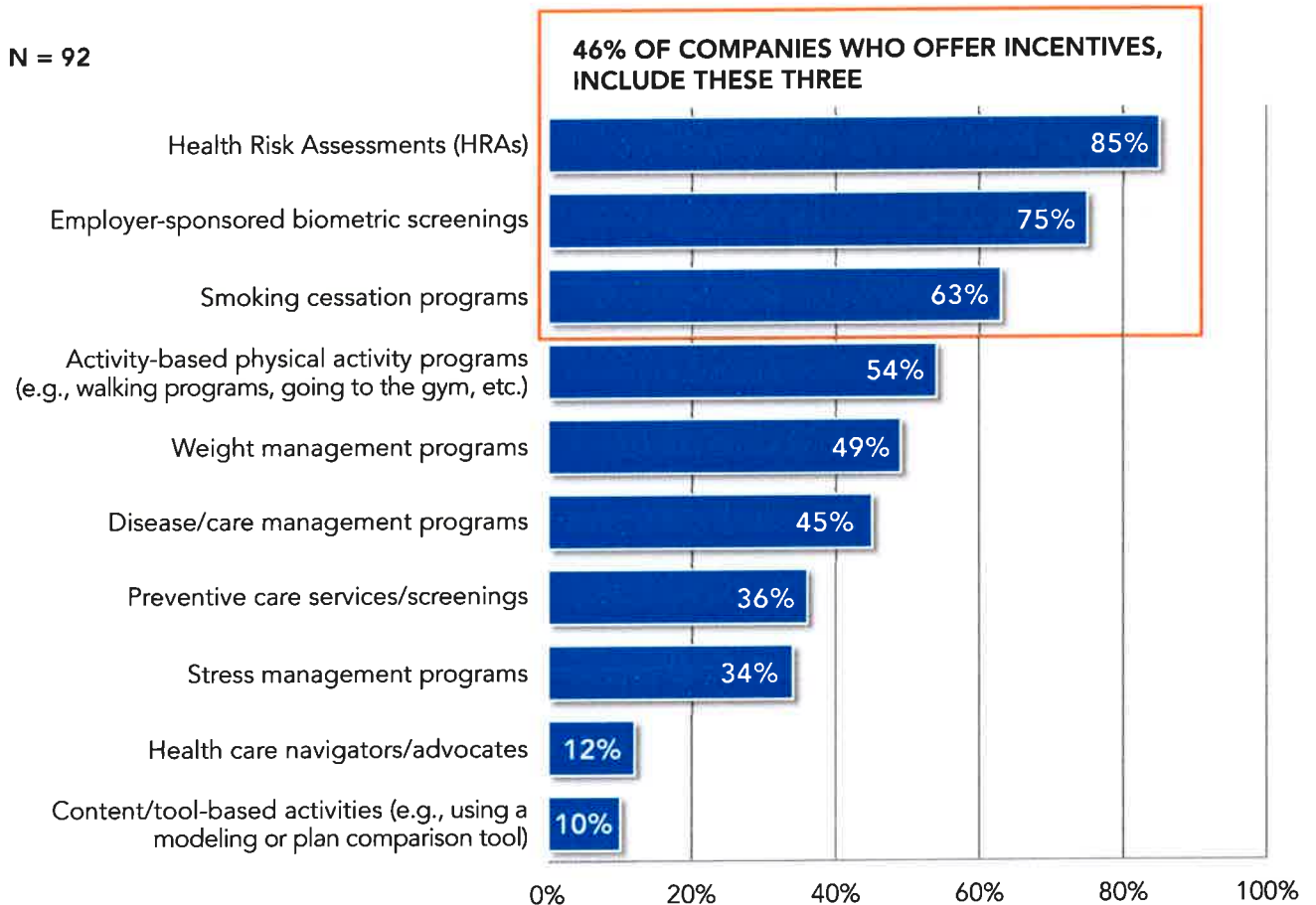
