

HealthMatters WellNews Article

Colorado Law Allows Insurance Discounts for Health Improvement



Effective Thursday, July 1, 2010, a new [Colorado law](#) allows small group or individual health plans to receive health insurance discounts for improvements in the health of participants pursuant to a wellness program. This new law repeals the restriction on incentives based on outcomes and allows carriers to base incentives or rewards on satisfaction of a standard related to a health factor, i.e. actual results that show improvement in health. The wellness program must be structured to allow individuals who have a medical condition that makes it unreasonably difficult or medically inadvisable to satisfy a standard related to health risk factors to qualify for the full incentive. Following are some FAQs on the new law:

1. *What exactly does the new health and wellness law do?*

Currently, health insurance companies in Colorado are allowed to reward small groups (under 50 employees) and individuals for participation only in wellness programs. The new law takes that a step further and allows companies and carriers to reward outcomes. Groups larger than 50 employees, who are not regulated by the state, have had good success with wellness programs improving the health and productivity of their employees. This law gives small businesses, which makes up approximately 87 percent of Colorado business, the same opportunity.

2. *What is an example of an "outcome" the new law would reward?*

Outcomes are actual improvements in health risk factors, not just showing up for the program. Health risk factors include smoking, diet, alcohol consumption, exercise, and exposure to UV radiation, all of which are known to be associated with increased mortality and risk for a number of conditions. An outcome means satisfying a standard related to one of those health risk factors, such as cutting back smoking every month and then actually quitting. Diet might involve weight loss or lowering one's cholesterol. Exercise may involve a lowered blood pressure reading. Using measurable results creates higher motivation of participants to adhere to a program or activity and reach the goal, ultimately enjoying improved health.

3. *What kinds of incentives are we talking about?*

The incentives offered by carriers are discounted premiums, lower co-pays, deductibles,

or coinsurance. Those savings are normally passed on to employees in some fashion, such as reduced cost-sharing, an employer contributing into an employee's flex plan, or rewards for reaching milestones within the wellness program or activity. The law says the incentive must be reasonably related to the program and cannot exceed twenty percent of the cost of employee or, if they are participating, family coverage.

4. *Will this penalize participants who aren't able to achieve those outcomes?*

The intent is to provide an incentive, not a penalty. Individuals may request a reasonable alternative standard or waiver if it is unreasonably difficult or medically inadvisable for them to satisfy a standard. The incentives must be based on a program or activity that is scientifically proven to improve health and not on an individual's health status.

5. *Are many insurance companies or employers taking advantage of wellness programs?*

Interestingly, small group insurers have been slow to adopt these opportunities, even though there is already a law encouraging participation in wellness programs. Wellness programs do take time and commitment, but in Colorado, it's easy to imagine motivating a workforce to be more active, eat better, and lead healthier lifestyles. The point is to get those who are not leading healthy lifestyles to jump on the bandwagon and realize the same benefits. Local insurers who combine a health care product with a wellness program will be among the first to offer small employers financial incentives and discounts for getting employees engaged in workplace wellness programs. In turn, those employees who participate generally receive incentives from the employer, who is either passing on some of the discount or using the savings to invest in rewards and other unique incentives for employees who become engaged in wellness and improve their health.

6. *How does the new law fit with the federal health care reform laws recently passed?*

The new state law does what many complain health care reform does not, and that is focus on improving health and lowering the cost of health care. Much of health care reform is about extending coverage where there is no coverage, prohibiting pre-existing conditions, guaranteeing certain benefits, and adding new benefits. The Health and Wellness Incentive starts the dialogue of *how do we get users of health care to take more responsibility for their own health*. Starting in 2013, the Patient Protection and Affordable Care Act will allow employers to increase employee discounts from 20 percent to 30 percent of insurance costs, for those participating in a wellness program or meeting health goals. But why wait? In three years one can make a dramatic difference in lifestyle choices, become healthier, and save money on healthcare costs.