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Correspondence Memorandum

Date: November 8, 2017

To: Group Insurance Board

From: Sarah Bradley, Program Manager
Office of Strategic Health Policy

Subject: Contract Renewal for Third Party Administration of Wellness and Disease Management Programs and Increase of 2019 Wellness Incentive

ETF recommends the Group Insurance Board (Board) approve the following:

1. **The first two-year extension (January 1, 2019 through December 31, 2020) of the wellness and disease management services contract with StayWell, with the proposed fee increase as detailed in StayWell's original cost proposal.**

2. **For state active employees, changing the $150 Well Wisconsin Program incentive to an annual premium reduction of $180.**

3. **Exploring alternative options to the health screening requirement for the 2019 program year requirements.**

Background: Third Party Administration of Wellness and Disease Management Programs
The contract for third party administration of wellness and disease management programs for the State of Wisconsin Group Health Insurance Program and Wisconsin Public Employers is currently with StayWell, LLC (StayWell). StayWell administers all aspects of the uniform wellness program, the Well Wisconsin Program, including the requirements for earning the $150 wellness incentive.

2016 participation for state and local government employees, retirees and benefits-enrolled spouses eligible for the Well Wisconsin Program incentive was approximately 15%. The anticipated participation rate for 2017, the first year of StayWell acting as the third party administrator for the wellness program, will be 26% overall, and over 30% for active state employees. StayWell administration of the wellness program has increased awareness, provided a consistent message and experience for participants, and has

Reviewed and approved by Lisa Ellinger, Director, Office of Strategic Health Policy

Lisa Ellinger

Electronically Signed 11/8/17

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enabled employer groups to better incorporate programming into worksite wellness programs. Moving to a single vendor has also significantly improved the data analytics for the program. In addition, baseline risk data from 2017 participation will assist StayWell and ETF to grow a comprehensive program that builds on participant engagement, offers targeted solutions based on health risk, and balances intrinsic and extrinsic motivators for improved health.

Contract Renewal and Fee Adjustments
The original contract term with StayWell is from August 16, 2016 through December 31, 2018, with an option to extend the contract for two additional two-year periods.

Based on the successful transition of the wellness program to StayWell in 2017, ETF recommends the Board approve the first two-year extension, January 1, 2019 -- December 31, 2020, for third party administration of wellness and disease management programs, with the cost increases detailed in Table 1. The administrative fee cost increase represents an increase of less than 4% over the first four years of the contract, which will likely be at or below the national Consumer Price Index increase for that time period; it also spreads implementation costs out over a multi-year contract, rather than requiring higher costs during the initial development.

Table 1: Contract Cost Increases

Cost Detail	Cost Increase Effective 1/1/2019
Wellness Program Administrative Fee	4%
Disease Management Program Administrative Fee	4%
Health Coaching	2%
Disease Management Coaching	4%
On-site Health Screening	4%
On-site Flu Shot	3%

Additional 2019-2020 Contract Considerations
At this time, ETF requests Board approval for the renewal of the base services of the StayWell contract for initial 2019 plan year wellness program planning. However, third party administration of the wellness program may present additional opportunities for member engagement through StayWell, as StayWell and ETF staff review the final 2017 participation and aggregate risk data. Additional resources, opportunities and options may be brought to the Board for consideration in advance of plan year 2019. Potential options for 2019 include:

1. **Additional On-site Staff**
   Employers with strong on-site employee wellness programs that are integrated with Well Wisconsin experienced higher-than-average participation in the 2017 Well Wisconsin Program – some as high as 60%. The integration of Well Wisconsin by the Department of Administration Division of Personnel Management and the University of Wisconsin (UW) System campuses has contributed to the increased awareness and program participation. The Madison-based StayWell Well Wisconsin Program Manager has assisted these employers with on-site health screenings, program promotion (including concerns about data privacy), group coaching sessions and general health awareness at the workplace.

   Wisconsin Public Employer Groups are currently lacking a network for the level of collaboration and best practice sharing that is occurring within state agencies and UW institutions. Additional Wisconsin based StayWell staff resources could lead such coordination and increase program participation within the Wisconsin Public Employer Groups by providing more assistance with establishing wellness champions at employer sites and providing on-site promotion.

2. **Custom Learning Modules**
   With more than 50,000 accounts created in the StayWell portal in 2017, portal engagement presents a unique opportunity for engagement and education. StayWell and ETF are exploring the development of learning modules customized to the health and benefits education needs of our participants and how those could be integrated into future Well Wisconsin Program activity.