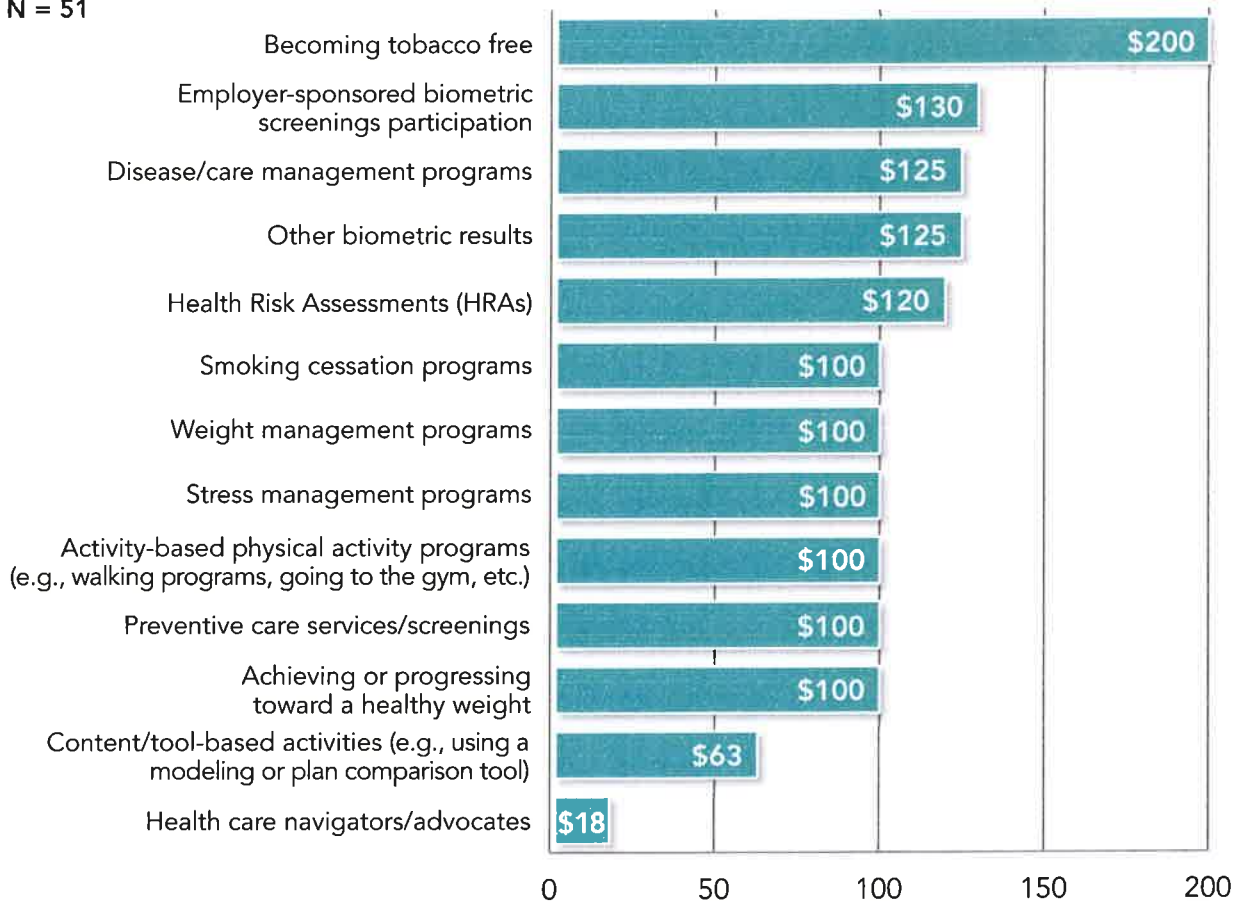


