

Word cloud centered around the word **choice**. Other prominent words include: behavioral, nudges, defaults, emotion, workforce, segmentation, active, MANAGEMENT, auto-enroll, intuitive, architecture, decoys, variable, decision-making, messaging, escalate, biases, behavioral, rational, heuristics, Economics, Finance, enhanced.

## More Insights from Behavioral Economics



# Idea #1

## *Use Financial Incentives to Drive Behavior*

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- Strategy: Offer financial reward for joining walking club
- Just be Careful (Reward Undermining)

### **PICK-UP TIME AT DAYCARE CENTER\***



### **PAYING FOR CREATIVITY\*\***



\* Source: Uri Gneezy and Aldo Rustichini

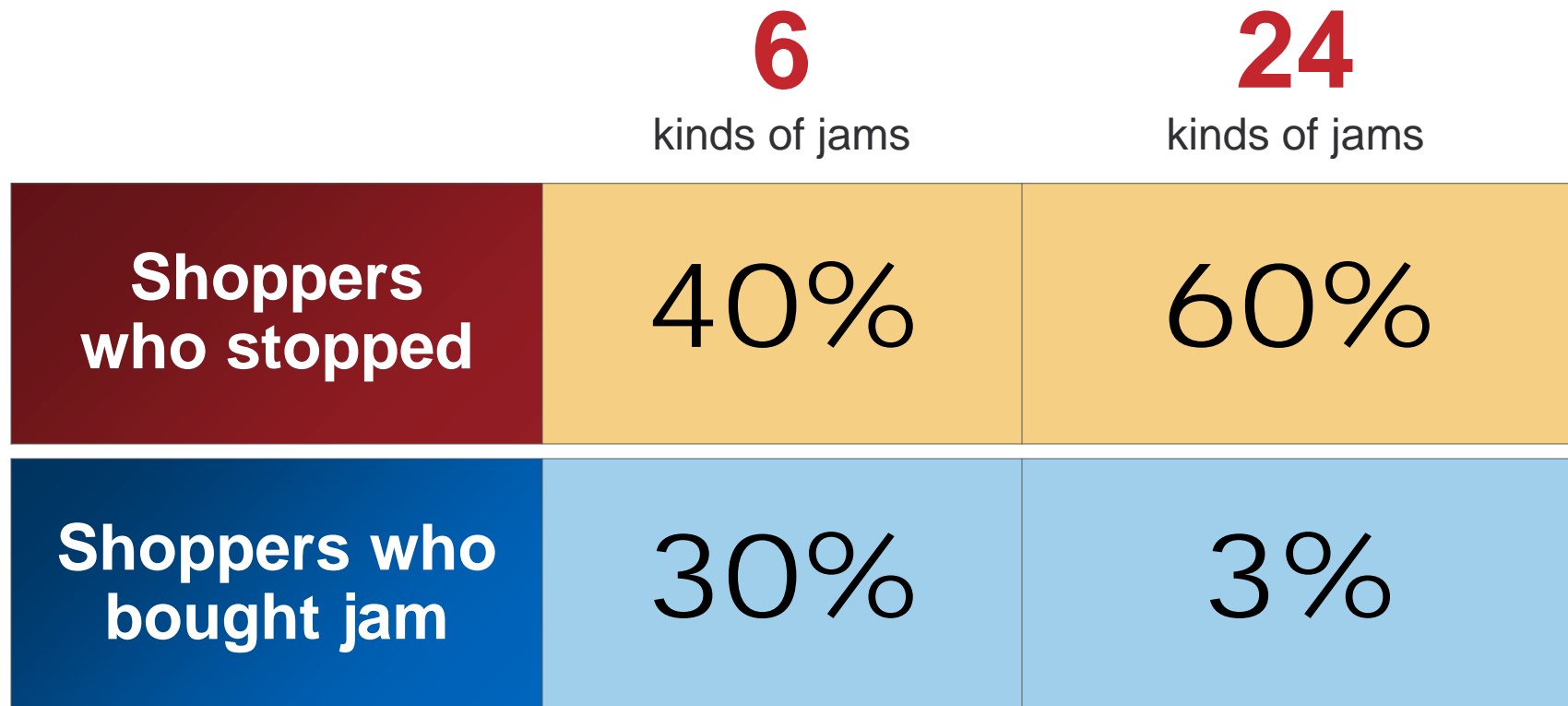
\*\* Source: Lepper, M. P., & Greene, D., & Nisbett, R. E

