

Executive Summary

Rewards for a Healthy Lifestyle: The Impact of Reward Type and Timing in Pay-As-You-Live Pricing

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Pay-as-you-live (PAYL) pricing mechanisms emerged in health insurance with the aim of rewarding consumers' health-promoting behaviors. PAYL plans thus offer numerous potential benefits to insurers (e.g., long-term reductions in costs), consumers (e.g., receiving rewards for healthy behaviors) and society (e.g., enhancing public health). In practice, PAYL plans differ with respect to the types and timings of reward used. To date, little is known about how insurers can design types and timings of rewards used in PAYL plans for the purpose of offering optimum inducements to enhance consumers' healthy behaviors.

Therefore, we conducted two experimental studies examining the impact of reward type (discounts on insurance premiums, cash rewards, non-cash rewards) and reward timing (monthly, annually) on consumers' health behavior intentions. We find support for the presumption that consumers' reward evaluation mediates the influence of reward type on consumers' health behavior intentions. Consumers evaluate discounts on premiums and cash rewards more positive than non-cash rewards. Further, monthly rewards lead to significantly stronger health behavior intentions than do annual rewards.

The results indicate that health insurance companies should consider the use of monthly cash rewards and discounts on insurance premiums to increase consumers' intentions to engage in health-promoting behaviors. More generally, offering consumers rewards for health-promoting lifestyles while taking privacy concerns into account, can enhance consumers' attitude toward PAYL plans.