Figure 5 illustrates the range of incentive dollars by type of activity. The largest dollar incentives (\$200 on average) are allocated to smoking cessation programs, followed by employer-sponsored biometric screenings (an average of \$130).

FIGURE 5. MEDIAN INCENTIVE DOLLARS BY PROGRAMS

N = 51

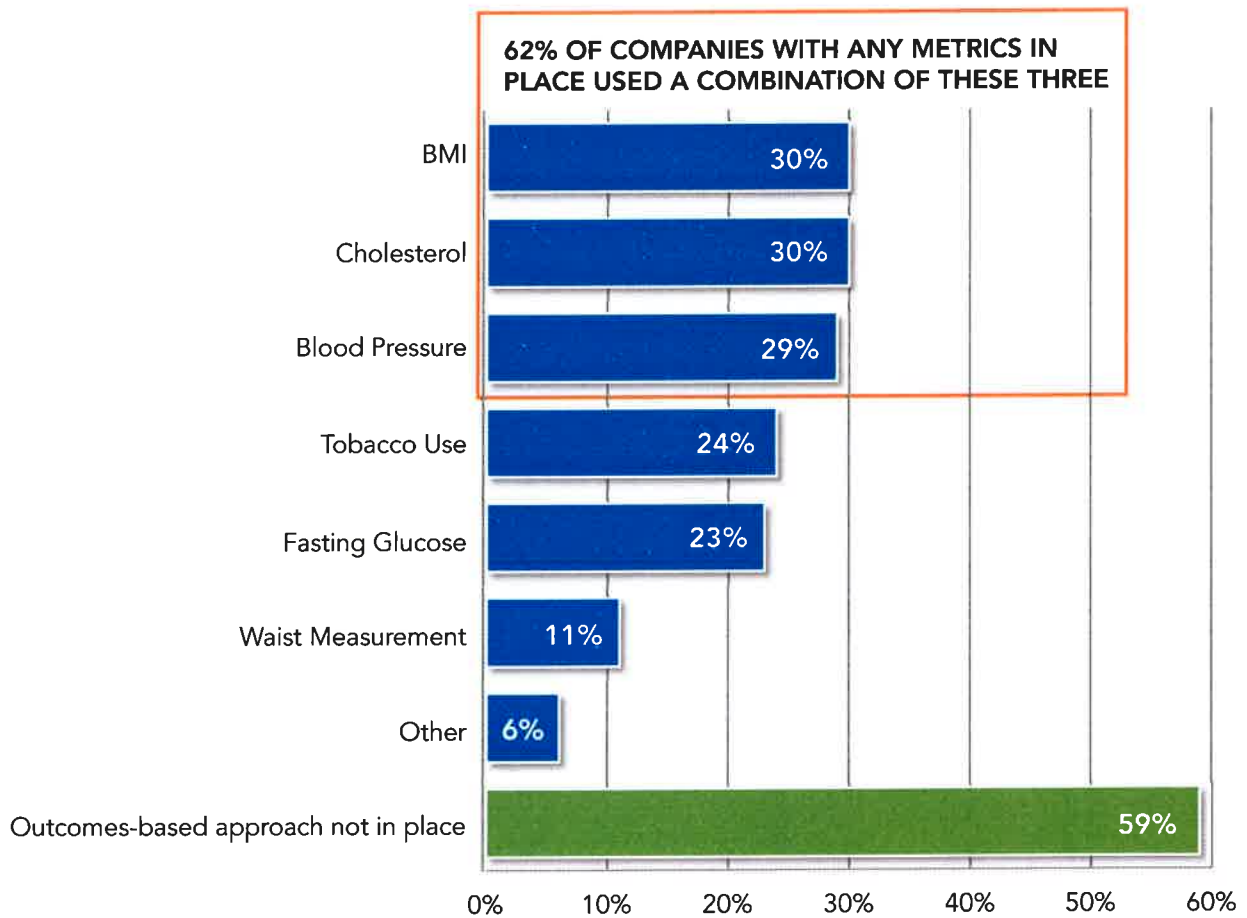


INCREASINGLY, EMPLOYERS ARE NOW TYING INCENTIVES TO CERTAIN OUTCOME-BASED ACTIVITIES AND BIOMETRIC MEASURES.

STRUCTURING INCENTIVES TO REWARD PROGRESS

Figure 6 demonstrates for the first time that more than forty percent of employers are incorporating outcomes-based metrics into their incentive program. The most popular are biometric measures such as body mass index (BMI), cholesterol, and blood pressure metrics.

