Choice Architecture—
A Tool for Ratcheting Up Benefit and Wellness Results

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What is Choice Architecture?
Choice Architecture Is the Practice Application of Behavioral Science
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- Study of how people make choices
  - Insights from psychology and economics
  - Popular newer field of study in business schools
Many health and benefit decisions should be rational but are not

- Irrational decisions involving health care are prevalent throughout people’s lives

Bounded rationality: people are rational only to a point because human cognitive capacity is limited

- Health plans are complicated, and understanding the value of plans or healthy activity is difficult, so people give up or fail to act
- It is not that most people are stupid, it is that we have too many decisions to make so we rely **heuristics** and **cognitive biases** to make decisions
Many health and benefit decisions should be rational but are not:

- Irrational decisions involving health care are prevalent throughout people's lives.
- Bounded rationality: people are rational only to a point because human cognitive capacity is limited.
  - Health plans are complicated, and understanding the value of plans or healthy activities is difficult, so people give up or fail to act.
  - It is not that most people are stupid, it is that we have too many decisions to make so we rely on heuristics and cognitive biases to make decisions.
Align With the Decision-Making Mind to Drive Change

When presented with a choice, the mind engages one of two systems to make a decision.

**System 1**

- 95% of Decisions
- Engages first
- Engages every time
- Unconscious
- Quick
- Automatic
- Easy

**System 2**

- 5% of Decisions
- Engages last
- Engages occasionally
- Conscious
- Slow
- Deliberate
- Difficult

**How to influence each system:**

- Change Context
- Change Behavior
- Change Mind

*We can make it easier for people to take the preferred action by appealing to their System 1 decision process.*

Sources: Switch, How to Change When Change is Hard; Healthwise
What are the Typical Cognitive Biases?
Biases Play to Our Personal, Social and Structural Experiences and Abilities

Be aware of cognitive biases when developing products/incentives, key messages, environmental support, and training, tools and information.

### What Feels Easy
- Status Quo Bias
- Confirmation Bias
- Framing Bias
- Availability Bias

### What Feels Right
- Social Identity Theory
- Messenger Bias
- Public Commitment
- Reciprocity/Obligation
- Ego
- Memory Distortion

### What Feels Good
- The Endowment Effect
- Low-Probability/High-Reward
- Scarcity/Variable Reward Bias
- Clue-Seeking Bias
- Choice Overload/Relativity
- Incentives
Cognitive Biases Influencing System 1

1. Status Quo Bias
   Stick with the current state of affairs even though there’s clearly a better way

2. Confirmation Bias
   Rely on evidence that accords with our pre-existing beliefs, even when other evidence suggests a better option

3. Framing Bias
   Draw conclusions according to the way something appears, rather than reality

4. Availability Bias
   Rely on easily available information to make decisions rather than seeking out information that is more relevant but harder to acquire

5. Endowment Effect
   Assigning more value to things we perceive we have ownership of

6. Low Probability/High Reward
   We place a disproportionate value on the potential prize/return and discount the low probability of obtaining that prize

7. Scarcity/Variable Intermittent Rewards
   Unpredictable rewards are more influential than predictable ones; people assign greater value to things that are scarce

8. Clue-seeking Bias
   People look for clues, which they hope will be relevant to rational decision making

9. Choice Relativity/Overload
   People rarely choose something in absolute terms, they focus instead on the relative value amongst options; Too many options overwhelm and we resort to not making a decision at all

10. Incentives
    Acting based on reward

11. Social Identity Theory
    We conform to group norms; compete with other groups; exhibit in-group favoritism

12. Messenger
    We prefer communication from authority, by individuals we can relate to, and whom we like

13. Commitments
    People seek to be consistent with their public promises

14. Reciprocity/Obligation
    People feel an obligation to return even small favors

15. Ego
    People act in ways that make them feel better about themselves

16. Memory Distortions
    Our memory of an experience is formed by how it felt at its peak and how it felt at its end—especially the end
What Feels Easy

Cognitive biases at play when we make a decision “because it’s just easier.”
Status Quo Bias

**Defined:** This is the tendency to stick with the current state of affairs, even though there are clearly better ways of doing things.

Although most people would recognize this as procrastination, standard economics assumes that people will always do something if it were in their best interests to do so.

**Everyday Example:** A common example of status-quo bias is the failure to enroll in the company’s 401K program because of the hassle or paperwork involved.

**How to Work It; Healthcare Example:**
Using the “Default Option” to overcome Status Quo Bias

- Default setting opts everyone INTO the benefit plan and they must opt out if they do not want to be enrolled

Confirmation Bias

**Defined:** Our tendency to rely on or seek out evidence that accords with our pre-existing beliefs when making a decision, even if we are presented with other evidence that suggests the alternate decision would be wiser.

**Healthcare Example:** A patient believes that it is better not to exercise because of previous experience with injuries incurred during physical activity.

