



Welltok[®]

A  Virtuoso Company

GUIDE TO INCENTIVE
OPTIMIZATION

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Introduction

In today's disconnected world, motivating consumers to take actions is more challenging, more important for health outcomes, and more important for reducing costs than ever before. Yet, the reality is that it's also harder than ever to connect with and engage consumers.

A proven and increasingly popular way to drive targeted actions is to incentivize consumers with intrinsic or extrinsic incentives. [Deloitte](#) lists multiple benefits to organizations incentivizing health and wellbeing activities such as lower healthcare costs, better talent considerations, and increased workplace wellness. And it isn't limited to employers, in fact: "[states generally found that incentives significantly increased use of incentivized preventive services](#)" according to an RTI report on Medicaid Incentives for the Prevention of Chronic Diseases.

Incentivizing people to get more involved in their total wellbeing works, but pitfalls and challenges occur when rewards are not optimized. Incentive optimization is defined by working within your outreach constraints to drive your population to complete actions. Incentivizing action can be crucial to improving chronic conditions like obesity or smoking but it isn't as easy as offering a gift card to the winner of a weight loss challenge. It takes a smart mix of rewards to motivate a population, not to mention staying compliant with regulations.

At Welltok, we are experts in activating consumers. We know what works and what doesn't after executing and analyzing over 50 million transactions in which we rewarded individuals for completing healthy actions. This guide provides an outline of incentive optimization, a set of research and best practices that can help you to maximize health-related outcomes and design optimal reward programs.





Setting the Stage: The Consumer Perspective

There are two main reasons that health and wellbeing incentives are so important right now. The first is that they're a way to save money for organizations in several different ways, and the second is that consumers want them.

Organizations are worried about cost

Healthcare costs are rising, and employers and health plans are bearing much of this cost. According to the most recent [Rand report](#), disease management programs are seeing immediate return as they help reduce cost of healthcare for members. Combining programs like these with incentives can lead to a marked increase in engagement and immediate healthcare actions taken.

Consumers are worried about cost

More people are more worried about paying for healthcare than funding their kids' education or saving for retirement. Out-of-pocket healthcare costs rose over 2% this year, and [COVID-19 has left nearly two-thirds of American families in serious financial strain](#). Incentives provide a way for consumers to offset not only health expenditures but also reduce financial stress.

Consumers want and respond to rewards

With medical distancing and the increased importance placed on telehealth, consumers are increasingly responsible for self-care and condition management. Consumers' growing accountability for their own healthcare is often met with hesitation or inaction, however; in a recent report, 98% of young individuals are motivated by financial incentives in healthcare, while 85% of older individuals are. Consumers are also willing to provide key demographic information and respond to programs in exchange for rewards. Another poll of more than 2,000 U.S. adults found that a majority would be "very willing" to have various tests and share the results with their health insurer — provided there was a financial incentive. With telehealth and home screenings becoming a vital part of healthcare, consumers love being rewarded for taking these new actions.

98%

of young
individuals

85%

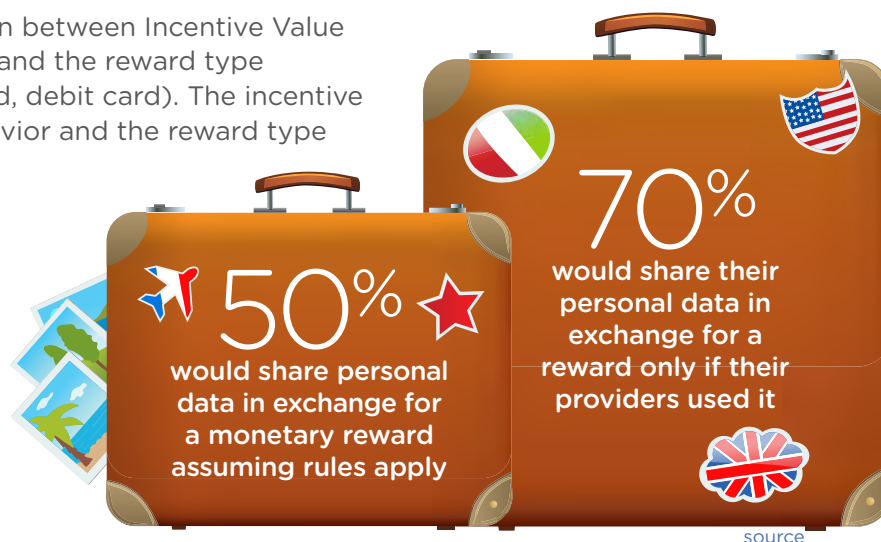
of older
individuals

are motivated
by financial
incentives



Incentive Value vs. Reward Type?

It is important to draw a distinction between Incentive Value (the monetary value of incentive) and the reward type (premium reduction, HSA, gift card, debit card). The incentive value is the primary driver of behavior and the reward type is secondary. In most cases, the reward type is set by its taxability or other regulations, as opposed to its efficacy. We recommend focusing first on the right incentive value rather than reward type. It's also vital to ensure all incentives are compliant with regularly changing and varying federal and state guidelines.



