



welcome to brighter

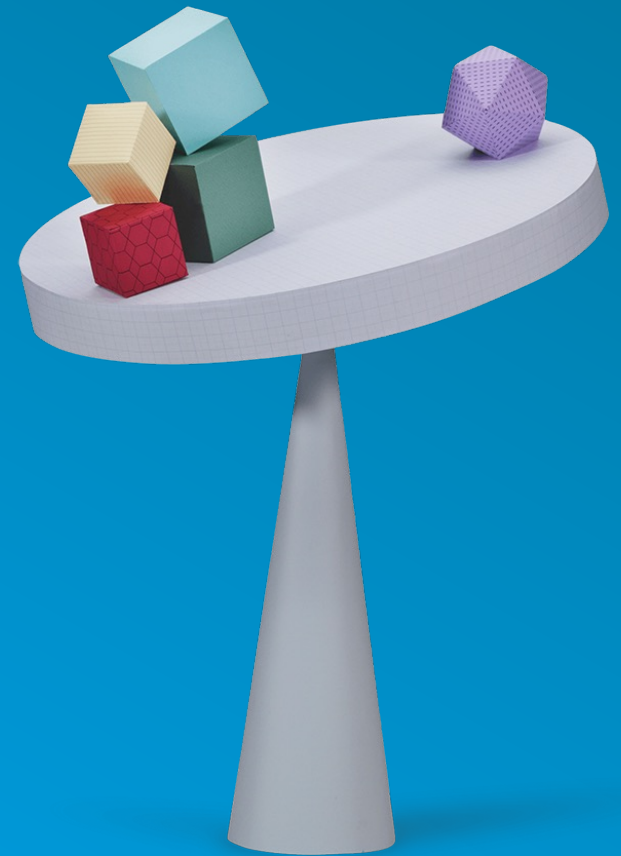
Adapting Benefits Strategies to Improve Attraction & Retention

April 2024

Kristin Henshaw

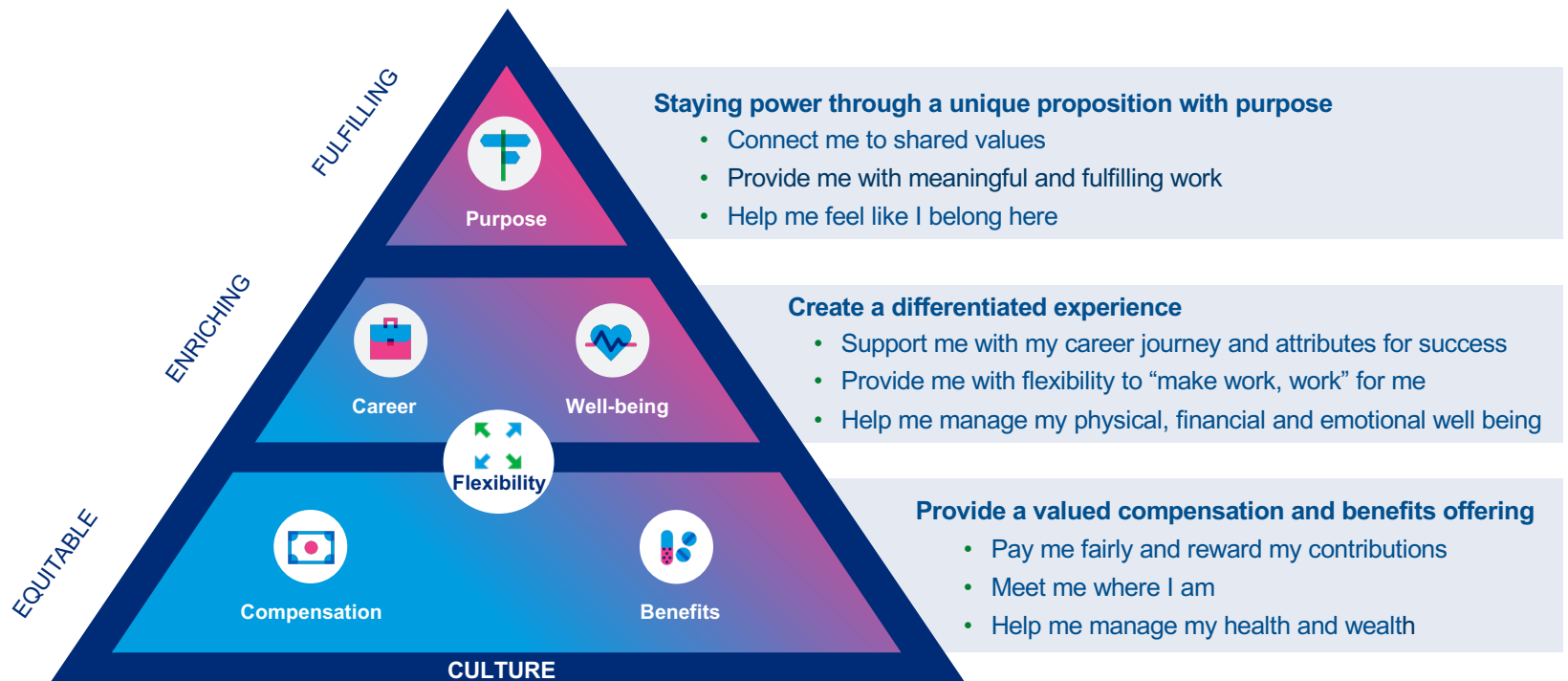
Kathy Woollum

A business of Marsh McLennan



What is your Employee Value Proposition?

Designing the employee experience that will help the right talent join, stay, and deliver their best



Developing a sustainable benefits strategy



Listen/ Understand

Understand employees' work experience, needs, preferences, and understanding of current offerings.

Consider total rewards strategy alignment with **business strategy** and **culture**.

Assess **digital maturity**.



Validate/ Learn

Understand **external market** trends and **competitive position**; determine where to **differentiate**.

Confirm or refine **guiding principles** and total rewards **philosophy**.

Review plan design and experience to **optimize programs**.



Lead/ Activate

Support decisions & investments with **data analytics to maximize ROI**.

Measure impact to **employees, costs** and **administration**.

Activate and execute a **multi-year roadmap**.

Developing a sustainable benefits strategy



Validate/ Learn

- Understand **external market** trends and **competitive position**; determine where to **differentiate**.
- Confirm or refine **guiding principles** and total rewards **philosophy**.
- Review plan design and participant experience to **optimize programs**.



