Principles for Designing Consumer-Friendly Wellness Programs in Medicaid

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A growing number of states are interested in adding wellness incentives to their Medicaid programs, either as part of a Medicaid expansion or as a change to traditional Medicaid.

Wellness programs can be designed in consumer friendly-ways that help enrollees make healthy behavior changes. However, some wellness program designs change enrollees' health care costs or benefits based on enrollees' participation in health-related activities. This kind of wellness program has not been proven more effective than other program designs, and it can hinder enrollees' access to necessary care.

This brief introduces the concept of wellness incentive programs, and it lays out the key elements that a Medicaid wellness incentive program should have to protect enrollees’ access to care and help them make healthy behavior changes. It also discusses options consumer advocates can suggest if their state proposes a penalty-based wellness program that could harm enrollees’ access to care.

**What are wellness incentive programs?**

Wellness incentive programs offer financial or other incentives to encourage people to adopt healthy behaviors, like exercising, maintaining a healthy weight, or not smoking. Wellness programs can reward individuals for meeting requirements like the following:

- **Participating in health promotion programs**, such as a diabetes prevention or tobacco cessation program
- **Getting preventive health services**, like an annual physical or recommended cancer screenings
- **Meeting health outcome goals**, such as losing a certain amount of weight or refraining from using tobacco for a period of time

**Rewards:** Many wellness incentive programs use rewards such as cash, gift cards, or other prizes.

**Penalties:** Other programs use what are, in effect, penalties that charge enrollees higher health care costs or limit their benefits if enrollees do not participate in programs or achieve health outcome goals.

Penalty programs may be marketed as “reward” programs that will lower out-of-pocket health care costs or provide extra benefits for those who meet program requirements. However, any program that changes enrollees’ health care costs or benefits inherently penalizes all enrollees who cannot meet program requirements because it makes them pay more for health coverage and care. In addition, no scholarly research has measured whether penalty programs that change health care costs or benefits are more effective than programs that provide rewards at changing enrollees’ behaviors and health.

As states consider incorporating wellness programs into Medicaid, advocates need to closely monitor these programs to ensure that they do not harm enrollees’ access to care.

This brief lays out the key elements consumer-friendly wellness programs should have and the ways advocates can help protect enrollees if their state proposes a program that affects enrollees’ access to care.
How do penalty programs increase enrollees’ health care costs? Examples include the following:

- Waiving or reducing copayments or “monthly contributions” only if enrollees receive specified preventive services (or complete other health actions) by a particular deadline
- Charging higher copayments to enrollees who use tobacco
- Covering certain health care services only for enrollees who follow program guidelines, like not using the emergency department for non-emergency care or not missing doctor appointments

### Principles for Designing Consumer-Friendly Wellness Incentives in Medicaid

**Use rewards, not penalties**

Providing rewards like gift cards, cash, or free gym memberships can encourage Medicaid enrollees to engage in healthy activities without harming those who are unable to participate.

States should steer away from penalties that charge Medicaid enrollees more or limit their benefits. These types of penalties are particularly problematic for Medicaid enrollees because even small increases in health care costs can make it difficult for low-income individuals to obtain the care they need.

See “How to Protect Consumers in Wellness Penalty Programs” on page 5 for steps advocates should take if their state is considering a penalty model.

### Ensure that rewards do not affect Medicaid eligibility

Any cash rewards should not be counted as part of a person’s income when figuring out whether he or she still qualifies for Medicaid. This way, Medicaid enrollees don’t lose their coverage as a result of taking steps to improve their health.

### Reward healthy activities, not just healthy outcomes

Programs should reward people for taking small actions to improve their health (like attending a weight-loss class) and not just for achieving healthy outcomes (like having a body mass index, or BMI, below a certain benchmark). Achieving long-term health improvements, like losing weight, takes time. And low-income people often don’t have access to the resources they need to make these healthy changes as quickly (or even at all).

To encourage individuals to achieve long-term health goals, programs can offer progressively larger rewards for making greater progress toward reaching such goals.

### Immediately reward healthy behaviors

Research suggests that immediately rewarding individuals once they complete a healthy behavior

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may be more likely to encourage behavior change than delaying rewards. In addition, programs should avoid setting hard deadlines for meeting program goals, such as rewarding people only if they get recommended screenings within the first three months of enrolling in Medicaid. This can discourage enrollees from engaging in wellness activities after the deadline.

**Make healthy behaviors affordable**

Charging even nominal costs can make it difficult for low-income people to afford to participate in wellness programs. Medicaid programs should offer any health care services or health promotion programs for free if enrollees must participate in them to earn rewards.

**Connect consumers with the social services and supports they need to make healthy changes**

Medicaid enrollees may need other services and supports in order to participate in health promotion programs or meet health improvement goals. These services include reliable transportation, safe recreation spaces, affordable healthy foods, and affordable child care.

Wellness programs should incorporate strategies that address barriers to participation that enrollees face. This could include paying for transportation to and from a class, offering free healthy meals and child care onsite at the class, or paying for a membership to a gym in an enrollee’s community.

