The Vitality
Funding Flex

A model to align employee behavior, employer benefits, and the cost of care through Vitality AI

August 2026

Executive summary

The United States healthcare system is organized around curative care: the treatment of illness once an individual has entered the system. This is the domain of health insurance, and its efficiency is determined by the established instruments of the sector, namely value-based care, provider networks, and care management. The proposition advanced in this paper concerns the entire domain that lies outside curative care – prevention, physical activity, sleep, medication adherence, sophisticated screening, and disease management. Vitality renders that domain as personalized health pathways, and recognizes progress against those pathways through points and status.

This paper sets out the mechanism through which the model generates economic value: the Vitality Funding Flex. A member's status against their personalized pathway determines the proportion of the health-cover contribution that they fund. Under the proposed model, that proportion varies according to status. As a member's engagement increases, the proportion they fund decreases; and as their health improves, the underlying cost of their care declines commensurately.

The result is a three-way alignment of interests that is uncommon in the sector. The individual is materially incentivized to follow their pathway. The employer's interest becomes coincident with the employee's: as engagement rises, the employee's share of the contribution declines while the underlying cost of care falls, such that the employer's net position is protected and medical inflation is immunized rather than merely transferred. The governing principles are that an employer should not bear the cost of an individual's absence of healthy behavior, and that individuals should participate directly in the value they create by improving their health.

Because the pathways are hyper-personalized, every member is able to attain the highest status irrespective of their starting state of health. This characteristic renders the model non-discriminatory by design. The paper proceeds from the governing principles of the model to its architecture, its operating mechanism, the means by which the underlying pathway is made comprehensive and class-leading, its competitive advantages, the regulatory conditions it must satisfy, an illustrative employer model, and its place within the Vitality AI stack and the member's digital experience.

MAIA SURMAVA
CEO, Vitality USA

"For decades, healthcare has focused on managing the cost of illness after it occurs. The opportunity ahead is to create a system that incentivizes and scales prevention. Vitality Funding Flex is designed to align the interests of employers, employees, and the healthcare system around a simple principle: when people improve their health, everyone should share in the value created. Powered by Vitality AI, this model represents a fundamentally new approach to funding healthcare, one that is more personal, more equitable, and more sustainable"

Executive summary

Healthcare costs are on an unsustainable path

At current trends, employers could be paying around $34,000 per employee by 2031

Employers have exhausted traditional approaches to control costs

Higher contributions, higher deductibles, higher co-pays and narrower networks haven't bent the cost curve

Yet up to 40% of healthcare costs are controllable

They are driven by lifestyle, prevention, medication adherence and disease management

Existing solutions solve only half the problem

Cost controls reduce utilization but employees dislike them. Wellness programs are liked but often fail to reduce claims

Funding Flex brings the two together

Connecting health engagement directly to healthcare funding

Vitality has proven that engagement changes outcomes

Built on decades of evidence and more than 60 million life-years of data, showing that prevention and engagement reduce risk and bend the claims curve. Independently validated and guaranteed

Vitality Status is the mechanism that makes it possible

A validated measure linking verified health actions to risk reduction and healthcare costs

Vitality AI is the engine behind Status

Developed with Google, Vitality AI delivers the right nudge, to the right person, at the right time, through personalized pathways across lifestyle, screening, disease management and coaching

Employees become stakeholders in their health

Funding Flex turns engagement into economic value, resulting in value sharing rather than cost shifting

The outcome is true alignment

Employees improve their health and can contribute less towards their health insurance. Employers gain protection against rising healthcare costs and are immunized in all engagement scenarios. Everyone shares in the value created

SECTION 1

The Vitality AI stack

The credibility of the flex depends upon the architecture beneath it. Vitality AI, developed with Google Cloud, converts a member-data foundation of more than 2,800 de-identified dimensions into personalized pathways, employing Vertex AI and Gemini models upon a base of three decades of causally-modelled behavior-change evidence.

The stack proceeds from raw data at its base to a pricing signal at its summit: data is rendered causal, personalized through artificial intelligence, expressed as a pathway, recognized through status, and finally resolved into the member's contribution.

The critical property of the architecture is that, because each pathway is precisely specified, its causal effect upon morbidity, mortality and cost can be quantified. It is this quantification that permits the resulting value to be priced into the contribution and shared with confidence, rather than asserted as a general wellness benefit.