Global Talent Trends

- 9th year
- 845 C-suite executives
- 1,920 HR leaders
- 9,449 employees
- 84 investors



Inside Employee's Minds© Study

- 3rd edition
- 4,505 full-time employees in the United States
- Organizations with 250+ employees



National Survey of Employer Sponsored Health Plans

- 38 years
- Employers of all sizes, all industries, all regions
- Sampling and weighting methodology yields nationally projectable results for private and public employers

GTT2024: Insights from 12,200+ voices around the world

845

C-Suite Executives



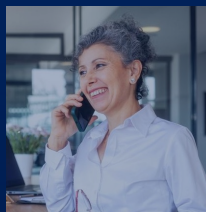
84

Investors



1,920

HR Leaders

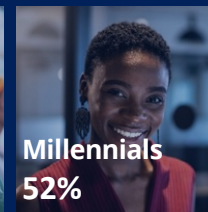


9,449

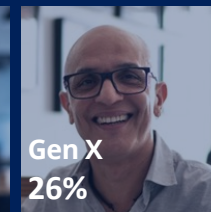
Employees



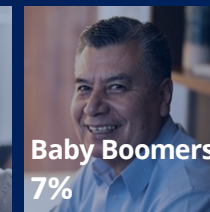
Gen Z
15%



Millennials
52%



Gen X
26%



Baby Boomers
7%

On average, they predict

15% growth in 2024

Only 1 in 2 executives feel they have the talent model to capture growth in 2024

85% of investors view People issues as a priority for companies to address

1 in 2 say their top workforce challenges in 2024 will be:



Rising labor costs



New work models



Skills shortages

3 in 10 employees plan to **leave their job** in the next 12 months

42% say their employer is not meeting their needs (19% in 2022)

66% are thriving globally (63% in 2022)

Thriving by industry:

- Technology
- Life Sciences
- Construction
- Transport & Logistics
- Financial Svcs
- Insurance
- Automotive
- Consumer Goods
- Manufacturing
- Media & Comms
- Higher Education
- Healthcare
- Chemicals
- Energy
- Professional Svcs
- Retail

Thriving by region:

- US
- Canada
- Brazil
- UK
- Japan
- Middle East
- China
- Hong Kong
- SE Asia
- Mexico
- Australia
- France
- Singapore
- India
- Germany
- S. Africa
- Italy

Employees still have many unmet needs



Financial concerns continue to weigh heavy – Short and long-term financial security continue to top the list – and concerns over debt increased significantly



24 Workload and mental health continue to top the list – staying flat in 2022, despite investments by employers

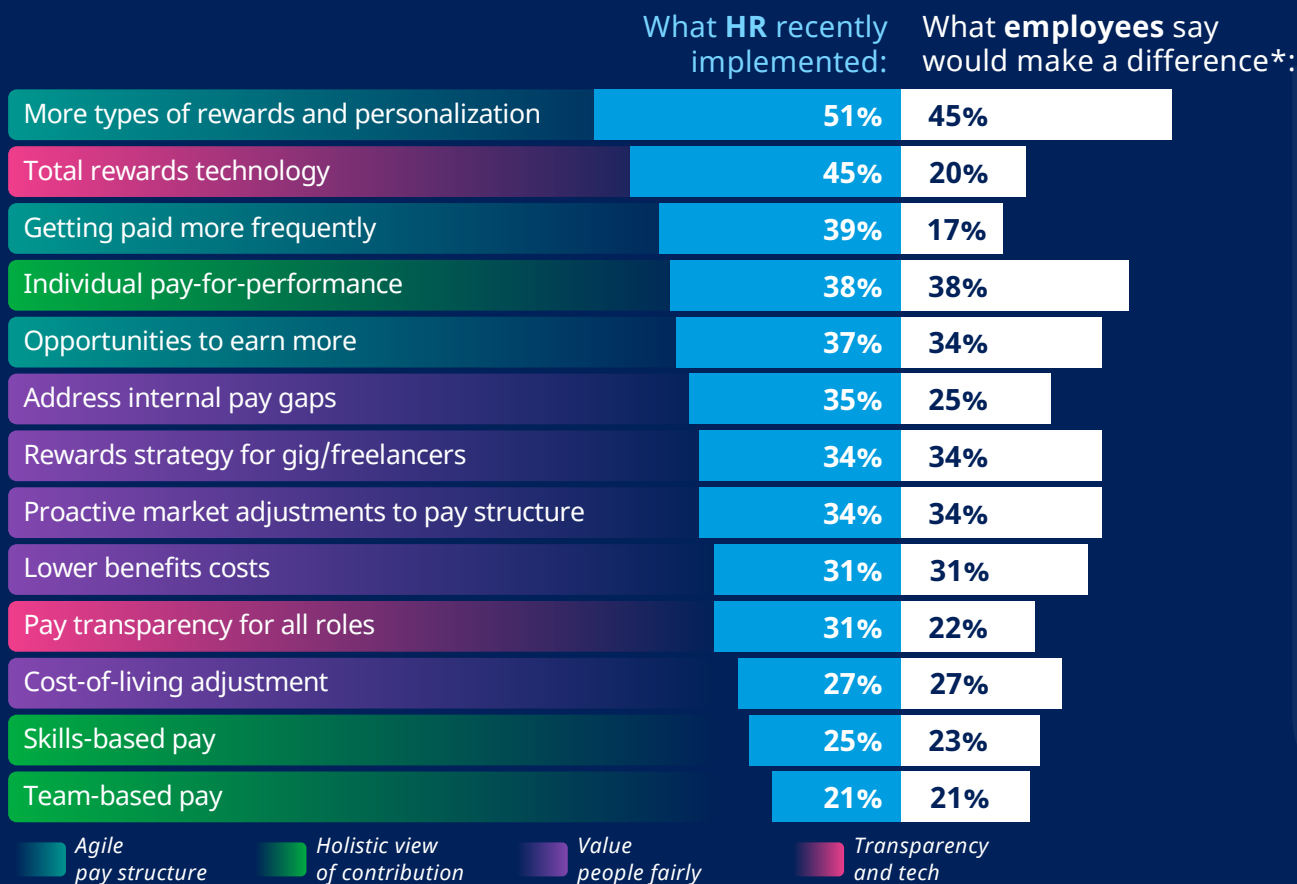


Concerns over job security have increased steadily due to the economy and explosion of generative AI, and are most pronounced amongst tech workers, older workers and young men

What's keeping workers up at night?



Organizations are rethinking rewards in light of agile working



*Respondents were given the ability to select up to five choices



Trends in rewarding new ways of working

Rethinking performance metrics for outcomes

Enabling a move away from location-based pay using pay-for-skills

Personalization of employees' pay mix using AI

Source: Mercer 2024 Global Talent Trends

Employees are looking for something different



Macro trends shaping employer-sponsored health benefit programs

With cost growth at its highest level in years, employers are focusing on cost management – but don't want to lose ground in ongoing efforts to ensure benefits support the full range of employee needs and preferences.



Upturn in healthcare cost growth

While inflation has cooled in many parts of the economy, the effects of higher wages and costs in the healthcare sector are now being felt in benefit budgets. Continued acceleration in cost growth is expected as more multi-year health plan contracts with providers are renewed and reflect inflation-driven price increases. Drug costs are also a factor.



Market consolidation – and fragmentation

Health system consolidation reduces competition and purchaser negotiating leverage, adding to employers' cost pressures. At the same time, new entrants and leaps in health tech are creating opportunities to move members to higher-value, more accessible care.



The Great Resignation may be over, but...

Labor shortages persist. Following significant wage increases and investment in health and wellbeing, employees are more inclined to stay at their current jobs, but many industries are still challenged to fill positions. To be an employer of choice, health benefits must offer something of value to everyone – and align with the way employees live and work today.



