

**SMALL BUSINESS LINK**

## Companies Win As Workers Lose Pounds

**Incentive-based wellness programs give employees rewards – with a payoff of lower health-care costs.**

By SIMONA COVEL

To Bill Pratt, two things seemed to grow out of proportion at Wesley Willows Corp. retirement community in recent years: employees' health-insurance premiums, and their waistlines.

Mr. Pratt, the chief executive, could see there was a connection. Each time he walked around his nonprofit's leafy campus, he noticed that the "employee base could stand to lose a few pounds," he says. Meanwhile, like many companies around the country, the organization had seen its health-care costs soar for several years running, due in part to claims from its less-than-healthy-looking work force.

But a little over a year later, employees on the 290-person staff at Wesley Willows have lost a cumulative 750 pounds -- and health-insurance claims by the staff have dropped dramatically. When the company renewed its health insurance for 2008, premiums edged up just over 3% -- the lowest increase in at least a decade, company executives say.

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How did it happen? Wesley Willows, in Rockford, Ill., embarked on a companywide wellness contest that pitted groups of employees against one another in friendly competition. In effect, it paid workers to lose weight.

Inspired by TV shows like "The Biggest Loser" and plagued by rising health-care costs, a growing number of small companies are using contest-style incentive programs to spur employees to get healthy. The format is a natural fit for small companies, where executives say the natural camaraderie lends itself to teamwork and competitive spirit.

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Developing such contests can be time-consuming -- and expensive. But these small companies say it pays off with healthier employees and lower health-care costs.

**Hired Help**

Wesley Willows got help from Tangerine Wellness Inc., a Boston firm that designs incentive-based weight-loss programs. The retirement community now spends \$20,000 to \$30,000 a year on the program, Mr. Pratt says, including Tangerine's fees and cash rewards for workers. Employees earn \$3 for every 1% of body weight they lose. In addition, at the end of a quarter, each member of the winning team receives as much as \$50, and second-place-team members a little less. Health-insurance claims at the company, meanwhile, for the 12 months ended in August 2007 -- a period that includes the first six months of the program -- dropped 19% to less than \$640,000. And for the 12 months ended in March 2008, turnover plunged 30% -- a benefit Mr. Pratt attributes to a more collegial environment.

To get started, a Tangerine representative took height and weight information -- on a voluntary basis -- from workers who wished to participate. Employees also decided whether they'd like to be part of a team. Some teams, Mr. Pratt says, will try to coax a potential big loser over to their group to bolster their results for the next quarter.

Through a customized Web site, employees can track their own weights to see how much they're losing -- and earning -- and follow their team's results. Individual results aren't released.

Tangerine Chairman and Chief Executive Aaron Day notes that the company is careful not to encourage weight loss when it's not needed; those within a healthy weight range are rewarded for staying in the range, and those underweight are rewarded for gaining.

About half of Wesley Willows employees participate, Mr. Pratt says. "I see anywhere from 15 to 20 people out walking in groups on company grounds on a regular basis," he says -- something that almost never happened before the contest.

**Competitive Workplace**

Confluence, a Pittsburgh-based software company, designed its own wellness contest. Executives at the company have long encouraged healthy living, for instance, by installing bike racks and workplace showers for employees to use after midday jogs. In February, the 170-person company started its Live for Life Challenge -- known internally as "The Biggest Loser-meets-NASCAR." The grand prize: \$1,500 toward exercise equipment or a gym membership, in addition to a \$1,500 spa package and \$500 cash.



8 Courtesy of the company  
Confluence employees on a run

So far, 35 employees are participating in the nine-month contest. They earn points by completing health-and-fitness challenges: Playing on a company dodge ball team, for instance, is worth 250 points per game; a \$5 weekly purchase of fruits and vegetables is worth 25 points.

"We went in with the attitude that prizes and rewards have to be substantial," says Dennis Farkos, chief financial officer and a senior vice president. Second prize is \$1,500 toward exercise equipment or a health-club membership, and \$500 cash. Third prize is \$500 and a \$500 gift card for a sporting-goods vendor.

Aside from the prizes, Mr. Farkos estimates that the program will cost the company about \$2,000, for time spent tracking points and for perks like fresh fruit delivered to the office for everyone. Meanwhile, the company says that its insurance provider already has reduced its premiums 4%, or \$28,000, and that another decrease is likely next year after the program ends. Executives say they're likely to hold the competition again, depending on this year's results.

Some companies make participation mandatory. Starting 10 years ago, workers at Lincoln Industries, a 580-employee metal-finishing company in Lincoln, Neb., have competed in an annual Wellness Olympics, with events like trash-can basketball. Then, in 2003, the company began requiring them to participate in a year-round, points-based wellness contest called Go! Platinum.



9 Courtesy of the company  
Lincoln employees on a hiking trip in Colorado

Points are awarded for, among other things, reducing tobacco use and body fat, and attending wellness seminars. The goal is to amass enough points to earn platinum status, and a company-paid trip to Colorado for a one-day hike up a mountain. Last year, 77 employees made the climb, the company says.

The program "encourages people to have fun at work and to view

wellness as less of a burden," says Tonya Vyhldal, wellness and life-enhancement director at Lincoln.

The cost is significant: more than \$400,000, including the salaries of Ms. Vyhldal, a wellness specialist and a nurse. But Ms. Vyhldal says wellness initiatives more than pay for themselves. Workers' compensation costs at the company have plummeted to less than \$140,000 last year from more than \$500,000 in 2000, says Ms. Vyhldal. And tobacco use declined to 21% of employees this year from 31% in 2003.



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Courtesy of the company  
Lincoln employees stretching at the office

Occasionally, job applicants are turned off by the company's heavy-handed approach, Ms. Vyhldal says. Workers stretch together before shifts, the campus is tobacco-free, and mandatory physicals are given each quarter. But "we are a wellness company," Ms. Vyhldal says. The focus is on hiring workers who fit the

company culture.

### The Long Walk

Wellness competitions can get out of hand. When 95-employee insurance firm PMSLIC Insurance Co. issued pedometers in 2005, executives encouraged employees to get in shape by walking at least 10,000 steps per day, or four to five miles. The company tracked the results on a big map depicting the Appalachian Trail. The program took off, largely because "we were kind of like one big team," says Julie Burns, vice president of human resources at the Mechanicsburg, Pa., company.

But some people fixated on their number of steps, pushing as high as 40,000 daily. The same people were winning the weekly contest over and over again. So after a few weeks, the company switched to random drawings for rewards, so employees wouldn't get discouraged and quit.

"It was too much for some people," says Ms. Burns. "We had some people who were crazy competitive."

Write to Simona Covel at [simona.covel@wsj.com](mailto:simona.covel@wsj.com)<sup>11</sup>

### Small Business Link: Workplace Wellness

- [Five Tips for Getting Started With Workplace Wellness](#)<sup>12</sup>
- [Work & Life: Avoiding Stress Eating](#)<sup>13</sup>

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