## Idea #2

### *Expanding Healthy Options*

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- Strategy: Offer a dizzying amount of “get healthy” activities for EE’s
- Just be careful (Choice Overload)



Source: Iyengar & Lepper (2000)

## More on Heuristics and Choice Architecture

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### Heuristics

- Mental shortcuts that influence employees' decisions, often in irrational ways

### Choice Architecture

- Approaches employers can use to nudge employees to make better decisions (Thaler and Sunstein)

## Example 1

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- Think about how Americans die from Heart Disease each year. Is it more or less than **5 million**?
- How many Americans die of heart disease annually?



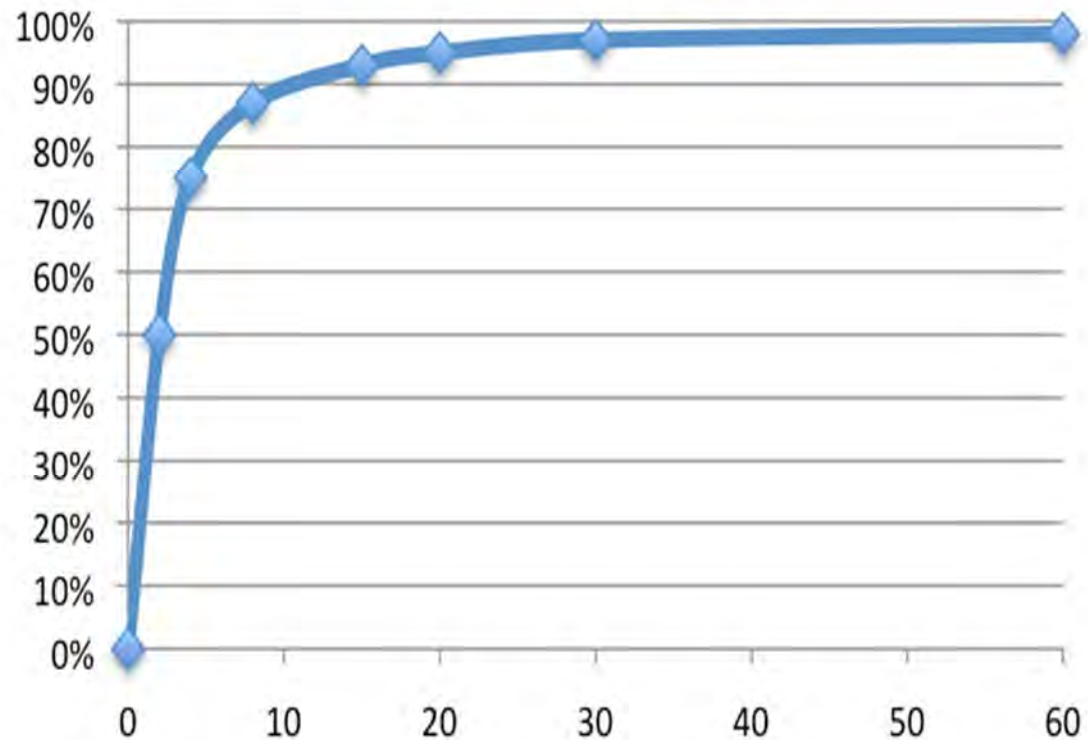
Anchoring

## Example 2

- How much benefit do you get from using sunscreen with higher SPF?



### UVB protection vs. SPF



Graph courtesy of [remixyourhealth.com](http://remixyourhealth.com)

**Diminishing Returns**

## Example 3

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➤ At one sitting, how many would you eat?



**Guardrails**

# Example 4

Which is more compelling?

