New Choices. Better Results.

Health care remains a top priority for employers, and most are taking action to prepare for increasing cost, risk and change. New models of delivery, new approaches to managing health and new compliance requirements are challenging employers to think differently. The employer role in “owning” health insurance responsibilities for employees and their dependents is shifting. The results of our annual employer survey, the Aon Hewitt 2013 Health Care Survey, show that employers are taking bold and assertive steps at a faster pace than in prior years.

Proactive Change

Human resources and benefits leaders are focused on achieving better health care results for their organizations and workforces. The most significant activity and opportunities for improvement are within the areas of population health and the health care system.

■ Population health. Employers are moving away from a traditional “managed trend” approach to one that requires participants to take a more active role in their own health care planning. Employers are informing employees about their health risks and inspiring them to change behavior. They are linking employee behaviors—and increasingly, access to health benefits—to positive outcomes.

■ Health care system. The U.S. health care system is undergoing rapid transformation. Employers are holding health care providers more accountable and embracing aggressive, data-driven techniques to reduce unnecessary expenses and create more efficiency in the way health care is purchased. And employers are adopting new provider delivery models to improve cost and quality.

New Choices. Better Results.

Progressive employers are evaluating emerging opportunities, selecting and advancing the right strategies for their businesses, and implementing those strategies with a keen focus on measuring results and improving the ROI of their health benefits investment. These survey results and our point of view provide insight into the direction your peers and the health care marketplace are going. Our goal is to help you lead health care and achieve better results. If you have questions or want to learn more, contact your Aon representative or email us at health@aonhewitt.com.

Jim Winkler
Senior Vice President
Chief Innovation Officer
Health & Benefits

John Zern
Executive Vice President
Practice Director, Americas
Health & Benefits
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Aon Hewitt
2013 Health Care Survey
Executive Summary

To gauge employer reaction to and action on the significant forces in the health care marketplace, Aon Hewitt annually conducts a survey of employers. Interest in the survey was high, with over 800 participants representing organizations of varying size, industry and U.S. geographic region. The results point to the actions employers are taking to improve the value they receive from their health care spend.
Incredibly Dynamic Marketplace

The U.S. employer health care marketplace has been and remains incredibly dynamic. The decisions made by a company today will have a profound impact on the health of employees and the financial health of the organization for years to come.

- **Health care strategy in a changing environment.** The Patient Protection and Affordable Care Act (ACA) is here to stay. Organizations are responding with strategies that react to its financial, strategic and consumer/patient implications.

- **Provider delivery transformation and payment reform.** Hospitals and physician groups are consolidating to form integrated delivery systems focused on end-to-end care, while health plans, employers and the federal government focus their efforts on transforming fee-for-service health care into a value-and outcome-based payment model.

- **Consumer-centric benefits management.** Benefit delivery systems are dramatically changing, moving from a primarily group-oriented environment to an individual consumer approach, including corporate and private exchanges and other emerging options.

- **A healthy, high-performing workforce.** The focus on employee health intensifies. Employers are connecting with employees whenever and wherever they can to empower health ownership, behavior change and improved outcomes.

Results Point to a Health and Performance Focus

Employer responses to the Aon Hewitt 2013 Health Care Survey confirm that health and workforce performance, wellness, prevention and health risk management are front and center in the minds of HR leaders. Every facet of the current health care mindset is focused on improving health outcomes and healthy-living behaviors.

Employer strategies are focused on four critical areas—reducing unnecessary expenses, designing programs with intent to achieve better results, improving workforce health and performance, and engaging participants in activities that lead to better health.
Reduce Unnecessary Expenses

While more than half (51%) of employers identify complying with government regulations resulting from the ACA as a top priority, an even higher percentage (69%) suggest that motivating employees to change health behaviors will be a significant focus over the next three to five years. This finding suggests employers understand, conceptually, the need to shift from traditional plan management focused on mitigating trend to progressive and effective participant engagement.

The majority of employers, 64%, rely on data to find cost savings. And with the shift to focusing on participant engagement and health improvement, employers are relying less on disconnected carrier reporting and traditional data warehouses and more on integrated, dynamic data aggregation tools to laser in on the best opportunities for reduction of unnecessary costs.

Design with Intent

Only 2% of employers today provide employees with a fixed-dollar subsidy to purchase health coverage; however, 28% of employers expect to move to a defined contribution approach over the next three to five years.

Employers continue to subsidize employees at a higher level than dependents, holding steady at an 80% subsidy for employee coverage and 75% for dependent coverage. However, additional cost shifting is expected to reduce subsidy levels to 75% for employees and 70% for dependents in the next three to five years.

Improve Health and Performance

Seventy-two percent of employers focus their health care strategies primarily on programs that improve health risk and reduce medical costs. However, over the next three to five years, 48% of employers intend to shift that focus toward programs that improve workplace productivity and reduce absence. As they think more holistically about their employees, not just how to offer health insurance, employers are building programs to help the employees manage their health and be more consistent at work.
Engage Participants

- Nearly seven out of 10 employers (68%) deploy some form of incentive to inspire behavior change. Nearly half of all employers (46%), and two-thirds of those with an incentive strategy, position the incentive as a reward. Only 4% of employers position their incentive strategy as a pure consequence, and 18% use a combination of rewards and consequences depending on the desired behaviors. Additionally, nearly half (47%) of employers have a specific incentive program focused on those who smoke and/or use tobacco products. Of those, 43% position the incentive as a reward for non-tobacco use, 47% position it as a surcharge for tobacco use, and 10% have a combination of penalties and rewards.

