

## Wellness Program Participation:

# The Carrot or the Stick?

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Organizations wrestle with the challenge of encouraging participation in wellness programs and sustaining participation every year. In many cases the level of participation is the single most important result to organizations. In this article we will explore the pros and cons of the two basic options, whether the carrot or the stick is the best choice for your organization.

The reason that high participation is needed for a solid R.O.I. is simple: most health plan costs are coming from a small pool of participants, typically 15%. These same 15% are also some of the least likely to voluntarily participate in a wellness program. If you intend to meet your R.O.I. goals, then you need to engage that 15% of the participants that are going to be next year's 85% of the medical costs. Design your program accordingly so that you engage almost 100% of the population. To some, this may seem unrealistic, but it actually takes less effort and cost to obtain a high participation rate than a lower one, with the proper process.

### Background

Most organizations are chasing that illusive R.O.I. for wellness programs, the \$3 return for every \$1 spent. In our experience, this number is quite a low target, if you have the ability to measure the impact you are having on the population. Most organizations can experience significantly more than a 3:1 return if using a tool that allows them to measure progress. In our last article "*All HRAs are not the same*", we illustrate that utilizing an HRA that allows you to track the onset of disease or **predisease**, will create the framework to measure progress. We call this making dollars and sense. (see article at the US HealthCenter (USHC) Information Center at [ushealthcenterinc.com](http://ushealthcenterinc.com))

The measuring tool is irrelevant, however, if you can not engage your population. One study shows that 40% of employers with wellness programs reported less than 25% employee participation and 39% reported between 25 - 50% participation<sup>1</sup>.

These are dismal numbers if you are attempting to gain a return on your wellness program investment. At US HealthCenter we are averaging over 57% participation in our programs across our book of business. For specific examples and details of some of these programs, see the Case Study article titled "Wellness Program Participation - Select Case Studies". You can download it from the US HealthCenter Information Center at [www.ushealthcenterinc.com](http://www.ushealthcenterinc.com).

Let's examine some proven methodologies that have increased participation. First, we must examine the single most important reason why programs do not engage the population - proper planning. Without a plan most efforts will fail. Wellness operating plans need to include SMART (Specific, Measurable, Attainable, Realistic, and Timely) goals. Most organizations spend a great deal of time looking for a wellness vendor without determining expectations. Many times the process is rushed and fails. If the organization would consider the same level of planning and goal setting as other strategic endeavors, the process will have much more predictable results. Predictability is key to setting and being satisfied with results, but this takes effort and proper planning.

One of the most important goals an organization must decide is whether the program is strategic (requiring an R.O.I.), or just a benefit (a program that might be chosen by some employees). This is the single most important aspect that needs to be considered, as it completely defines what type of participation the organization will need in order to meet the goals.

Many organizations decide on a strategic program with an R.O.I. for the first couple years of the program. If the organization is expecting an R.O.I., and is using the program to reduce health plan costs, then the program should have high participation, greater than 85%.

Deciding what your process should be - carrot or stick - is ultimately determined by the amount of participation you are looking for, strategic or benefit, 90% or 40%.

### The "Opt-In" or "Carrot" Approach

The "Opt-In" or "Carrot" approach is most often associat-

ed with benefit type wellness plans, or wellness plans that are offered as a benefit to the employee, rather than a strategic venture of the organization. These plans typically allow participants to “Opt-In” to the program, usually with some incentives. This is the type of program that averages participation from 10% to 50%. Again, if the organization is looking to assure an R.O.I., experience tells us that lack of participation will make this more difficult. Let’s look at a recommended process for these types of plans.

The two most important aspects of the Opt-In approach are communication and incentives. Since participants have a choice, the program has to be communicated often, in several different ways, and needs to touch the different types of people.

Communication benchmarking is an effective tool used when trying to design an effective communication campaign. Communication benchmarking is a process that identifies the many ways that an organization communicates internally. Our experience is that most organizations do not have a very good understanding of the many ways that employees learn about what is going on in an organization.

There are three types of communication processes within an organization:

**Formal** – examples may include standing meetings such as departmental, safety, quality, training, staff, as well as bulletin boards, email communication, state of the company and newsletters

**Informal** - examples may include company sponsored social events, the break room, locker room, fitness center, restrooms, parking lots and outside rest areas

**Social** - outside the office events where employees get together such as the local cafe, sports teams, shared hobbies or groups of friends and holiday parties

Understanding where employees learn about activities is the first step to knowing how best to communicate.