## Option A

Sometime this year, go to our health plan website to complete your HRA and we'll reduce your 2016 medical contributions by \$50



## Option B

Click [here](#) to complete your HRA by **October 31<sup>st</sup>** and immediately win a \$50 gift card from Amazon.com



Preference for Now



## Example 5

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Would you consider yourself to be at least as good of a driver as everyone else in the room?



**Optimism Bias**

## Example 6

Between 1992–2012, did fatal workplace accidents in US:

1. Increase by over 5%
2. Stay about the same
3. Decrease by about 10%
4. Decrease by roughly 25%

**Sentinel Event Sensitivity**

## Example 7

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Which is more compelling?

### Option A

Quick smoking and start feeling better this year



### Option B

Quick smoking to reduce your risk of COPD or cancer later in life



**Preference for Now**

# Example 8

How many of you set the clock on your new DVD player?



**Complexity Aversion**

# Insights from Cornell University Food and Brand Lab

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A word cloud centered around the word "Choice". The word "Choice" is the largest and most prominent. Other significant words include "Behavioral", "nudges", "defaults", "WORKFORCE", "emotion", "segmentation", "active", "MANAGEMENT", "intuitive", "auto-enroll", "Finance", "Economics", "architecture", "enhanced", "decoys", "variable", "decision-making", "messaging", "escalate", "biases", "behavioral", "rational", "heuristics", "active", "WORKFORCE", "emotion", "segmentation", "intuitive", "auto-enroll", "Finance", "Economics", "architecture", "enhanced", "decoys", "variable", "decision-making", "messaging", "escalate", "biases", "behavioral". The background features a faint, stylized starburst graphic.

## Sample Employer Strategies

# Target Organizational/Individual Drivers of Health

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1. Proper nutrition
2. Physical activity/rest
3. Avoidance of risky behaviors
4. Stress reduction
5. Getting appropriate preventive care

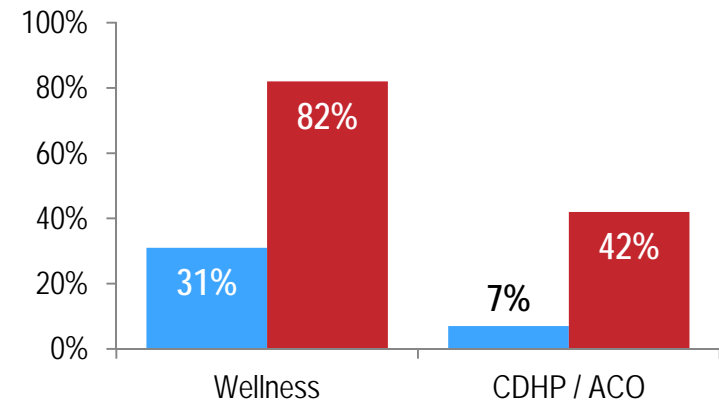
1. Culture
2. Programs and design
3. Environment
4. Resources leveraged
5. Communication methods

# More Engagement? Rethink Passive Enrollment

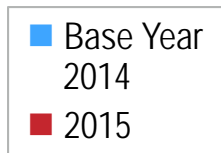
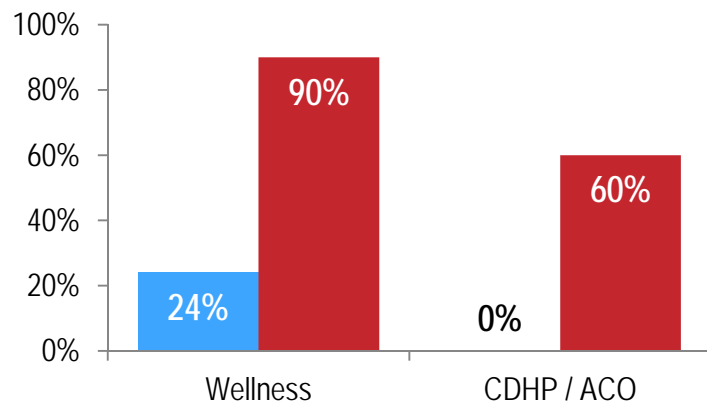
## Techniques Deployed