- Employers tend to be split as to the populations to whom the incentives apply. Thirty-five percent extend incentives to all employees, while 49% limit incentives to those enrolled in the employer-sponsored medical plan. With regard to adult dependents, nearly half (48%) do not extend their incentive program beyond employees, while 40% invite spouses and partners enrolled in the medical plan to participate in the incentive program.

The strategies of the future will place even more emphasis on health and performance. The current focus on benefits plan management will subside as new solutions and emerging marketplaces become more viable for employers and their employees.
**About this Survey**  
A total of 837 individuals participated in the Aon Hewitt 2013 Health Care Survey in December 2012 and January 2013. They were asked to answer questions about their U.S. health care plan(s). Over half of the responding organizations have operations outside the U.S.

**Worldwide Number of Employees**

<table>
<thead>
<tr>
<th>Number of Employees</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 500</td>
<td>15%</td>
</tr>
<tr>
<td>500–2,500</td>
<td>18%</td>
</tr>
<tr>
<td>2,501–5,000</td>
<td>15%</td>
</tr>
<tr>
<td>5,001–10,000</td>
<td>15%</td>
</tr>
<tr>
<td>10,001–25,000</td>
<td>24%</td>
</tr>
<tr>
<td>25,001–50,000</td>
<td>11%</td>
</tr>
<tr>
<td>Over 50,000</td>
<td>5%</td>
</tr>
</tbody>
</table>

**Number of Active, Benefits-Eligible U.S. Employees**

<table>
<thead>
<tr>
<th>Number of Employees</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 500</td>
<td>15%</td>
</tr>
<tr>
<td>500–2,500</td>
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<td>15%</td>
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<tr>
<td>10,001–25,000</td>
<td>14%</td>
</tr>
<tr>
<td>25,001–50,000</td>
<td>17%</td>
</tr>
<tr>
<td>Over 50,000</td>
<td>6%</td>
</tr>
</tbody>
</table>
Reduce Unnecessary Expenses

The 2012 U.S. Supreme Court decision upholding the ACA, and the subsequent U.S. presidential election securing a second term for President Barack Obama, solidified the reality that the ACA will remain law. Now having had some time to study the provisions of the legislation, employers are recognizing that the ACA was designed to address access to health care coverage for all Americans, but will not address all health care challenges facing employers—most notably cost.
The High Cost of Health Care

Employer health care costs continue to grow at an unsustainable rate. Aon Hewitt’s actuarial data suggests that employers have seen direct and indirect costs due to health care reform increase their total costs approximately two percentage points since the ACA became law. In 2014 and 2015, the additional fees and direct/indirect costs will impact employers by another one to two percentage points. For those employers that have large populations of workers who are not offered insurance or who opt out of insurance coverage, that cost could be significantly higher.

Today, most employers are:

- Actively pursuing ways to reduce expenses by making changes to vendors, plan design or contribution strategies
- Exploring tactics that build on these areas but move toward greater health awareness, heightened consumerism and increased focus on higher-cost claimants
- Investigating the possibility of facilitating changes in how we pay for health care services, moving away from fee-for-service toward a focus on payment for outcomes

Key Findings

In this year’s study, we find the following with respect to employer actions aimed at reducing unnecessary costs:

- While more than half (51%) of employers identify complying with government regulations resulting from the ACA as a top priority, an even higher percentage (69%) suggest that motivating employees to change health behaviors will be a significant focus over the next three to five years. This finding suggests employers understand, conceptually, the need to shift from traditional plan management to progressive and effective participant engagement.

- The majority of employers (64%) rely on data to find cost savings. And with the shift to focusing on participant engagement and health improvement, employers are relying less on disconnected carrier reporting and traditional data warehouses and more on integrated, dynamic data aggregation tools to laser in on the best opportunities for reduction of unnecessary costs.
Top Health Care Plan Outcomes

When asked to prioritize the outcomes of their health plans, respondents’ top three choices point to a focus on engagement and health improvement.

- 76% seek to increase participation in wellness, health improvement/disease management programs
- 75% seek to raise awareness of and decision making related to health issues
- 65% seek to reduce employee and dependent health risks

Top Health Care Outcomes Organizations Would Like to Achieve in 2013
While the focus on employee engagement and health is a priority, few employers appear to be engaging with the health care delivery system in ways that reduce unnecessary expenses and help influence provider reforms. Further, over the next three to five years, very few employers are considering the following tactics:

- Adopt health care purchasing models (12%) that include cost efficiency and quality of care metrics
- Adopt tiered programs or limit coverage to high-performing networks (8%) where available
- Move to a best-in-market approach by state or region (6%) to optimize different plan discount levels with a common design for all participants

Most employers (81%) continue to manage plan designs and contribution strategies through PPOs as the most common product offering, with a median enrollment of 70% of participants. This is true despite data that suggests that, from 2011 to 2012, high-deductible health plans (HDHP) with health savings accounts (HSA) experienced a two-point lower rate of cost increase than PPOs.

### Types of Health Benefit Plans Offered

<table>
<thead>
<tr>
<th>Plan Type</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>PPO plan(s)</td>
<td>81%</td>
</tr>
<tr>
<td>High-deductible consumer-driven health plan(s) with health savings account</td>
<td>41%</td>
</tr>
<tr>
<td>HMO plan(s)</td>
<td>36%</td>
</tr>
<tr>
<td>High-deductible consumer-driven health plan(s) with health reimbursement account</td>
<td>19%</td>
</tr>
<tr>
<td>Other</td>
<td>19%</td>
</tr>
<tr>
<td>POS plan(s)</td>
<td>13%</td>
</tr>
<tr>
<td>Exclusive provider network plan(s)</td>
<td>11%</td>
</tr>
<tr>
<td>Indemnity plan(s)</td>
<td>5%</td>
</tr>
<tr>
<td>High-deductible consumer-driven health plan(s) without company-sponsored savings account</td>
<td>4%</td>
</tr>
</tbody>
</table>

Note: Respondents were asked to choose all that apply.
Cost Transparency plays a key role today for the 51% of employers offering employees access to tools that provide cost and data to make more informed decisions. Another 43% are considering transparency tools as part of their three- to five-year strategy. Even though most health plans offer tools that provide some level of transparency, awareness and ease of use limit widespread adoption among participants when making decisions.