FIGURE 6. USE OF OUTCOMES-BASED METRICS

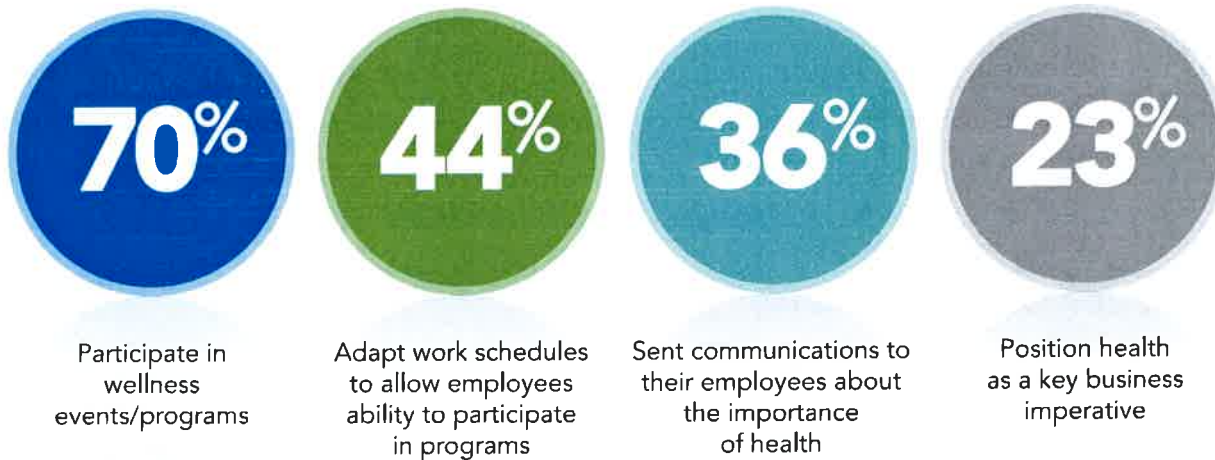


EMPLOYERS CONTINUE TO SUCCESSFULLY ENGAGE THEIR SENIOR MANAGEMENT IN THEIR HEALTH IMPROVEMENT EFFORTS, AND ARE INVOLVING MIDDLE MANAGEMENT TO FACILITATE PARTICIPATION.

BOTH SENIOR AND MIDDLE MANAGEMENT CRITICAL TO SUCCESS

80% of employers involve senior leadership to promote health improvement. Figure 7 demonstrate that a large majority (70%) involves their middle management in programs to facilitate implementation, and 44% seek their support in adapting work schedules to enable employees to participate.