- Require active enrollment
- Communicate through multiple channels / media
- Leverage behavioral economics
  - Pre-commitment strategies (pledges)
  - Naming and sequencing conventions
  - Financial incentives
  - Loss aversion
  - Bandwagon bias

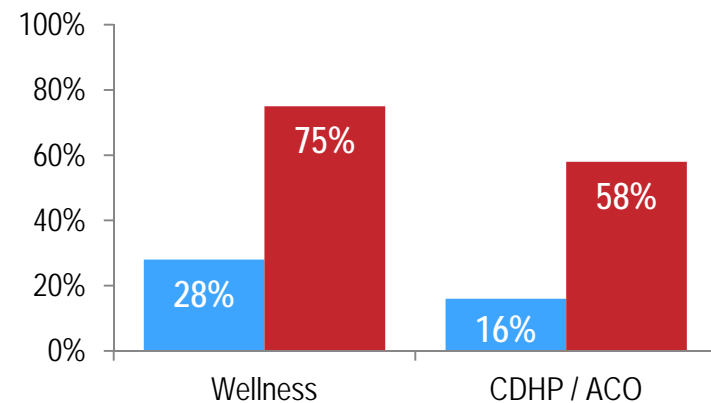
## STATEWIDE PUBLIC UNIVERSITY with 19,000 Employees 99.7% made an active choice



## UNIVERSITY with 2,000 EEs



## NATIONWIDE COMMERCIAL REAL ESTATE FIRM with 2,000 Employees



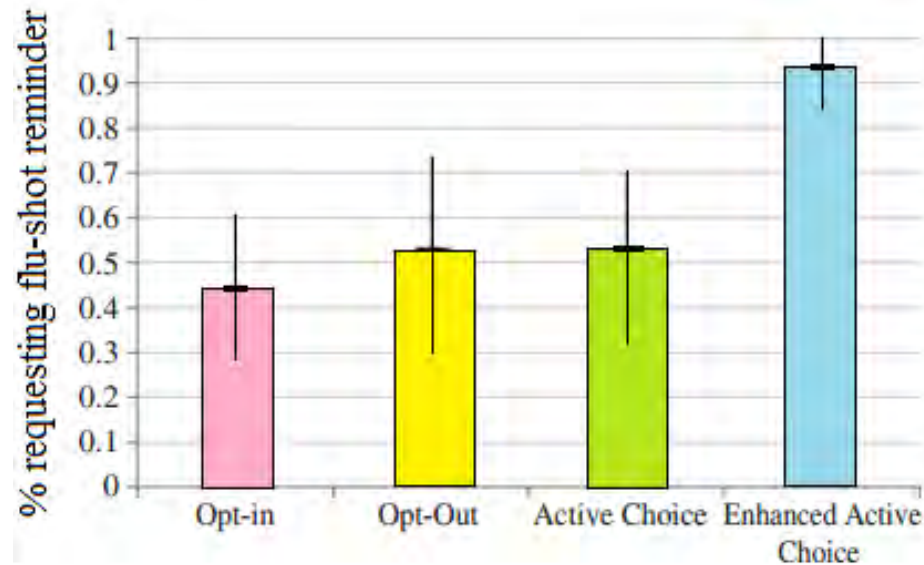


# Enhanced Active Choice with Preventive Health

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How you configure choices impacts decisions:

- **Opt-In:** Do you want to be reminded to receive a flu shot?
- **Opt-Out:** We will remind you to get a flu shot unless if you ask us not to
- **Active Choice:** Do you want to be reminded? Yes or No
- **Enhanced Active Choice:** Do you want to be reminded? Yes or No? If you say “No,” chances are you will forget to get the flu shot and your likelihood of getting sick is much higher



Keller et al. (2011), *Enhanced active choice: A new method to motivate behavior change*, Journal of Consumer Psychology

