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Congress Plans Incentives for Employers That Offer Wellness Programs

By ROBERT PEAR

WASHINGTON — In its effort to overhaul health care, Congress is planning to give employers sweeping new authority to reward employees for healthy behavior, including better diet, more exercise, weight loss and smoking cessation.

A web of federal rules limits what employers and insurers can do now.

Congress is seriously considering proposals to provide tax credits or other subsidies to employers who offer wellness programs that meet federal criteria. In addition, lawmakers said they would make it easier for employers to use financial rewards or penalties to promote healthy behavior among employees.

Two Democratic senators working on comprehensive health legislation, Max Baucus of Montana, the chairman of the Finance Committee, and Tom Har-

kin of Iowa, have taken the lead in devising such incentives.

"Prevention and wellness should be a centerpiece of health care reform," said Mr. Harkin, who regularly climbs the stairs to his seventh-floor office on Capitol Hill.

The White House agrees. One of President Obama's eight principles for health legislation is that it must "invest in prevention and wellness," a goal espoused in almost identical words by Republican senators like John Cornyn of Texas and Orrin G. Hatch of Utah.

Frank B. McArdle, a health policy expert at Hewitt Associates, a benefits consulting firm, said, "Wellness and prevention programs have become a mainstream part of the benefits offered by large employers, and it's virtually certain that Congress will include incentives for such programs" in its bill. The goals of

such programs are to help people control blood pressure, fight obesity and manage diabetes and other chronic conditions.

Under Mr. Harkin's proposal, employers could obtain tax credits for programs that offer periodic screenings for health problems and counseling to help employees adopt healthier lifestyles. Programs could focus on tobacco use, obesity, physical fitness, nutrition and depression, he said.

Growing numbers of employers have adopted wellness programs after finding that they can lower health costs and increase the productivity of workers. Financial incentives include gift certificates and premium discounts or surcharges.

Critics say that holding people financially responsible for their health behavior is potentially unfair and that employers have no business prying into their employees' private lives.

Rewards and penalties as part of a health care overhaul.

Lewis Maltby, president of the National Workrights Institute, a research and advocacy group, said financial rewards and penalties were often a form of lifestyle discrimination. "You are supposed to be paid on the basis of how you do your job, not how often you go to the gym or how many cheeseburgers you eat," Mr. Maltby said.

But federal officials insist that the rewards and penalties can be used in an ethical way.

Ethics experts at the National Institutes of Health have developed guidelines for assessing workplace wellness programs. In

the current issue of the journal Health Affairs, the experts, Steven D. Pearson and Sarah R. Lieber, say the unhealthy behavior of some employees can affect co-workers by driving up costs for the group as a whole.

"The core ethical justification for penalty programs is that employees should be held responsible for voluntary actions that cause harm to others," they write. But, they add, employees should be exempt from penalties when it is "unreasonably difficult or medically inadvisable" for them to meet a particular goal or standard.

In setting up wellness programs, employers must navigate a maze of tax, labor and insurance laws.

If, for example, an employer pays the cost of gym membership for employees as part of a wellness program, the payment is often counted as taxable income

to employees.

Helen Darling, president of the National Business Group on Health, which represents 300 large employers, said, "We would like Congress to change the law so it would not be taxable income if an employer provides a benefit to help employees stay healthy."

Employers who reward healthy behavior may also run afoul of a 1996 law intended to prevent group health plans from discriminating against people because of their health status or medical history.

If an employer offers financial incentives to employees for lowering cholesterol, losing weight or stopping smoking, the amount of such rewards generally may not exceed 20 percent of the cost of coverage.

Many employers would like to offer larger incentives, and many in Congress want to let them do so.