

# Why Use

# Incentives?

**Wellness and health promotion program managers often ask the question... Why use incentives? There are many reasons, but a portion of the response is related directly to the fundamental nature of "wellness." By Larry S. Chapman, MPH**

If we define wellness in the manner shown in *Figure 1* below then it begins to shed some light on why incentives should be a necessary part of all wellness program efforts.

Wellness "An organized set of activities designed to help individuals and their family members make and/or maintain voluntary behavior change(s) that help reduce their health risks and/or enhance their ability to function."

The focus on "voluntary" behavior change at the center of this definition of wellness requires the continual examination of what factors influence behavior change. Voluntary by its very nature means at the volition or choice of the individual. It is not automatic but must continually be selected by an act of will on a moment-by-moment basis. Incentives help to influence this expression of will in behavior change.

The pioneering work of Kurt Lewin and Albert Bandura under the theoretical umbrella of "social learning theory" and the concept of personal "self-efficacy" provides a fairly useful look at the many factors that affect behavior and behavior change. Within social learning theory each major behavior such as cigarette smoking is seen as having a large number of counter-balancing factors,

many factors helping to perpetuate the behavior ("restraining factors") and other factors having the potential to help change the behavior ("enhancing factors").

For example, the price of cigarettes to a smoker will serve to perpetuate smoking if it is too low or may encourage cessation if the price goes up substantially. If short-term and ultimately long-term behavior change is to occur and/or continue, it will become increasingly necessary to "unbalance" the set of factors which constrain a healthier behavior change or support the new healthier behavior.

The process of unbalancing requires that we increase the factors that would lead to a change to a more healthy behavior while eliminating as best we can the factors that help maintain something as unhealthy as tobacco use. Incentives may be seen as one tool for the purposeful modification of those "restraining" versus "enhancing" behavioral factors.

As individuals gain success with modifying these restraining versus enhancing factors they also increase

their "self-efficacy" or confidence in making decisions and taking action to improve their personal health. As the individual gains a sense of confidence in making these behavior changes he/she gains further efficacy to make new changes. It then becomes a self-reinforcing process.

Behavior is extremely complex and clearly, there are many factors that shape it. From a purely utilitarian perspective the more factors that can be arrayed to support a specific behavior change the more likely that the actual change will be successful over the long haul. These factors are generally categorized as "restraining" or "enhancing" to a desired new behavior. They are conceptually similar to the ways that incentives and disincentives work. In addition to the difficulty of initiating new behaviors, it is extremely difficult to sustain a health behavior change over the long-term.

The behavioral science literature offers a great deal of evidence concerning the difficulty of making long-term behavior changes. Under-

*Figure 1*

## Definition Of Wellness

**Wellness:** "An organized set of activities designed to help individuals and their family members make and/or maintain voluntary behavior change(s) that help reduce their health risks and/or enhance their ability to function."

largely discernible reasons. People likewise usually do not change their behavior without good reasons. Incentives are used to try and offer those “good reasons.”

Health educators, wellness professionals, case managers or health advice line interventionists who are attempting to help people change a specific health-related behavior first need to determine what factors would both aid or impede the adoption of a new behavior. For example, would a cash rebate of 50% of the program fee for 80% attendance of multiple aerobic exercise program sessions help participants attend more of the sessions? In this case, the commitment to consistently attend the aerobic sessions is strengthened through the addition of a potential financial reward.

Likewise, other incentives, such as recognition of a higher level of achievement in the form of a specially designed T-shirt with an appropriate message conveying the accomplishment (i.e. “I Finished the....” or “Superfit”) contribute to greater behavioral adherence for some

participants. Program attendance is usually increased by a few additional percentage points with the use of each of these kinds of incentives.

Therefore the main reason wellness programs need to use incentives is that they can increase participation levels by sizable percentages and may help catalyze behavior change that substantially enhances the wellness of the individual, and at the collective level, the wellness of populations.