Twenty-two percent of employers are tightly managing the health of the chronically ill through mandatory condition/case management or special networks for care, and 58% are considering doing so over the next three to five years. This points to a potential shift: employers requiring more of their employees who are chronically ill, but also providing more support.

While only 8% of employers leverage reference-based pricing as a cost management tactic today, 62% are considering it in the next three to five years.
Transforming Health Care Delivery Payment

One area of focus within cost management is the movement to transform how we pay for health care services. To that end, 53% of employers say the effort to transform the health care delivery system—driven by the federal government, health plans and large employers—is part of their health care strategy; another 19% identify it as one of their top three priorities. Only 4% identify it as an area on which they do not intend to spend much time.

Emphasis Placed on Movement Toward Provider Payment Models

Within that space, employers are increasingly interested in integrated care delivery models, such as patient-centered medical homes, that improve primary care effectiveness. Fourteen percent of employers use such a model today; another 61% are considering it in the next three to five years.

Sixteen percent of employers indicate they simply cannot afford to stay in the game of trying to control health care costs. They are prioritizing the development of a plan to transition out of directly sponsoring health care benefits and migrate their workforces to corporate/private or state exchanges, including adopting a fixed-dollar contribution approach.
Most employers have been focused on year-to-year trend mitigation as their primary health care strategy. With the introduction of health care reform, employers are now faced with a decision: to actively manage risk or transfer it.

Actively managing risk will require new approaches, such as a “house money, house rules” approach, focused on requiring employees either to be more engaged in their health (with an emphasis on improved outcomes) or face higher personal health care expenses.

Transferring risk—for example, through a private health care exchange—will require employers to rethink their relationship with their employees, holding them more accountable for making health care purchasing decisions that affect their personal income.

Whether employers manage or transfer health risk, they will still need to focus on the health and well-being, productivity and performance of their people.

A New Way of Thinking about Health Care: Manage or Transfer Health Risk

Current State
Annual Trend Mitigation
“Compensation & Benefits”

Future State
Redefined Employer Role
“Compensation & Compensation”

Manage Risk
House Money, House Rules

Transfer Risk
Leverage Exchanges
Design with Intent

With many of the operational details of health care reform yet to be implemented, especially the availability of state exchanges in 2014, employers are confronting the realities of compliance and the significant challenges they face in controlling future health care costs. They continue to favor plan designs that promote consumer accountability and are beginning to explore new, innovative provider-delivery solutions that have the potential to influence engagement and change behavior in the direction of a healthier lifestyle.
Key Findings

In this year’s health care study, the key findings with respect to employers’ health care plan designs are:

- Only 2% of employers provide employees with a fixed-dollar subsidy to purchase health coverage; however, 28% of employers expect to move to a defined contribution approach over the next three to five years.

- Employers continue to subsidize employees at a greater level than dependents, holding steady at an 80% subsidy for employee coverage and 75% for dependent coverage. However, additional cost shifting is expected to reduce subsidy levels to 75% for employees and 70% for dependents in the next three to five years.

Use of Consumer-Driven Health Plans

Use of consumer-driven health plans (CDHPs), whether aligned with a health reimbursement account (HRA) or health savings account (HSA), continues to grow with 56% of employers offering them today and another 30% intending to add them in the future. Interestingly, only 10% of employers have already moved to a total replacement strategy; another 44% are expected to move in this direction over the next three to five years.

Employers considering CDHPs are interested in both HRA and HSA models, with similarly varying approaches to employer funding of the account. More than one-third of employers (40%) offer an HSA with an employer contribution to the HSA today; another 42% are considering it for the next three years. Fourteen percent of employers offer an HSA-eligible plan, but do not fund the account. Twenty-three percent offer an HRA with employer funds in the HRA; another 33% are considering it for the future.
As employers increase their use of CDHP approaches, one in 10 supports employees by offering additional voluntary supplemental medical offerings such as critical illness coverage. Employers offering a full portfolio of these products help support the idea of employees as consumers. Supplemental medical benefits allow employees to determine how they want to manage their risk when enrolling in a high-deductible plan. Nearly half of employers (44%) report plans to consider such an approach in the next three to five years.

Additionally, only 5% of employers currently require employees to contribute their own funds to an HSA as a prerequisite to earning a matched contribution from the employer. Over time, we may see this change, as 53% of employers are considering this tactic in the next three to five years.
Today, the vast majority of employers (91%) do not limit eligibility for certain benefit programs based on individual health improvement actions. However, 52% indicate a desire to move in that direction in the next three to five years, tying eligibility for certain benefit plan choices to participation in health improvement programs and/or achievement of specific health risk outcomes (e.g., quitting smoking, reducing BMI, etc.).

In addition, employers continue to utilize value-based designs that remove financial cost sharing to promote access to key services such as medicines for treatment of chronic disease. Value-based plan designs have been adopted by 41% of employers today, and the strategy is still relevant—an additional 48% are considering adopting such designs in the next three to five years.

