

Walk More, Pay Less: A Study of Customer Awareness, Engagement, and Comparative Analysis of the Wellness Payback Model in Retail Health Insurance

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Abstract

Wellness-linked health insurance models in India seek to promote preventive healthcare by offering incentives such as cashback, premium discounts, and reward points. However, the effectiveness of these models depends on customer awareness, engagement, and the actual value realized. This study examines awareness, participation, and financial outcomes associated with wellness payback features in retail health insurance.

The analysis is based on primary survey data from 38 individual retail health insurance policyholders in Mumbai, supported by a comparative review of wellness offerings from leading insurers including Aditya Birla Health, HDFC ERGO, and Niva Bupa. Descriptive analysis was used to evaluate customer engagement and perceived benefits. The findings show that while awareness of wellness features is relatively high, consistent participation is limited. Among engaged users, wellness incentives enabled recovery of approximately 10–25 percent of annual premiums, indicating tangible financial value. However, complexity in communication, digital usability issues, and unclear redemption mechanisms constrain broader adoption. The study concludes that wellness payback models can enhance customer value, provided they are designed with simplicity, transparency, and sustained engagement in focus.

Keywords: Wellness-linked health insurance; Wellness payback model; Customer awareness; Preventive healthcare incentives; Retail health insurance; *HealthReturns*TM

1. Introduction

Health insurance in India has traditionally functioned as a claims-based financial protection mechanism, offering value primarily at the time of hospitalization. While effective in mitigating medical expenses, this reactive model provides limited engagement with policyholders during periods of good health. Rising medical inflation, increasing prevalence of lifestyle-related diseases, and growing consumer expectations have highlighted the need for more proactive and value-oriented insurance designs.

In response, insurers have introduced wellness-linked health insurance models that integrate preventive healthcare incentives with standard coverage. These models reward policyholders for engaging in health-positive behaviors such as daily walking, preventive health check-ups, fitness assessments, and digital health tracking. Incentives are offered in the form of cashback, renewal premium discounts, reward points,

or vouchers. The core premise is that healthier customers generate lower claim costs, allowing insurers to improve risk management while policyholders receive tangible financial and health benefits.

The relevance of wellness payback models is particularly strong in the Indian context, where non-communicable diseases such as diabetes, hypertension, and cardiovascular conditions account for a growing share of healthcare expenditure. Preventive care has therefore become both a public health priority and a strategic consideration for insurers. Regulatory support from the Insurance Regulatory and Development Authority of India (IRDAI) has further enabled insurers to embed wellness and preventive features within retail health insurance products, encouraging innovation and product differentiation.

Despite their increasing availability, the effectiveness of wellness-linked insurance models depends largely on customer awareness and sustained engagement. While insurers often emphasize the maximum potential rewards, actual benefits realized by policyholders vary significantly based on ease of participation, digital usability, and clarity of reward structures. Many customers continue to perceive health insurance primarily as a reimbursement product, leading to underutilization of wellness features.

Existing research has focused largely on product design and insurer perspectives, with limited empirical evidence on how customers engage with wellness payback features and the financial value they actually derive. Addressing this gap, the present study examines customer awareness, participation, and realized benefits associated with wellness-linked health insurance models in India. Using primary survey data and comparative analysis of leading insurers, the study evaluates whether wellness payback mechanisms function as meaningful value enhancers or remain largely untapped within retail health insurance.

2. Objectives of the Study

The objectives of this study are as follows:

1. To assess the level of customer awareness and understanding of wellness-linked features in retail health insurance policies.
2. To examine the extent of customer participation and engagement in wellness-related activities incentivized by insurers.
3. To evaluate the perceived and realized financial value of wellness payback benefits in relation to premiums paid.
4. To compare wellness payback structures and usability across selected retail health insurance providers in India.
5. To identify key factors that influence effective utilization of wellness payback models from a customer-centric perspective.

3. Literature Review

Prior research on wellness-linked health insurance emphasizes the growing importance of preventive healthcare in managing long-term medical costs and insurance risk. Studies by the World Health Organization (2022) and NITI Aayog (2021) highlight that non-communicable diseases account for a majority of healthcare expenditure in India, underscoring the need for early intervention and lifestyle modification. From an insurance economics perspective, preventive engagement is viewed as a mechanism to reduce claim frequency and severity, thereby improving portfolio sustainability and insurer profitability.

Behavioral economics literature suggests that financial incentives can influence health-related decision-making when rewards are immediate, visible, and linked to simple actions. Thaler and Sunstein's (2008)

nudge theory explains how small, recurring incentives such as cashback or premium discounts can encourage healthier behavior without coercion. However, empirical studies and industry reports note a persistent gap between customer awareness and sustained participation, particularly when reward structures are complex or benefits are delayed (Policybazaar, 2024).