The key points here are:

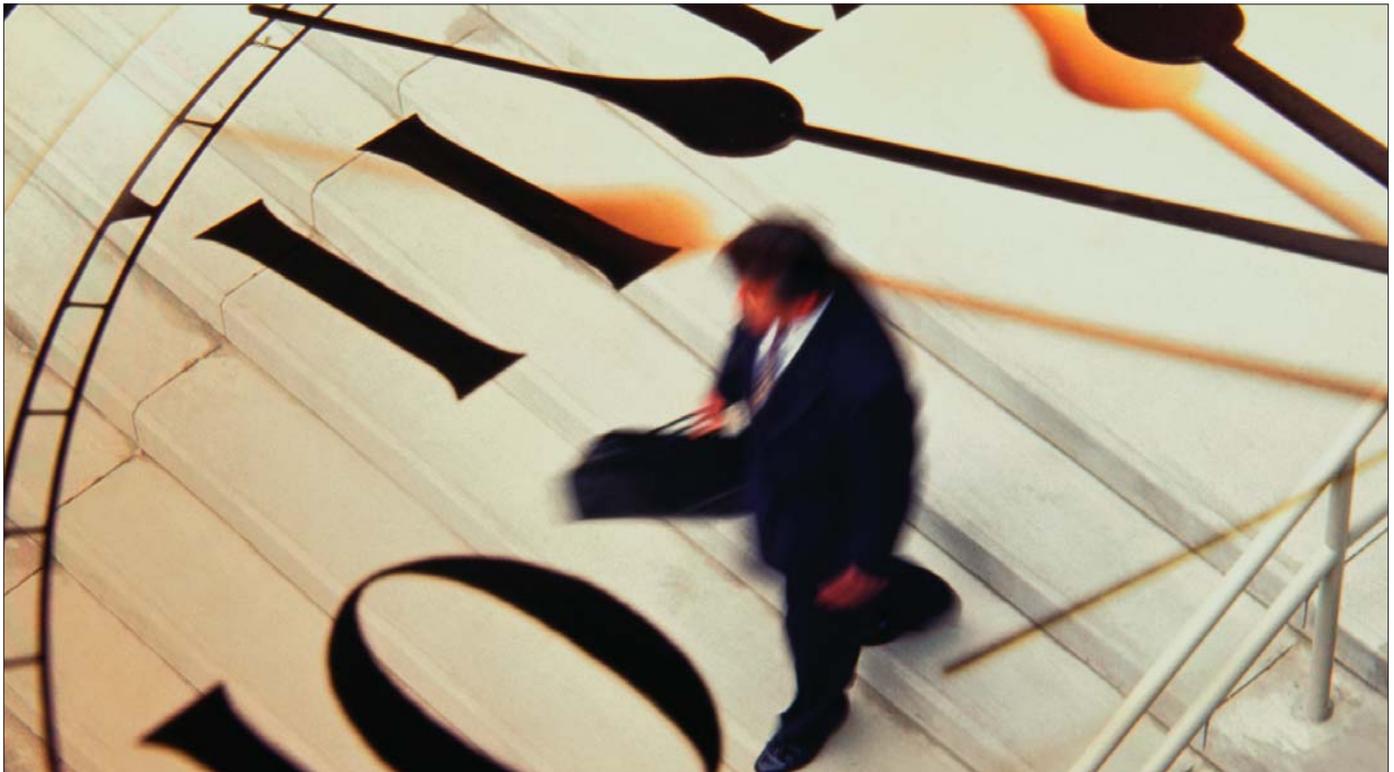
- ⇒ **Wellness is largely voluntary**
- ⇒ **Voluntary means it requires a continual act of the will**
- ⇒ **That voluntary behavior is performed for a purpose or set of reasons**
- ⇒ **Some things help maintain the old behavior**
- ⇒ **Some things help support the adoption of the new behavior**
- ⇒ **Incentives can help “unbalance” the status quo and lead to change or help maintain the change**

### ⇒ **Incentives can help increase participation and support healthier behaviors**

Why do incentives work? In a very simple sense they offer something desirable for the individual to gain from performing a specific behavior. They help increase personal utility or give benefit in some fashion. Disincentives work because they provide an opportunity for the individual to avoid something that diminishes their utility or benefit. They both work because they create a reason for a behavior change.

In summary, human behavior in individuals, and collectively in groups, is multi-factorial in nature, and consequently, usually extremely difficult to change through simple or singular interventions without clearly perceived reason(s) for change. Incentives help provide those reasons to change.

Therefore, it is important that we augment wellness program efforts in managed care, community and work-



place settings by including different types of incentives which will help individuals initiate and maintain specific health behavior changes.