FIGURE 7. ENGAGEMENT OF MIDDLE MANAGEMENT TO FACILITATE PROGRAMS

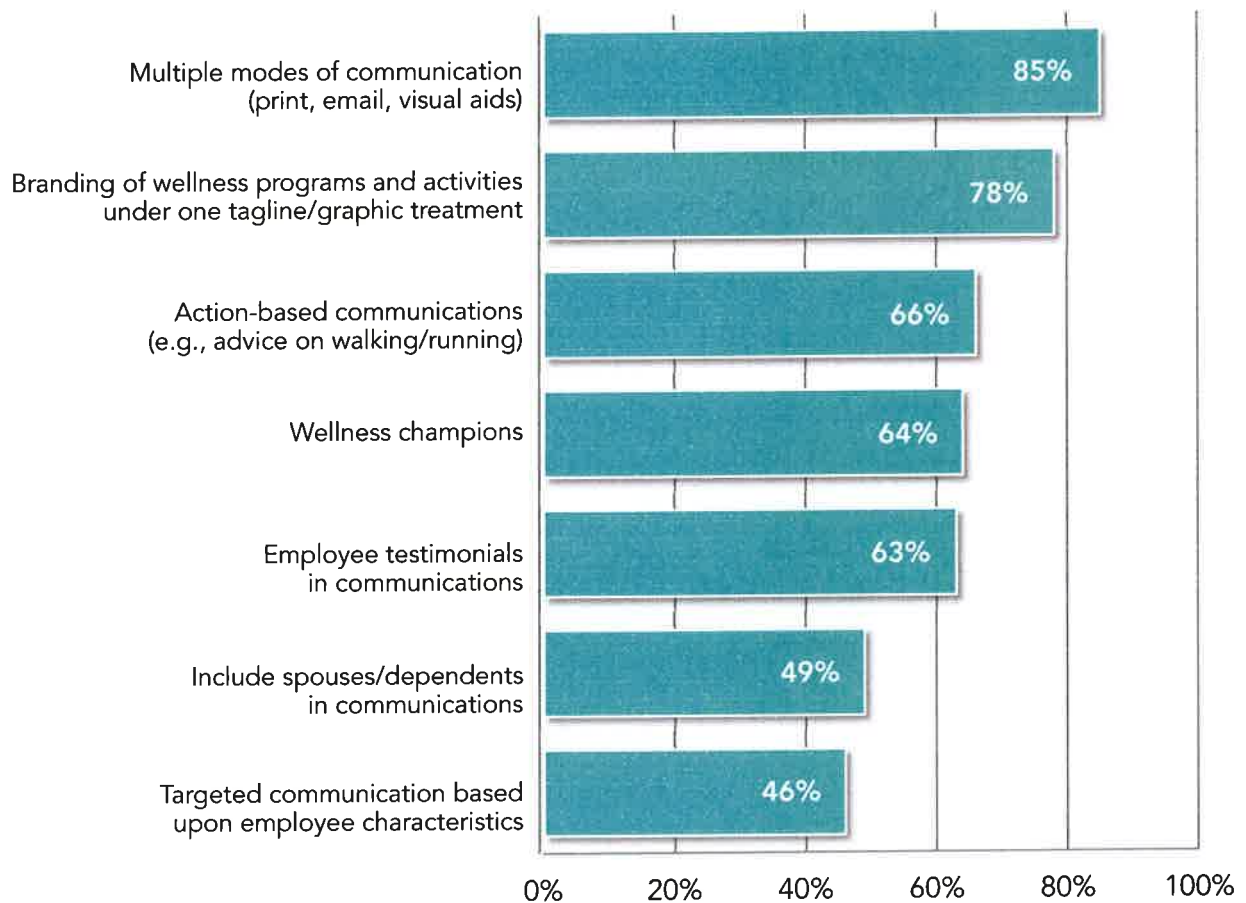


EMPLOYERS ARE FOCUSED ON THE
"HOW" VERSUS THE "WHO."

FOCUS OF COMMUNICATION IS MEDIA, NOT AUDIENCE

The majority of companies report a focus on the method of communication versus the audience. Figure 8 highlights that 85% are using multiple methods (print, email, etc.) while 46% are targeting their efforts. Care should be taken to focus on the needs of the audience, including the use of personalization communications techniques, to achieve maximum engagement.

FIGURE 8. FOCUS OF COMMUNICATIONS IS METHOD NOT AUDIENCE



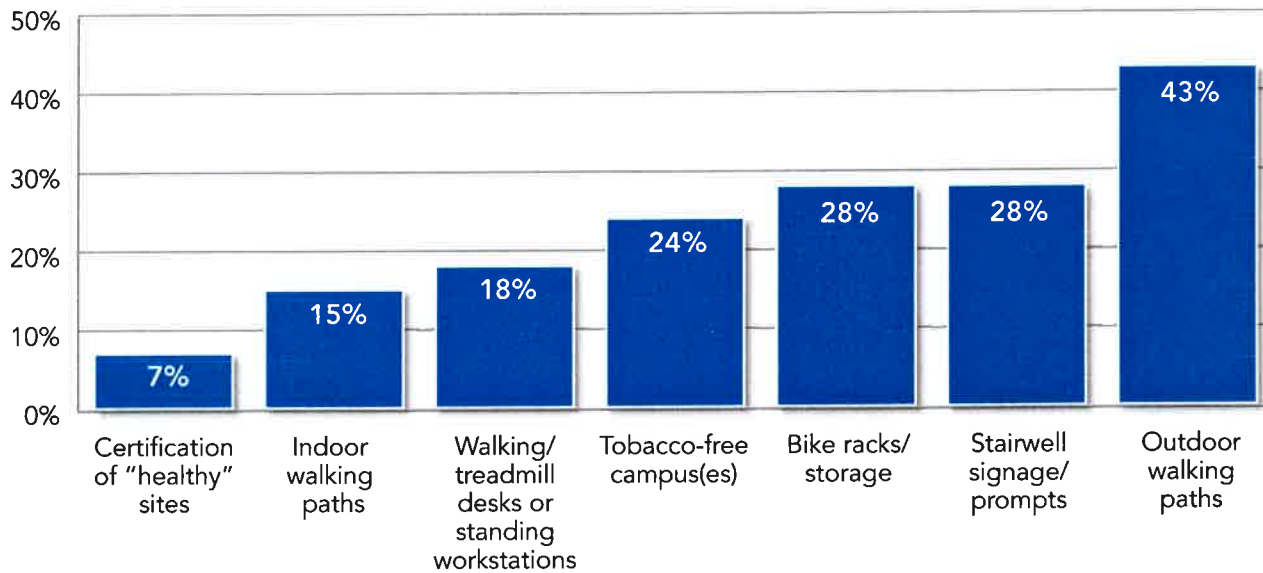
EMPLOYERS ARE MAKING ENVIRONMENTAL CHANGES TO SUPPORT THEIR EMPLOYEES' EFFORTS, AND OVER 70% PLAN TO CONTINUE OR MAKE AT LEAST ONE ENVIRONMENTAL CHANGE DURING 2013.

