Healthcare Reform & Wellness Incentives
How Health Advocate Can Support Your Organization
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Introduction
The Patient Protection and Affordable Care Act (PPACA) has prompted questions from our clients regarding how health reform will impact their wellness and incentive programs. With all the confusion, we have compiled the following overview to address these questions, as well as illustrate how Health Advocate can be a valuable resource throughout this time of change. We offer these insights to help you in planning your approach to benefits. We are not lawyers and this is not legal advice. The regulations are complex, and as always, you should consult with your own advisors before making final benefit decisions.

Investing in Wellness
Wellness programs have become a popular tool used by employers to help improve employee health, well-being and productivity. Additionally, some look at wellness programs as a means of decreasing long-term medical costs. Although one would like to think that paying attention to your own health is enough of a reward to drive participation, employers have found that offering employees tangible incentives increases compliance and goal achievement.

The first efforts at wellness promotion were process-oriented, aimed at encouraging employees to join programs and complete screenings. Increasingly, employers are using incentives tied to outcomes and achievement. A recent benefits survey found that nearly half of all large employers use incentives to encourage participation in wellness programs and reward results —up from a third in 2011. Today, the most popular incentives are tied to health benefits, usually in the form of offering an employee a reduction in their contribution to health coverage based on participation in a wellness program or achievement of specific wellness goals. For an increasing number of employers, employees who actively participate in wellness programs are granted access to richer benefits or lower cost health coverage.

How the PPACA Fits in
With the popularity of incentive programs growing, employers are paying close attention to the PPACA’s wellness incentive provisions that take effect January 1, 2014. While encouraging employers to introduce wellness programs, the PPACA has established certain rules that wellness programs must follow, especially around their design and the nature of the incentives used to encourage employees to participate and achieve targeted goals.

Health Advocate Provides Full Support
Health Advocate offers a suite of solutions specifically designed to help employers manage employee health and wellness, and reduce medical costs. From our Wellness Coaching program, to our onsite Biometric Screenings, cutting-edge Data Analytics, Personalized Health Communications, Chronic Care Solutions, and, of course, our Value-based Incentive Management Program, we can provide the full support you need to meet your business objectives.
What regulations apply to wellness programs?

The PPACA incorporates and modifies regulations surrounding wellness programs that were first introduced as part of the provisions of the Health Insurance Portability and Accountability Act of 1996 (HIPAA), which established the federal requirement that employer-sponsored group health plans cannot discriminate against group members based on health status. Since the introduction of HIPAA, an exception has been permitted for wellness programs that offer financial incentives. This exception has evolved over time through regulatory and statutory interpretation.

What wellness programs will be affected by the PPACA regulations?

Under the PPACA, there are two types of “non-discriminatory” wellness programs: Participation-Based Programs, also known as Participatory Programs, and Outcome-Based Programs, also known as Health-Contingent Programs.

Because of the potential for Health-Contingent Programs to have requirements that may be hard for individuals to achieve, they are more highly regulated. For example, there are tightly defined limitations on how they have to be structured and how large an incentive they can offer for achieving specific targets, while Participatory Programs that are not outcomes-or achievement-based are less tightly controlled.

Participatory Wellness Programs

Participatory wellness programs reward employees for simply participating in a program. Outcomes have no role in determining the reward or incentive.

For example:

- Completion of a health profile.
- Fitness center membership reimbursement, regardless of whether or not the individual loses weight.
- Participation in a tobacco cessation program regardless of whether or not the employee quits smoking.

Health-Contingent Wellness Programs

Health-Contingent wellness programs reward employees for both participating AND for making measurable changes to their health. Employers often hire outside, HIPAA-complaint vendors such as health/biometric screening companies to track and measure participation and results. Employers may also offer additional support to help employees reach their health goals, such as wellness coaching.

For example:

- Completing a health profile and improving their biometric results.
- Fitness center membership reimbursement if the employee participates in the wellness program and they improve their BMI by losing weight.
- Reduction of premium if the employee both participates in a tobacco cessation program and successfully quits smoking.
How do I know which type of wellness program I offer?

The chart below explains the differences between Participatory and Health-Contingent wellness programs:

<table>
<thead>
<tr>
<th>Participatory Wellness Programs</th>
<th>Health-Contingent Wellness Programs</th>
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<tbody>
<tr>
<td>Made available and offered to “similarly situated individuals.”</td>
<td>Made available and offered to all employees.</td>
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<tr>
<td>Offers rewards for participation; not tied to any outcome or health</td>
<td>Offers rewards for both participation and for achieving or</td>
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<tr>
<td>standard.</td>
<td>maintaining a certain goal or health outcome.</td>
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<tr>
<td>No limits on rewards.</td>
<td>Limits on rewards.</td>
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<tr>
<td>Required to meet minimal regulations set forth by the PPACA.</td>
<td>Required to meet specific regulations set forth by the PPACA.</td>
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What regulations are in place for Participatory wellness programs?