## 2.1 Advantages and Disadvantages of Incentives

Incentive use has both advantages and disadvantages. However, careful design of incentive systems can significantly enhance their advantages while substantially minimizing their disadvantages. The main advantages and disadvantages are shown in *Figure 2*. The potential advantages of using incentives are significant and include:

**1. Incentives can have powerful behavioral effects:** Rewards, singularly or in combination, can provide a powerful motive force for behavior change particularly in our culture where there is a fairly high degree of competition for time, attention and interest. If the desired behavior, the reward(s) and the rules for the incentive system are well designed, it is possible to produce a very powerful and significant change in behavior for a significant percentage of the target population.

*Figure 2*

### ADVANTAGES AND DISADVANTAGES OF INCENTIVES

#### Advantages

- ⇒ Powerful behavioral effects
- ⇒ Very flexible and adaptable
- ⇒ Easy to set up and operate
- ⇒ Possible to combine rewards

#### Disadvantages

- ⇒ Not easy to know “best” reward(s)
- ⇒ May reward wrong behavior
- ⇒ May produce “unintended artifacts”
- ⇒ Possible to outwit
- ⇒ Possible to create dependency

**2. They are very flexible and adaptable:** Incentives can be designed to fit virtually any situation. Because incentives are essentially decision rules that guide a reward process, they are by definition very flexible and adaptable. For example, the nature of the required behavior, the timing, the record keeping process, the reward and the pay-out procedures are all open to choice in most incentive features.

**3. Incentives are relatively easy to set up and operate:** The development of incentive rules and their application to a particular work group or in a managed care environment can be designed to operate using information which is produced by a pre-existing activity. If incentive features are well designed, they can be implemented with minimal new administrative or data collection effort. For example, a sick leave reduction incentive, such as the award of “well days”, often uses payroll data as its primary informational source. The tabulation of already existing payroll data then drives the incentive program’s operation. However, if there are no information systems currently in place that produce the desired information and its record keeping, new activities may have to be initiated.

**4. They can use a combination of rewards:** Because incentive decision rules are so open and adaptable, it is possible to combine several different kinds of formal and informal incentive rewards into one incentive system. Through the combination of several types of rewards, it is possible to greatly increase the appeal and motive force of the incentive.

For example, a weight reduction program can include a financial rebate for sustained weight loss, a fee discount for registering a friend, a food scale or pedometer as a door prize for attendance, and a recipe write-up in the employee newsletter for the best-tasting low-calorie recipe.

In this example, the combination of incentive rewards including: strengthened motivation for attendance, learning, participation levels and sustained weight loss. In this way, it is possible to greatly increase the motive force of an incentive program through the combination of rewards and incentive features.

Disadvantages associated with incentive systems include the following:

**1. It is difficult to identify the “best” rewards:** It is not always easy to identify which rewards or types of incentive rewards will function as effective or salient inducements for behavior change. Some ineffective incentive programs, when examined in more depth, can often be traced to an inappropriate choice of rewards as the primary inducement for the desired behaviors. For example, the use of minimal amount discount coupons to local merchants as the incentive reward for program participation, may not have a significant effect on changing behavior in a relatively highly paid work force. In this example, the incremental value of the coupon when combined with the required behavior to “cash” in the coupon, when compared with the disposable income of the target group would likely work to substantially weaken the strength or motive force of the incentive.

**2. It is possible to reward inappropriate behavior:** If the incentive feature or program is poorly designed the wrong behaviors or inappropriate behaviors can be rewarded. For example, a cash competition that rewards short-term weight loss without any maximum limits on pounds lost per week may cause some participants to use hazardous weight loss techniques and diets to lose the most weight in the shortest period of time, subjecting themselves to the health hazards associated with extreme weight loss techniques.

*It is clear that a significant portion of employers utilize incentives to encourage program participation and selected health behaviors and that their work cultures' appear to be compatible with the use of wellness incentives. A few studies have found their way into the clinical and scientific literature and provide some reference points for assessing the role of incentives in worksite wellness programs.*

Clearly, well-designed incentive features should strive to eliminate any inappropriate behavior by modifying the decision rules of the incentive program. In this weight loss incentive contest example, the problem could be solved by limiting the amount of weight to be lost to one or two pounds a week, thereby significantly reducing the reward associated with unhealthy or inappropriate weight loss practices.

**3. It is possible to create “unintended artifacts”:** It is possible to produce unintended and/or undesirable artifacts from the operation of an incentive feature or program. For example, if the incentive reward for not using sick leave is only given on an “all-or-none” basis (i.e., no sick leave absences during a year) and is highly valued by a work force, it may cause some individuals to come to work with infectious conditions (e.g., upper respiratory infections). These people could end up spreading the illness to many more people than perhaps would have otherwise gotten ill if the individual had stayed home while they were in a contagious state. This is an example of an unintended artifact.