Nearly one-quarter (24%) of employers steer participants through plan design to lower-cost, higher-quality hospitals or physicians for specific procedures or conditions; 59% are considering doing so over the next three to five years. This will become a more prevalent consideration as newly emerging delivery systems like accountable care organizations (ACOs) continue to expand, and employers begin to evaluate and gravitate to those that have demonstrated lower cost and better outcomes. The challenge for employers will be the market-specific nature of these ACOs. These models require a new, more localized strategy, which is counter to the nationwide PPO-centric purchasing approach employers have deployed over the past 10 years.

As employers continue to seek ways to manage cost, design becomes an increasingly important lever. To achieve meaningful short- and long-term cost management, employers must adopt a variety of tactics.

Foundationally, employers will continue to shift cost to employees, primarily through reduced subsidy support for dependents, especially as the ACA enables the use of the open market as a means to cover non-employee adults. Further, we expect to see continued design-based cost sharing. In doing so, employers will increasingly embrace CDHP approaches, including full replacement models. As discussed in other sections of this report, we believe CDHP approaches are most successful when simultaneously aligned with programs and incentives aimed at improving health.
Over time, we believe employers will seek to adopt a true transfer of risk strategy, treating the employer funding of health care as a form of compensation. In doing so, employers will gain greater control over their annual cost increase and can communicate more clearly the value of the company subsidy. Under this model, the employer can connect employees’ access to increases in the company subsidy to actions that support greater organizational health, similar to pay-for-performance compensation programs.

For a growing number of employers, the solution to controlling health care costs may involve the shift to a defined contribution model and the use of a private exchange to deliver health insurance coverage in an insured marketplace. For these employers, the private exchange provides an attractive opportunity to transfer the risk of cost volatility back to the health plans. Employers seeking this path will then be able to reallocate human capital resources away from benefit plan management to focus on health behavior change as a means of reducing absenteeism and improving workforce performance.
Improve Health and Performance

Investing in workforce health as a key strategy to control health-related costs has become mainstream. What varies is the scope and approach employers are willing to take to reduce health risk factors, and improve the health and overall performance of their organizations.

As employers reconsider their long-term role in offering health care to their workforces, the need for a healthy, present and high-performing workforce remains critical. Over time, the value proposition for investing in health will begin to shift from a singular focus on reducing unnecessary medical expenses to one based on strategies that enable employees to be healthier contributors to improved organizational performance.
**Key Findings**  
In the area of improving health and performance, we find that 72% of employers focus their health care strategy primarily on programs that improve health risk and reduce medical costs. However, over the next three to five years, 48% of employers intend to shift that focus toward programs that improve workplace productivity and reduce absence. As they think more holistically about their employees, not just how to offer health insurance, employers are building programs to help the employees manage their health.

**Employer Priorities**  
Employers state that their top priorities for improving population health are increasingly focused on changing human behavior in the context of a defined wellness strategy. Eighty-five percent of employers have a wellness and health improvement strategy today, with another 14% considering adopting such a strategy. In addition, 81% have a condition management strategy in place, with another 14% considering such an approach. Further, while only 31% of employers integrate their workplace health and safety efforts, 52% are considering that approach going forward. Finally, only a small percentage of employers (22%) have adopted a holistic strategy that considers a person’s physical and mental health; however, nearly six out of 10 employers (59%) identify this approach as a consideration for the near future.

To accomplish these strategies, employers are focused on wellness, including a combination of communication and design tactics. Specifically, employers report the following:

- 80% have a year-long ongoing wellness communication campaign; 17% are considering it
- 59% have a unique brand for their wellness program; 29% are considering it
- 49% have implemented a company-wide wellness policy and guiding principles; 36% are considering it
- 52% use intra-company competitions to promote healthy behaviors; 35% are considering it
- 52% indicated they currently have an onsite fitness center in one or more locations; 14% are considering it
- 31% offer flexible schedules or policies that allow employees to exercise on company time; 39% are considering it
In addition, 47% have visible senior leadership support (including 12% who noted this as a new tactic in 2013), 47% have an active employee wellness team/council model and 46% have location-based wellness champions. Much of this growth occurred in 2013; wellness teams and wellness champions were each added by 13% of employers in 2013. Over the next three to five years, 84% of employers expect to have more visible senior leadership support and approximately the same amount expect to have wellness teams (85%) and health champions (83%).

**Program Integration**

To that end, 25% of employers integrate health with absence and/or workers’ compensation strategies, but more than half (56%) are considering doing so in the next three to five years, and 52% of employers are considering integrated safety and health improvement as part of their overall health care strategy (only 7% report having such integration today). Of those employers reporting that they currently integrate health, safety and productivity programs, the most commonly reported result has been recognition and visibility of the importance of total worker health (52%), with smaller percentages identifying culture change (16%), employee engagement (16%) and cost reduction (11%) as other outcomes achieved.

Fifty-two percent of employers offer integrated health and disease management programs today and another 42% are considering doing so over the next three to five years. And, while only 14% of employers today are integrating emerging delivery system models such as patient-centered medical homes into their core programs, 61% intend to do so in the next three to five years.

**Leadership and Worksite Culture**

Most employers indicated work culture (83%) and work environment (79%) to be the most important or moderately important in influencing worker health and changing behavior. At the same time, 47% of employers currently see visible senior and business unit leadership as key to influencing behavior, with an additional 38% considering how to increase such support in three to five years. Finally, more than three-quarters of employers (77%) offer worksite-related health programs, with an additional 22% considering adding in the next three to five years.
Employers suggest a significant willingness to invest resources in programs that focus on health and workforce performance. Within the next three to five years, we can expect 99% of employers to offer health improvement and wellness programs, 95% to offer disease management programs and 94% to offer behavioral health management programs. One additional area with relatively low adoption today (25%) but strong interest in the next three to five years (47%) is absence management (for non-occupational illness and injuries).

