

## **“Behavioral Economics and Incentives for Healthy Behavior”**

Employers and insurers are increasingly turning to financial incentives for healthy behavior in an attempt to improve health behaviors and reduce the rate of increase in health care costs. Over the past two decades, behavioral economists have refined our understanding of decision making by incorporating insights from psychology in economics. This has highlighted several common decision errors such as present-biased preferences, insensitivity to probabilities, loss aversion, status quo or default biases, and anticipated regret, all of which help explain why people have difficulty giving up self-harmful behaviors such as smoking even when they want to quit. In this talk, I will briefly review some of the interest in these issues by health care organizations before discussing how interventions can be designed that take account of these biases, focusing on the application to the design of incentive programs in areas such as smoking cessation, obesity, and medication adherence.