3. **Alternative Methods for Disease Management Program Delivery**
   The 2016 Request for Proposal for Third Party Administration of Wellness and Disease Management Programs included a traditional delivery method of phone-based health coaching for disease management. As an industry, health and wellness providers are moving toward programs that are based on monitoring via mobile apps and online peer support communities. One such program is being piloted in 2017 for participants with metabolic syndrome. Future programs of this nature could also be offered to those with diabetes. StayWell and ETF are evaluating the role of these high-touch, high-impact programs for future consideration, as risk factors are identified through Well Wisconsin Program participation and the forthcoming data warehouse.

ETF may bring more detailed proposals on these options, including any associated costs, to the Board in early 2018, for future contract considerations.

Background: Health Engagement Activity and Premium Differential
In May, the Board approved transitioning the $150 uniform wellness incentive, offered as part of the Well Wisconsin Program, to a premium differential for 2019. ETF staff are analyzing the feasibility of a 2019 implementation target to ensure this program change will not adversely impact internal systems or payroll centers. A final assessment will be presented to the Board at the February 2018 meeting.

Basic messaging on this transition, as well as the addition of a new health engagement activity requirement, was shared with active state employees in October, during the annual open enrollment period.

Participants will be offered seven options for completing the health engagement activity. These options are meant to serve as intrinsic motivators that allow individual participant personalization and flexibility in what it means to “engage” in long term health goals. The options for meeting the engagement activity are listed below and will be the primary communication focus of member materials when the 2018 program year kicks off on January 3, 2018.

1. Million Steps Challenge
2. 21 Day Meditation Challenge
3. Daily Dash – 20 days
4. Self-Directed Coaching – 3 modules
5. Lifestyle Health Coaching – 3 calls
6. Disease Management Health Coaching – 3 calls
7. Understanding Your Benefits and Preventive Screenings Quiz

The premium differential change is targeted to occur for active state employees in 2019 – but not for local employees or retirees. It was determined that additional time is needed to assess the feasibility of transitioning active local employer groups and retirees to the premium differential; therefore, those populations will have the addition of the health engagement activity for 2018 but will continue to earn the $150 cash incentive in 2019.

Incentives serve as the extrinsic motivation for program participation. The primary justifications for the use of premium differentials for wellness incentives is to eliminate the taxability of cash incentives, reduce program administrative costs and further embed the wellness program into the overall benefit design.

Increasing the Incentive Amount
2018 will be the fifth year of the $150 wellness incentive. Although participation is expected to increase substantially now that there is a single third party administrator, program participation is still well below the ideal participation of the 70-90% range recommended in the 2015 Segal Consulting report to the Board. 2017 participation will be 26% of the eligible population (including retirees and spouses), up from the prior year participation rate of 15%. The current $150 incentive represents a 2.3% “discount”

of the lowest cost plan for single coverage. Federal guidelines allow incentives to be up to 30% of the lowest cost plan for single coverage. A survey conducted by the National Business Group on Health found the median wellness incentive being offered in 2017 was $600.

ETF requests the Board approve an increase in the 2019 incentive for active state employees from the current annual premium reduction of $150 ($12.50 per month) to $180 ($15 per month) for single coverage and $300 ($25 per month) to $360 ($30 per month) for family coverage, if both the enrolled employee and spouse participate, for the following reasons:

1. **Participant Perception:** Although taxable at a rate of 40% or higher, cash incentives offer participants more of an immediate sense of "reward"; therefore, some participants may feel the premium differential is reducing the overall sense of extrinsic motivation if the incentive is spread out over the monthly premiums.

2. **Increase Participation:** Increasing the incentive can improve participation rates by reaching those who feel the current incentive is not persuasive enough to participate in a program that requires personal health information be provided to a third-party vendor. Research shows that once incentives are used for program participation, groups will likely only see a 10% increase for every $100 increase in the incentive. Therefore, ETF is only recommending a minimal increase for 2019, so that we can evaluate the overall impact of a transition to a premium differential.

3. **Benefits Integration:** Integrating the savings of wellness program participation into premium cost information presented to current and new enrollees provides additional educational touchpoints. A strategy used by some employers is to allow the differential for new employees, assuming participation in the first year of enrollment. If the program requirements are not met, the premium costs are increased in the second year of enrollment – a stronger extrinsic motivator than if one chose not to participate at enrollment.

4. **System Limitations:** The ETF enrollment system and certain payroll configurations have limitations to distributing deductions. Those limitations can be addressed by an incentive amount that can be equally distributed across a nine-month academic year, monthly payroll and bi-monthly payroll. If the current incentive is not increased to $180 to accommodate an even distribution across all system configurations, the incentive will have to be *lowered* to $144 from $150, which would very likely result in a negative participant perception of the transition to the non-taxable premium differential.