Recent literature also highlights the role of digital platforms in enabling wellness-linked insurance models. The use of mobile applications, wearable integrations, and digital dashboards allows insurers to track activity and automate reward calculations, improving short-term engagement (Deloitte, 2021; OECD, 2020). At the same time, digital dependence introduces challenges related to usability, data accuracy, and exclusion of less tech-savvy users, which can limit broader adoption of wellness programs.

From a regulatory standpoint, guidelines issued by the Insurance Regulatory and Development Authority of India permit insurers to offer wellness and preventive benefits provided such features are transparent and non-discriminatory (IRDAI, 2020; IRDAI, 2023). While the conceptual and regulatory foundations for wellness-linked insurance are well established, existing literature remains limited in customer-level empirical analysis, particularly in the Indian retail health insurance context. Most studies focus on insurer design or policy intent rather than actual customer engagement and realized financial value.

This study addresses this gap by examining wellness payback models from a customer-centric perspective, focusing on awareness, engagement behavior, and financial outcomes in Indian retail health insurance.

4. Research Methodology

4.1 Research Design

The study adopts a descriptive and analytical design to examine customer awareness, engagement, and financial outcomes associated with wellness-linked health insurance models. The focus is on evaluating real-world customer interaction with wellness payback features rather than insurer product intent.

4.2 Data Collection and Sample

Primary data was collected through a structured questionnaire administered to retail health insurance customers in Mumbai using convenience sampling. Of the 50 responses collected, 38 valid responses from individuals holding personal retail health insurance policies were considered for analysis. Employer-sponsored group insurance policyholders were excluded to ensure relevance to voluntary retail insurance decisions.

4.3 Research Instrument

The questionnaire captured information related to awareness of wellness benefits, participation in wellness activities, ease of use of digital platforms, redemption experience, and perceived financial value. The instrument included predominantly closed-ended questions with limited open-ended responses to capture contextual insights.

4.4 Analytical Approach

Data analysis was conducted using descriptive statistics and percentage analysis, supported by basic cross-tabulation where relevant. A comparative evaluation of wellness payback structures offered by selected insurers primarily Aditya Birla Health, HDFC ERGO, and Niva Bupa was undertaken using secondary information from publicly available product disclosures.

4.5 Limitations

The study is constrained by its limited sample size, geographic focus on Mumbai, and reliance on self-reported data. The findings should therefore be interpreted as exploratory rather than broadly generalizable.

5. Data Analysis and Findings

This section presents a detailed analysis of customer awareness, engagement behavior, and financial outcomes associated with wellness payback features in retail health insurance. The findings are derived from primary survey responses of 38 individual policyholders and are supported by comparative insights across selected insurers. The analysis highlights not only *what* customers experience but *why* wellness payback models succeed or underperform in practice.

5.1 Customer Awareness of Wellness Payback Features

The analysis indicates that a majority of respondents were aware that their health insurance policies included wellness-linked incentives such as cashback, premium discounts, or reward points. This awareness was primarily driven by insurance advisors at the time of sale and, to a lesser extent, insurer mobile applications. However, awareness was often limited to the *existence* of such features rather than a clear understanding of *how they function*.

A significant proportion of respondents were unable to accurately describe eligibility criteria, tracking requirements, or redemption timelines. Many policyholders assumed wellness benefits were automatic or guaranteed, rather than conditional on sustained participation. This gap between nominal awareness and functional understanding suggests that insurers' communication strategies emphasize promotional messaging over operational clarity, leading to underutilization of available benefits.

5.2 Engagement and Participation Patterns

Despite moderate awareness levels, consistent engagement with wellness programs was uneven. Less than half of the respondents reported regular participation in incentivized activities throughout the policy year. Engagement was highest for step-count-based walking programs, which were perceived as easy to integrate into daily routines and required minimal additional effort.

In contrast, activities involving manual data uploads, scheduled fitness assessments, or preventive health check-ups showed lower participation rates. Respondents cited reasons such as time constraints, lack of reminders, technical issues with app syncing, and uncertainty regarding reward calculations. Engagement also tended to decline over time, with many users reporting strong initial participation followed by gradual disengagement once novelty faded or perceived benefits seemed marginal.

5.3 Relationship Between Engagement and Financial Outcomes

The findings reveal a direct relationship between engagement intensity and financial value realized. Respondents who engaged consistently in wellness activities were able to recover approximately 10–25 percent of their annual premium through cashback, renewal discounts, or equivalent rewards. For these users, wellness payback features were viewed as financially meaningful and justified continued participation.

Conversely, respondents with sporadic or minimal engagement reported negligible financial benefits, often reinforcing the perception that wellness features were “difficult to use” or “not worth the effort.” Importantly, very few respondents achieved the maximum advertised payback levels, highlighting a clear gap between promotional potential and practical attainability. This suggests that headline figures such as “up to 100% premium payback” function more as motivational anchors than as realistic outcomes for the average policyholder.

