



**AS PART OF HEALTH CARE REFORM, CONGRESS SHOULD ADOPT A TAX
INCENTIVE FOR EMPLOYERS AND EMPLOYEES WHO PARTICIPATE IN
QUALIFIED WELLNESS PROGRAMS**

The Incentive Federation, Inc. (the “Federation”) is a coalition of the incentive industry consisting of small and large businesses, employers, and companies serving the incentive and recognition marketplace. The Federation strongly supports wellness programs as part of health care reform. A long-term study conducted by MED-STAT (a Michigan health information company) on behalf of Johnson & Johnson showed that health care costs were \$225 less for each employee who participated in a wellness program during a four-year period. The study also confirmed the value of awards and incentives. Voluntary participation by employees increased from 26 percent to 90 percent when they were offered. Currently, the law does not provide any separate incentives for employees to participate in wellness program.

The Federation supports a tax incentive for employers and employees who participate in wellness programs, namely, a qualified wellness award of up to \$400 in the form of tangible personal property (not cash or cash equivalent) for each eligible employee who participates in a qualified wellness program that would be nontaxable to the employee and deductible by the employer.

In order to motivate employees to participate in a wellness program, employers are best served when they offer incentives to join the program and recognition and awards when employees reach significant plateaus and meet goals or targets. A well-designed wellness program also requires an assessment of the general health and well-being of employees to provide baseline information at the start of a program for purposes of measuring its relative success. Because employees are often reluctant to enter these programs and need to see an immediate tangible benefit for participating, incentives, awards, and recognition would provide them a compelling reason to enroll in employer wellness programs.

Incentives and recognition awards would be most beneficial if they also conferred a tax benefit. Qualified wellness awards would thus motivate employees to participate in an employer’s wellness program by giving them an incentive for doing so. As the Johnson & Johnson study shows, such awards and incentives have a long and proven track record of influencing good employee behavior and would be a powerful tool in ensuring the success of wellness programs. To ensure that qualified wellness awards are not disguised compensation, the awards should be in the form of tangible personal property and not cash or cash equivalents. Awards in the form of tangible property have the added benefit of having “trophy” value by serving as a continuous reminder of an employee’s achievement in the area of health and wellness. Appropriately designed qualified wellness awards would serve as a valuable tool to ensure the success of an employer’s wellness program and help create a healthier American work force. The Federation’s proposed tax incentive program would serve that goal.