**Reward providers for helping their patients succeed**

Medicaid programs should pay providers in a way that rewards them for spending time and resources to help their patients make healthy behavior changes. This could include paying providers for connecting patients to community-based health promotion programs, or for spending time giving patients in-depth motivational counseling.

**Regularly evaluate Medicaid wellness programs**

A state should evaluate its Medicaid wellness incentive program at least once a year. This evaluation should include a survey that asks Medicaid enrollees who earned rewards about how much the reward influenced their behavior, and it should ask enrollees who did not participate.

**Wellness Reward Programs in Medicaid: Examples from the States**

A handful of states are already testing promising reward-based wellness incentive programs in Medicaid through a 10-state grant program that was created by the Affordable Care Act. For example:

» **Minnesota’s Medicaid Incentives for Prevention of Diabetes Program** gives cash or debit cards to pre-diabetic beneficiaries who participate in a YMCA diabetes prevention program. Enrollees can earn rewards for attending classes and meeting different weight loss goals. To make sure eligible enrollees are able to participate, the program provides transportation to classes and childcare during classes.
New York’s Medicaid Incentives Program gives cash rewards or lottery tickets to enrollees for taking steps to reduce their risk of chronic conditions. Enrollees can earn rewards for healthy behaviors like attending primary care visits; filling prescriptions for nicotine replacement therapy drugs or drugs to manage hypertension or diabetes; and participating in health promotion programs, like smoking cessation counseling or a YMCA diabetes prevention program. Enrollees can also earn rewards for achieving health outcome goals.5

How to Protect Consumers in Wellness Penalty Programs

While programs that use rewards are better than those that use penalties, in some states, a penalty-based program may be inevitable. There are ways advocates can get involved to reduce how much penalty-based programs harm enrollees’ access to care.

If a state plans to include penalties in its Medicaid wellness program, advocates should make sure that the program complies with the following guidelines:

- Earning extra health care benefits or lower cost-sharing should never be tied to achieving a health outcome. This is critical to ensuring that the program does not discriminate against individuals in poorer health and does not make coverage and care less affordable for those who need it most.

- Programs should avoid setting strict deadlines for completing required activities. For example, a program could require enrollees to get a physical by June 30, 2014, in order to get reduced cost-sharing starting in January 2015. But enrollees who miss this deadline should still be able to earn lower cost-sharing mid-year if they get a physical after the deadline. This provides immediate, positive reinforcement and minimizes the negative effects penalties can have on access to care.

- Any programs and activities that enrollees must participate in to obtain lower cost-sharing or extra benefits must be available for free.

- To make sure enrollees can afford to participate, Medicaid should, at a minimum, cover transportation costs to and from required activities. Wellness programs should also have clearly outlined strategies to help Medicaid enrollees overcome other barriers to participating in required activities.

- The state must evaluate whether the wellness program resulted in enrollees losing coverage or “churning” in and out of Medicaid, and whether it prevented people who did not earn the incentive from getting necessary care.

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Conclusion

Wellness incentive programs have the potential to help Medicaid enrollees make healthy behavior changes. To achieve that goal, these programs must protect all Medicaid enrollees’ access to affordable care and address the economic and social barriers that can prevent people from engaging in healthy behaviors. States should avoid models that vary Medicaid enrollees’ benefits or health care costs based on whether enrollees meet certain requirements. These models are not evidence-based and can threaten some enrollees’ access to affordable care.

Advocates should take steps to ensure that their state’s Medicaid wellness incentive program is built in a consumer-friendly way and does not jeopardize low-income consumers’ access to necessary care.

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Endnotes

1 Low-income neighborhoods are less likely to have many of the resources that consumers need to improve their health, such as safe recreation spaces and stores that sell healthy, affordable foods. Sarah Treuhaft and Allison Karpyn, *The Grocery Gap: Who Has Access to Healthy Food and Why It Matters* (Philadelphia: Policy Link and The Food Trust, 2010), available online at http://www.policylink.org/site/c.ikJXbMIfE/b.5860321/k.A5BD/The_Grocery_Gap.htm; Penny Gordon-Larsen, Melissa C. Nelson, Phil Page, and Barry M. Popkin, “Inequality in the Built Environment Underlies Key Health Disparities in Physical Activity and Obesity,” *Pediatrics* 117, no. 2 (February 2006): 417-424.


3 Section 4108 of the Affordable Care Act authorized grants to 10 states to test incentives to encourage Medicaid enrollees to participate in health promotion programs aimed at tobacco cessation, weight control, diabetes prevention or management, lowering cholesterol, or lowering blood pressure. To learn more about what each grantee state is doing, see the *Medicaid Incentives for Prevention of Chronic Diseases Model* web page from the Centers for Medicare and Medicaid Services, available at http://innovation.cms.gov/initiatives/mipcd/.


A selected list of relevant publications to date:

Key Differences between Wellness Reward/ Penalty Programs and Value-Based Insurance Design (October 2013)

Working toward Wellness: A Checklist for Creating Consumer-Friendly Workplace Wellness Programs (July 2012)

Wellness Programs: Evaluating the Promises and Pitfalls (June 2012)

For a more current list, visit: www.familiesusa.org/publications