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BUSINESS | MANAGEMENT

Employees Get Apple Watch for \$25 (But There's a Catch)

Since passage of the Affordable Care Act, employers have dangled ever-larger incentives to motivate workers to stay healthy



The activity app on an Apple Watch is displayed during a preview event for the smartwatch in 2015. Some employers are offering these watches for \$25 to their staff, if they can stick to fitness goals over a period of two years. *PHOTO: CHRIS RATCLIFFE/BLOOMBERG*

By RACHEL EMMA SILVERMAN

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Employees at a handful of companies will soon get a sweet deal: an Apple Watch for just \$25.

But there is a catch—they must meet monthly fitness goals over two years or pay the full price.

The deal, offered through the Vitality Group, a health-services firm, is the latest attempt by employers and wellness firms to spur workers to move more, be more active and, it is hoped, save on health costs.

The program is rolling out this year to employees of biotech firm Amgen Inc., medical group DaVita HealthCare Partners Inc. and Lockton Cos., an insurance brokerage firm. Later this year, some life-insurance policyholders at John Hancock Financial will also be able to earn the Apple Watch, along with discounts on premiums, for meeting activity goals.

Since the passage of the Affordable Care Act, employers have dangled ever-larger incentives, from cash and gift cards to discounted insurance premiums, to motivate workers to get fit. ACA rules allow firms to pay employees wellness incentives that amount to as much as 30% of the cost of health coverage; firms can discount up to 50% of the cost of health coverage for smoking-cessation programs.

Companies spent an average \$693 per employee on wellness incentives last year, up from \$594 in 2014, according to research from Fidelity Investments and the National Business Group on Health. The study found that most employers use incentives to encourage workers to participate in screenings and health-risk assessments that allow firms to gather data about workers' health and potential ailments.

Fitbit Inc. says it has more than 1,000 corporate customers that provide the trackers to employees. Last fall, for instance, Target Corp. offered free or discounted Fitbits to its 335,000 U.S. employees to get them walking and moving more.

UnitedHealth Group Inc. announced on Tuesday that it will equip workers with a custom fitness tracker, allowing its customers' employees to earn up to \$1,460 annually for meeting daily movement goals.

In the Vitality program, announced Wednesday, participating employees who pay a \$25 activity fee will receive an Apple Watch. They then pay up \$13.50 every month for two years, unless they meet certain individualized fitness goals, such as walking 10,000 steps a day or logging a certain number of minutes of cardio during a given period, says Adrian Gore, Discovery's chief executive and founder. If workers meet the goals their monthly payments can be reduced to zero.

The Vitality Group is a unit of South African financial-services firm Discovery Ltd.

Only Vitality sees Apple Watch data on individuals, says Mr. Gore. Vitality reports the aggregate data to employers, with information such as participation rates and fitness achievements.

The program works under the behavioral economic principle of loss aversion—the idea that people are more motivated by the threat of potential losses than the possibility of reward. A new study by Mitesh Patel, an assistant professor of the University of Pennsylvania's business and medical schools, found that for nearly 300 participants in an employer wellness program the threat of having a reward taken away was more effective than not earning one in the first place.

Still, as wellness firms gather ever greater sums of data about employees—from tracking birth-control prescriptions to predict pregnancy to calculating how many steps employees walk a day—data privacy advocates have expressed concern that the information could be exposed, compromising worker privacy.

Carole Mendoza, executive director of benefits at Amgen, says its 10,000 U.S. employees are eligible to join the Apple Watch program this summer.

“We saw this as an opportunity to really engage our staff,” says Ms. Mendoza. “There is a lot of buzz around the Apple Watch.”

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