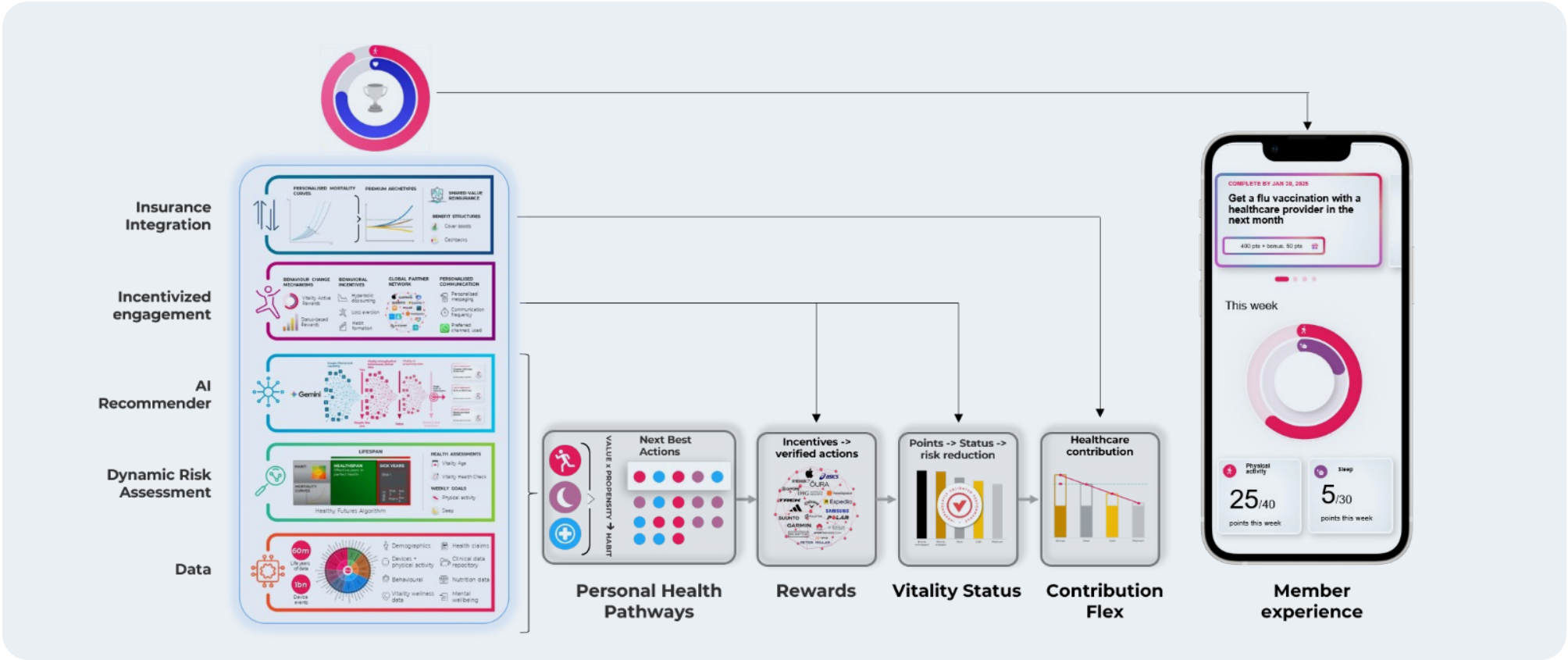


Figure 1 – The Vitality AI stack. Each layer informs the layer above it, culminating in the Vitality Funding Flex.

SECTION 2

Governing principles

The model is governed by five principles, set out below in the order in which they must hold. Each is contingent upon the one preceding it.

1. Causality

The model rests upon demonstrated cause and effect rather than correlation. The funding of healthcare on the basis of engagement is legitimate only where engagement causally produces improved health and reduced cost. Three decades of Vitality data, now analyzed using contemporary causal inference methods across mortality, physical activity, sleep, screening and adherence, establish that relationship. Every subsequent element of the model is contingent upon it: in the absence of causality, there exists no basis upon which to reward, to price, or to share.

2. Non-discrimination

Because the pathways are hyper-personalized, every member is able to attain the highest status from their own starting point, irrespective of their state of health. The model rewards improvement and engagement rather than pre-existing wellness, with the consequence that those in poor health are not penalized and those in good health are not the sole beneficiaries. This is the characteristic that renders the model non-discriminatory by design, and it is the principle that permits the Funding Flex to operate within the United States wellness-incentive framework.

3. An equitable share, not cost-shifting

The Funding Flex constitutes an equitable division of the contribution between employer and employee; it is not a device for transferring cost to the employee. The distinction is fundamental. Cost-shifting relocates a fixed liability from one party to another, whereas the Vitality Funding Flex alters the magnitude of the liability itself by changing behavior, and thereafter distributes the resulting value equitably. The engaged employee funds a smaller proportion because their care genuinely costs less, and not because the underlying accounting has been rearranged.

4. Alignment and natural immunization

The consequence of the first three principles is a natural alignment of interests, and from that alignment, immunization.

- **For the employee:** the cost of non-compliance with the pathway is borne by the individual, net of the reasonable alternatives that remain available to them at all times. Compliance is recognized through incentives, a reduced contribution, and, above all, improved health.
- **For the employer:** the position is immunized. In effect, the employer funds only the cost of care that would arise were every employee fully engaged, because the cost attributable to any individual's lack of engagement is borne by that individual. The employer is thereby insulated from the medical inflation that individual disengagement would otherwise generate.

5. Integration within the Vitality AI proposition

The Funding Flex is not a supplementary feature. It resides within Vitality AI as the most consequential expression of the rewards and incentives that the model already delivers – the point at which personalized pathways and status resolve into the member's contribution. It is the same architecture of data, intelligence and engagement, carried through to its economic conclusion.

SECTION 3

Architecture: the healthcare triangle

The organizing construct is a triangle. At its apex sits curative care – acute treatment, hospitalization, and specialist intervention – reached when an individual enters the system in a state of illness.

The cost of curative care is funded by insurance and rendered efficient through value-based care, provider networks and care management. Beneath the apex, in progressively widening tiers, sits everything that determines whether, when, and with what severity an individual reaches it: high-risk case and disease management; preventive screening; and, at the base, the daily behaviors – physical activity, sleep, nutrition, and medication adherence – of the entire population.

The division of responsibility is the essential feature of the construct. Insurance is responsible for the apex; Vitality AI is responsible for everything that precedes and surrounds it. The two are complementary rather than competitive, and value created in the lower tiers propagates upward in the form of deferred, avoided, or less severe curative cost.