<table>
<thead>
<tr>
<th>Health and Productivity Strategies</th>
<th>Currently in Place</th>
<th>Considering in the Next 3–5 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health/wellness improvement</td>
<td>85%</td>
<td>14% 99%</td>
</tr>
<tr>
<td>Disease management</td>
<td>81%</td>
<td>14% 95%</td>
</tr>
<tr>
<td>Behavioral health management</td>
<td>56%</td>
<td>38% 94%</td>
</tr>
<tr>
<td>Complex case management</td>
<td>50%</td>
<td>39% 89%</td>
</tr>
<tr>
<td>Integrated safety and health</td>
<td>31%</td>
<td>52% 83%</td>
</tr>
<tr>
<td>Absence management</td>
<td>25%</td>
<td>47% 72%</td>
</tr>
</tbody>
</table>
In addition, employers continue to show strong interest in programs focused on targeted health improvement. The eight programs offered by at least half of employers in 2013 are:

- Health risk questionnaire (75%)
- 24/7 nurse line (74%)
- Biometric screening (71%)
- Disease and condition management (69%)
- Tobacco cessation programs (65%)
- Weight management programs (55%)
- Physical activity challenges (53%)
- Telephonic health improvement coaching (52%)

Several of these programs, such as health risk questionnaires and 24/7 nurse lines, have been popular for many years. In contrast, several key programs are growing in popularity. The programs in the following chart saw as much as a 5-point increase in the percentage of employers offering the program.

### Health Improvement Programs Increasing in Popularity

<table>
<thead>
<tr>
<th>Program/Service</th>
<th>Offered in 2012</th>
<th>Offering in 2013</th>
<th>Percentage Point Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Biometric screenings</td>
<td>63%</td>
<td>71%</td>
<td>+8</td>
</tr>
<tr>
<td>Physical activity challenges</td>
<td>47%</td>
<td>53%</td>
<td>+6</td>
</tr>
<tr>
<td>Telephonic health improvement coaching</td>
<td>46%</td>
<td>52%</td>
<td>+6</td>
</tr>
<tr>
<td>Nutrition programs</td>
<td>31%</td>
<td>37%</td>
<td>+6</td>
</tr>
<tr>
<td>Stress reduction initiatives</td>
<td>29%</td>
<td>35%</td>
<td>+6</td>
</tr>
<tr>
<td>Online/web live chat health coaching</td>
<td>24%</td>
<td>29%</td>
<td>+5</td>
</tr>
</tbody>
</table>
Some emerging programs with lower, but growing, interest include on-site medical clinics (20%), on-site health coaches (12%), expert second opinion programs (12%), voluntary catastrophic care benefits (11%), on-site pharmacies (9%) and telemedicine (7%).

Median Participation Levels  
Employer interest in program offerings is strong and growing, but median participation rates for these programs remain low. Strategies to engage participants in health programs are discussed in the following section of this report.

While biometric screenings and health risk questionnaires are offered by more than seven of 10 employers, the median percentages of eligible participants who actually participated in the programs in 2012 were 39% and 40%, respectively. Beyond those two programs, participation was low, with on-site pharmacies at 25%, on-site medical clinics at 17%, physical activity at 12%, on-site fitness centers at 10% and all other programs below 10%. Notably, 24/7 nurse lines, offered by 74% of employers, have a median participation level of only 5%—perhaps explaining the decline in percentage of employers offering nurse line programs in 2013.

Given these relatively low participation levels, the providers and specialty vendors that deliver these programs will continue to be pressured to develop alternative approaches and delivery models to engage and sustain behavior change. At the same time, the ACA brings more attention to the performance outcomes related to employer investments in health. As such, employers seek justification for broader management of programs that consider links to mental health, health-related absences, and workplace injuries and safety. Currently, only 22% of employers are taking a holistic or total well-being approach to managing health. However, there is great interest as we see 59% considering this in the next three to five years.
Rewarding Results

As noted previously, nearly seven out of 10 employers say that motivating participants to change their behavior is a major obstacle to achieving their health care strategy. Not surprisingly, employers are increasing their efforts to engage employees in programs that lead to better health outcomes.

Employers report strong interest in utilizing rewards and/or consequences tied to improvement on key health behaviors and/or outcomes. Among those seeking to use rewards such as enhanced plan design or lower payroll contributions, 21% are doing so today—with nearly half of those employers having added such a program element in 2013. Another 67% are considering this approach in the next three to five years.

Similarly, among employers seeking to use consequences such as higher deductibles or ineligibility for premium reduction, 19% are doing so today—with nearly half of those employers having added such a program element in 2013. Another 58% are considering this approach in the next three to five years.

Additionally, about one-third of employers (34%) discourage tobacco use by charging higher health care premiums for those who do use tobacco. An additional 44% are considering this approach for the next three to five years.

We will delve into employer strategies for the use of incentives in the next section of this report.
Use of Data

Today, only 23% of employers have a data warehouse in place to integrate medical, absence/disability and wellness information and measure health-related costs. However, an additional 58% are considering adding one over the next three to five years.

While employers are somewhat split in their source of data today—43% rely on their health vendor, whereas 55% rely on a third-party analytics partner—we expect to see continued movement toward the use of third-party data experts, with 70% of employers considering that approach over the next three to five years.