Extrinsic and Intrinsic Rewards

We've been mostly discussing extrinsic rewards, which are critical to driving response. That being said, extrinsic rewards alone are not enough. Intrinsic motivations are crucial to drive longer term behavior change. Extrinsic rewards can include intrinsic rewards by exposing individuals to information, tools, results, relationships or inspirations that they would have otherwise not encountered. These rewards trigger a more intrinsic motivation for being healthy.

For example, a positive personal experience, such as running a mile for the first time in a team challenge, will help build the intrinsic motivation essential to achieve the long-term goal of BMI reduction.



5 Factors to Incentive Optimization

Effort

Everyone's first, often unknowing, consideration when responding to an incentive is, "Is this worth the effort?" If the reward is too small for the action taken, it will be ignored. Alternatively, if the reward is too large for minimal effort, there will be a lot of one-offs and no ongoing engagement. The key is to optimize design and align the appropriate incentive value to the level of effort for the desired behavior.

Compass to Determining Effort Level



Participation vs. Outcome:

Whether the behavior requires participation (e.g., complete an action) or a health outcome (e.g., reduce BMI)



Lifestyle Changes vs. Discrete Steps:

Whether completing the behavior requires real lifestyle changes or simply discrete steps regardless of a lifestyle change



Single vs. Multiple Event:

Whether the behavior requires single or multiple actions (e.g., medication adherence)



Reliance on Others:

Whether completing the behavior is dependent on others



Ease of Modality: How easy (e.g., mobile app to track progress) or hard (e.g., go to physician office) it is to complete the behavior



Cost: Whether there is a cost to access or complete the behavior

Mapping the Effort Levels

Level	Effort	Results	Sample Behavior	Sample Reward
1	Minimal	Participation	Online Education	Badge on profile, certificate of completion
2	Moderate	Participation	Complete Health Risk Assessment	Thank you email, gift card raffle
3	Ongoing	Tangible Progress	Complete Condition Management Program	\$10 gift card, physical completion token, healthcare discounts
4	Consistent	Health Improvement	Reduce BMI	Grocery gift cards, sporting goods/clothes discounts, personal (not public) acknowledgement
5	Extensive	Lifestyle Change	Quit Smoking	Regular personal encouragement, health insurance discounts

When designing rewards, it is vital to keep the peripheral effort low so the only factors to consider are taking the health action and receiving the incentive. Building incentives into existing outreach programs or utilizing a reward platform are two ways to accomplish this.



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Comparative Incentives

People don't just look at effort, they'll also compare incentives within your program for different behaviors. Consumers who were offered, for example, \$50 for the completion of a biometric screening and the same \$50 for reducing their BMI would certainly choose the less difficult behavior. We need to make sure that the incentive value for each behavior is set with consideration of the other incentivized behaviors in the program.

\$50 to Get a Biometric Screening



More Likely

\$50 to Reduce BMI



Less Likely

3

Individual Income and Other SDoH

Demographic, economic, and social determinants of health are also relevant when individuals consider an incentive's value to them for completing an action. Unsurprisingly, someone's income level affects how they perceive the value of their time. Just as we would not expect a certain incentive value to drive the same response rate for behaviors that have different levels of effort, there are many other existing factors that cause people to value rewards differently and incorporating this data upfront when designing rewards is key.

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Incentive Program Trends

People know what they were previously offered and compare it to what's being offered now. For example, if an individual earned \$200 for getting a biometric screening in last year's program, they expect a similar or greater incentive for a behavior with a similar level of effort for the next year. This is often a challenge when significant incentive values are used in the early years of a program to get people engaged. It is important to retain value, even if some of it is moved to non-financial rewards throughout the lifetime of a rewards program.

Incentive Value Trend



5

Did you know?

85%

of consumers think healthcare companies should have reward programs for being healthy like other industries.

Non-Health Rewards

Individuals are comparing reward opportunities presented in health and wellbeing programs with reward opportunities available from other industries. When we allocate the total incentive value for a program or a specific behavior, we must keep in mind other incentive offers to which consumers are exposed. A person's healthcare decisions may not be the same as general consumption decisions, but the expectations and thought process behind taking action is much the same. We must ask, "Does the level of effort and incentive value for the specified healthcare activity compare to a non-healthcare activity?"

Incentive Optimization with Welltok

Incentives and rewards at Welltok start with our data and analytics, where we identify the best methods of communication and rewards for individuals based on all types of data, including SDoH factors. From there we identify targeted behaviors and health actions we want to drive and begin to design incentives and rewards around them. Actions can be participation or outcomes based, rewards intrinsic and/or extrinsic, and value established in dollar or points/entries. In keeping with our optimization tips, each incentive is designed to:

- Tie rewards to high-value actions
- Integrate reward messaging into campaigns
- Accommodate on/off-line options
- Fulfill quickly and without hassle

All in a one-stop-shop solution that drives healthy actions and wellbeing for your population.



Conclusion

Health and wellbeing rewards are becoming more common among health plans and employers, and are even becoming expected by consumers. As incentives become more popular it is essential to be thoughtful about their use and how to differentiate your organization when it comes to driving healthy actions in your population. Optimized incentives will impact and motivate consumers, encourage future engagement, drive real behavior change and reduce overall healthcare costs. Ultimately, an optimized incentive program is one that aligns the right outreach with the right incentives with the right behaviors to the right person that motivates consumers to take action. That, we can agree, is rewarding for all.

Find out how Welltok can help you engage and drive action through incentives by [emailing us today](#).