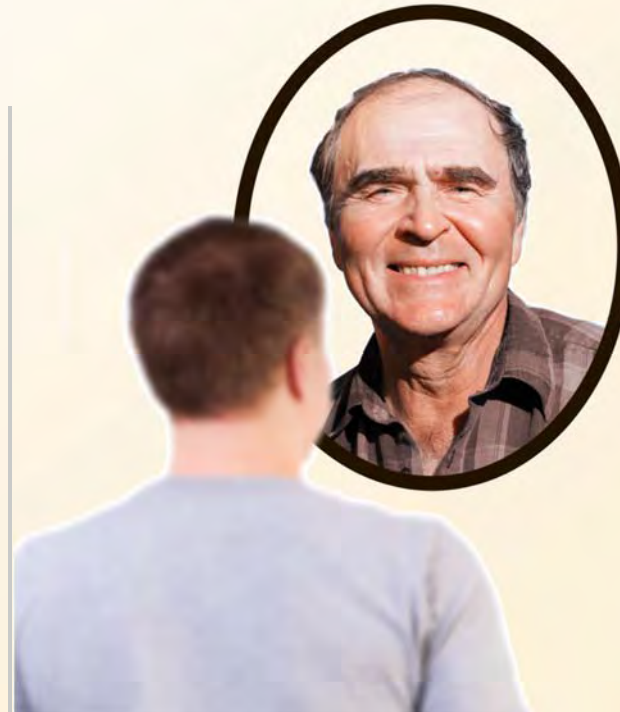
# Countering Hyperbolic Discounting (Encouraging People to Save)

How do we help a 30 year old view  
what their life will be like at age 70?

Participants who saw their  
**current** selves contributed  
4.4% toward retirement



Participants who saw their  
**future** selves contributed  
6.2% toward retirement



# Employees are Savvy Consumers; not Great Investors



1. Construct a bridge between life today and in retirement!
2. Focus as much on consumption as asset accumulation



Save **9%** of pay



Eat steak and lobster;  
live the good life!



Travel to exotic locations;  
live the good life!

Save **6%** of pay



Eat hamburger.



Travel to a nearby resort.

Save **2%** of pay



Eat processed bologna  
for the rest of your life.



Vacation at your local  
community center.