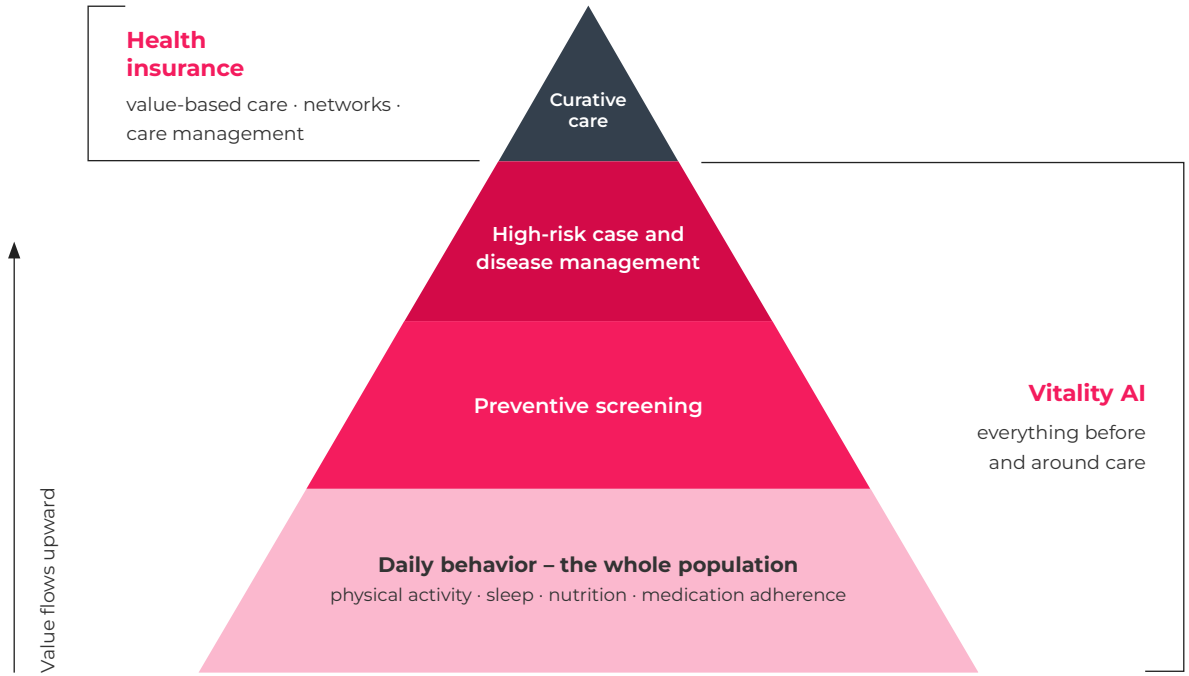


Figure 2 – The healthcare triangle. Insurance is responsible for the curative apex; the Vitality AI stack for the base and lower tiers.

SECTION 4

The operating mechanism

Pathway, status, contribution

Vitality AI generates for each member a comprehensive, personalized health pathway spanning everything outside curative care: prevention, physical activity, sleep, adherence, age- and risk-appropriate screening, and, for those with established conditions, disease management.

Progress against that pathway is recognized through points, which resolve into a status tier, and that status in turn determines the member's proportion of the health-cover contribution. Under a conventional arrangement, the employee funds a fixed proportion of the contribution. The Vitality Funding Flex replaces that fixed proportion with a status-dependent one. At the lowest status, the employee's share is higher than it would have been without Vitality; as status rises, the share declines, with the employee paying a lower share of contributions at the higher statuses. The member is thereby recognized for engagement not through a nominal reward, but through the most material variable in their relationship with the plan: the amount they fund.

> “The Funding Flex provides a hedge against varying levels of health engagement.”

The basis of alignment

THE INDIVIDUAL

The individual is subject to a direct and continuous incentive: each advance along the pathway reduces the proportion of cover they fund and improves their health.

THE EMPLOYER

The employer is protected on both dimensions. As an employee ascends the statuses, their share of the contribution falls; but because engagement causally reduces the underlying cost of their care, the employer’s net cost is held constant or falls. The rise in engagement is, in effect, self-funding.

THE SYSTEM

The system experiences a genuine reduction in demand at the curative apex, rather than a transfer of cost from one payer to another.

This is the immunization effect: the Funding Flex provides a hedge against varying levels of health engagement. It rests upon the governing principle that the employer should not bear the cost of an individual's absence of healthy behavior, while ensuring that the individual who does engage participates directly in the value created.

SECTION 5

A comprehensive, class-leading pathway

The Vitality Funding Flex is only as robust as the pathway upon which it rests. If status is to determine what a member funds, the pathway that establishes that status must be genuinely comprehensive – encompassing everything outside the curative system, for every member, irrespective of their risk. This section sets out what the state of the art requires.

Risk factors as the foundational layer

The pathway originates in the individual's risk profile, which constitutes the first layers of the Vitality AI stack. The 2,800-plus de-identified dimensions, the health risk assessment, wearable data, and the causal risk model together produce a precise and individual account of the trajectory of a person's health. It is this profile that renders the pathway personalized rather than generic: it determines which domains are most material for the member, in what sequence, and at what intensity. A class-leading pathway is one in which the risk profile drives a coordinated response across every relevant domain, in place of a collection of disconnected point solutions.

