



Wellness Programs Trim the Cost of Insurance

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Residential and commercial construction companies, like all industries, faced record increases in insurance premiums in 2006. Some employers addressed these increases by 1) dropping employee insurance coverage altogether or 2) requiring employees to pay large portions of the premium. Others opted for a more proactive alternative by implementing wellness programs to reduce the amount of future premiums and insurance claims.

Wellness programs are typically geared towards improving certain high-risk health conditions such as obesity, addiction to nicotine, high cholesterol or high blood pressure. With the assistance of its plan provider, the employer will create a program aimed towards improving a health condition, like a smoking cessation or weight-loss program. The employer then offers an incentive to those employees who participate (typically in the form of a reduction in employee-paid premiums) with the ultimate goal that the program will improve the health and productivity of the workforce while driving down the employer's healthcare costs. For instance, in 2006, IBM created a smoking cessation program for 15,000 employees. Each participating employee received a reduction in his or her employee-paid premium. IBM estimated that the cost of providing a smoking cessation program for 15,000 employees equaled the cost of one cancer operation. Similarly, Coors Company estimated that its wellness program yielded \$3.2 million in savings for its 105,000 employees.

Before your company implements a wellness program, though, it must confirm that the program comports with federal law. On February 12, 2007, the Department of Labor published regulations that detail what a wellness program must include to comply with the nondiscrimination provisions in the Health Insurance Portability and Accountability Act (HIPAA). These HIPAA provisions prohibit group health plans and insurance issuers from discriminating against participants or beneficiaries based on a health factor, such as health status, genetic information, medical condition, claims and experience.

If an employer bases a reward on a health factor, the program must meet the following five requirements:

1. the reward must not exceed 20% of the total cost of employee-only coverage;
2. the program must be reasonably designed to promote health or prevent disease;
3. the program must give eligible individuals the opportunity to qualify for the reward at least once per year;
4. the reward in the program must be available to all similarly situated individuals; and
5. the plan or issuer must disclose the availability of a reasonable alternative standard (or possibility of waiver) in all plan materials.

Here are a few examples of how the above requirements operate:

Example 1: The annual premium paid by employees for a health program is \$3,600. The plan offers a wellness program with an annual premium rebate of \$360. The program is available only to employees. Conclusion: This program does not exceed 20% of the total annual cost of the employee only coverage ($\$3,600 \times 20\% = \720). Therefore, it satisfies the first requirement.

Example 2: A wellness program offers an insurance premium discount of 20% to participants who adhere to a wellness program and achieve a cholesterol count under 200. Conclusion: The program is not available to all similarly situated individuals as mandated by the fourth requirement. Some participants may be unable to achieve a cholesterol count under 200 due to medical conditions.

Example 3: Same facts as above, but the program materials state that reasonable alternatives will be provided. Employee A's doctor determines that prescription medicine must be taken to achieve a medically advisable cholesterol count. The plan accommodates Employee A by giving him the discount so long as he follows his doctor's advice regarding medication and blood results.

Conclusion: This program is available to all similarly situated individuals because it accommodates individuals who cannot achieve the targeted cholesterol count due to a medical condition. The program also discloses the availability of a reasonable alternative in the materials describing the program.

As evidenced above, the new regulations governing wellness programs are not overly complicated or cost prohibitive. In the end, the benefits of a wellness program (improved productivity, less turnover and lower health care costs, to name a few) will far outweigh the time and expense of creating and implementing the program.