CREATING A HEALTHIER WORKPLACE ENVIRONMENT

Figure 9 shows the various ways employers are literally "walking the talk," with 43 percent supporting outdoor walking paths. Tobacco-free campuses are another commonly used tactic.

FIGURE 9. ENVIRONMENTAL CHANGES BEING MADE BY EMPLOYERS TO ENCOURAGE WELLNESS ACTIVITIES

Environmental Changes



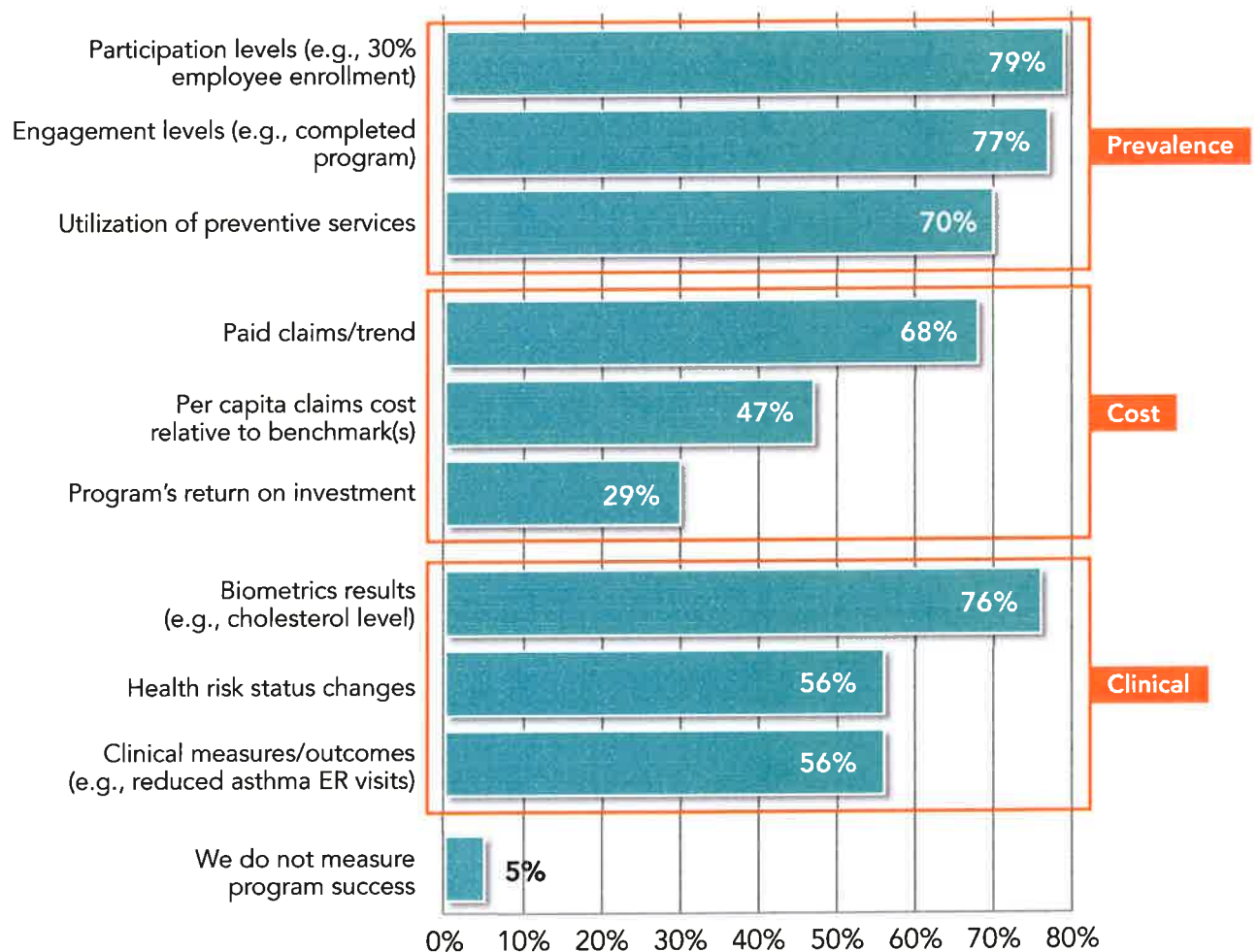
EMPLOYERS ARE INCREASINGLY SEEKING TO MEASURE THE IMPACT OF THEIR EFFORTS AND ARE INTERESTED IN HIGH-PERFORMING PROVIDERS AND CLINICAL METRICS.

