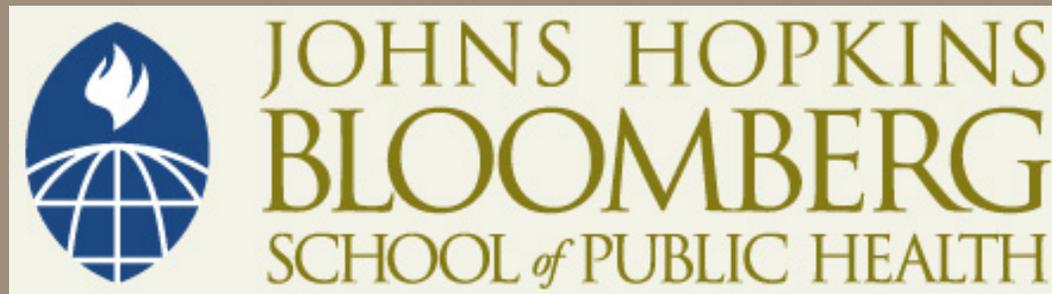


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Section C

Private Sector Interventions

Acknowledgement

- Many of the principles outlined in this lecture are derived from the work of Eric A. Finkelstein and Laurie Zuckerman, authors of *The Fattening of America*.

Employers

- Little incentive to invest in programs for people who do not yet have complications of obesity
- Employers rarely look more than five years ahead
- Existence of Medicare limits private sector incentives to invest in reducing obesity
- Adverse selection—employers who offer such programs will attract obese employees
- “Fattism”
- Wellness programs rarely save money

Incentive to Invest in Programs

- There is little incentive to invest in programs for people who do not yet have complications of obesity
 - People who do not yet have complications of obesity are spending only a minimal extra amount on health care
 - People who do not yet have complications of obesity are only at minimal extra risk of death
 - People who do not yet have complications of obesity are not likely to cost more while they are employed at a given employer
 - ▶ Lifetime employment is not the norm
 - ▶ Many people frequently change jobs
 - ▶ Would have to have relatively short-term effect to get a return on investment

Incentive to Invest in Programs

- All employers might be better off if they made a coordinated decision to invest in programs
 - Referred to as “prisoner’s dilemma”
 - Collusion
 - If one business could cheat it would be better off—leads to all “cheating” and no one covers such programs

Employers Rarely Look More Than Five Years Ahead

- Why do employers have short-term view?
- Discounting
 - Although if employers discounted the way economists model discounting, even five years out would be worth more than 85% of the things that happen now
- However, few employees stay that long
- There is sufficient uncertainty about the policy environment in five years that makes it less worthwhile to make any decisions that require looking that far ahead

Medicare Limits Private Sector Incentives

- Existence of Medicare limits private sector incentives to invest in reducing obesity
- Medicare covers nearly all individuals in the United States ages 65 and older
- Even if individuals do not exhibit “moral hazard” it may still be a societal/employer sense of changing who is responsible for choices that lead to obesity

Adverse Selection

- Adverse selection—employers who offer such programs will attract obese employees

- Why do individuals choose specific jobs?
 - Match with skills
 - Health benefits
 - Retirement benefits
 - Other benefits
 - Flexibility

- Does the existence of an obesity prevention or obesity reduction program really attract people?

- Would the existence of such a program lead to “job lock”?

Wellness Programs Rarely Save Money

- Why don't wellness programs save money?
 - Difficult to target
 - End up with a lot of people who don't necessarily need the program taking advantage of the program
- Is saving money the right standard?
 - Depends on perspective
 - Depends on the objective function of the employer

Potentially Wise Employer Investment—Healthy Foods

- Subsidize healthy foods in cafeteria
 - Fairly unobtrusive policy
 - Leaves consumer sovereignty in place
 - ▶ Voluntary rather than mandatory
 - Not very expensive for employer
 - Might be able to bring about improvements in other health outcomes beyond just obesity

Potentially Wise Employer Investment—Gym

- Support gym memberships
 - For individuals making progress toward or maintaining healthy weights
 - Leave consumer sovereignty in place?
 - Difficulty of contract specification
 - ▶ What about those already at a healthy weight?
 - ▶ How long will the membership be supported?
 - ▶ What does “making progress” mean?
 - How often to monitor?
 - ▶ What if a person misses a monitoring event or misses a target?
 - Is cost of monitoring worth the changes?