The domains a comprehensive pathway must encompass

Outside curative care, a complete pathway spans a continuum from everyday behavior to high-intensity clinical intervention:

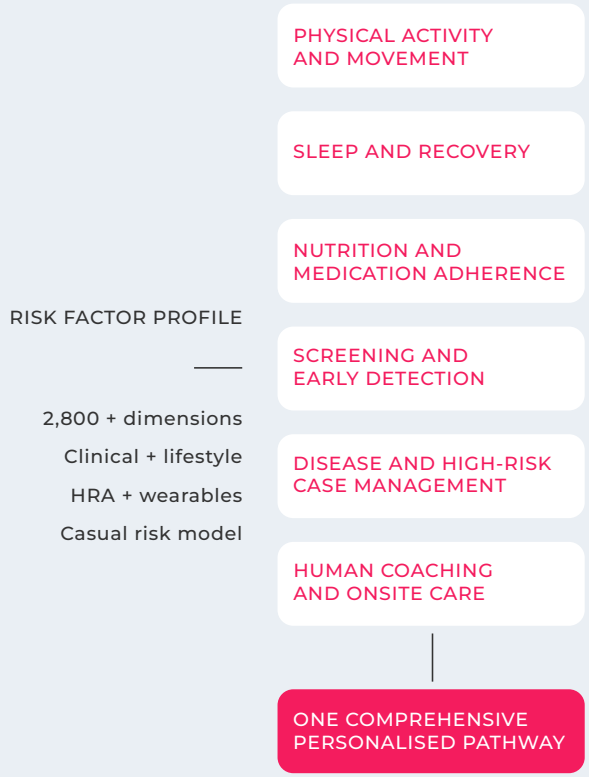
- **Physical activity, sleep, nutrition and adherence.** The behavioral foundation, in which Vitality already holds a leading position through personalized targets, incentives and wearable integration, supported by causal evidence.
- **Screening and early detection.** Personalized screening schedules and, of particular importance, the capacity to close the gap between recommendation and completion – a capacity that depends upon sophisticated, omnichannel member engagement rather than a simple reminder.
- **Disease and high-risk case management.** Structured condition-management programs for members with established risk or illness, combining digital pathways with human clinical support.
- **Human coaching and onsite care.** The high-intensity layer, comprising practitioners and clinicians, for those circumstances in which digital means alone will not move a member, delivered virtually or at the place of work.

STRATEGIC OBSERVATION

The strategic observation is that these are not discrete products. They constitute a single pathway of escalating intensity, selected for each member according to their risk profile, and all resolving into a single status.

The comprehensive pathway

Risk factors drive a personalised pathway across every domain outside curative care



A comprehensive, class-leading pathway

Requirements for completion

To be unambiguously class-leading, the assembled capability must satisfy a small number of integration requirements:

- **A single risk profile and a single pathway.** Every capability must be driven by, and must inform, the central risk-factor engine, so that screening, coaching and clinical care are selected and sequenced by a common intelligence rather than operated as parallel programs.
- **A single status and a single incentive currency.** Actions across all domains – a completed screening, a coaching program, a managed condition – must earn the same status that governs the Vitality Funding Flex, so that the incentive is coherent from end to end.
- **Escalation from digital to human intervention.** The pathway must move a member without interruption from a digital prompt to a human coach and, where necessary, to onsite clinical care, in accordance with risk, and without the member falling between systems.
- **Causal measurement across all domains.** The effect of each domain upon outcomes and cost must be quantified upon a common causal basis, so that the entire pathway, may be priced into the Funding Flex with confidence.

Where these requirements are satisfied, the result is the necessary foundation for the incentive model: a comprehensive, personalized pathway across the entire pre-curative space, earning a single status, which in turn determines the member's share of the contribution relative to the employer's. It is the completeness of the pathway that renders the Funding Flex equitable, defensible, and difficult to replicate.

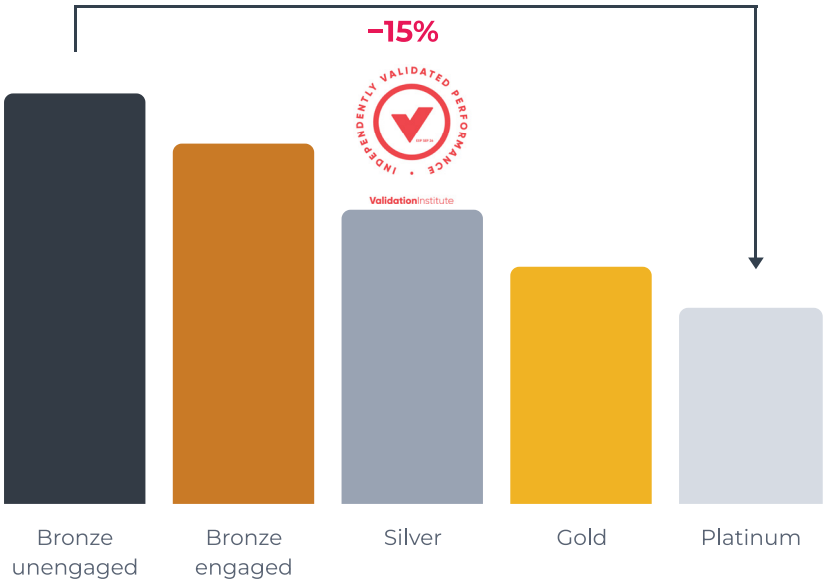


Figure – Vitality US experience showing Vitality Status in the previous year vs medical claims the following year. 3k members included in analysis. Risk-adjusted for age, gender, client (proxy for product type), entity role, and condition count to remove selection effects.