5.4 Comparative Insights Across Insurers

Comparative analysis across selected insurers revealed that usability and transparency outweighed reward magnitude in driving engagement. Insurers offering automated tracking through mobile apps, clear

progress dashboards, and flexible redemption options recorded higher satisfaction and participation levels. Respondents valued real-time visibility of earned rewards and straightforward redemption mechanisms. In contrast, insurers relying on manual uploads, fragmented platforms, or restrictive redemption catalogs experienced lower engagement, even when potential payback percentages were higher. These findings indicate that customer experience design plays a more critical role than reward size in determining the effectiveness of wellness payback models.

Table 1: Comparison of Wellness Payback Models in Selected Retail Health Insurance Policies

Insurer	Key Wellness Criteria	Mode of Tracking	Maximum Payback Potential	Redemption Mechanism	Ease of Engagement
Aditya Birla Health	Daily steps, fitness assessment, health check-ups	Insurer app + wearable integration	High (up to 100% of premium over time)	Premium credit, OPD wallet, health services	High
HDFC ERGO	App-based wellness tasks, preventive check-ups	Insurer app	Moderate (10–15% of premium)	Renewal premium discount, vouchers	Moderate
Niva Bupa	Step tracking, health coaching, lifestyle assessment	App integration	Moderate (up to ~30% of premium)	Reward points, renewal discount	Moderate

Table 2: Summary of Key Findings

Dimension	Observed Pattern
Awareness	High initial awareness, low operational understanding
Engagement	Declines over time; highest for step-based activities
Financial Value	10–25% premium recovery for consistent users
Maximum Payback	Rarely achieved in practice
Key Barriers	Complexity, digital friction, unclear rewards
Driver of Adoption	Simplicity and transparency over reward size

6. Conclusion

This study examined wellness-linked health insurance models in India with a focus on customer awareness, engagement, and realized financial value. The findings indicate that while awareness of wellness payback features is relatively high among retail policyholders, consistent engagement remains limited. As a result, the potential value promoted by insurers is only partially realized in practice. Customers who actively engaged in wellness activities particularly simple, step-based incentives were able to recover a meaningful portion of their annual premiums, typically in the range of 10–25 percent.

This confirms that wellness payback models can deliver tangible financial benefits when participation is sustained. However, the majority of policyholders failed to achieve such outcomes due to limited understanding of program mechanics, digital usability challenges, and unclear reward structures.

The study concludes that wellness-linked health insurance represents a promising shift toward preventive and participatory healthcare, but its effectiveness depends less on headline reward claims and more on simplicity, transparency, and ease of engagement. Without addressing these factors, wellness payback features risk remaining underutilized additions rather than value-enhancing components of retail health insurance.

7. Implications of the Study

The findings carry important implications for insurers, customers, and the broader health insurance ecosystem. For insurers, the results suggest that wellness payback models should be treated as behavioral engagement systems rather than marketing features. Program design, communication clarity, and digital experience play a critical role in determining customer participation and value realization.

From a customer perspective, the study highlights that wellness-linked insurance can enhance the financial utility of health insurance, provided policyholders engage consistently and understand participation requirements. Passive ownership of such policies yields limited benefit, reinforcing the need for informed usage.

At an industry level, the findings underline the importance of transparency and comparability in wellness benefit disclosures. Clearer communication standards can reduce confusion, improve trust, and ensure that wellness payback models remain inclusive rather than favoring only digitally adept users.

8. Recommendations

- **For Insurers:** Insurers should simplify wellness program structures by minimizing manual inputs and enhancing automated tracking. Clear onboarding communication, real-time progress dashboards, and flexible redemption mechanisms can improve sustained engagement. Reward structures should prioritize achievable, incremental benefits over high but impractical maximum payback claims.
- **For Customers:** Policyholders should evaluate wellness-linked features at the time of purchase and assess whether participation requirements align with their lifestyle. Regular engagement with basic activities such as walking and preventive health check-ups can significantly improve the financial value derived from health insurance.
- **For Regulators and Industry Bodies:** Standardized disclosure norms for wellness payback features can enhance comparability and consumer understanding. Guidelines focused on transparency, fairness, and data usage can strengthen confidence in wellness-linked insurance products.

9. Future Scope of the Study

The present study is exploratory and limited by sample size and geographic concentration. Future research may extend the analysis to Tier-2 and Tier-3 cities to examine how digital access and insurance literacy influence wellness engagement. Longitudinal studies could assess whether wellness incentives lead to sustained behavioral change and long-term reduction in claim frequency.

Further research may also incorporate insurer-level or actuarial data to evaluate the financial sustainability of wellness payback models and their impact on underwriting and pricing strategies. Comparative studies

across markets or between traditional and wellness-linked policies could provide deeper insights into scalability and effectiveness.

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