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Paying People to Lose Weight Helps Drop Pounds and Health-Care Costs

By Michael S. Rosenwald
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On my way home from dinner with a friend the other night -- 22-ounce rib-eye, potato skins, tall beer, pure gastronomic bliss -- I called my wife and said, "We need to negotiate."

The point of contention: How much she would pay me per pound to lose weight. She said, "Five dollars." I said, "Seven dollars."

Close readers of this newspaper will recall the following declaration I made in print last year: "I am fat." I didn't blame anyone, *per se*, but I explained that an unintended consequence of economic and technological advances over the past few decades is that two-thirds of the country is now overweight. It is easier, and cheaper, to consume calories. Nobody washes, slices, and peels a potato to make french fries. [McDonald's](#) can serve up a large order for \$2.09 in mere seconds. Also, there's not much laboring at work anymore. We sit at desks, staring at computers, only burning calories when we get up to hunt for new candy at the receptionist's desk.

Well, I am still fat. But now my wife, who is desperate, for some reason, to keep me around for a very long time, is turning the economics of obesity on its head, agreeing to provide me financial incentives to finally drop the pounds. It is a peculiar strategy, but it's not without merit: Economists have recently shown that if you pay people enough money, they *will* lose significant weight. Corporate America is starting to integrate cash incentives into wellness plans in hopes of reducing its health-care costs.

The negotiations between me and my wife were swift. After I suggested \$7, she suggested \$5. I tried \$6; she said \$5. My weight-loss efforts are important to her, but as she pointed out, "I'm not going to go broke over this, and if you lose 50 pounds, that's \$250 and that's enough to buy a new cellphone," which touched my first-adopter heart in the most tender of ways.

The idea behind weight-loss payments is to wage battle with the many incentives the world offers us to keep the weight on. In my case, the excessive weight has caused high blood pressure. There are two ways to solve this problem. One: Lose weight. That would require exercise, which would take up time that I prefer using for less strenuous activities, like doing nothing. Or two: Take blood pressure medicine. My insurance company

requires no co-payments for generic drugs, so I can theoretically mask the problem for free. And it just became cheaper for millions of Americans to get low-cost generics through [Wal-Mart](#), which is charging \$4 for a 30-day supply of drugs that treat common ailments such as high blood pressure.

"If you reduce the cost of maintaining unhealthy behaviors or lifestyles, what incentive do you have to change?" said Ross DeVol, a Milken Institute economist who studies health care issues.

I chose the drugs and am thusly always on the prowl for beef. So, apparently, are millions of other Americans. Seventy-five percent of the nation's \$1.4 trillion in annual medical costs can be blamed on chronic diseases, many of which are lifestyle induced, according to the [Centers for Disease Control and Prevention](#). The effect of blood pressure and cholesterol medicine is startling: A study in the [Journal of the American Medical Association](#)

showed that earlier this decade, obese people had a 21 percent lower prevalence of high cholesterol and an 18 percent lower prevalence of high blood pressure than obese people did in the early 1960s. We seem to be healthier fat people, but we're not cheap for the health-care system -- or our employers.

Health-care costs at Wesley Willows, a continuing-care retirement community in [Rockford](#), Ill., rose so high that it decided to self-insure its employees to help decrease spending. About 85 percent of Wesley Willows' health-care costs are for cardiovascular problems, many of which are connected to weight problems. So when Cathie Holmgaard, director of human resources for the company, saw a flier from a consulting company called Tangerine Wellness, her eyebrows went up.

Tangerine, based in [Boston](#), designs weight-loss programs that employ economic incentives. The company is modeled on recent economic research showing that paying people to lose weight causes their pounds to fall off faster. Eric Finkelstein, an economist with RTI International who has spoken with Tangerine executives, recently conducted a study in which people were paid either \$7 or \$14 per percentage point of body weight they lost.

After three months, people with no incentives lost about two pounds. The \$7 group lost about three pounds. The \$14 group: five pounds. Members of the more expensive group were also five times more likely than members of the no-money group to lose 5 percent of their body weight. One person netted \$140. Were they more excited about losing weight or about the money? "I think they were most excited by the \$140," Finkelstein said.