Gaps remain in access to care

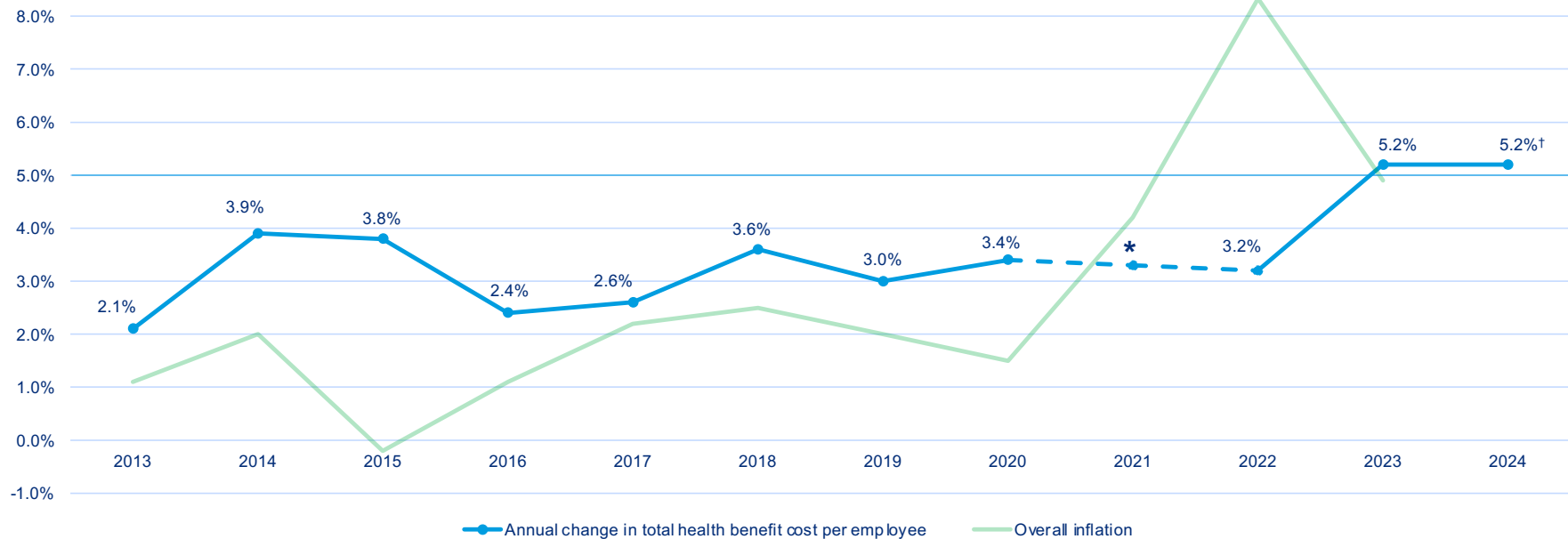
Mental health care. Rural health care. Women's reproductive health. Health disparities for disadvantaged populations. These and other gaps represent missed opportunities for a thriving workforce. Employers have made progress – the challenge is to maintain momentum in the face of rising cost.

Facing up to faster cost growth

Employers are balancing economics and empathy as they seek to manage company costs while meeting affordability targets

After a decade of annual cost growth averaging 3%, total health benefit cost per employee is now rising by more than 5%

Change in total health benefit cost per employee compared to CPI



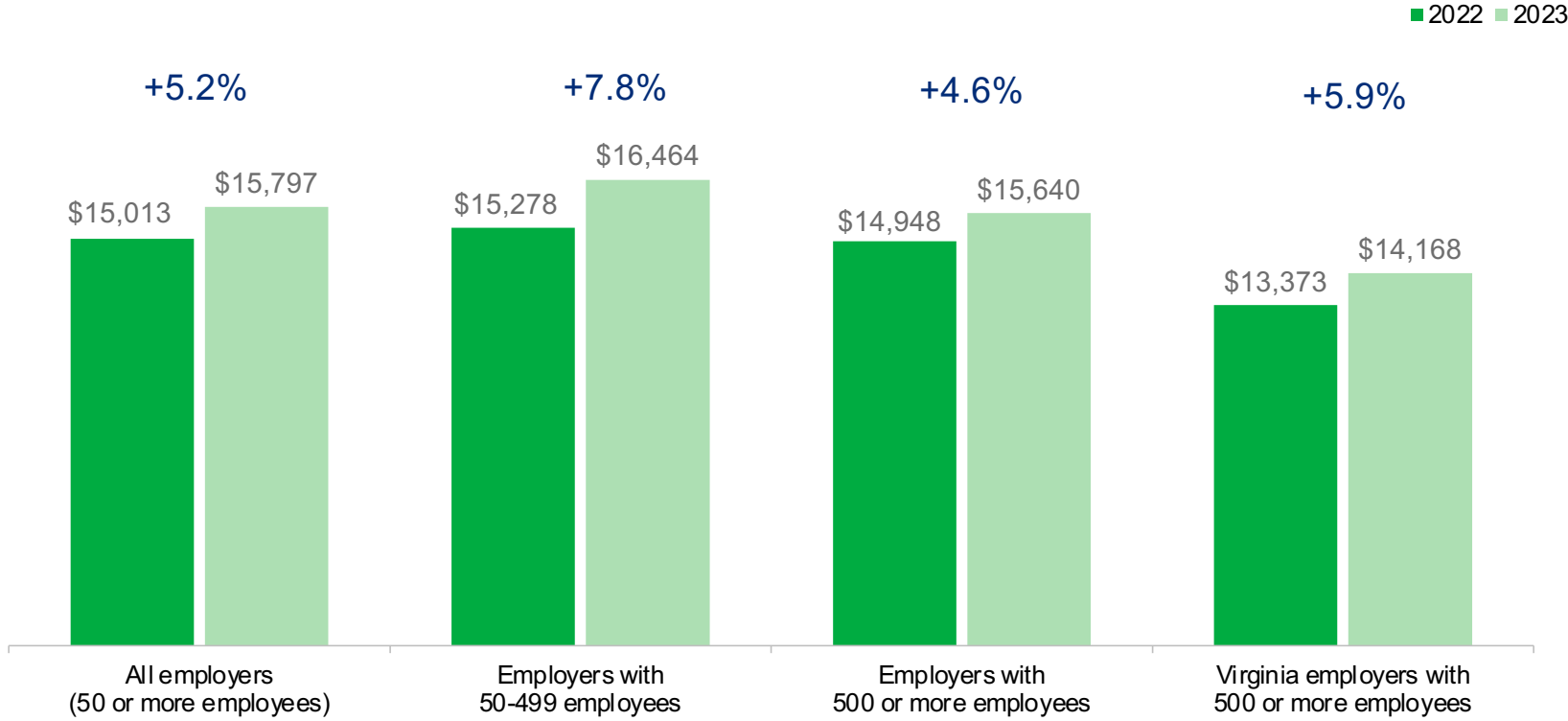
Beginning in 2020, survey results are based on employers with 50 or more employees. *The change in cost for 2021 was affected by disruption in healthcare utilization due to COVID and is not shown.

†Projected

Source: Mercer's National Survey of Employer-Sponsored Health Plans; Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation (April)

Average per-employee cost is approaching \$16,000 – and for small employers, it has already crossed that threshold

Average total health benefit cost per employee



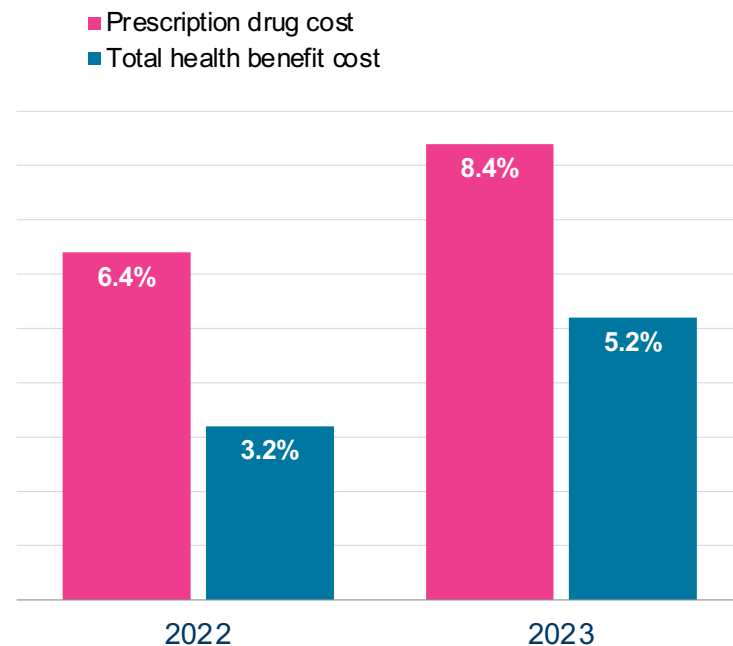
Continued higher cost growth for the next few years seems likely

