



Summary of Healthy Workforce Act of 2009, S. 803 and H.R. 1897 How Qualified Wellness Awards Can Help Increase Participation in Wellness Programs

The Healthy Workforce Act of 2009 would amend the Internal Revenue Code to allow employers a 50% tax credit for the costs of providing employees with a qualified wellness program up to \$200 for the first 200 employees and \$100 for each employee thereafter. The Act defines “qualified wellness program” as a program that is certified by the Secretary of Health and Human Services and that consists of a health awareness and education component, a behavioral change component, or a supportive environment component. In order to be certified as “qualified wellness program,” the program must be consistent with evidence-based research and best practices, as identified by persons with expertise in employer health promotion and wellness programs.

The credit would be available only if each wellness program component applies to all eligible employees who are eligible for health insurance coverage under their employer’s plan or those who work at least 25 hours per week. The Act would also require the Secretary of Treasury to inform businesses about the availability of the credit. The credit would go into effect for taxable years beginning in 2010 and would expire after 2017.

The Act provides a measurable benefit in the form of a tax credit to give employers an incentive to use wellness programs to improve the health and well-being of their work force. It does not provide any separate incentives for employees to participate in these types of programs other than the benefit of participation itself. The elements of a well-designed wellness program require an assessment of the general health and well-being of employees to provide baseline information before starting a program. That way one can measure its relative success. Employees also often need to see an immediate tangible benefit for their efforts. In order to motivate them to participate in a wellness program, employers would be best served if they offer incentives to join the program and rewards and recognition upon reaching significant plateaus and meeting goals or targets.

Indeed, 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. Voluntary participation by employees increased from 26 percent to 90 percent when incentives were offered.

Such incentives and recognition would be most beneficial if they also conferred a tax benefit. Namely, qualified wellness awards given to eligible employees who participate in a qualified wellness program up to \$400 per recipient should be nontaxable to the employee and deductible by the employer. Qualified wellness awards would thus motivate employees to participate in an employer's qualified 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 the qualified wellness programs championed by the Act. In order 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 continued reminder of an employee's achievement in the area of health and wellness. Qualified wellness awards would serve as a powerful tool to ensure the success of an employer's qualified wellness program.