The 2015 Segal Consulting report estimated that 90% of claims are due to chronic conditions and that incenting members to engage in a medical management program, such as the disease management coaching provided by StayWell, could result in long-term cost savings of $60-$80 million; an investment of between 1% and 3% of plan costs.

Table 2 illustrates the incentive cost impacts of both an increased incentive and increased participation. The proposed increase to the incentive would represent a 20% increase to program costs for the incentive pay out. Table 3 details the estimated costs for the 2017 program year, including all contract costs and all eligible participants.

Table 2: Cost Estimates for Incentive Increase - State Active Employees Only

		Incentive Costs			
Eligible Population		**106,500**	**106,500**	**106,500**	**106,500**
Participation Rates		**30%**	**50%**	**70%**	**90%**
Incentive Amount	**$ 150.00**	$ 4,792,500	$ 7,987,500	$ 11,182,500	$ 14,377,500
	$ 180.00	$ 5,751,000	$ 9,585,000	$ 13,419,000	$ 17,253,000
		Resulting Cost Increase = 20%			

Table 3: Estimated Overall Program Costs 2017 – State/Local Active Employees and Retirees

Program Cost	2017
Wellness Program Fee	$3,708,000
Disease Management Program Fee	$2,340,000
On-site Health Screenings	$1,456,000
Healthcare Provider Form Processing	$180,000
Wellness Telephonic Coaching	$45,000
Disease Management Telephonic Coaching	$52,500
On-site Flu Shot Clinics	$108,500
CONTRACT COST TOTAL	**$7,890,000**
$150 Incentive	$6,000,000
TOTAL: 2017 PROGRAM COST ESTIMATE	**$13,890,000**

Program Costs: Increased Incentive and Health Screenings
Providing the option to attend an employer-hosted on-site health screening has been a heavily-utilized, but resource-intensive, component of the wellness program. The estimated cost of 2017 on-site health screenings is $1.5 million. Although this option had led to increased employer engagement in the program, it will be difficult for employers to meet the demand for space, staffing and promoting events as program awareness and participation continue to rise.

In addition, there is also strong indication that these services are duplicative of preventive screenings obtained through the participant's health care provider. Approximately 50% of 2017 participants met the health screening by attending an on-site health screening, yet when asked on the health assessment, 92.2% of 2017 participants indicated that they have a primary care physician (PCP) and 76.4% indicate they have seen their PCP for a physical within the last 12 months.

Based on this information and the new 2018 requirement for enrollees of the group insurance program to have a relationship with a PCP, ETF would like to explore alternative options to the health screening requirement for the 2019 program year and beyond. Possible models include changing the health screening to a biennial process, using a health care provider form for reporting compliance, using claims data to confirm preventive screening compliance (pending availability and functionality of the new claims data warehouse), or simply confirming that the member has established a PCP.

In addition to ensuring the on-site screenings are not duplicating services being provided by the PCP or in any way undermining the importance of the PCP relationship, considering alternative models to this offering would reduce or eliminate this cost and would partially offset the costs of increasing the incentive. Therefore, ETF is requesting approval from the Board to explore alternative options to the health screening requirement for the 2019 program year requirements. Recommendations will be brought to the Board for final approval.

Conclusion

ETF recommends approving the first two-year extension and associated cost increases as allowed by the contract. Third party administration of the wellness program has resulted in increased program awareness and participation, a consistent message and experience, and has enabled employer groups to better incorporate the program into worksite wellness programs. The available aggregate data will allow improved analysis for outreach and future program considerations.

To continue to increase participation, ETF recommends, for state active employees, an increase to the 2019 incentive from an annual premium reduction of $150 to $180 for single coverage and, if both the enrolled employee and spouse participate, $300 to $360 for family coverage. This increase will address enrollment system limitations, further imbed the wellness program into the overall benefit design, address participant perception about the incentive amount and allow evaluation of whether increasing the incentive will affect participation rates.

Finally, ETF recommends exploring alternative options to the health screening requirement for the 2019 program year requirements. This will allow evaluation of the cost and capacity for a projected increase in on-site health screenings, while also ensuring that these informational screenings do not affect or supplant the provider/patient relationship as it relates to health care for preventive services.

Investing in uniform wellness and disease management programs has become a standard model for addressing medical claims costs related to preventable health conditions. Entities that can fully integrate such programs into a model such as Total Health Management proposed by Segal, not only see higher levels of engagement but also great health and cost outcomes.

Staff will be at the Board meeting to answer any questions.