EMPLOYERS REPORT GROWING USE OF METRICS

95% of employers measure program success and 80% of employers use clinical metrics.

FIGURE 10. EMPLOYERS ARE USING VARIETY OF METRICS TO MONITOR AND IMPROVE EFFECTIVENESS OF PROGRAMS

N = 111



SUMMARY

Employers are increasingly relying on best practice strategies and incentives to better target their approach with their employee populations. The use of incentives has gone mainstream and is showing strong signs of alignment with employee outcomes and key health metrics. Beyond incentives, HR departments are winning the support of their senior management, and involving middle management to bring the programs to life on a local level. More attention is needed, however, to target not only incentives but employee communications to achieve a maximum response.

While in the past employers have been challenged with demonstrating program effectiveness, in a positive sign, more are focusing their efforts on metrics designed to incent certain behaviors to attain a better return on their investment. Employers should continue to apply rigor to evaluating program outcomes with both qualitative and quantitative measures.

SUGGESTED ACTION STEPS FOR EMPLOYERS:

- Know your population health risk. Target programs tied most directly to behaviors and outcomes you want to see changed or improved.
- Target communications to employee populations with specific health characteristics that are currently driving high levels of cost.
- Continue to engage senior and middle management for support and implementation.
- Apply rigor to your measurement efforts. Start with participation rates and then dig deeper to assess key clinical outcomes to determine if your suite of health improvement initiatives is producing positive results for your organization.

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AND EMPLOYER RESOURCES, VISIT:
WWW.FIDELITY.COM/FORUM.

ABOUT FIDELITY BENEFITS CONSULTING

To better understand how to navigate the changing health care landscape, contact your Fidelity Representative to arrange a meeting with Fidelity Benefits Consulting as you continue to explore:

- How to optimize your investment in health improvement and wellness incentive programs
- Best practices for employee engagement
- How to measure the effectiveness of tools and technology designed to help employees make the right health care decisions
- How to design and implement health care cost containment efforts while still serving the needs of your changing employee population
- The impact of the Affordable Care Act on your benefits strategy
- How to determine if a health care exchange strategy makes sense for your organization

Methodology for Estimating Spending on Health Improvement (HI) Programs:

- Survey data relating to the prevalence of HI programs is used in conjunction with estimated cost data to calculate employer spending on HI programs
- Costs are estimated based on market data collected from vendors, proprietary databases, and other sources
- Due to significant cost variations for each health improvement program/service offered by vendors, a single cost estimate was utilized for each program/service
- To calculate the percentage of spending on HI programs relative to total claims costs, the latter is estimated using survey data and other published resources
- Actual claims costs vary from employer to employer for various reasons including differences in demographics, geography, plan design, and health management effectiveness

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