Inflation will have an ongoing impact

The massive spike in inflation in 2022 is working its way into health benefit costs as healthcare providers renew contracts with carriers and raise prices to cover their own increased spending on wages and medical supplies

Rx cost is driving up total health plan cost as use of GLP-1 drugs for diabetes and obesity surges

Average annual change in cost per employee



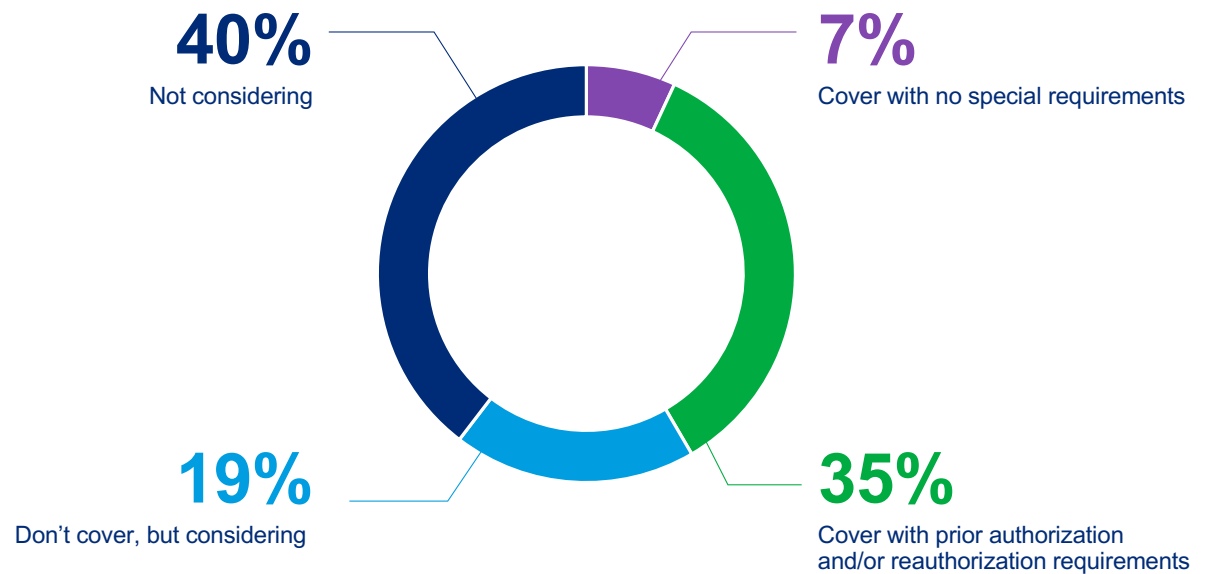
Cover medications for treatment of obesity

Employers with 500 or more employees



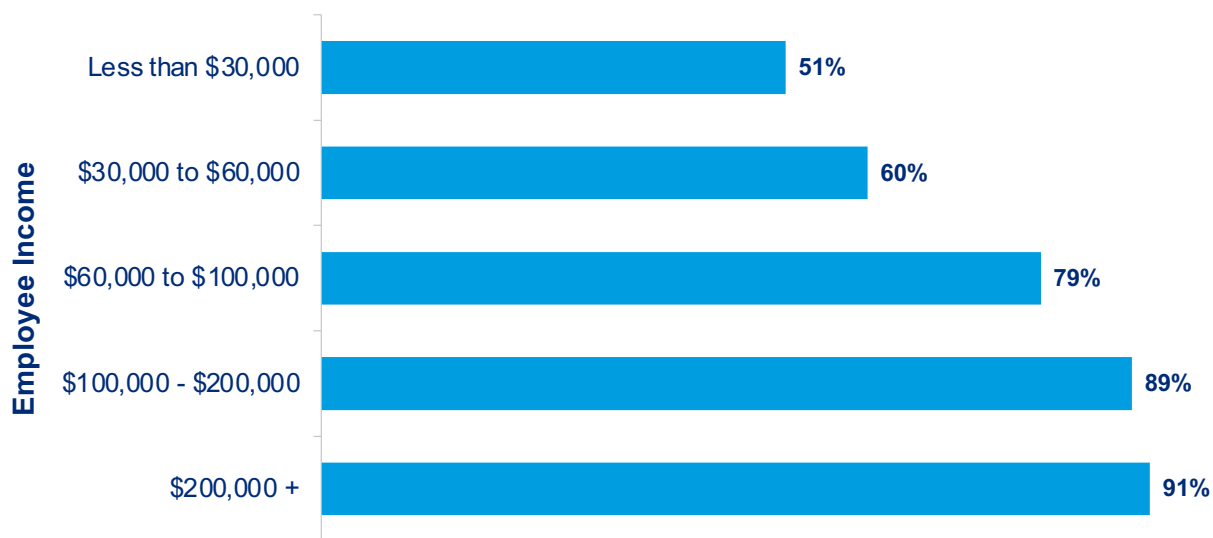
While GLP-1 medications are covered by most plans for treatment of type 2 diabetes mellitus, fewer than half cover it for treatment of obesity. That may change. Updated treatment guidelines recommend aggressive therapies for T2DM – and obesity with risk factors.

Beyond that, consumer demand for these “miracle weight-loss drugs,” appropriate or not, is rising. And the risk of wayward prescribing is a reality.



Rising healthcare cost affects healthcare affordability, especially for lower-income workers

“I am able to afford the healthcare my family and I need without financial hardship.”



Source: Mercer's 2023 Inside Employees' Minds® Study



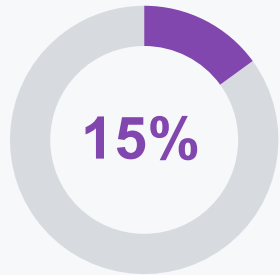
What other employee groups are less likely to be able to afford healthcare?

