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## Wellness Programs Unlikely to Cut Costs

Written by Sarah McIntosh

Illustrating the importance of wellness promotion in the debate over health care reform, the Senate Health, Education, Labor, and Pensions Committee approved a version of the health care reform bill that includes a provision allowing insurers expanded flexibility to increase premiums for individuals not meeting wellness standards.

Although wellness programs garner bipartisan support, there are strong disagreements over how they should work, whether they should be crafted through legislation or by employers, and whether they really can have much of a positive effect on health care spending.

Safeway CEO Steve Burd, whose company wellness plan has attracted attention from policymakers and the media, has suggested Congress should let employers offer health care discounts for those who meet wellness standards.

### Benefits of Wellness Programs

Devon Herrick, senior fellow at the National Center for Policy Analysis in Dallas, Texas, favors optional wellness programs and thinks they should not be mandated by government.

“I believe there are benefits to wellness programs,” said Herrick. “But what works for one company may not work for another.

These need to be designed by the employer rather than dictated by Congress.”

“I have no problem with the concept of offering discounts to those meeting wellness standards,” agreed David Strom, a senior policy fellow with the Minnesota Free Market Institute in St. Paul, Minnesota. “I know that some employees might grumble, but the simple fact is that employers wind up paying more for less-healthy employees, and it only makes sense that employers support wellness.”

### Dollars and Sense

Most employers have an interest in having healthy and happy employees, and wellness program supporters claim their approach promotes both. But Strom says hopes of overall cost reductions are unfounded because wellness programs are essentially an individual form of preventive care.

“For medical care, preventive medicine often means using tests to catch disease early, when it is most treatable and cheapest to treat—a very good thing in itself,” Strom said.

“But there is a substantial difference between saving lives and saving dollars. Preventive care is more likely to achieve the former than the latter. Preventive care itself

can be costly, and compliance rates tend to be pretty low.”

Strom believes wellness programs make sense as a way to encourage employee health, but he says the overall cost benefit for the country will be minimal.

“Improving Americans’ health is a worthy goal and worth spending money on,” said Strom. “However, if wellness programs are solely intended to reduce health care costs, I suspect a lot of people are going to be disappointed.”

### **True Incentives**

Strom also dislikes what he sees as a negative emphasis in some wellness programs.

“My only concern would be if employers started stigmatizing less-healthy employees. I suspect that financial rewards for weight loss, quitting smoking, and other healthy choices will have a marginal effect on people’s behavior,” said Strom. “I am a much bigger fan of using the carrot than the stick, so my preference would be for using discounts or bonuses rewarding good behavior and practices instead of using

penalties for less-desirable behaviors and practices.”

Herrick warns federal laws could hamper efforts to incentivize behaviors.

“Workplace wellness programs attempt to provide incentives for workers to adopt healthy lifestyles. They do not, however, require workers to pay the full costs of unhealthy behaviors,” Herrick said.

“Workers with unhealthy behavior might have several times the health cost of workers with healthy behaviors. Yet the [proposed] federal law allows workers not participating in wellness programs to pay only 20 percent more than those in such programs.”

Allowing employers to reward healthy behavior means people exhibiting unhealthy behaviors pay more, and Herrick says the desire to avoid seeming to penalize sick people may prevent Congress from encouraging such programs.

“The current leadership in Congress hopes to promote wellness by funding jogging paths, bike trails, and farmers’ markets and by inhibiting calorie-dense foods in schools,” Herrick said. “They do not understand the role of incentives to motivate people to adopt healthy behaviors.”