Once you understand where to communicate, you have to craft the message accordingly. This message may mean different things to different people. There are several axioms that must be considered when developing an effective communication program. Seven different strategies are outlined next:

**1. The 25%/25%/50% rule.** Populations typically follow this rule when undergoing a cultural change. This rule simply means that for every major cultural change, 25% of the population is going to go along with it, because they trust management and are buying into the mission. 25% of the population is not going to normally participate in a major cultural change; they typically don’t like change, don’t trust management, and will be hard to engage. Ironically, these are also the most likely to have major health issues in the next few years, and are usually the most important target of the wellness program, if the goal is to reduce costs. The remaining 50% is the group of people that are waiting to see which group leads the way. Are the naysayers or the good soldiers going to lead the cultural change? Your efforts should be spent here, selling to the 50%.

**2. The HHB principle.** Changing behavior is difficult. It is one of the most difficult activities we undertake as human beings. In order to truly create behavior change, actual chemical reactions within the brain must be triggered to release chemicals that create positive reinforcements. When creating a message you need to appeal to all three areas of the body that create stimulus for a decision. These are the intellectual, emotional, and in the case of benefits, the financial. It is these three stimuli that that create a decision and if you don’t make sure your message covers all three, you are likely to tune out one segment of the population. We call this the Head, Heart and the Butt approach or HHB.

**3. The rule of seven times.** This rule simply means that if you want an adult to actually change a behavior, you need to make sure that the message is heard seven different times in a planned, specific manner. Leveraging the three types of communication referenced above (formal, informal, and social) are great ways to communicate the message seven times.

**4. The rule of three different ways.** This rule coincides with the HHB and the rule of seven. Choose the method of communication wisely, using at least three different ways. Mix it up, using a combination of emails, newsletters, meetings, websites and all medium to get your message across.

**5. The 5 Ws (and one H).** Use this when communicating that other benefit programs and your wellness program are no different. Make sure you are clear in your communication and answer these questions:

- Who is involved in the program? (just insured’s, all employees, spouses, dependents, retirees)

- What's in it for me? (better health, types of incentives)
- Where do I go to participate? (to get more information)
- When are the various deadlines for the program?
- Why are we doing this? Why is the organization creating or revising the wellness program?
- How do I get involved (or Opt-Out)? (Explain the mechanics of the program)

**6. Right Size the Communication.** People are individuals. They have different traits, experiences and “hot buttons”. You don’t communicate with an engineer the same way you communicate with an artist. There are ways to assess the personality of the individual and create a message that hits the right “hot button” for that individual. USHC has partnered with *True Colors*, a personality typing organization used by many Fortune 100 companies such as Disney, to right size messaging pertinent to the individual participant. Though this science is common in group dynamics and teambuilding, the application of it just beginning in the world of health marketing.

**7. Something for everyone.** Incentive programs that provide something that interests every member of the organization engage more people. Incentives are an important part of the Opt-In or Carrot Approach. The irony is that most organizations will never spend enough money to get the participation they need. According to a Watson Wyatt report, incentives need to be more than \$500 per person to create enough financial incentive to encourage participation over 50%. Unfortunately, most of the highest risk participants will still not find this enough incentive to participate.

Other types of incentives include give-aways, trinkets, and PTO for example. These are good items to encourage and reward participation, but if the goal is to capture the high risk participants so the organization can reduce risk and cost, it is likely the program will fall short of reaching this goal.

One of the most effective ways to deliver incentives is through the use of a “Points Program.” A wellness points program such as USHC’s Health Counts program allows the participant to earn “points” for completing certain activities. This allows the program to be fun and flexible at the same time. A properly designed program will provide more points for programs that have the greatest significance to the organization, such as the completion of a Health Risk Assessment, and less points for self-reported

activities such as completing a fun-run.

In order to increase participation in the Opt-In or Carrot-Based approach, an enormous amount of effort needs to go into the communication of the program. At US HealthCenter we spend a great deal of time and focused effort on our communication, and have achieved an average of 40% participation in our Opt-In programs, well above the national average. Even so, those people that are at high risk and are most likely to contribute to your claims in the next few years, are also the most likely to opt-out. While some successes can be made, it is difficult to guarantee success without much more participation.

### ***The “Opt-Out” or “Stick” Approach***

The “Opt-Out” or “Stick” approach has been gaining momentum over recent years as organizations struggle with the high cost, high effort, and low participation numbers of the Carrot or Opt-In approach. It is the easiest and most effective way to achieve maximum participation, and keep the effort of the program at a reasonable level.

This method is a highly effective and very simple way to maximize participation.

The most simple example of the Opt-Out approach is premium differentiation. In this case, a premium reduction is granted for participation, or increased for non-participation. In this example, the employer or bargaining unit simply increases the member’s premium contribution if the member does not participate.

While the premium contribution option may seem like another financial incentive program, it is different in the fact that the employee will **pay more** if they don’t participate, as opposed to get some reward if they do participate. The psychology is important to understand. For a member to **not** get something for not participating is a passive message. It is a proactive message to penalize the member if they don’t participate. For organizations that want to keep the budget low, keep the amount of communication needed to a reasonable level, and get excellent participation, the Opt-Out method is the way to go.