- **Women** 68% are able to afford healthcare, vs 83% of men
- **LGBTQ+** 69% vs 76% of non-LGBTQ+

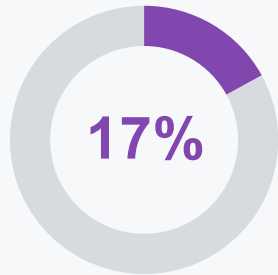
Strategies to boost healthcare affordability

Employers with 500 or more employees

Helping employees keep more of their paychecks

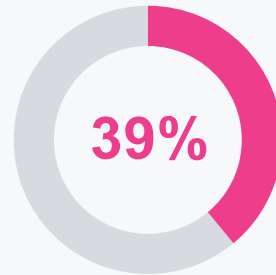


Offer free employee-only coverage in at least one medical plan



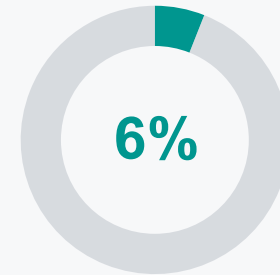
Use salary-based contributions

Removing financial barriers to seek care



Offer medical plan with no/low deductible (e.g., copay plan)











Providing cash to help pay for healthcare



Make larger HSA contributions to low-earners

Financial support for work – and living – expenses

Offer or will offer in 2024

 Free/subsidized meals at work	21%	 Student loans contributing to loan repayment	12%
 Subsidized phone/internet for remote working	21%	 Lifestyle account for pursuing hobbies, well-being activities, adventure, etc.	13%
 Stipend for home office set-up/supplies	19%	 Identity protection / password programs (employer-paid)	11%
 Employer-provided or subsidized transportation (including commuter cards)	18%	 Employer-paid legal services (e.g., help with legal documents like wills, leases)	9%
 Student loans Refinancing assistance	14%	 Employer-provided or subsidized housing	2%

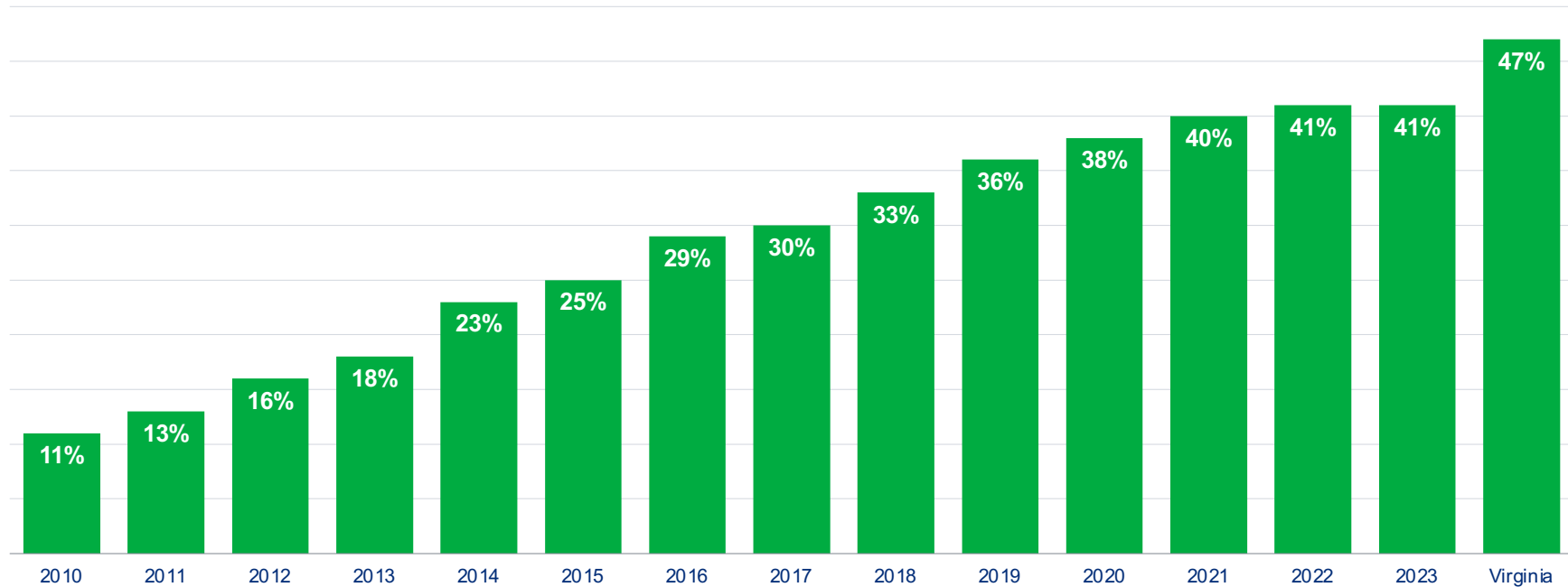
Employers with 500 or more employees

Turning to non-traditional levers to manage cost

Employers increasingly prioritizing metrics other than the level of disruption to assess cost management approaches -- and adopting alternative networks, limiting choice and replacing low-value programs

Not right for everyone: High-deductible health plan enrollment growth has stalled

Percentage of covered employees enrolled in consumer-directed health plans with HSA

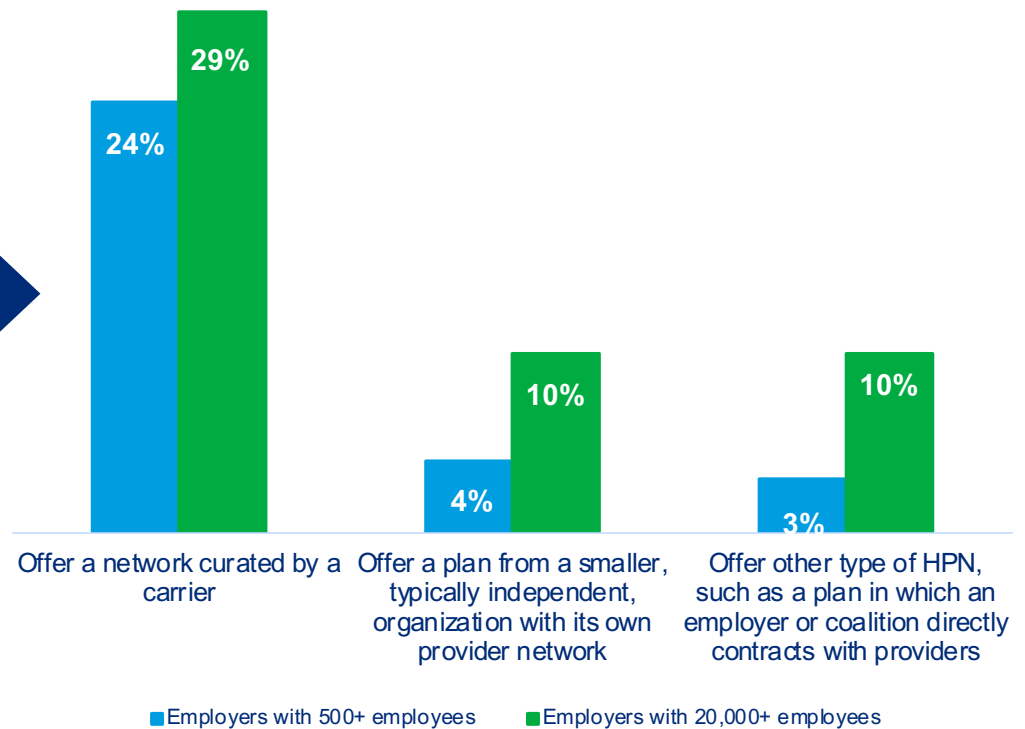


Beginning in 2020 results are based on employers with 50 or more employees

High-performance networks aim for better outcomes, less waste



Implementing a high-performance network strategy can be disruptive for plan members. But communicating the value of a network in which all providers meet higher standards can help – as can offering lower cost-sharing



A look at Exclusive Provider Organization (EPO) performance

Among all large employers

Offer an EPO	12% (25% of employers with 20,000 or more employees)
% of all covered employees enrolled in EPO	5%