**How to Work It:**
Evidence/fact won’t be enough. Dissect the real issue (overuse injuries due to lack of variance in training routine; overexertion) and reposition the patient’s idea of what “exercise” is by introducing creative physical activities.

Framing Bias

**Defined:** Our tendency to draw conclusions according to the way something appears, rather than reality. We are often swayed by the way statistics or probability are worded even though the information is the same.

**Healthcare Example:** A new drug is available to treat lupus:

- Phrasing A) The majority of participants (56%) in a drug trial were completely free of lupus symptoms for 10 years following the drug treatment. Side effects may include stomach ulcers, intestinal bleeding, heart failure and, in rare cases, death.
- Phrasing B) Of the 1,000 participants in the drug trial, 440 participants suffered serious and irreversible conditions, including stomach ulcers, intestinal bleeding, heart failure and death.

**How to Work It:**

Present the facts in alternate ways that are equally truthful and which position the preferable choice in the best light.

Image credit: Cartoonist Bradford Veley
Availability Bias

**Defined:** Our tendency to rely on easily available information to make decisions rather than seeking out information that is more relevant but harder to acquire.

**Evolent Example:** Executives of prospect health systems Google “Evolent” and form opinions based on press coverage rather than asking for and calling on client references.

**How to Work It:**
Learn from Amazon and make it as effortless as possible to learn/act. Remove barriers to action by placing critical information directly in the hands of your audience, instead of directing to information/actions elsewhere and relying on the audience to seek it out.

*Image source: Amazon developer site*
What Feels Good

Cognitive biases at play that get the adrenalin pumping.
The Endowment Effect—Loss Aversion

**Defined:** People assign more value to things they “own” or perceive that they own. We place more value on expected losses than expected gains, otherwise known as loss-aversion. Although this sounds like common sense, it presents a real problem for traditional economics, which assumes that people place the same value on a dollar regardless.

**HealthCare Example:** High deductible accounts are not as popular, even though employers tend to contribute enough free money to the account to offset higher deductibles.

**How to Work It:**
Consider changing wellness incentives to non-participation penalties.
Low-Probability/High Return Bias

Defined: We place a disproportionate value on the potential prize/return and discount the low probability of obtaining that prize.

HealthCare Example: Prizes and raffles for participation in wellness activities.

How to Work It: Consider a sweepstake drawing where the employee can earn entries into a drawing for valuable prizes by completing wellness activities. Each activity equals an entry into the drawing.

Prize options*:
- Grand Prize: Brand new red Corvette convertible
- 2nd Prize: $10,000 shopping spree
- 3rd Prize: iPad

Total prize value $155,000 (.001 of health plan budget)
* winner can elect to take cash value
Scarcity/Variable Intermittent Reward

**Defined:** Unpredictable rewards are more influential than predictable ones.

Positive reinforcement works best when the rewards are randomly dispersed because the receiver never knows when the reward may appear, so they repeat the action with equal effort each time.

**Healthcare Example:** Log your wellness activity in the portal all year long and be eligible for one of six $100 gift card drawing at random throughout the year.

**How to Work It:** We are often motivated to act when offerings are presented as available in limited quantity (only 2 of this item left in your size!) or for a limited time only (employees can register for benefits only during open enrollment, 10/1-10/18).
Clue-Seeking Bias

**Defined:** Our tendency to look for clues, which we hope will be relevant to rational decision making

**Healthcare Example:** Physicians are presented with a packet of material encouraging them to join a value-based payer partnership network. They scan for clues about compensation and incentives to help determine if joining the network is worth their while, regardless of other benefits outlined in the material.

**How to Work It:** Use clue-seeking to your advantage by highlighting or otherwise drawing attention to information or options you want people to choose

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### Table 3: Total Contribution in a DC Plan with a 50 Percent Company Match Up to 6 Percent of Pay — Restructured and Reframed

<table>
<thead>
<tr>
<th>Employee Savings</th>
<th>Company Contribution</th>
<th>Total Contribution</th>
<th>Lost Company Match</th>
</tr>
</thead>
<tbody>
<tr>
<td>12%</td>
<td>3.0%</td>
<td>15.0%</td>
<td>0%</td>
</tr>
<tr>
<td>10%</td>
<td>3.0%</td>
<td>13.0%</td>
<td>0%</td>
</tr>
<tr>
<td>8%</td>
<td>3.0%</td>
<td>11.0%</td>
<td>0%</td>
</tr>
<tr>
<td>6%</td>
<td>3.0%</td>
<td>9.0%</td>
<td>0%</td>
</tr>
<tr>
<td>4%</td>
<td>2.0%</td>
<td>6.0%</td>
<td>1%</td>
</tr>
<tr>
<td>2%</td>
<td>1.0%</td>
<td>3.0%</td>
<td>2%</td>
</tr>
<tr>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>3%</td>
</tr>
</tbody>
</table>

Choice Relativity/Choice Overload

**Defined:** People rarely choose something in absolute terms; they focus instead on the relative value among their options. Too many options overwhelm and we resort to not making a decision at all.