If rewards are offered to employees on a participation basis only (not related to an individual improving or maintaining their health), then the program must be made available to all “similarly situated individuals.”

For example: All full-time employees, or all employees in a certain location or geographic area.

In Participatory wellness programs there are no restrictions on the size of the reward offered.

What is the definition of “similarly situated individuals?”

Group health plans are allowed to establish limitations and restrictions on the amount, level, extent or nature of benefits they offer, but they have to offer all “similarly situated individuals” the same benefits. An employer cannot classify their employees based upon health factors.

For example, employers can vary the benefits they offer by whether an employee is full-time versus part-time, or for employees working in different geographic locations, membership in a collective bargaining unit, date of hire, length of service, current versus former employee status and different occupations, but not based on those that have had a heart attack in the past, or those with high blood pressure.
What regulations are in place for Health-Contingent wellness programs?

If you have a Health-Contingent wellness program that bases its rewards on achievement or outcomes, the PPACA requires you to follow certain rules outlined below.

Opportunity to Win

Employees who are eligible for the program must be given the tools they need to qualify for the reward, free of charge. For example, if you are providing an incentive for your employees to lower their BMI, you have to give them free access to a program to help them lose weight. The reward must also be offered at least once per year.

Reasonable Design

- Must be designed in such a way as to promote health or prevent disease.
- Cannot be overly burdensome to employees.
- Cannot discriminate against any employee based on one or more health factors.
- Cannot be designed to discriminate against employees with certain health conditions.
- Must offer a reasonable, alternative way for employees who cannot meet the health standard because of a medical condition to qualify for the reward, and communicate this in writing to all employees.

Reward/Penalty Limits

For plan years beginning on or after January 1, 2014, rewards or incentives in Health-Contingent wellness programs are subject to the following limitations:

- **Wellness incentives or rewards** are limited to thirty percent (30%) of the entire cost (employer and employee contribution combined) of self-only coverage or, if spouses and children can participate in the wellness program, of family coverage.
- **In addition**, to the extent that a wellness program targets tobacco use and assigns at least twenty percentage (20%) points of the reward toward that goal, the maximum reward allowable is up to fifty percent (50%) of plan costs.

Everyone Must be Eligible

Rewards must be made available to all eligible employees, regardless of health status or medical condition.
How do I tell my employees about the terms of the wellness program?

(This is applicable to Health-Contingent ONLY.)

Terms of the wellness program need to be disclosed in any employee plan materials (typically a summary plan design or plan enrollment materials). The materials need to clearly explain how to qualify for any incentives or rewards, and also describe how those with medical limitations can qualify.

What alternatives can I offer my employees who physically cannot participate in the program?

(This is applicable to Health-Contingent ONLY.)

Health Advocate, like other wellness companies, offers a variety of health and fitness programs, including access to a wellness coach. We can design educational, nutrition and fitness programs for people who have physical or medical limitations. Our wellness coaches work with these employees and their physicians to develop an approach to wellness personalized just for them. Under the PPACA, the employer must pay for these customized programs just as they cover the programs available to the general population.

How can I help to make employees aware of their health risks?

Employers can use a variety of tools to alert employees to important health risks. Health Advocate offers a complete program of biometric screening as a complement to our wellness program. These results, as well as data from an individual's health assessment profile, can be incorporated into the member’s Health Information Dashboard and reinforced through our Personalized Health Communications program. Our Health Advocacy program can proactively remind individuals of their need to address certain gaps in care, and close these gaps by helping them access needed services.
What types of incentives and rewards can I offer?

An incentive or reward can take many forms. Employers can offer cash, gift cards or prizes. This may also include a discount on, or rebate of, a premium contribution, or waiver of a deductible, co-pay or coinsurance. At present, the most common approach employers use to provide an incentive or a reward is to offer employees a lower premium contribution for their health benefits. Another incentive approach provides employees who have achieved certain goals (like being tobacco-free) access to a richer benefit plan.

Are there any “unknowns” about how the rules will affect employers?