INDEPENDENTLY VALIDATED

Vitality Status captures the reduction in healthcare costs that results from managing health behaviors in one's control. Tens of millions of life years of data have been used to calibrate Vitality Points and Status and it is a reliable means to reflect personal health risk management. The relationship between Vitality Status and risk-adjusted claims has been independently validated by the Validation Institute, backed by a $100,000 credibility guarantee.

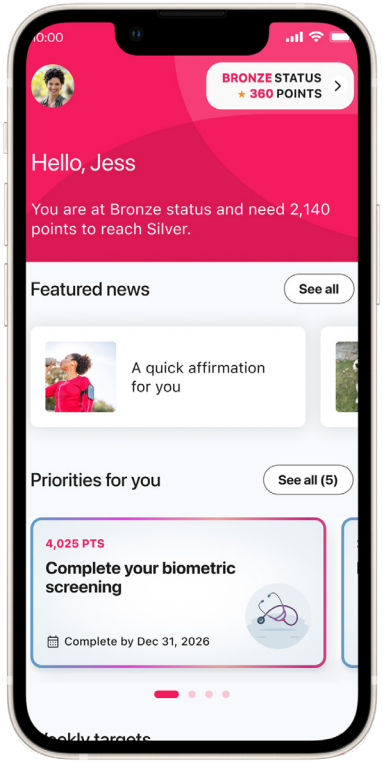
SECTION 6

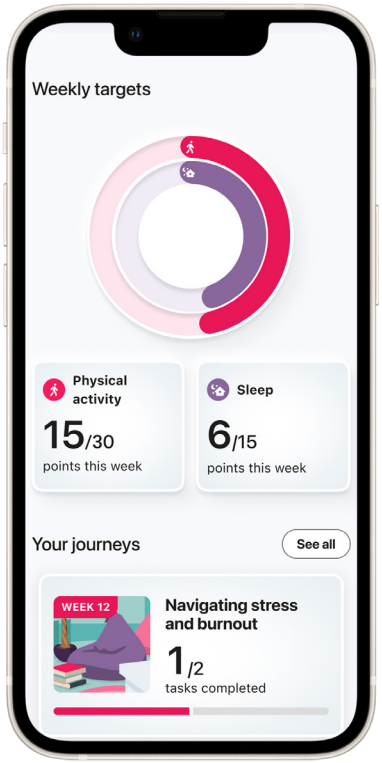
The member experience

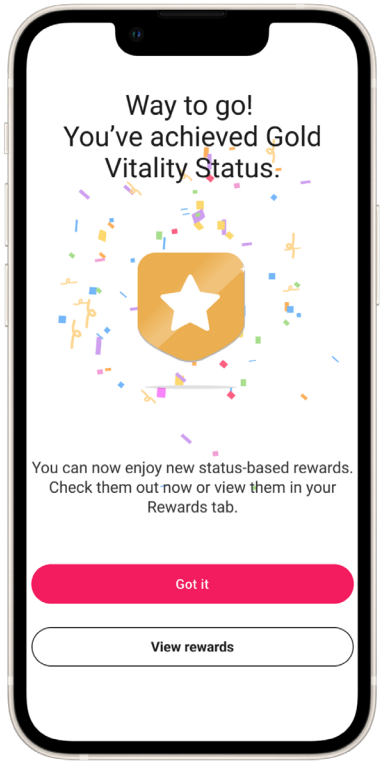
For the member, the model resolves into a coherent sequence within the digital experience: the pathway constructed for the individual is presented; status is earned through adherence to it; and that status determines the contribution the member funds.

“Vitality helped me lose 70 pounds!

I have struggled with my weight my whole life. Vitality has helped me lose 70 lbs and I am now at the same weight I was in high school, and am still motivated to lose more.”







SECTION 7

Competitive advantages

Health insurers are pursuing greater ownership of the curative apex through vertical integration, and the application of data to the near-curative tiers of high-risk and disease management.

The Vitality Funding Flex extends the integration to lower tiers of the healthcare triangle and its advantages are cumulative:

A causal rather than correlational foundation.

The pricing of cover on the basis of engagement is defensible only where engagement is demonstrated to deliver lower cost. Vitality's long-run causal evidence, spanning mortality, physical activity, sleep, screening and adherence, is not held by any competitor at comparable depth.

Universal reach through hyper-personalization.

Because the pathways are individualized, both the healthy and the high-risk are able to attain the highest status from their respective baselines. The model rewards improvement rather than pre-existing health, which constitutes both its ethical foundation and its regulatory basis.

A genuine three-way alignment.

Conventional wellness incentives represent a cost to the employer. The Funding Flex is self-funding: the employee's share rises as the underlying cost falls, such that engagement funds itself and immunizes the employer against varying levels of engagement.

The contribution as the incentive.

Points and status are commonplace; associating them with the contribution – the most material variable the member observes – confers a behavioral force that conventional reward schemes do not possess.

A whole-population capability the incumbents are not structured to provide.

The economics of the payer-provider relationship commence once a member is already a patient. The Funding Flex commences with the person, at the base of the triangle – the layer the integrated models are least equipped to own.

SECTION 8

Equity, compliance, and trust

The success of any behavior-linked contribution model depends on trust. Employees must experience the system as fair, transparent, and supportive, rather than punitive or discriminatory. Achieving this requires disciplined design grounded in a clear set of principles.

Vitality has established a comprehensive design framework spanning fairness and equity, measurement and data integrity, behavioral economics, and governance. Together, these principles ensure that the model is not only compliant with regulatory requirements, but also equitable, effective, and defensible in practice.