While much of the use of health care data is for the purpose of managing health care spend, employers also cite the following as the top health care outcomes they seek to achieve—several of which are health- and performance-related:

- 76% seek to improve participation in wellness, health improvement/disease management
- 75% seek to increase participants’ awareness of and decision making related to health issues
- 65% seek to reduce health risks of the population

Fewer employers are including the cost of absence. Today, 20% measure duration of absence and 19% frequency by medical condition. However, 62% of employers indicated they do not measure the impact of absence at all at this time.

Lastly, 40% of employers report that they track and/or report health risk and wellness statistics by business unit, location or other segment, and another 38% expect to do so in the next three to five years.
In a 2010 study published by the World Economic Forum, researchers identified eight specific behaviors/behavioral risks that drive the 15 chronic conditions accounting for 80% of costs associated with chronic disease worldwide.

**Manageable Behaviors Are at the Root of Costly Chronic Disease**
Employers are focused on these eight risks and behaviors at varying levels, with the most significant areas of focus being physical inactivity, poor diet and smoking. However, employers are generally not focused on three of the eight drivers: poor standards of care, insufficient sleep and excessive alcohol consumption—with fewer than 6% of employers identifying those drivers as key areas of focus. In addition, 8% of employers failed to identify any one of these eight drivers as a key area of focus.

### Behavioral Focus of Health Improvement Approach

<table>
<thead>
<tr>
<th>Behaviors</th>
<th>Rank 1</th>
<th>Rank 2</th>
<th>Rank 3</th>
<th>Rank—Top 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Physical inactivity</td>
<td>30%</td>
<td>33%</td>
<td>16%</td>
<td>79%</td>
</tr>
<tr>
<td>Poor diet</td>
<td>22%</td>
<td>25%</td>
<td>19%</td>
<td>66%</td>
</tr>
<tr>
<td>Smoking</td>
<td>16%</td>
<td>12%</td>
<td>19%</td>
<td>47%</td>
</tr>
<tr>
<td>Lack of health screening</td>
<td>18%</td>
<td>8%</td>
<td>12%</td>
<td>38%</td>
</tr>
<tr>
<td>Poor stress management</td>
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<td>8%</td>
<td>15%</td>
<td>28%</td>
</tr>
<tr>
<td>Poor standards of care</td>
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<td>2%</td>
<td>3%</td>
<td>6%</td>
</tr>
<tr>
<td>Insufficient sleep</td>
<td>0%</td>
<td>0%</td>
<td>2%</td>
<td>3%</td>
</tr>
<tr>
<td>Excessive alcohol use</td>
<td>0%</td>
<td>0%</td>
<td>1%</td>
<td>1%</td>
</tr>
</tbody>
</table>
Impacting Worker Behavior to Improve Health

Organizational efforts to improve health and workforce productivity are centered on four areas of influence: work environment, work culture, individual health services and community-based efforts.

Eighty-three percent indicated that workplace culture is the most or a moderate influence for changing and sustaining worker health and behavior, while 79% of respondents rank the work environment as the most or a moderate influence in changing worker health and behavior.

In contrast, 52% indicated that they could only somewhat influence worker health and behavior change through individual programs/services, and 59% indicated that the least influence would come from outreach into the community.

Strategic Elements Required for Successful Culture of Healthy and High-Performing Workforce
As employers increase their focus on enabling a healthier and more productive workforce, successful organizations will leverage a deeper understanding of the best practices required to drive demonstrable behavior change and deliver meaningful improvement in health and financial outcomes.

Aon Hewitt is working with leading industry organizations such as the National Business Group on Health, HERO and others to articulate and promote “best practice” efforts for improving workforce health and performance across several key dimensions:

- **Engage leaders and develop a culture of health throughout the organization.** There is a renewed understanding and interest in establishing a culture of health along with bringing programs and resources back on site. Programs that consider employees as individual consumers, market their features accordingly and offer a variety of delivery models will achieve the most success.

- **Use data to focus programs.** Easier access to integrated data allows employers to segment populations to identify health risk exposure and to identify programs best suited to address that exposure. Data forensics enables employers to be more targeted and more fact-based in their approach to health engagement.

- **Align all health-related programs across organizational functions.** Employers report a significant interest in bridging existing programs with greater integration and holistic focus on the employee. New provider payment models represent an area of emerging opportunity and will impact the structure and integration of data management and wellness programs. As models evolve that reinvigorate the role of the provider in health and wellness, employers will seek programs that leverage the patient-provider relationship to improve health, rather than working outside that relationship as most of today’s programs do.
- **Deploy engagement strategies that involve consumer marketing and incentives.** More employers are leveraging the experience of consumer marketing techniques, using a combination of segmented messages, targeted penalties and/or rewards, and improved program access to increase and sustain participant involvement in health. We will explore incentives in greater detail in the next section of this report.

- **Measure.** Employers seek methods to obtain real/near-time data and view a scorecard designed to provide the relevant information required by key business stakeholders to implement ongoing process improvements and secure commitment to sustain programs. A best practice of successful programs is the implementation of measurement strategies that capture leading indicators of operational and program performance as well as health and financial outcomes. Some employers look broadly to consider all health-related costs (e.g., health care, health-related absence, disability, safety, workers’ compensation). In this manner, organizations seek to move beyond measuring static program participation and instead quantify the improvement or change in health risk within the population, known as “return on health,” to validate that programs are working as designed.
Engage Participants

As noted previously, employers identify increased participation in health and wellness as the highest desired strategic outcome, while also noting that the biggest obstacle is finding a way to motivate participants to change behavior. We also addressed “value-based design” tactics to motivate employees to seek services important for their specific medical conditions.