# Countering Complexity Bias

## TWO APPROACHES TO CONFIGURING DISTRIBUTION OPTIONS

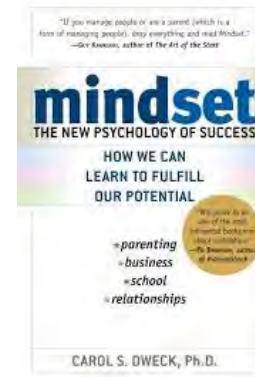
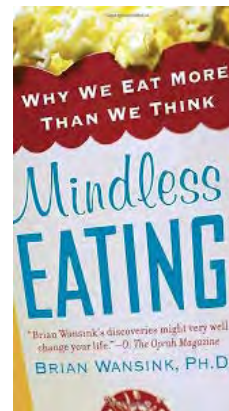
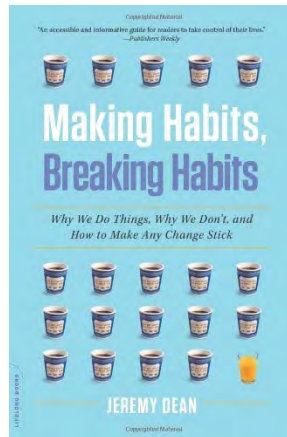
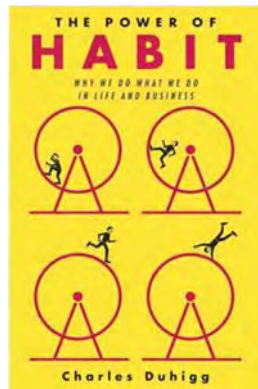
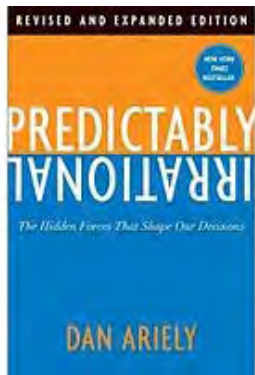
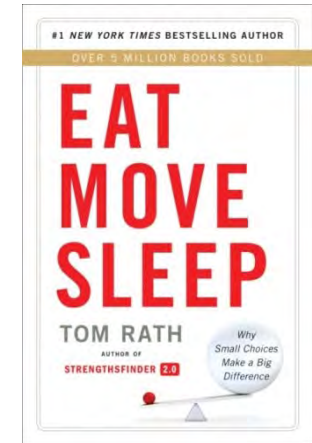
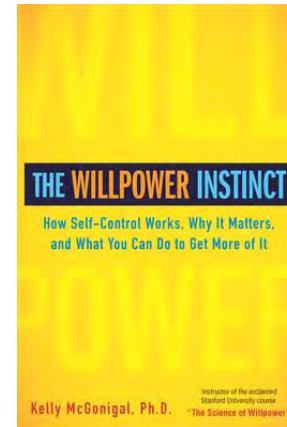
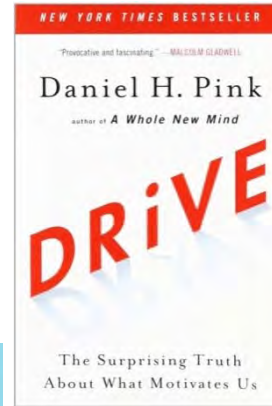
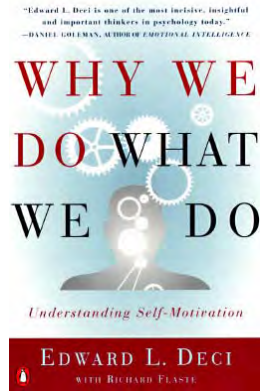
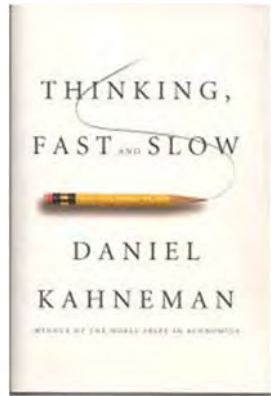
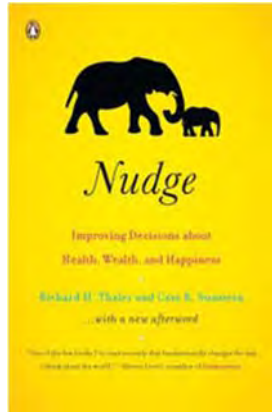
Typical Retirement Plan Election Language	Simplified Retirement Election Language
<ul style="list-style-type: none"><li>• If you are married when your benefit begins, your benefit will be paid to you as a Qualified Joint and Survivor Annuity. A Qualified Joint and Survivor Annuity provides reduced, equal monthly payments to you during your lifetime and, if your spouse lives longer than you, to your spouse for your spouse's lifetime. Although your monthly benefit payments are reduced, the payments to you and the survivor benefit for your spouse have the same actuarial value as the Single Life Annuity described above. If you are married and your spouse consents, you may elect to receive one of the optional forms of payment described below. All of the optional forms of payment have the same actuarial value as the Single Life Annuity.</li><li>• <b>Single Life Annuity:</b> Monthly Benefit = \$1,000</li><li>• Joint and Survivor Annuity = \$667, reducing to a \$500 survivor benefit</li></ul>	<p>Choose one of the following monthly income streams for your retirement benefit:</p> <ul style="list-style-type: none"><li><input type="checkbox"/> \$667 monthly income while you and your spouse are both living. <i>\$500 monthly income for your spouse after you pass away.</i></li><li><input type="checkbox"/> \$1,000 monthly income while you and your spouse are both living. <i>\$0 monthly income for your spouse after you pass away.</i> <i>Under this option, your spouse must sign a notarized consent form.</i></li></ul>

Word cloud centered around the word "choice". Other prominent words include: behavioral, nudges, defaults, emotion, workforce, segmentation, active, MANAGEMENT, auto-enroll, intuitive, architecture, decoys, variable, escalate, messaging, decision-making, biases, rational, heuristics, economics, finance, enhanced.