Among 115 large employers offering an EPO*

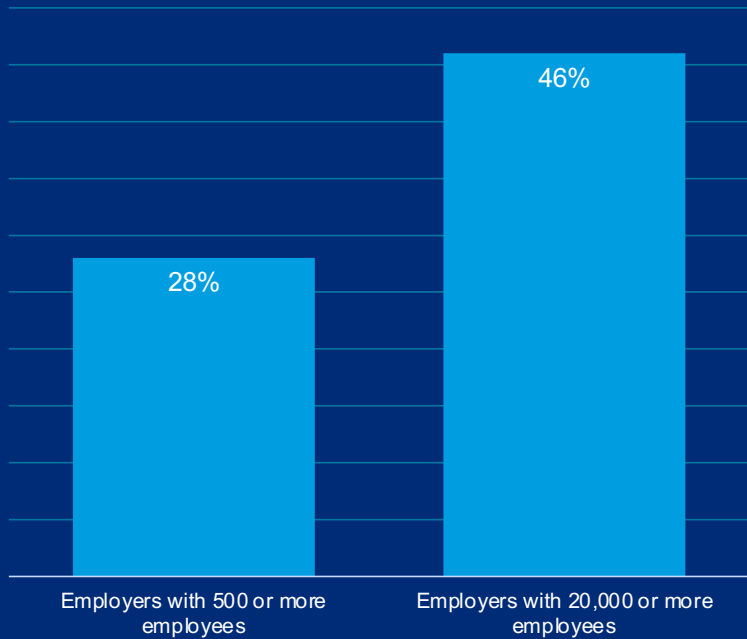
Offered as a choice alongside other medical plans	95%
% of all covered employees enrolled in EPO	41%
Average cost per employee compared to PPO	9% lower
Average actuarial value compared to PPO	94% vs 89%
Average employee contribution compared to PPO	24% lower for employee coverage 17% lower for family coverage
Deductible required (% EPO sponsors)	71%
Median individual deductible	\$600

*That do not also offer an HMO



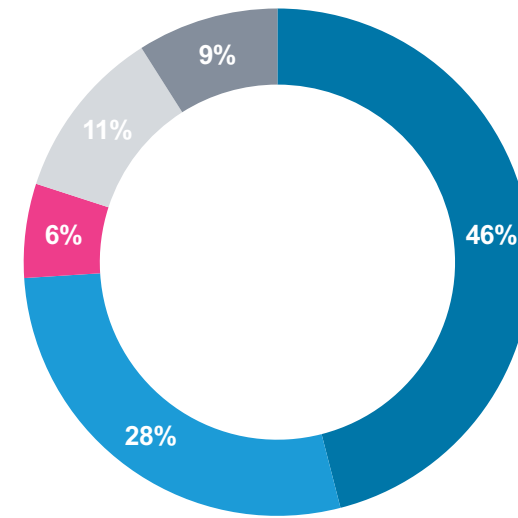
Stand-alone carve-out advocacy/navigation point solution

Offer program



Satisfaction with program performance

Employers with 500 or more employees



- Satisfied with program performance
- Somewhat satisfied
- Not satisfied
- Don't know/too soon to tell
- Don't have metrics to assess performance

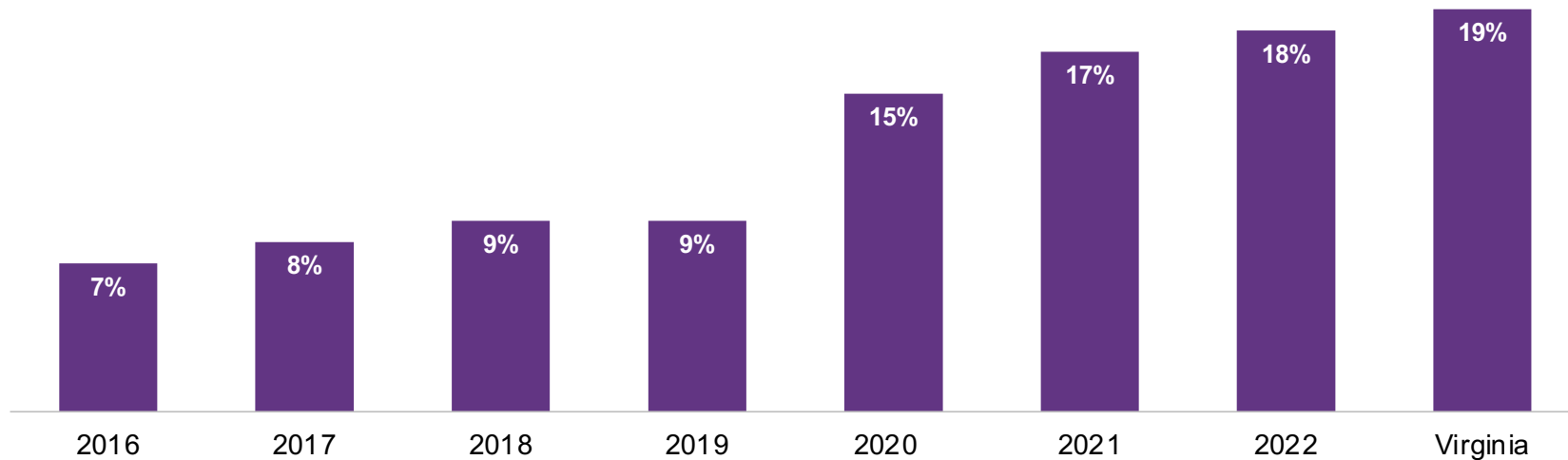
Employers are generally satisfied with the performance of their stand-alone health solutions, although many don't have enough information to judge

Employers with 500 or more employees

		Offer	Satisfied with program performance	Somewhat satisfied	Not satisfied	Too soon to tell / don't have metrics
1	Fertility program	26%	48%	20%	2%	30%
2	Carve-out advocacy/navigation	28%	46%	28%	6%	20%
3	Virtual mental health care network	47%	44%	24%	3%	29%
4	Musculoskeletal program	26%	41%	21%	4%	34%
5	Diabetes program	38%	38%	27%	3%	32%

Virtual care shows staying power, as telemedicine utilization continues to rise post-pandemic

Average percentage of eligible members (including family members) using the service at least once in plan year

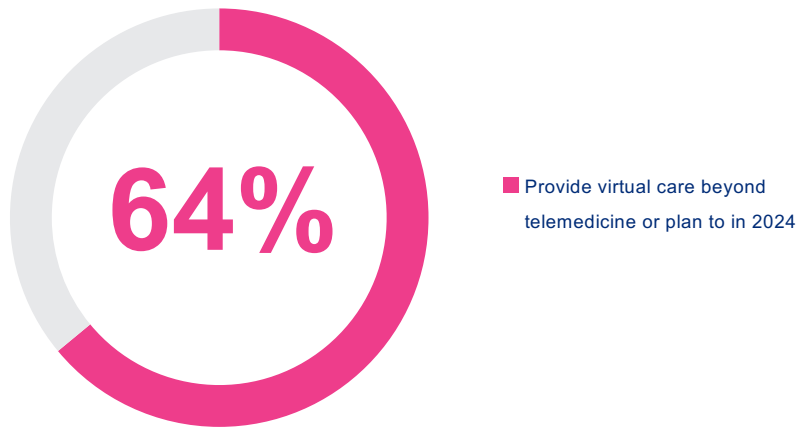


Employers with 500 or more employees

Expanding virtual care beyond traditional telemedicine

Employers with 500 or more employees

Telemedicine for acute care is a nearly universal offering. But today nearly two-thirds of sponsors provide other virtual solutions to address a broader range of healthcare needs

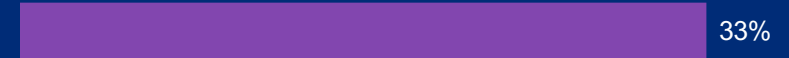


Virtual care solutions offered*

Behavioral health care (network of exclusively virtual therapists)