Fifteen design principles

DESIGN PRINCIPLE	WHAT IT MEANS IN PRACTICE
Uncontrollable risks are pooled	Contributions are never based on factors outside an individual's control, such as diagnosis, disability, age, or genetic predisposition. These risks remain fully pooled within the insurance model
Activities are measurable and verifiable	Actions that influence contributions are based on reliable, observable data. Vitality verifies activity through wearables, connected devices, and partner integrations. Self-reported inputs may supplement this, but do not form the economic foundation of the model
Health pathways are personalized and non-discriminatory	Through Vitality AI, individuals are guided along tailored engagement pathways, including priority actions, personalized goals, condition-specific programs, and coaching interventions that reflect their unique circumstances
Engagement is continuous and cumulative	The model incentivizes sustained participation over time, rather than one-off activities, with Vitality Status reflecting sustained effort and progress
Progress is rewarded over absolute outcomes	Individuals are recognized for effort and improvement relative to their starting point, rather than being assessed solely against fixed or absolute health thresholds
Reasonable alternatives are available	Reasonable Alternative Standards are accessible, clinically appropriate, and achievable without undue burden, ensuring all individuals can earn equivalent rewards regardless of limitations
Contribution adjustments are calibrated and proportionate	Contribution differentials remain within legal limits and are aligned to the estimated cost impact of controllable risk, avoiding excessive or punitive adjustments

Equity, compliance, and trust

Fifteen design principles	
DESIGN PRINCIPLE	**WHAT IT MEANS IN PRACTICE**
Contribution logic is transparent and explainable	Employees can clearly understand how actions translate into status, and how status influences contributions, supported by simple and accessible communication
Economic signals are meaningful and salient	Contribution adjustments are material enough to influence behavior, while remaining proportionate and fair
The model supports long-term sustainability	Contribution structures and incentives are designed to deliver sustained improvements in cost trends and health outcomes, rather than short-term gains
The system reinforces a positive behavioral loop	Contribution adjustments, incentives, and personalized interventions and communications through Vitality AI work together to reinforce sustained behavior change
Privacy is protected by design	Employers receive only aggregated insights, while individuals retain control over their personal health data, managed in accordance with strict privacy standards
Outcomes are transparent and auditable	Employers have visibility into key metrics, including participation, engagement, contribution impacts, claims trends, use of alternative standards, and employee sentiment, enabling ongoing monitoring and refinement
Outcomes are monitored for unintended effects	Potential adverse outcomes, such as inequities across population groups, disengagement, or avoidance behaviors, are actively tracked and addressed through design calibration
Regulatory requirements are embedded	The model is designed in full compliance with applicable U.S. wellness program regulations, including limits on health-contingent incentives (generally capped at 30% of the total cost of coverage), the provision of Reasonable Alternative Standards to ensure equitable access, and the protection of individually identifiable health information in accordance with HIPAA requirements. The design also aligns with the principles underpinning Equal Employment Opportunity Commission (EEOC) guidance on employer wellness programs, helping ensure that participation remains voluntary, non-discriminatory, and appropriately accommodates individuals with disabilities and other protected characteristics.

Broadly, these principles ensure that behavior-linked health funding is not only compliant, but credible, behaviorally effective, and sustainable at scale. They enable the implementation of Vitality Funding Flex, creating a system that is fair to employees, defensible for employers, and aligned with regulations.

Collectively, these principles establish the conditions under which variable contributions can function as a legitimate and durable funding mechanism, laying the foundation for a fundamentally new paradigm in employee healthcare funding.

SECTION 9

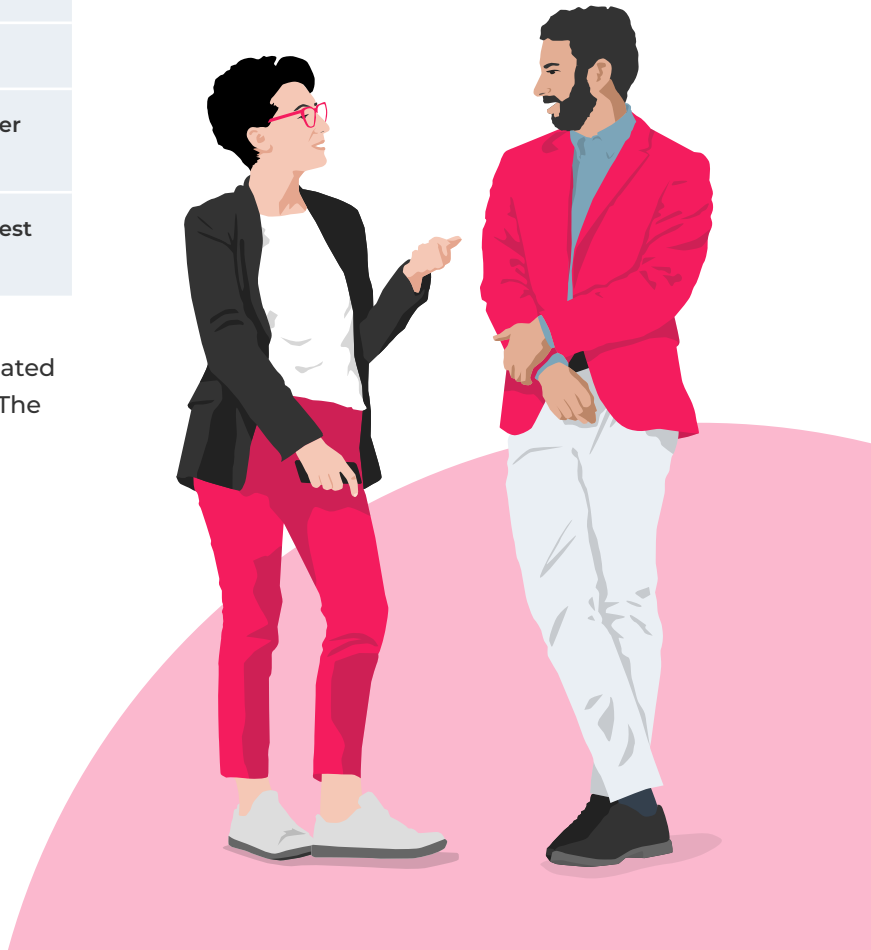
The economics from the employer's perspective

The employer achieves a net economic gain by aligning the employee share of the health insurance contribution to the level of engagement.