**Healthcare Example:**
- Employer A would like to encourage employees to enroll in a high deductible health plan. They provide 2 PPO options, 2 high-deductible options and 1 HMO option.
- Employer B would like the same, and provides employees with 1 PPO option and 1 high deductible option.
- Employer B is more likely to see higher rates of enrollment in the high deductible option than Employer A.

**How to Work It:**
Reduce the number of options you present to the patient, physician, decision-maker, etc. Stands with fewer jellies consistently outsell those with dozens of options.

Image source: http://socialtriggers.com/
What Could You Do Today to “Work It” With These Biases?

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    People act in ways that make them feel better about themselves.

16. Memory Distortions
    Our memory of an experience is formed by how it felt at its peak and how it felt at its end—especially the end.
What Feels Right

Cognitive biases at play when “it’s just the right thing to do.”
Social Identity Theory

Defined:
A social identity is the portion of an individual's self-concept derived from perceived membership in a relevant social group
  - In-group members actively conform to group norms
  - In-group members compete with other groups
  - People exhibit in-group favoritism

Most influential messages are from authority figures we like and feel a connection with as part of the same group/identity
  - Importance of trust, accessible leadership
  - Public commitments can be effective/persuasive

Healthcare Examples:
  - Apps that show where you rank relative to all users
  - Wellness competitions between departments, spearheaded by system leadership, with personal health and financial gains for participation

How to Work It: Must strike a balance. Appeal to social identity, personal benefit, trust-building and transparency between leadership and individuals.

Messenger Bias

Defined: We are predisposed to favor messages that come from authoritative or experienced individuals whom we respect, whom we like, and/or whom we feel a connection with.

Healthcare Example: Physicians prefer to learn about population health and value-based care transformation from other practicing physicians whom are experienced subject matter experts, rather than from non-clinical business experts.

How to Work It: With each audience, consider whom the most appropriate and influential individual is to share the message—the more authoritative/influential, the better.
Commitment

Defined: We are drawn to decisions that help us honor commitments, especially those we’ve shared publicly

Healthcare Example: Patients sign a care plan pledge to show to their doctor, care advisor and family members that they have committed to a series of steps in the care plan; wellness accomplishments are shared on social media platforms with colleagues or family

How to Work It: Sharing our commitments helps others hold us accountable in times when we need social/structural support to achieve our goals

Image source: https://au.lifestyle.yahoo.com/banzai/run/galleries/photo/-/13557516/how-to-become-a-morning-exerciser/13557522/
Reciprocity/Obligation Bias

**Defined:** Our tendency to act because we feel as if we “owe it” to someone to return a favor or make good on a promise

**Healthcare Example:** Care Advisors send bio cards with their picture and personal information about themselves to complex care patients by mail before the first phone call. Sharing personal info first softens up the patient to take the call.

**How to Work It:** Even the smallest kindnesses can sway us to take action. Find opportunities to be the first one to give, tell, share.
Ego

**Defined:** People act in ways that make them feel better about themselves.

Ego bias doesn’t necessarily mean a person makes choices based on what puts them in the best light or makes them look good—it simply means they believe **no one knows what is best for them more than they do**, and they are driven to make **choices that are right for them**.

**Healthcare Example:** A nurse at a new Evolent partner system is offered the opportunity to transition to a Care Advisor. He/she declines the job because the time commitment or travel requirements would take away from time with family, a higher priority in life at the time.

**How to Work It:** Start by listening. Understand the true impact of your ask or change on the participant. What personal loss are they experiencing?

Memory Distortion

**Defined:** Our memory of an experience is formed by how it felt at its peak and how it felt at its end—especially the end.

**Example:** For 10 years, a patient has seen the same PCP and had a good experience. Lately, patient has had to wait for long periods in the waiting room and has noticed the office staff are unfriendly. After just 6 months of frustration with this, the patient changes PCPs and writes a bad review on Yelp. 9 years of good patient experience down the drain.

**How to Work It:** Use positive reinforcement and celebrate wins at every opportunity. It takes a lot more positives to outweigh even one or two negative experiences/emotions.
When Did You Encounter These Biases and How Would You Respond Differently Today?

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Wrap Up
The Science of Persuasion and Ethical Influence

1. Give something personalized and unexpected
2. Communicate the benefits, AND what is unique, AND what they stand to lose
3. Signal what makes you credible
4. Start with smaller commitments
5. Make a connection with people—genuine compliments and commonalities
6. Point out what similar groups or individuals do
Nobel laureate and founder of behavioral economics Daniel Kahneman reveals how our “experiencing selves” and our “remembering selves” perceive happiness differently. This new insight has profound implications for economics, public policy—and our own self-awareness.