Specific care categories, such as musculoskeletal or diabetes



Specialty care, such as dermatology or reproductive care



Primary care



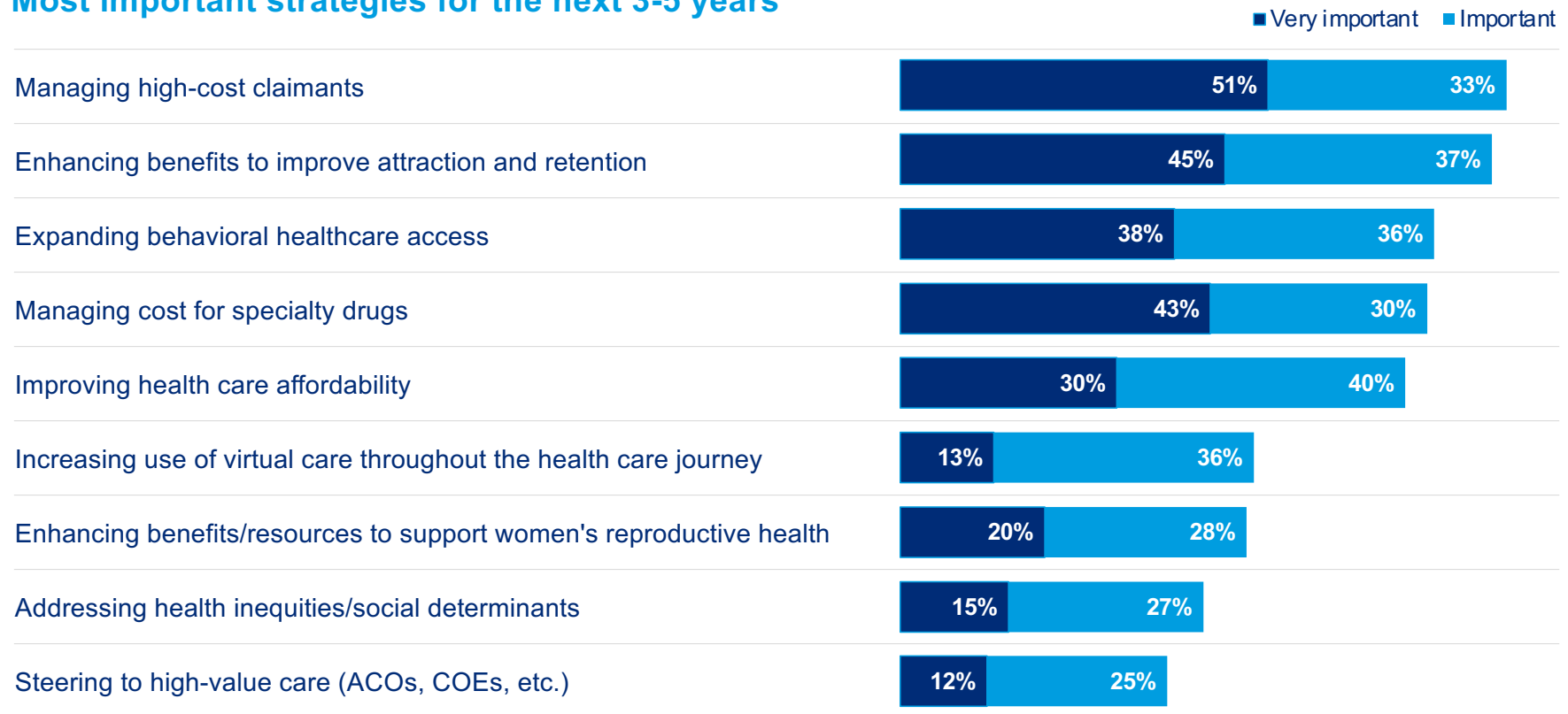
*or planned for 2024

Offering benefits that matter

Inclusive benefits make a lasting, meaningful impact. In supporting varied workforce needs and addressing societal issues, they underscore organizational values

In setting priorities, employers seek to balance cost management with offerings that employees will value

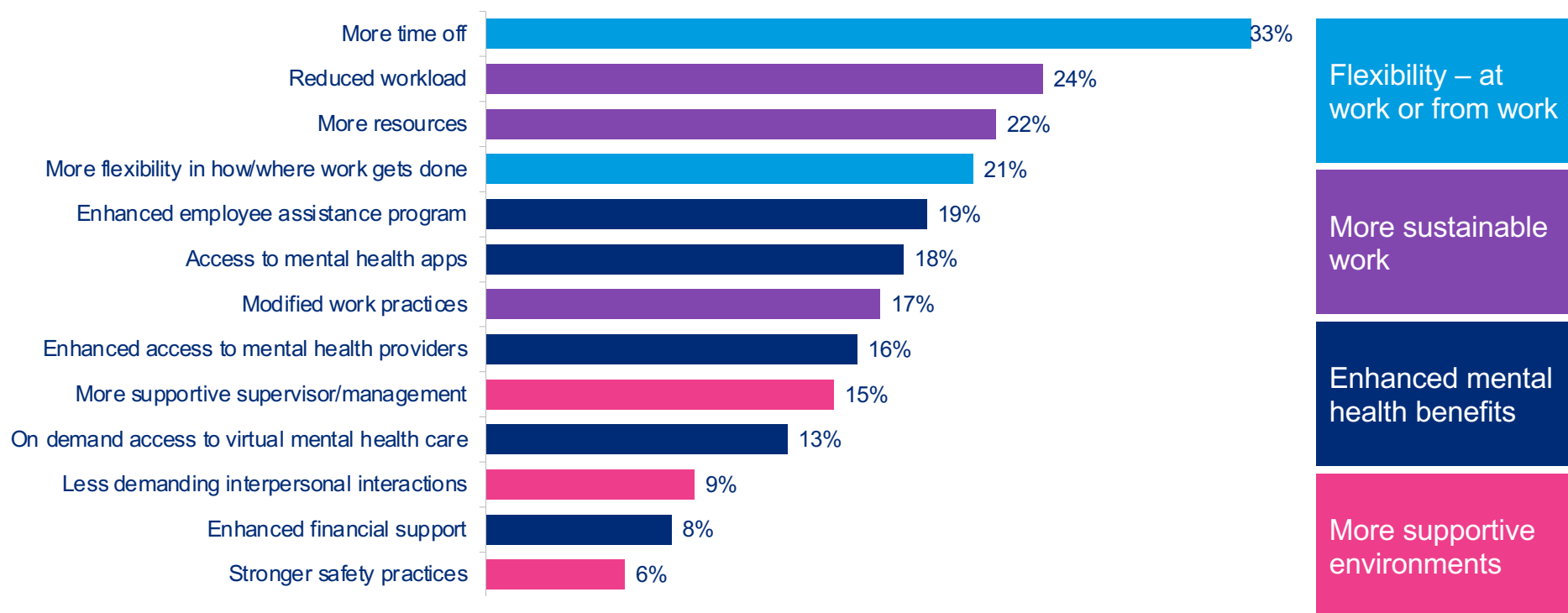
Most important strategies for the next 3-5 years



Employers with 500 or more employees

Employees say more flexible and sustainable work will help support mental health

What are the top 3 benefits or actions that would most support your mental health and ease burnout?