In this section, we focus on employer incentive use as a reward for desired behavior or consequence for failing to exhibit the desired behavior. The data discussed below underscores the significant interest on the part of employers in motivating participants toward sustained favorable health behaviors that lead to improved health outcomes, and ultimately to better-managed health care cost.
Key Findings

With respect to engaging participants in healthy behaviors, this year’s study finds:

- Nearly seven out of 10 employers (68%) deploy some form of incentive to inspire behavior change. Nearly half of all employers (46%), and two-thirds of those with an incentive strategy, position the incentive as a reward. Only 4% of employers position their incentive strategy as a pure consequence, and 18% use a combination of rewards and consequences depending on the desired behaviors. Nearly half (47%) of employers focus all or a portion of their incentive programs on those who smoke and/or use tobacco products. Of those, 43% position the incentive as a reward for non-tobacco use, 47% position it as a surcharge for tobacco use, and 10% have a combination of penalties and rewards.

- Employers tend to be split as to the populations to whom the incentives apply. Thirty-five percent extend incentives to all employees, while 49% limit incentives to those enrolled in the employer-sponsored medical plan. With regard to adult dependents, nearly half (48%) do not extend their incentive program beyond employees, while 40% invite spouses and partners enrolled in the medical plan to participate in the incentive program.

Employee Incentive Eligibility

Spouse/Domestic Partner Incentive Eligibility
Depth of Incentive Programs  Employers are focusing their incentive programs on various levels of behavior, using a mix of rewards and consequences, with varying cash and non-cash incentives available. This report organizes those employer strategies into three categories:

- **Building Awareness.** Incentives for one-time activities such as completion of health risk questionnaire (HRQ), biometric screening, consumer tool usage, etc.

- **Taking Action.** Active participation in health programs, campaigns, individual coaching, etc.

- **Achieving Outcomes.** This includes attainment of predetermined clinical values, or quantified progress toward specific values such as BMI reduction, blood pressure, etc.

In the sections that follow, the responses from employers do not reflect incentive approaches for tobacco use, as those were addressed separately in the report.
Incentives for Building Awareness

More than eight out of 10 employers (83%) have incentives in place that focus on awareness-building activities. Of those that do, 79% structure the incentive as a reward for activity completion, 5% position it as a consequence for failing to act, and 16% offer a combination.

The most prevalent dollar value of such an incentive is $50 to $150, represented by 29% of employers. In contrast, 17% include incentives worth $300 to $500 and 18% include incentives of $500 or more. Employers use a variety of vehicles to deliver the incentives, with many employers deploying more than one approach. The most frequent approaches are cash/gift cards (48%) and health benefit design enhancements (45%), with raffles/lotteries at 12%.

Build Awareness—Incentive Value
Incentives for Taking Action  More than half of employers (56%) have incentives in place that focus on taking specific health actions, such as enrollment in a weight management or fitness program. Of those that do, 88% structure the incentive as a reward, 3% position it as a consequence and 9% offer a combination.

The most prevalent dollar value of such an incentive is $50 to $150, represented by 30% of employers. In addition, 18% include incentives worth $150 to $300 and 12% include incentives of $500 or more. Employers use a variety of vehicles to deliver the incentives, with many employers deploying more than one approach. The most frequently deployed approaches are cash/gift cards (56%) and health benefit design enhancements (33%), with raffles/lotteries at 14% and merchandise at 13%.
Incentives for Achieving Outcomes

Incentives that focus on achieving outcomes are the least prevalent today, with only 24% of employers using this approach. Of those that do, 81% structure the incentive as a reward for activity completion, 4% position it as a consequence for failing to act and 15% offer a combination.

In contrast to the other two categories of incentives, employers are more likely to use higher dollar values for incentives that focus on outcome achievement. The most prevalent dollar value of such an incentive is greater than $500, represented by 24% of employers, with another 34% split evenly between $150 to $300 and $300 to $500. As with the other two approaches, employers are using a variety of vehicles to deliver the incentives, with the most frequently deployed approaches being cash/gift cards (49%) and health benefit design (44%).

Achieve Outcomes—Incentive Value

<table>
<thead>
<tr>
<th>Incentive Value</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0</td>
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</tr>
<tr>
<td>&lt;$50</td>
<td>14%</td>
</tr>
<tr>
<td>$50–$150</td>
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<tr>
<td>&gt;$500</td>
<td>24%</td>
</tr>
<tr>
<td>NA</td>
<td>5%</td>
</tr>
</tbody>
</table>
**Earning Incentives**

Overall, employers report the highest level of incentives being earned for awareness activities; less so for outcome achievement. Nearly one out of five (22%) of respondents indicated that between 41% and 60% of their population achieved the maximum incentive for building awareness, and another 16% reported 61% to 80% of their population achieved the maximum incentive.

In contrast, 19% of respondents indicated that less than 10% of their population received the maximum incentive for taking action, and 21% of respondents indicated that less than 10% of their population received the maximum incentive for achieving outcomes.

The majority of employers also indicated they believed “some impact” occurs from using incentives: 53% indicated they improved health behaviors; 51% indicated they increased engagement; 48% believe there is a positive impact in employee morale, satisfaction and/or attitudes; 44% saw changes in health risks; and 35% believe there are savings associated with using incentives.

**Clinical Metrics Used for Outcomes Achievement Incentives**

The majority of respondents that implemented an outcomes-based incentive design indicate participants must meet set criteria or provide a physician’s note as an alternative; however, the survey was conducted prior to the release of federal guidance related to these types of programs as redefined under ACA. As such, employer practices are likely to be evolving in this space.

