

# THE REIMBURSEMENT TRAP—WHY "FREE" ISN'T ACTUALLY FREE

**Here's a key insight from the Lifestyle 180 program:**

**"More people signed up once the clinic began paying club fees up front instead of reimbursing employees."**

Read that again. Same program. Same benefits. Same cost to employees (zero). The only difference? Payment timing. And participation skyrocketed.

## **The \$0.00 That Costs Everything**

On paper, reimbursable wellness programs cost employees nothing. Join the gym, submit your receipt, get your money back. Easy, right? Wrong.

Because "free with reimbursement" creates friction at every step:



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- You have to pay upfront (even temporarily)
- You have to save receipts
- You have to find the reimbursement form
- You have to fill out the form correctly
- You have to submit it to the right department
- You have to wait for processing
- You have to follow up if it doesn't arrive

Each of these steps is a decision point where employees can—and do—drop out.

### What "Truly Free" Actually Means

The Lifestyle 180 program didn't just waive fees. They made participation **completely frictionless**:

- ✓ **All costs paid by the organization upfront**
- ✓ **No employee out-of-pocket expense ever**
- ✓ **Full "tool kit" provided to each participant** (yoga mat, recipes, guides)
- ✓ **No paperwork, no reimbursement, no hassle**

Participants literally just showed up. That's it.

### The Psychology of Free

Why does this matter so much?

**Behavioral economics tells us that even tiny barriers massively reduce action.**

The "pain" of filing reimbursement paperwork—even if it's only 10 minutes—feels larger than the benefit of getting \$50 back. Especially when you're tired, busy, or overwhelmed.

But the psychology goes deeper than convenience.

When your employer pays upfront, it signals:

- "We value this enough to invest in it directly"
- "We trust you to use this benefit"
- "Your participation matters more than our administrative process"

When your employer requires reimbursement, it signals:

- "We're not quite convinced this is worth it"
- "We need to make sure you really use it before we pay"
- "Our processes matter more than your experience"

Employees feel the difference. And they respond accordingly.

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### The ROI That Pays for "Free"

"But we can't afford to just give stuff away!"  
Actually, you can't afford not to.

The Lifestyle 180 program demonstrated that preventing one employee from developing diabetes or heart disease saves \$10,000–\$50,000 annually in avoided treatments, medications, and complications.

Let's do the math:

- Lifestyle 180 program cost: ~\$1,500 per participant
- Cost to prevent one case of diabetes progression: \$1,500
- Annual savings from preventing that one case: \$10,000–\$50,000
- ROI: 567% to 3,233%

Even if only 20% of participants achieve major health improvements, you're still massively cash-flow positive within 2–3 years.

The "free" program isn't an expense. It's an investment with documented returns.

### What to Make Truly Free

You don't have to make everything free. Focus on high-impact interventions:

#### Tier 1: Always Free

- Comprehensive wellness programs (Lifestyle 180 equivalents)
- Biometric screenings and health assessments
- Chronic disease management programs
- Smoking cessation support
- Mental health counseling

#### Tier 2: Heavily Subsidized

- Gym memberships (pay 80–100% upfront)
- Fitness equipment for home use
- Healthy food programs
- Weight management support

#### Tier 3: Incentivized

- Wellness challenges and competitions
- Educational workshops
- Preventive screenings beyond basic

The pattern: interventions that prevent expensive chronic diseases should be completely free with zero friction.

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### How to Implement "Truly Free"

#### Step 1: Calculate Your Current Reimbursement Drop-Off

- How many employees are eligible for wellness reimbursements?
- How many actually submit and receive reimbursement?
- The gap is your opportunity.

#### Step 2: Pilot Upfront Payment

- Choose one wellness benefit
- Pay upfront for 6 months
- Track participation vs. previous reimbursement model
- Measure actual cost difference

#### Step 3: Build the Business Case

- "We spent \$X on reimbursements and got Y participation"
- "If we spent \$X upfront, we'd get 2-3X participation"
- "Higher participation = more people avoiding chronic disease = premium savings"

#### Step 4: Make the Switch

- Announce the change clearly
- Train managers to support it
- Remove all administrative barriers
- Track results religiously

### What This Looks Like in Practice

OLD MODEL: "We'll reimburse up to \$500 for gym membership. Submit receipts quarterly with form HR-271b to [wellness@company.com](mailto:wellness@company.com). Processing takes 4-6 weeks."

Participation: 8% of employees

NEW MODEL: "We've partnered with FitnessChain Gyms. Show your employee badge for full access. No forms, no fees, no hassle."

Participation: 47% of employees

Same benefit. Different delivery. Completely different results.

# THE BOTTOM LINE



The Lifestyle 180 program demonstrated something crucial: how you deliver wellness benefits matters as much as what you deliver.

A \$500 reimbursable gym membership is worth less than a \$300 fully-paid gym membership—because participation rates double or triple when you eliminate friction.

**"Truly free" isn't about being generous. It's about being smart.**

Remove the barriers. Pay upfront. Watch participation soar.

Your employees' health—and your bottom line—will thank you.