Low engagers bear a higher portion of the premium, reducing the net cost to the employer. Highly engaged members are expected to generate claims cost savings in excess of the share of the premium benefit passed on to them, thereby also yielding a net saving for the employer.

ENGAGEMENT	STATUS	EMPLOYEE SHARE	EMPLOYER NET
Low / building	Bronze	Increase	Reduced share of insurance contribution
Moderate	Silver	Neutral	Neutral
High	Gold	Reduce	Increased share of contribution but lower claims cost
Sustained, high	Platinum	Further reduce	Increased share of contribution but lowest claims cost

Engagement levels typically seen after implementation of Vitality have been high and have been associated with a 4% reduction in overall claims costs for such groups, independently measured by Arbital Health. The power of the Vitality Funding Flex, though, is that even if the group does not achieve high levels of engagement for whatever reason, the employer will still realize net cost savings.



The economics from the employer's perspective

Take, for example, an employer group with 1,000 employees on the employer health plan that implements Vitality with the following contribution flex.

VITALITY STATUS	EMPLOYEE SHARE	CHANGE IN CONTRIBUTION	ANNUAL CONTRIBUTION
Bronze	Increases	+5%	$5,700
Silver	Neutral	0%	$4,800
Gold	Reduces	−3.5%	$4,170
Platinum	Reduces further	−7.5%	$3,450

In the expected scenario, based on Vitality's experience, healthcare cost savings of 4% can be realized, equating to an in-year saving of approximately $600,000 for this group of 1 000 employees. After accounting for the cost of the Vitality platform, associated incentives, and contribution savings, estimated at approximately $185,000 in this scenario, the employer retains a substantial net financial benefit. This outcome reflects the core premise of the model: when engagement increases, improvements in behavior translate into lower health risk and reduced claims.

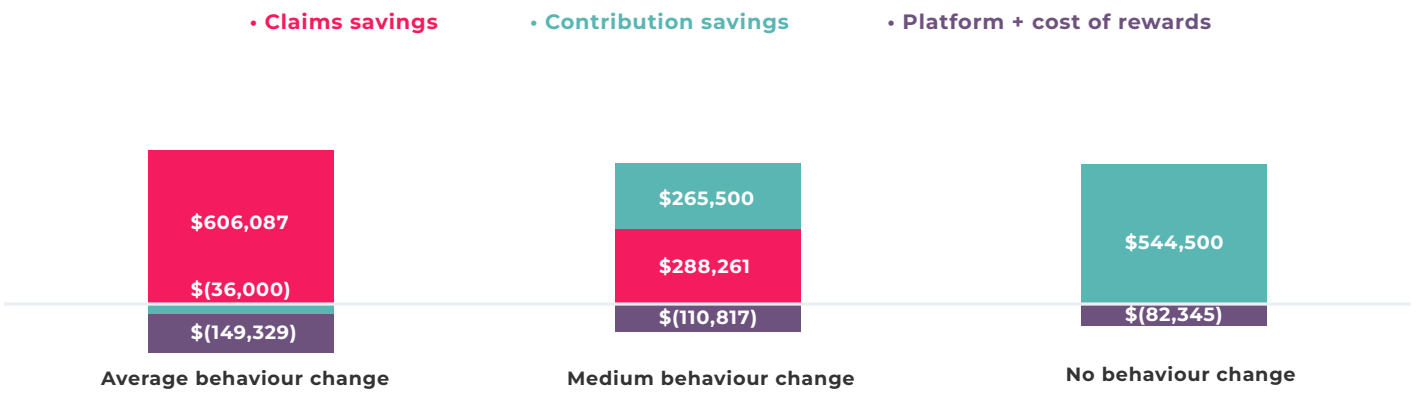
The low behavior change scenario illustrates an equally important dynamic: the model's resilience in the absence of material behavior change. Here, it is assumed that engagement remains limited and, consequently, claims costs do not improve. However, because employee contributions are aligned with engagement levels, the employer's subsidy reduces. In this example, this results in contribution-driven savings of approximately $545,000 for the year. After deducting the lower program cost associated with reduced engagement (approximately $80,000), the employer again achieves a positive financial outcome.

For a scenario in between, the employer benefits from a smaller reduction in healthcare costs and a reduced employer contribution.

The economics from the employer's perspective

Across all scenarios, the model demonstrates a consistent positive bottom-line impact of approximately $400,000 per year for this 1,000-employee group. This all-pathway value creation is central to the economic robustness of the model. Unlike traditional wellness programs, which rely solely on behavior change to generate returns, this approach integrates engagement directly into the funding mechanism, ensuring that the system remains financially sustainable regardless of participation levels.