For employers that deploy an incentive model focused on attainment of specific outcomes, the most commonly used clinical measures are blood pressure (58%) and body mass index (BMI), used by 54%. Fasting glucose has been used by 41% of those employers with an outcomes-based incentive approach, while 33% use total cholesterol as a measure. Smaller percentages of employers use metrics such as LDL cholesterol (25%), total-to-HDL cholesterol ratio (13%), cotinine (13%) and non-fasting glucose (13%).
For the three items most widely used, employers have structured their programs as follows:

- **Blood pressure.** Seventy-three percent of employers require employees to reach a specific metric, rather than progress toward a goal. The most common measure used (35%) is blood pressure below 140/90mmHg; however, 25% use a more aggressive measure of less than 120/80. A majority of employers (61%) rely on a physician’s note as an alternative way to earn the incentive.

- **BMI.** Sixty-seven percent of employers require attainment of a specific metric. The most commonly used metric (34%) is to require a BMI under 30 for incentive attainment, with another 28% requiring a BMI in what experts generally describe as the target range of 18.5 to 24.9. Nearly six in 10 (59%) of employers rely on a physician’s note as the alternative to program completion.

- **Fasting glucose.** Seventy-eight percent of employers require attainment of a specific metric. Thirty-one percent indicated that the metric used is fasting glucose between 70 and 110 mg/dl. As with the two metrics above, the use of physician’s note is the primary form of alternative to program completion, used by 68% of employers.
Requirement to Earn Incentive

BMI Measures—Requirement

- 33% Meet criteria
- 67% Make progress toward goal

Blood Pressure—Requirement

- 27% Meet criteria
- 73% Make progress toward goal

Fasting Glucose—Requirement

- 22% Meet criteria
- 78% Make progress toward goal
As employers digest federal guidance regarding incentives that are contingent upon health behavior change, interest is growing for several emerging ideas. Over the next 24 to 36 months, employers will explore the following:

- Incentive designs that require a focus on health 365 days a year (34% of employers)
- Population-based rewards tied to organizational attainment of key health metrics, such as average population BMI for a business unit or location (33% of employers)
- Use of gamification theory and concepts to support continuous engagement (22% of employers)
- Location or site-based rebate program rewarding locations that meet predetermined health criteria (20% of employers)

Today’s contemporary communications approach relies primarily on the health-related data collected by health assessments and biometric testing. Health plans and vendors use this data to personalize websites and target populations based on health risks and conditions. Sixty-two percent of employers today are leveraging this targeted communication approach.

In contrast, to drive the desired behavior change or outcome, a smaller percentage of employers deploy consumer marketing principles that couple health and demographic information with individual consumer attitudinal segmentation data that allows for further personalization. Only 30% of employers leverage demographic data to target communications currently. Few employers—14%—use social media and mobile technologies to engage participants. However, a large majority of employers—63%—are considering use in three to five years.
Creating an Environment for Workforce Engagement in Health

Nearly all employers believe today that work environment (83%) and culture (79%) directly impact worker health. However, only 49% report that creating a culture of health is a top priority over the next three to five years.

Similarly, employers are not as far along in achieving high levels of leadership support for health. Forty-seven percent reported current visible executive and business unit leadership support, with only 1% of employers defining a specific health achievement goal for leadership that is tied to bonus or salary increases.

At a location level, 46% of employers have established wellness champion networks and another 37% expect to add them in the next three to five years.

Investments employers have made to reinforce their support for health and create convenience:

- A small percentage of employers—18%—offer on-site preventive, primary and urgent care services. Another 22% will consider it moving forward.

- The prevalence of mobile devices plays a modest role in employer strategies today, with 34% adopting mobile approaches, yet 57% indicated they are considering leveraging them in the next three to five years.

Aon Hewitt Point of View

As an industry, we are learning more about what it takes to drive meaningful engagement that ultimately creates sustained behavior change.

Clearly, the use of incentives is gaining as an approach to drive participant action. While we know meaningful incentives are effective in motivating participation in a specific program or to use a specific tool, we need more data to determine the role incentives should play in motivating ongoing sustained health behavior change.

Moreover, it is important to view incentives as a tactic in an overall health improvement or wellness strategy and not as a strategy unto themselves. Incentive models alone will not achieve the desired engagement that results in long-term behavior change. Likewise, much of the incentive debate has centered on the effectiveness of positive reinforcement (rewards, or “carrots”) versus negative framing (penalties, or “sticks”). As noted earlier, employers tend toward greater use of rewards, though interest is growing in penalties for failure to engage in specific activities such as completion of a health risk questionnaire or biometric screening. Organizations continue to explore fundamental elements of behavioral economics as they reassess approaches to workforce health engagement. One such concept, the “fear of loss,” suggests that humans are more motivated to avoid losing something than they are to gain something of equivalent value. In that vein, “stick-based” approaches can motivate short-term action in an effort to avoid the “loss” associated with the penalty.
Incentive designs have evolved—and the most successful designs are those kept simple and clearly communicated, with reward/penalty aligned proportionately to the effort. Further, an effective outcomes-based incentive design tied to benefits, whether positioned as a reward or consequence, takes two to three years to successfully implement. This allows time to set expectations, communicate rules and give participants time to work on improving health and achieving specific health outcomes.

**Rethinking Communication**

Use of an effective communication strategy has been shown to be more predictive of achieving desired outcomes than just an incentive approach. Increasingly, employers are shifting away from the use of general communication to the entire population and toward targeting consumer-specific messages to individuals or subsets of the population. Today we have the availability of more data on individuals (beyond health risks/conditions and demographics) to deliver a personalized experience that leverages consumer marketing principles through a variety of communication vehicles to reach the target audiences.

Finally, incentives and effective communications cannot stand alone. Organizations that have leaders who visibly support and create a working environment that makes engaging in the right health care system and personal choices the easy option are in the best position to see high engagement rates and sustained behavior change.
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