August 1, 2012

Mr. Peter Lee
Executive Director
California Health Benefit Exchange
2335 Capitol Oaks Dr., Suite 120
Sacramento, CA 95833

Workplace Wellness Programs As They Apply To Qualified Health Plans

Dear Mr. Lee:

We thank you for the opportunity to comment on the Exchange's recommendations to the board on Qualified Health Plans; as the Exchange begins to make decisions regarding QHPs, the Greenlining Institute and Prevention Institute would like to provide some insight and words of caution. Our two organizations have partnered to conduct research on Workplace Wellness Programs (WWPs) as they apply to ethnic small businesses. While we are interested in determining best practices for implementing WWPs in small businesses as a way to improve employee health and reduce health care costs, we know that there are serious issues with the various approaches to achieving these results. WWPs have historically been punitive for communities of color because they do not take into account the diversity of a workforce and the existing barriers to participation, which further exacerbate the lack of access to resources to improve health, and a lack of access to quality health care services. As a result, WWPs have historically disadvantaged communities of color rather than helping them achieve better health outcomes. We are concerned that the Exchange will encourage the use of WWPs through the QHPs in the small group market when there is limited research on how these programs benefit small businesses and no research on best practices in implementing such programs.

Our research seeks to provide policymakers with a better understanding of what the ethnic small business landscape looks like in California such that workplace wellness programs are developed to support their intended purpose of improving health and reducing health care expenditures without adversely affecting populations who need these benefits the most. In addition to our chief concern about punitive incentive programs, our research has unveiled other concerns and gaps in knowledge involving WWPs and ethnic small businesses. We are preparing a report that will come out in the fall, but we wanted to share some of our preliminary data with you:

Incentive plans touted in workplace wellness programs can be punitive and adversely affect communities of color.

Incentive workplace wellness plans where an employee's contribution towards their health insurance premium is tied with their health status have been popularized, especially after the claimed success of Safeway's Health Measures program.[i] While Safeway attributed significant cost savings to improved employee health, in actuality, their plan shifted costs unto the higher risk group within their employees – reducing the health care premiums for individuals who had the time and resources to take advantage of the programs. The employees who found their premiums increasing were often people who were on the lower end of the pay scale within the company, and were also often people of color. Statistically, people of color and low-income individuals are more likely to suffer from chronic health problems, more likely to lack resources to improve their health, and more likely to receive poorer quality health care. These individuals are, thus, disproportionally penalized by incentive plans that tie premium amounts to their health.[ii] Tying the employee's premium to his/her health outcomes undermines the ACA's goal to end discrimination based on level of health risk because it inadvertently creates a punitive system. One potential strategy for alleviating this concern is to incentivize workplaces that adopt a set of comprehensive workplace wellness practices, with the input and buy-in of employees, instead of focusing on individual employees.

Ethnic small businesses make up a significant portion of California's workforce, yet the cultural competency of workplace wellness programs for these businesses is often overlooked.

In California, ethnically owned small businesses employ nearly 1 million Californians.[iii] According to an LA Times article, ethnic owners tended to hire more people of color.[iv] Our research supports this claim as all 10 of our interviewees reported employing at least 50 percent of people from ethnic backgrounds other than white. This raises concerns about the cultural sensitivity of workplace wellness programs in ethnic small businesses because these employers and employees may have different views on the definition of "health" or have limited access to quality health care. Additionally, because ethnically-owned small businesses have an employee base that is highly concentrated with people of color, they can serve as a direct link to improving health within communities that traditionally have barriers to quality health care.

Small business owners have expressed concerns surrounding the implementation of workplace wellness programs.

We interviewed a variety of ethnic small businesses and non-profits in California, and all participants reported that the cost of implementing a workplace wellness program is a concern. Small businesses typically have smaller profit margins and are therefore unable to absorb additional costs in the same manner as larger corporations. The role the employer has in encouraging employee health is another area that raises concern. While some employers want to engage in promoting employee health and well-being, there is a sense of caution surrounding the boundaries of the employer/employee relationship. Understanding the best approach to implementing workplace wellness programs in ethnic small businesses will be a crucial factor in ensuring their success.

We look forward to providing our finalized research to the Exchange board and staff in the fall when we release our report. In the interim, please do not hesitate to contact Carla Saporta, carlas@greenlining.org, or Jeremy Cantor, jeremy@preventioninstitute.org, with questions or for additional information.

Sincerely,

Carla Saporta
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The Greenlining Institute

Jeremy Cantor
Program Manager
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Cc: Diana Dooley, Secretary, California Health and Human Services & Chair, California Health Benefit Exchange Board
Kim Belshe, Exchange Board Member
Susan Kennedy, Exchange Board Member
Paul Fearer, Exchange Board Member
Dr. Robert Ross, Exchange Board Member

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[i] Burd, Steven. (2009, June 12). How Safeway is cutting health-care costs. *The Wall Street Journal.* Retrieved from: http://online.wsj.com/article/SB124476804026308603.html. June 20, 2012.
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[iii] Small Business Office. (2007). [Data files]. Washington, DC: US Census Bureau. Retrieved from http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=SBO_2007_00CSA11&prodType=table on June 20, 2012
[iv] Romney, Lee. (1999, September 18). Minority-owned firms tend to hire within own ethnic group. *Los Angeles Times*. Retrieved from: http://articles.latimes.com/1999/sep/18/business/fi-11575