The mechanics are simple for the Opt-Out approach. In essence, all eligible participants are in the program at the program start. Members have a few activities to participate in, such as a health risk assessment, and if they choose not to participate, then their insurance premiums are more expensive for the following plan year. The simplicity of the program makes it easy to communicate, and does not require any major type of marketing effort. Simple fact-based

communicating is all that is required. Following the principal of the 5 Ws above can be very effective, and in most cases that is all that is needed to be successful. It is important to keep in mind that normal communication about such topics such as privacy is equally important in the Opt-Out as the Opt-In approach.

The graph below compares the amount of effort expended in communicating an Opt-Out Program vs. and Opt-In program and the ensuing results. In this example, rate your effort of communicating the program on a scale of one to ten, where one is minimal effort, and ten is the maximum effort using all the strategies and resources you can muster.

Our experience and the industry averages indicate that you can put an enormous amount of effort into communicating the program and providing Opt-In incentives, and still not achieve a high enough participation to guarantee a return. Ironically, you can spend very little effort communicating the Opt-Out program and achieve nearly 100% participation, which will assure that the highest risk individuals will participate.

### Summary

Ultimately the organization must decide what type of program they are interested in, and what kinds of results

demonstrate success or lack of success.

Before spending an enormous amount of effort creating a program, ask yourself these simple questions:

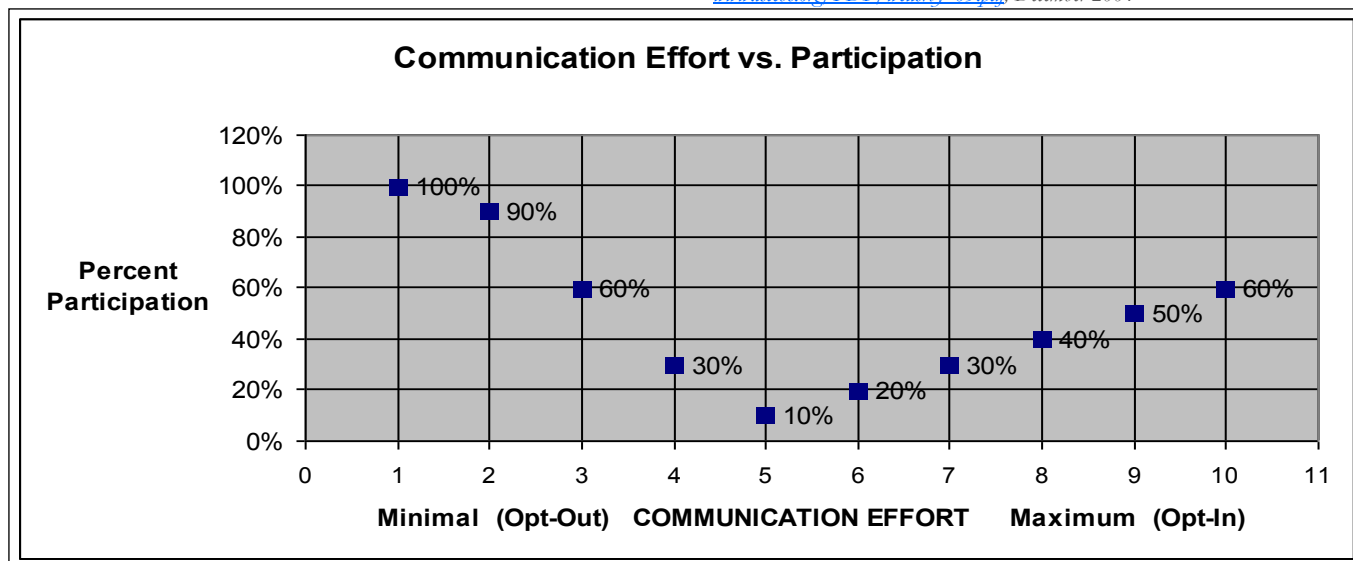
- Is our program strategic?
- Is the program important to the financial health and overall wellbeing of the organization?
- Do we need the program to sustain itself, or are we going to have to fight for budget consideration every year?
- Would you need over 50% participation for you to consider the plan to be successful?
- Do we need to have a return on investment?

If you answer “yes” to any of these questions, consider spending your effort designing an Opt-Out Program. If you do not need to answer yes to the above questions, then an Opt-In approach will probably work just fine for your organization.

Deciding what process should be used - carrot or stick - is ultimately determined by the amount of participation you are looking for, strategic or benefit, 90% or 40%.

Footnotes:

1. International Society of Certified Employee Benefit Specialists, [www.iscebs.org/PDF/wellsrvy\\_05.pdf](http://www.iscebs.org/PDF/wellsrvy_05.pdf), December 2004



*US HealthCenter has been leading the way in sophisticated Employee Health Management Programming since 1999.*