Employer savings per 1,000 employees across behaviours change scenarios



CLAIMS SAVINGS — CONTRIBUTION SHIFT

4%	2% + 266	545
Claims savings	Claims savings; Contribution shift (PEPY)[2]	Contribution shift (PEPY)[2]

400k

Bottom line savings in all scenarios per 1,000 employees

The economics from the employer's perspective

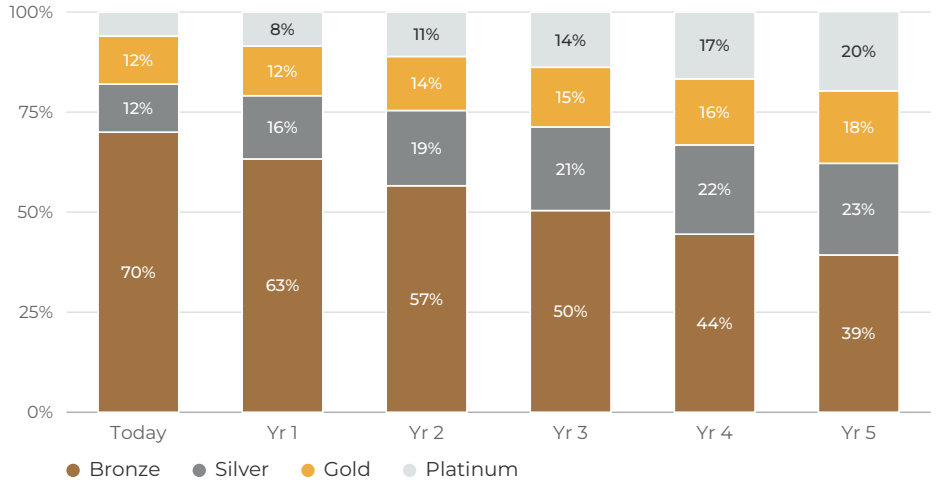
Health investment and workforce persistence

A common objection to employer investment in prevention is that employees may leave before improvements in health translate into lower claims, with the benefits ultimately accruing to a future employer. Vitality's client data shows a strong association between Vitality Status and employee retention, with Platinum employees materially more likely to remain than unengaged employees (up to 2.5x higher retention rates over 5 years). The employees most actively managing their health are therefore also more likely to remain with the employer through the period in which health improvements and claims savings emerge, increasing the employer's opportunity to retain the value of its investment.

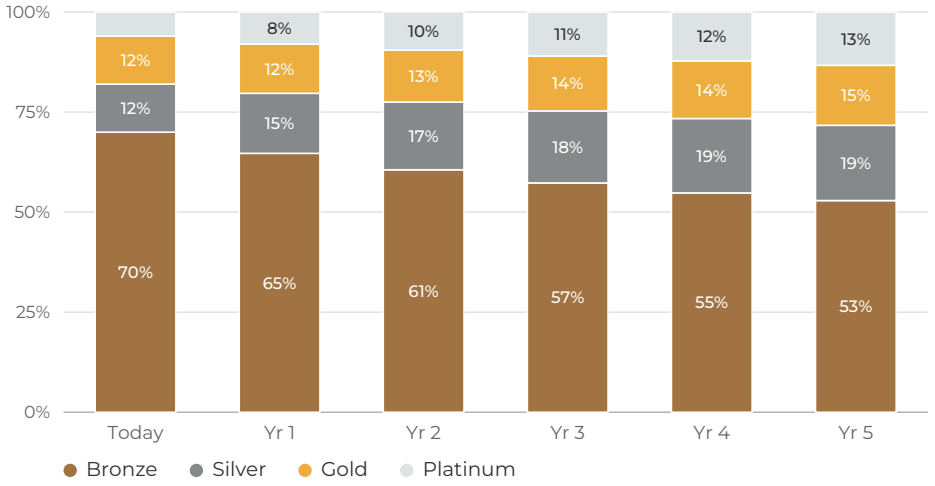
Vitality Funding Flex is designed to remain resilient as employees move into and out of the workforce. Employees who remain have more time to engage, progress through the Status tiers and generate claims savings that help support their lower contributions. Departing employees are replaced by new hires who enter at lower Status levels and initially make higher contributions. Replacement hiring therefore replenishes the lower Status tiers as retained employees progress through the program.

The cohort and population views in the charts below illustrate the complementary effects. Among employees who remain, Status improves materially over time. Across the total workforce, replacement hiring replenishes the lower Status tiers, helping support the economic sustainability of the Flex structure over time.

Cohort view: Status progression among retained employees



Population view: Status distribution after turnover and replacement hiring



The economics from the employer's perspective

Vitality has sufficient confidence in this ability to produce cost savings that it puts 50% of its fees at risk in the event of an employer not achieving a net saving over 3 years.

The employer's position, in one line

Healthcare cost reduction + Gain from premium shift − Reward investment − Admin fees > 0

Return (cost reduction and premium shift) exceeds investment (rewards and fees) in every modelled scenario.

Achieving similar outcomes using Health Savings Account contributions

While this paper focuses on employee premium contributions, the same results can be achieved using employer-funded Health Savings Account (HSA) contributions.

Under this approach, employers can vary HSA funding based on Vitality Status. Employees who achieve higher Vitality statuses may receive enhanced employer HSA contributions, while those with lower levels of engagement receive a lower contribution. The economic logic remains identical, with financial benefits being linked to measurable efforts to manage controllable health risks.

HSA funding provides an additional mechanism for connecting employee incentives, sustained behavior change, and healthcare financing in a way that is both equitable and economically meaningful, extending the principles of behavior-linked health funding beyond traditional premium design.