

HOW WELLNESS INCENTIVES WORK

There are two Wellness Incentive program types, **Participatory Wellness** and **Health Contingent Wellness**. Health Contingent Wellness programs are further broken down into two subcategories: **Activity-Only Wellness** and **Outcomes Based Wellness**.

WELLNESS INCENTIVE PROGRAM

PARTICIPATORY WELLNESS PROGRAMS

These programs make up a smaller group of programs and do not provide a reward and/or do not include conditions on how to obtain a reward for actions or lifestyle changes. Participatory programs are not subject to the same 5 requirements Health Contingent Programs must meet (outlined below).

Examples of Participatory Programs

- Reimbursement for a gym membership
- Rewards for participation in diagnostic testing without regard to outcomes
- Rewards for attending free educational seminar

HEALTH CONTINGENT WELLNESS PROGRAMS

On the opposite side of the spectrum from Participatory programs, Health Contingent programs do offer rewards to individuals who have meet defined standards. Unlike participatory-based programs, rewards based programs must meet the following criteria:

1. The program must allow individuals to qualify for a reward at least once per year
2. The reward must not exceed 30% of the total cost of employee-only coverage under the plan or 50% of the program's designed space for preventing or reducing tobacco use
3. The reward must be available to similar individuals, or else a reasonable alternative standard must be given
4. The program must prevent disease or promote health in an accessible way
5. The program must specifically state and provide materials on all requirements, incentive outlines, reward terms and alternative standards

HEALTH CONTINGENT WELLNESS PROGRAMS SUBCATEGORIES:

ACTIVITY-ONLY WELLNESS PROGRAMS

These programs require participants to complete a specified activity as it relates to a defined health risk factor in order to obtain a reward.

OUTCOMES BASED WELLNESS PROGRAMS

Outcomes based programs are focused around improving health and well-being, whether for a specific health risk category or general well-being. Participants are required to attain or maintain specific health outcomes, such as not smoking or improving/reaching suggested biometric screening values in order to obtain a reward.

Examples of Participatory Programs

- Imposing a surcharge on tobacco users who have not sought out tobacco cessation programs or counseling
- Rewarding participants who obtain health screening values (cholesterol, blood pressure, BMI, Waist to Height Ratio, Blood Glucose, etc.) within healthy ranges, and requiring participants outside of healthy ranges to take additional steps towards improving their numbers





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CALCULATING REWARDS OR PENALTY

FACT: The annual premium for employee-only coverage is \$6,000, of which the employer pays \$4,500 per year and the employee pays \$1,500 per year. The employer plan offers employees a health-contingent wellness program focused on decreasing or maintaining a healthy blood sugar level, weight, cholesterol level and blood pressure.

The reward for compliance is an annual premium rebate of \$600.

FACT: The plan also imposes an additional \$2,000 surcharge or penalty for employees who have used tobacco in the last 12 months and who are not enrolled in the plan's reasonably alternative standard smoking cessation program. Those who participate in the smoking cessation program are not penalized with the \$2,000 surcharge.

CALCULATION: The \$600 rebate reward for meeting the non-tobacco related health-contingent wellness program does not exceed the final rule's 30% permissible reward maximum of the total annual cost of \$6000 (30% of \$6000 = \$1800).

Additionally, the reward of avoiding the \$2000 penalty surcharge for participating in the tobacco health-contingent wellness program does not exceed the 50% permissible reward maximum of the total annual cost of \$6000 (50% of \$6000 = \$3000).

When total rewards are taken together, \$600 + \$2000, the \$2600 sum of rewards does not exceed the maximum 50% permissible reward of \$3000. Under the ACA wellness program requirements, this plan design would be in compliance.

To learn more about this program, click here.

Or visit <https://www.dol.gov/agencies/ebsa/laws-and-regulations/laws/affordable-care-act/for-employers-and->