

People prefer 'carrots' to 'sticks' when it comes to healthcare incentives

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To keep costs low, companies often incentivize healthy lifestyles. Now, new research suggests that how these incentives are framed—as benefits for healthy-weight people or penalties for overweight people—makes a big difference.

The research, published in *Psychological Science*, a journal of the Association for Psychological Science, shows that policies that carry higher premiums for [overweight individuals](#) are perceived as punishing and stigmatizing.

Researcher David Tannenbaum of the Anderson School of Management at the University of California, Los Angeles wanted to investigate how framing healthcare incentives might influence people's attitudes toward the incentives.

"Two frames that are logically equivalent can communicate qualitatively different messages," Tannenbaum explains.

In the first study, 126 participants read about a fictional company grappling with managing their employee health-care policy. They were told that the company was facing rising healthcare costs, due in part to an increasing percentage of overweight employees, and were shown one of four final [policy decisions](#).

The "carrot" plan gave a \$500 premium reduction to healthy-weight people, while the "stick" plan increased premiums for [overweight people](#)

by \$500. The two plans were functionally equivalent, structured such that healthy-weight employees always paid \$2000 per year in healthcare costs, and overweight employees always paid \$2500 per year in [healthcare costs](#).

There were also two additional "stick" plans that resulted in a \$2400 premium for overweight people.

Participants were more likely to see the "stick" plans as punishment for being overweight and were less likely to endorse them.

But they didn't appear to differentiate between the three "stick" plans despite the \$100 premium difference. Instead, they seemed to evaluate the plans on moral grounds, deciding that punishing someone for being overweight was wrong regardless of the potential savings to be had.

The data showed that framing incentives in terms of penalties may have particular psychological consequences for affected individuals: People with higher body mass index (BMI) scores reported that they would feel particularly stigmatized and dissatisfied with their employer under the three "stick" plans.

Another study placed participants in the decision maker's seat to see if "stick" and "carrot" plans actually reflected different underlying attitudes. Participants who showed high levels of bias against overweight people were more likely to choose the "stick" plan, but provided different justification depending on whether their bias was explicit or implicit:

"Participants who explicitly disliked overweight people were forthcoming about their decision, admitting that they chose a 'stick' policy on the basis of personal [attitudes](#)," noted Tannenbaum.

"Participants who implicitly disliked overweight people, in contrast,

justified their decisions based on the most economical course of action."

Ironically, if they were truly focused on economic concerns they should have opted for the "carrot" plan, since it would save the company \$100 per employee. Instead, these participants tended to choose the strategy that effectively punished overweight people, even in instances when the "stick" policy implied a financial cost to the company.

Tannenbaum concludes that these framing effects may have important consequences across many different real-world domains:

"In a broad sense, our research affects policymakers at large," says Tannenbaum. "Logically equivalent policies in various domains—such as setting a default option for organ donation or retirement savings—can communicate very different messages, and understanding the nature of these messages could help policymakers craft more effective policy."

Provided by Association for Psychological Science

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