

5 KEYS TO BOOSTING PARTICIPATION IN YOUR HEALTH PLAN

When researchers at HR consulting giant Towers Watson were compiling new stats on 2010 employer health care costs, they uncovered some fascinating findings from the world of behavioral economics that innovative employers are applying to their health communication efforts.

As you look for ways to encourage employees to be active, informed consumers of the health benefits you offer, see how many you can incorporate into your own communication plans.

Behavioral economics is based on the idea that the way material is presented—by way of context, the order in which information is revealed, the choices it spotlights—plays a significant role in how people decide to act on it. For comp and benefits professionals, understanding behavioral economics can help persuade employees to participate in a health insurance program, choose more appropriate coverage and take steps to improve their health. The Towers Watson researchers highlighted five behavioral quirks that affect health communication:

1. Prospect theory: People hate losing more than they value winning.

This is about proportionality. Sure, we're pretty happy to win \$20. But we're really, really upset when we lose \$20. The fear of loss is a bigger motivator than the promise of reward. Likewise, a series of small losses is harder to bear than one big loss.

Lesson: When offering incentives for, say, completing a health risk assessment, it's better to give a \$100 gift card than to add the same amount into a paycheck. If you're making health benefits cuts, let employees know about all of them at once. Nickel-and-diming makes them feel worse.

2. Discounting: Certainty is better than uncertainty.

This explains why many employees will choose their tried-and-true high-premium, low co-pay plan over a flexible spending account/health savings account (HSA) that will certainly cost less.

Lesson: Look for ways to overcome resistance to change—seeding HSAs with employer funds, providing periodic statements showing how much could have been saved if the employee had chosen an alternative plan.

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3. **Endowment effect: We like what we already have.**

Inertia is powerful. It's why employees often stick with the health coverage they've always had.

Lesson: When designing your enrollment form, don't let employees simply check a box that says "Same as last year." Present choices and highlight the advantages of various options, so employees have to actually evaluate their needs against the offerings.

4. **Optimism: People routinely overestimate their chances of success.**

If luck is on your side, why bother eating right and quitting smoking?

Lesson: The real value of understanding the optimism reflex comes into play when designing participation incentives. Don't offer \$50 gift cards to all 100 employees who take part in health screening. Offer each of them one chance to win a \$5,000 vacation.

5. **Availability: Stories are more motivating than statistics.**

About 100 people die every year in airplane crashes. More than 2,500 people are killed each year by drivers distracted by cell phones. Yet psychologists say people are almost universally more fearful of plane crashes than traffic accidents. Because TV coverage of plane crashes is horrifically vivid, they make more compelling stories.

Lesson: Don't rely on statistics to persuade people to make healthy lifestyle changes. Better to highlight the personal success stories of people in the organization who lost weight, quit smoking, managed their hypertension and so forth.