For More Information on Behavior Change...




# Some Good Reading on Behavior Change



# Behavioral Economics Resource Center

<http://www.sibson.com/services/behavioral-economics/>



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## Behavioral Economics

Behavioral economics is a field of study that blends psychology and consumer economics in order to understand why people make sub-optimal decisions about important financial and health care matters. Most decisions that people make involve "mental short cuts" and some degree of emotion. Often, behavioral biases come into play and the result can be sub-optimal decisions.



Is your organization struggling with increasing health costs or low employee participation in wellness initiatives? Behavioral economics is critical to solving these challenges. Here are just a few recent examples:

Situation	Impact of Behavioral Economics
A client struggled to gain employee participation in a health risk questionnaire even with a cash incentive.	Achieved 91% employee participation and 85% spouse participation (up from 0%).
A higher education client faced employee relations issues related to absence and retention.	Reduced unscheduled absence by more than 50%, reduced turnover by 29%, reduced extended absence by 72% and reduced employee relations issues by over 90%.
A client had 13.5% of their participants using antidepressant drugs (at a cost of 6.5 times more than those not using such drugs) -- but only 21% were also seeing a behavioral health clinician.	Increased the use of clinicians by 130% by reframing the plan and reducing both financial and perception barriers.

Take the Quiz Now

Is your company using behavioral economics to control costs?


Take our short (3 question) quiz to find out!

Contact Us

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216.687.4432  
[cgoldsmith@sibson.com](mailto:cgoldsmith@sibson.com)

Behavioral Economics Video



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Chris Goldsmith

# Thank you

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# Background on J. David Johnson

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J. David Johnson is a Vice President and Senior Consultant with Sibson Consulting, a member of The Segal Group, a national human resources, employee benefits and actuarial consulting firm. Based in the Washington, DC office, he works with clients on a range of human resources issues. He has particular expertise in evidence-based workplace wellness programs, value-based purchasing strategies and employer issues related to the Affordable Care Act (ACA). He is also an Adjunct Professor at Towson University, where he teaches Employee Wellness and Healthy Workforce Management in the Masters in Human Resource Development program.

David has twenty-six years of experience in human resources and employee benefits. He is a frequent national and regional speaker on Behavioral Economics, workplace wellness and ACA. Recently, David presented on workplace wellness at the National Summit for the Partnership for a Healthier America, an initiative chaired by First Lady Michelle Obama. Other recent speaking engagements include two Briefings at the US Capitol on the value of prevention to American employers. He has provided testimony on employer issues related to ACA to both the US Department of Labor and the Washington, DC City Council. David has published multiple articles on employee benefits issues in Bloomberg / Bureau of National Affairs, and has been quoted in the *Washington Business Journal*, the *Baltimore Business Journal*, *Employee Benefits News* and the *Capital Gazette*.

David is a Board Member of the MidAtlantic Business Group on Health, past-president of the Worldwide Employee Benefits Group, Baltimore Chapter, Board Member of the American Diabetes Association, Baltimore Chapter and Fit-Friendly Employer Reviewer for the American Heart Association. He serves on the Payment Models Workgroup of the Maryland Health Services Review commission. David is also active in the Society of Human Resources Management and the Healthcare Financial Management Association. He holds an MBA in Health Care Management from Johns Hopkins University and a Bachelor's of Science in Public Health from the University of North Carolina at Chapel Hill.



# Background on Sibson Consulting

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As management consultants, Sibson Consulting helps clients excel by having the talent and culture required to delight customers and deliver strong financial performance.

Sibson Consulting is a member of The Segal Group (Segal), an employee-owned human resources, employee benefits and actuarial consulting firm headquartered in New York. The firm has 23 offices throughout the United States and Canada and is currently the fourth largest employee benefits consulting firm in the nation (*Business Insurance*, June, 2014).

Since its founding in 1939, the firm has experienced steady growth by remaining focused on client satisfaction, professionalism, superior quality and innovation.