There are several “unknown” nuances about the rules and how employers may react or be affected. For example, the PPACA has yet to define and clarify what aspect of wellness programs would be considered “burdensome” or could be called a “subterfuge for discrimination.” They also have to address the issue of discrimination. Depending on gender, race, or age, people may be more likely to develop certain diseases, thus making it more difficult for them to qualify for rewards or incentives. There are also still some open questions about how incentive rewards affect the cost-sharing provisions of the PPACA. However, these issues are likely to be addressed in the months leading up to January 1, 2014.

Who can I talk to if I want to adjust my current wellness program or implement a new program?

No matter what type of program you offer, or decide to offer, Health Advocate can help you design a program to meet your goals. Just call.
Health Advocate’s comprehensive wellness resources

Health Advocacy™
The cornerstone of Health Advocate is our Health Advocacy service that personally helps employees and their eligible family members navigate and resolve burdensome clinical, administrative and insurance-related issues. The service centers around a team of highly trained Personal Health Advocates, typically registered nurses, supported by medical directors and benefits and claims specialists. The Personal Health Advocates work with providers and insurance companies on the employee’s behalf and help find in-network providers, secure second opinions, provide cost estimates, help resolve claims problems, and address other issues. The Personal Health Advocate remains with the individual until the issue is resolved and is available for follow-up needs.

Wellness Coaching™
Our Wellness Coaching program offers a proven approach to engage and support members in modifying unhealthy behaviors to get—and stay—healthy. A Wellness Coach works with employees by telephone, email or instant message to help them make healthy lifestyle changes and reach their personal health goals. What makes our program distinctive is our coordinated approach. We combine personalized one-on-one coaching, a comprehensive health risk assessment, interactive events, competitions, incentives, promotional turnkey communications and health data analysis to improve health outcomes, reduce costs and help extend lives.

Biometric Screening™
Serving organizations of all sizes across the U.S., we offer a broad selection of customizable screenings and other services, all designed to meet the diverse needs of our clients, including those with remote staff and multiple locations. Results provide an accessible, dependable way to get the crucial baseline data needed to tailor wellness programs for the highest impact.

Data Analytics™
Health Advocate is at the forefront of data analytics.
Our leading-edge solutions offer key business intelligence, rich benchmark databases, powerful decision support tools, and reliable research services for managing the cost and quality of healthcare.
Through our health informatics division, engage2Health (e2H), we apply classic and proprietary analytical techniques to customer data with clear business goals in mind… to deliver findings that are both understandable and actionable.
As your health informatics partner, we will work with you to develop innovative interventions and benefit plans that strengthen employee engagement and improve health outcomes.
Program features include the collection, integration and aggregation of medical claims data; prospective predictive and retrospective risk stratification; baseline clinical and utilization analysis; web-based Health Information Dashboard display; drill-down capability to define reports; and more.
Wellness Incentive Management Program™

We offer a complete Incentive Management Program for customers who wish to provide health and wellness incentives to drive employee participation in their wellness and health management initiatives. **This includes:**

- **Data feed management** (Health Risk Assessment, health coaching engagements, workshop enrollment and completion, tobacco cessation or affidavit completion, and biometric screening data)
- **Incentive tracking** and analysis
- **Exception/dispute** management
- **Generation of incentive** eligibility files
- **Annual, aggregate reporting package**, featuring year-to-year comparisons
- **A Wellness Program Consultant** will assist in developing a wellness plan and incentive program tailored to the client’s culture
- **Member-facing incentive portal**, so the member can track their incentive status and results

Employee health and wellness measures are also displayed in our Advocate Health Information Dashboard, creating additional opportunities for personalized health coaching around identified “gaps in care.”

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Tobacco Cessation™

While tobacco cessation is also comprehensively part of our wellness coaching program, this 12-week standalone program provides an intensive personalized, telephonic or email-based focused coaching approach, using evidence-based strategies to help employees become (and stay) tobacco-free.

Chronic Care Solutions™

Using a sophisticated predictive modeling approach, our Chronic Care Solutions program identifies and stratifies employees by predicted risk for several common and costly chronic health conditions. Our chronic care coaches, combined with targeted Personalized Health Communications, then provide behavior change education tailored specifically to each employee’s risk level and needs.

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Personalized Health Communications™

Tailored communications remind employees about important preventive care, while advanced information systems identify those with chronic health conditions to help them better manage their disease.
Health Advocate™, Inc., is the nation’s leading independent healthcare advocacy and assistance company. We help millions of Americans personally navigate the often complex healthcare system. Our leading-edge solutions include EmpoweredHealth, a fully integrated program that seamlessly combines health advocacy, wellness coaching, EAP+Work/Life and chronic care solutions. We also leverage the power of data analytics to help members make more informed decisions and get more value out of the healthcare system.