



EMPLOYEE
BENEFITS

eLINE



BIOMETRICS TOP THE LIST OF TODAY'S LEADING WELLNESS PROGRAMS, TOOLS AND RESOURCES

Biometric screenings top the list of wellness tools that employers use today, according to MetLife's 2014 U.S. Employee Benefit Trends Study. After biometrics, other types of wellness programs are used by employers as follows:

- 75% use activity-only programs such as gym memberships, weight-loss programs and yoga/relaxation classes.
- 74% use "health management" such as disease management programs, on-site clinics and smoking cessation programs.
- 67% use work/life balance initiatives such as employee assistance programs (EAPs), job sharing and telecommuting.

ACA provides further motivation for employers

Biometrics have been an effective wellness tool for years, and the Affordable Care Act (ACA) provides further motivation for employers to offer health screenings for cholesterol, blood pressure and other biometric measures. The ACA increased the maximum financial incentive employers could offer for reaching measurable health goals.

- Prior to the ACA, the incentive for participating in health-contingent wellness programs could not exceed 20% of the health plan's premiums.
- Today, the new regulations increase the maximum reward to 50% of the premium for programs designed to prevent tobacco use, and 30% of the premium for all other health-contingent wellness programs.

"The greater rewards for healthy behaviors and outcomes have potential to create a greater effectiveness for employers who have biometric wellness programs," says Wellness Consultant Amy Richter. "Financial incentives like premium discounts are an excellent motivator for employees."

Plan design options and legal constraints

There are a range of possible plan design options. For example, the employer can choose which biometrics to measure as well as the targets that must be achieved to earn the incentive. Commonly measured biometrics include:

- Tobacco use
- Body Mass Index (BMI)
- Cholesterol
- Glucose
- Blood pressure

The employer also has flexibility (with certain legal limits) in determining the amount of the incentive as well as the form of those incentives. For example, the employer may choose to make contributions to a participant's Health Reimbursement Arrangement (HRA) or Health Savings Account (HSA) for each biometric target achieved. Alternatively, a participant may be entitled to increased employer premium contributions on the major medical plan for each biometric goal they achieve.

There are certain legal requirements that biometric-based plans must satisfy. Employers generally do not receive individual employee test results in order to avoid problems



EMPLOYEE BENEFITS eLINE

May 22, 2014 – Vol. 13, No. 5
Page 2 of 3

under HIPAA Privacy and the Americans with Disabilities Act (ADA), although the employer may receive aggregate data on all employees' test results.

Most biometric plan designs must also comply with the HIPAA Wellness Program rules. While HIPAA Wellness imposes several constraints, the most significant are:

- The total incentive cannot exceed 30% of the total cost of single coverage on the overall health plan unless the program is designed to prevent or reduce tobacco use (as mentioned previously, this was recently increased from 20%).
- In an outcome-based program, participants who are unable to meet a specific target must have the opportunity to earn the incentive through an alternative standard, even without specific medical need or a doctor's verification.

Phased approach

Besides the legal issues, there are several important strategic, cultural, and communication issues an employer should consider before implementing a biometric-based plan. To overcome some of these challenges, employers may want to gradually introduce wellness programs and other consumer-driven concepts that lead to an outcome-based program. This allows the employer to gather data as well as gives employees time to get used to the concept and take steps to improve their health before being hit with financial consequences. A phased approach could look like this:

Year 1: Implementing a comprehensive wellness program with rewards to participants who agree to participate in biometric testing. In this scenario, the program conditions a reward based only on participation, such as the completion of a biometric test.

DEFINITIONS

Outcome-based program. This rewards for achieving specified outcomes related to a health factor — for example, having a body mass index or cholesterol level below a specified maximum.

Activity-only program. These require an individual to perform or complete an activity related to a health factor in order to obtain a reward but do not require an individual to attain or maintain a specific health outcome. An example is a walking program or tracking the number of times a participant visits the gym in a month.

Participatory program. This type of program provides rewards not based on satisfying a standard related to a health factor. For example, only requiring the completion of a health risk assessment.

Year 2: Participants may be able to earn rewards by participating in education, exercise plans or other programs designed to improve overall health. This is an example of an activity-based program.

Year 3: The incentives may only be available for reaching the biometric target, with alternative standards available where legally required. This is an outcome-based program.

Other considerations

Keep in mind that employees are likely to have a range of reactions to this type of plan. Some will be very positive, viewing any effort to improve health and hold people accountable for their choices as a good thing. Other employees will likely have a negative reaction,



EMPLOYEE BENEFITS eLINE

May 22, 2014 – Vol. 13, No. 5
Page 3 of 3

feeling such a plan is intrusive or unfair. It's important to know your employees and corporate culture to anticipate how employees are likely to react and plan your communication efforts accordingly. As employers phase in their wellness models, good and open communication is key.

Finally, it's important to consider the financial aspects of a biometric-based plan. There will be hard costs associated with implementing such a plan, including the cost of testing and funding the rewards, which will vary depending on the testing vendor, the number and type of biometrics measured, the amount of the incentive and the funding mechanism chosen. On the other hand, depending on the type of plan you currently have in place,

implementing a high deductible plan may result in some immediate premium savings. But of course the real savings from a biometric plan are expected to be more long term—healthier employees should mean fewer claims, lower costs, and increased productivity—but whether the incentives built into the biometric plan will in fact lead to the desired healthier behavior is harder to predict.

[Register](#) for our upcoming webinar, "Using biometrics to incentivize employee wellness." For more information, contact us at info@AssociatedFinancialGroup.com or 800-258-3190.



Associated Financial Group

Associated Financial Group's eLine newsletters are intended to educate and assist our clients, partners and other valid business contacts. Our publications are limited to these contacts, and AFG reserves the right to exclude competitors from subscribing. Registrants must have a valid corporate email address (non-Hotmail, Gmail, or Yahoo) and provide complete registration profile information.

Insurance products are offered by licensed agents of Associated Financial Group, LLC ("AFG"). • Insurance products offered are NOT deposits or obligations of, insured by the FDIC or any agency of the United States. • AFG is an affiliate of Associated Banc-Corp ("AB-C"). AB-C and its affiliates do not provide tax, legal or accounting advice. Please consult with your tax, legal or accounting advisors regarding your individual situation. This material is for information solely and should not be construed as tax, legal or accounting advice.

Copyright © 2014 by Associated Financial Group, LLC. All rights reserved.