In Tangerine's programs, employees earn \$3 to \$7 for every percentage point of weight lost and may earn additional rewards in team contests. Aaron Day, the company's founder, has also baked in incentives for continuing to keep the weight off. "Let's say the reward is \$5 for each 1 percent," Day said. "If I lost 3 percent in the first quarter, I earn \$15. If I lose another 3 percent on top of that in the second quarter, then I would get \$30 because now in total I have lost 6 percent."

An average of 140 employees at Wesley Willows participate in the program, which started eight months ago. They get \$3 per percentage point of weight lost. Together, they have lost 806 pounds. Holmgaard said the company has spent \$11,500 on the Tangerine program, including rewards. The company's health-care costs have tumbled more than \$146,000. "Certainly paying them gets their attention," Holmgaard said.

My wife's agreement to pay me certainly got me keyed up. I have tried the following strategies to lose weight: the Atkins diet, the South Beach Diet, [Jenny Craig](#), Slim Fast bars, eating sushi every day for lunch, and joining, in the past five years, three gyms and one swimming pool. Did I mention I'm still fat? I start programs, then stop. I exercise for a few weeks, then stop. I don't know how many times I have stared down at my plate and said to myself, "This is the last time I will eat fries."

But I've always been easily motivated to do things for money. I was a pitcher back in my [Little League](#) days. My dad used to pay me \$3 per strikeout. If I struck out three batters, that was enough to buy to a box of

baseball cards to show off at school. My dad wanted me to be such a good pitcher that I convinced him to pay me for striking out pretend batters when we practiced in the back yard. I threw so much that I eventually got tendinitis in my shoulder, pretty much ending my baseball career. In the end, cash failed.

I thought of that the other day when I was talking to Barry Nalebuff, a professor at [Yale University](#) and one the country's top game-theory economists. He has studied weight-loss incentives extensively. When I told him what my wife was paying me, he said: "It's not going to work. It's not big enough. Not even close." He had another idea: Take a picture of myself in a Speedo, and if I don't lose weight, he gets to hang the picture in my office. For extra motivation, he suggested I procure a similar picture of my wife, theorizing (correctly) that she wouldn't want my colleagues to see that much of her. "Then you'll really lose the weight," he said. He has done two nationally televised studies showing that this strategy works.

Nalebuff thinks the weight loss will happen only if there is something of importance being risked. When I told *him*

that my wife might kill me under his proposed arrangement -- thereby defeating the purpose of me losing weight -- he suggested I enter into a contract in which I agree to pay him if I don't drop some pounds. "As much as people don't like to lose money, what they really don't like to lose is their own money," he said.

In fact, some of his Yale colleagues are in the final stages of launching a business based on this very concept. They have started a company called stickK.com that will allow people to take out a contract on themselves. They pick a price. If they don't lose a certain amount of weight, they lose the money, either to a charity, friends or family. Ian Ayres, one of the company's founders, said he hopes the Web site makes money by selling advertisements and forming corporate partnerships.

"The basic idea is to let economic incentives have a chance," he said. "It's been very hard to produce successful results through traditional weight-loss methods."

Ayres took out a contract on himself with another of the company's founders. He needed to get down to 185 pounds, losing at least a pound a week or forfeiting \$500 for each week he failed. Sure enough, he dropped below 185 pounds. Now if his weight goes above 185 pounds, a penalty kicks in. He has avoided more than \$21,000 in potential penalties. "It's been a free way to lose weight," Ayres said.

He added, "Thousands of studies have shown that people work harder to avoid losses than to gain a similar amount."

I've taken all of this in, and I've decided to try something a little different that I think will work for me. My wife will pay me \$5 for every pound I drop from her private cash stash. We will take measurements at the end of every month. Then, with my private stash, I will double what she gave me and send all of it to the [St. Jude Children's Research Hospital](#) in [Memphis](#), where kids with cancer are given another chance at life. I just had a son of my own. He is healthy. But I have been to [St. Jude's](#) and have seen kids who aren't. I'll be working for them. I start today.

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