**4. It is possible to outwit the incentive rules:** If it is possible, some individuals may find a way around the rules established for the incentive program. If there is not a verification process or objective check on actual behavior, some individuals may indicate that they have adhered to the required behavior without actually having done so. This behavior is frequently referred to as “gaming” the incentive feature. For example, if a sun visor is handed out as an incentive for attending a “lunch and learn” educational session at the beginning of the session, the individual who wants the visor, but doesn't want to attend the full session, will get the visor at the beginning of the session, then leave the session. In a direct

way, they have performed a behavior that is intended to get the reward without having to fully comply with the required behavior. In this example, it would be prudent to give the visors out at the end of the session, only to those who have attended the full session.

**5. It is possible to create dependent behavior:** With incentive features and programs it is possible for the incentive reward to create dependent behavior. In other words, if there is no incentive, there is no behavior. The dependency can cause people to do the behavior only when there is an incentive reward. For example, use of a one-year subsidy for membership in a fitness club may contribute to participants dropping their membership when the subsidy is withdrawn, perhaps as a way of applying pressure on the employer to maintain the subsidy. Hopefully, the eventual development of an intrinsic value for many wellness behaviors will begin to out-weigh the dependency creating effects associated with incentives. With the example of the fitness club subsidy it would be better to connect the subsidy to a minimum level of use with a payback provision if the use level drops below a certain threshold, such as a minimum of two times a week. Also it would be better to have the subsidy, if it was to be time limited, for three years rather than one year so that there would be more opportunity for the individual to develop a stronger intrinsic value for fitness. This also would help the individual move from a Transtheoretical stage of Action to Maintenance, thereby increasing the prospects for assimilation of the long-term behavior change. This is frequently more important in the area of physical activity because of its “gateway” nature and importance to many other wellness behaviors. (i.e., tobacco use, weight loss, stress, nutrition, etc.)

In summary, there are clear benefits as well as potential pitfalls with the design and operation of incentives. A careful design and implementation approach can usually help assure a minimum of disadvantages and a maximum of advantages leading to a behaviorally effective and cost-effective incentive approach.

## 2.2 Definitions of Incentive Terms

Although there has been significant growth in the use of incentives for wellness there have been few formal assessments of patterns in work-site incentive use. However, there are several more recent surveys that have been conducted by employee benefits consulting firms that examine the use of incentives among samples of employers. The summary results of one of these more recent surveys are highlighted in *Figure 3*.

*Figure 3*

TYPES OF INCENTIVES USED	
Type	Percent
Utilize wellness incentives	63%
Cash awards	15%
Non-cash	26%
Discounts	22%
Flex Credits	6%
Penalties	5%

*William M. Mercer, Inc., NY, 1999. N=259 employers*

It is clear that a significant portion of employers utilize incentives to encourage program participation and selected health behaviors and that their work cultures' appear to be compatible with the use of wellness incentives. A few studies have found their way into the clinical and scientific literature and provide some reference points for assessing the role of incentives in worksite wellness programs.

Within the last four years, three major benchmarking or “best practice” studies have been conducted and all

three of these studies have found that the use of incentives for participation are considered as “best practice” elements of worksite wellness programs. These three studies include one by O'Donnell and associates and two by Goetzel and associates.

In terms of the most commonly used incentives, the patterns and trends seem to be associated with the type of program activity that is being incented. There are three major types of programming activity that reflect these different use patterns of incentives. The first major activity is the completion, usually annually of a health risk appraisal (HRA). The pattern here has been to move from an unincented, voluntary approach to HRA completion to the use of continued health benefit eligibility or use of a differential premium contribution for health plan coverage to relatively small, but immediately provided cash rewards \$10 to \$25. The second type of program activity that is usually incented are on-site program activities or events and usually the pattern has been the use of material goods or merchandise coupon selections for those who participate in programming.

The third type of program activity is the long-term incentive program, sometimes called “wellness achievements” that usually includes overall program participation, completion of biometrics and/or preventive screening tests, attainment of particular biometric achievements (such as a total cholesterol level of less than 200 mg/dl), seat belt use, remaining injury-free, and others. These achievement-oriented wellness incentive programs may have 5 to 12 wellness criteria and offer points that are translatable into reduced health plan premiums or larger amounts in health reimbursement accounts. ★