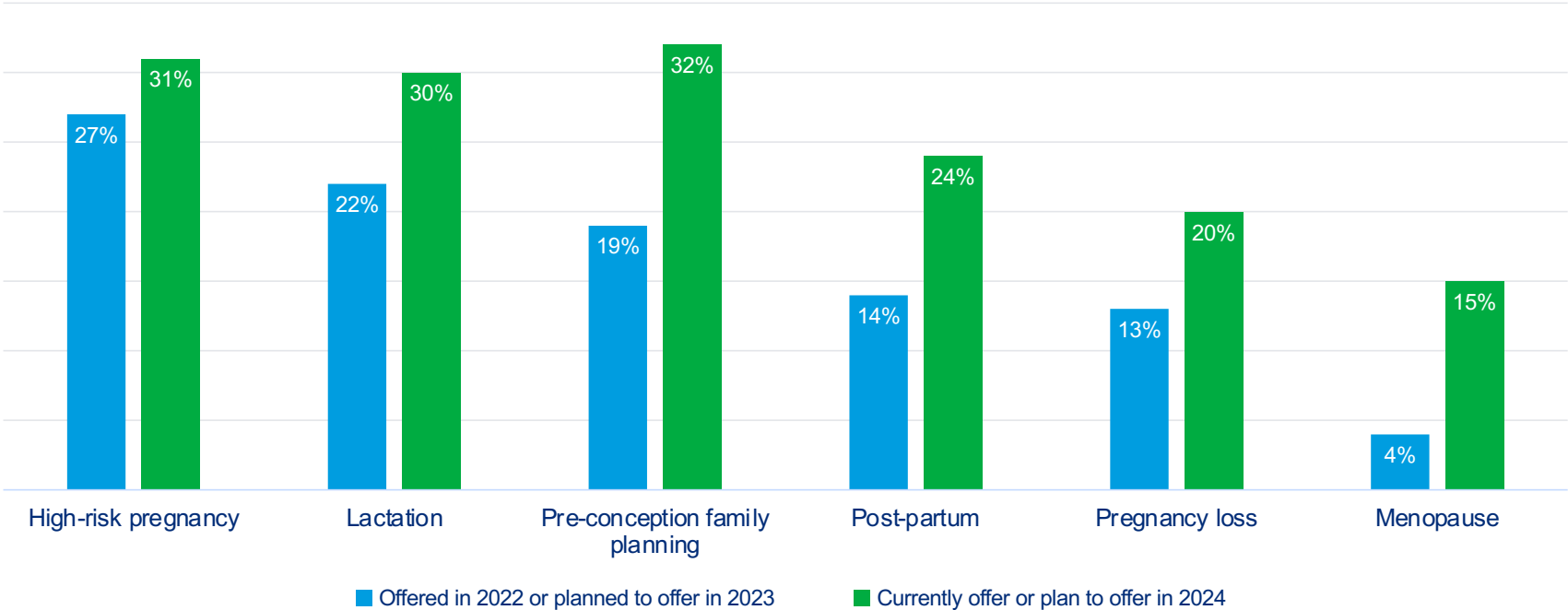
Offer resources as part of a focused strategy to better support members with cancer

Employers with 500 or more employees

Communication on cancer prevention / preventive care	37%	Caregiver and family advocacy programs	16%
Specialized case management	34%	Return to work support	16%
Rx management to ensure formulary coverage, medication adherence and tolerance	34%	Genetic testing coverage	14%
COEs or site-of-care navigation	24%	Hospice and end-of-life support	12%
Second opinion / Expert Medical Opinion programs	21%	Dedicated cancer hotlines/resources	10%
Financial planning assistance	19%	None of these	33%

Employers moving quickly to add benefits or resources to support women's reproductive health

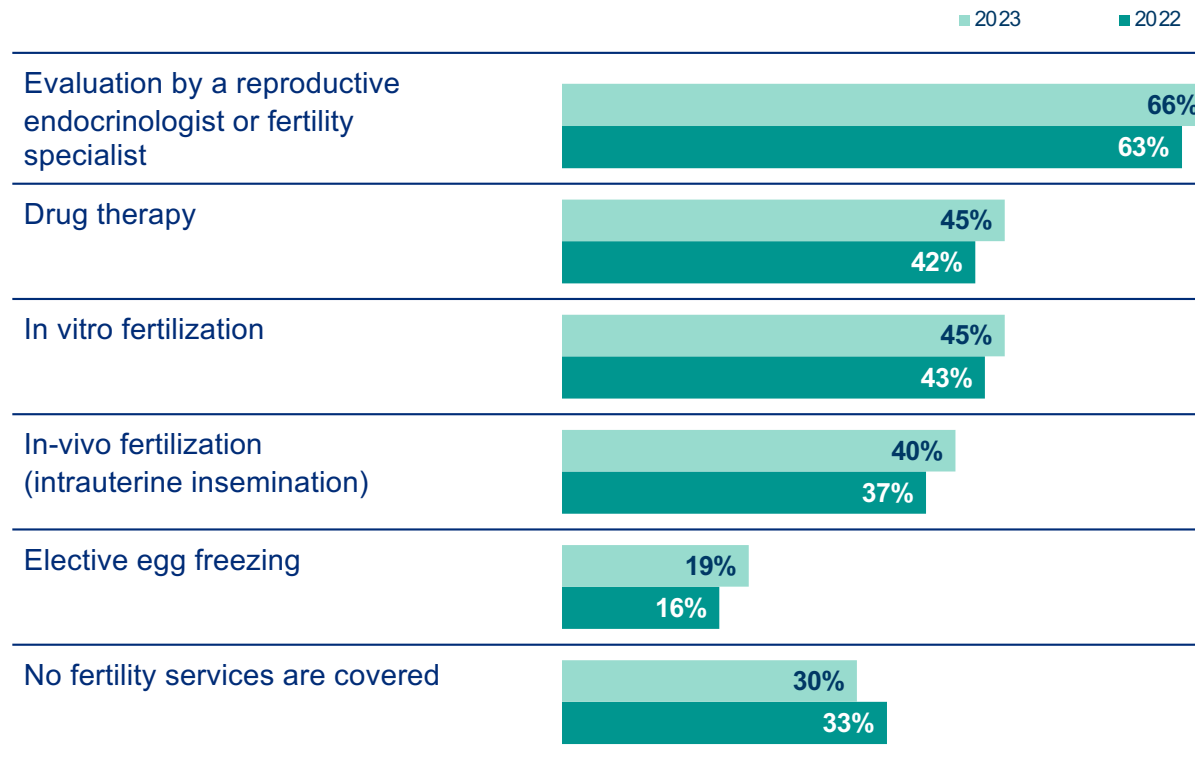
46% of employers will offer one or more of these benefits in 2024, up from 37% in 2023



Employers with 500 or more employees

Continued growth in coverage for fertility services

Employers with 500 or more employees



Limits on IVF benefits

Have a lifetime benefit maximum 53%

Median lifetime benefit maximum \$20,000

Have a limit on number of cycles 24%

Median # of cycles 3

Have other type of limitation in place 10%

Employers have been expanding parental leave – with a focus on inclusivity

Growth in paid parental leave for all kinds of families

Paid parental leave



Paid adoption leave



Paid foster child leave



Paid surrogacy leave



■ Offered in 2022 or planned to in 2023

■ Offer in 2023 or plan to in 2024

Employers with 500 or more employees



Median # of paid weeks provided

Paid parental leave	7
Paid adoption leave	6
Paid foster child leave	6
Paid surrogacy leave	8

Big increases in offerings of voluntary benefits in 2023 as employers sought to fill benefit gaps and meet diverse needs

Offer VBs that supplement the health benefit

2022	2023	
46%	53%	Hospital indemnity
65%	71%	Cancer / critical illness
72%	77%	Accident

Offer VBs that help personalize the benefit package

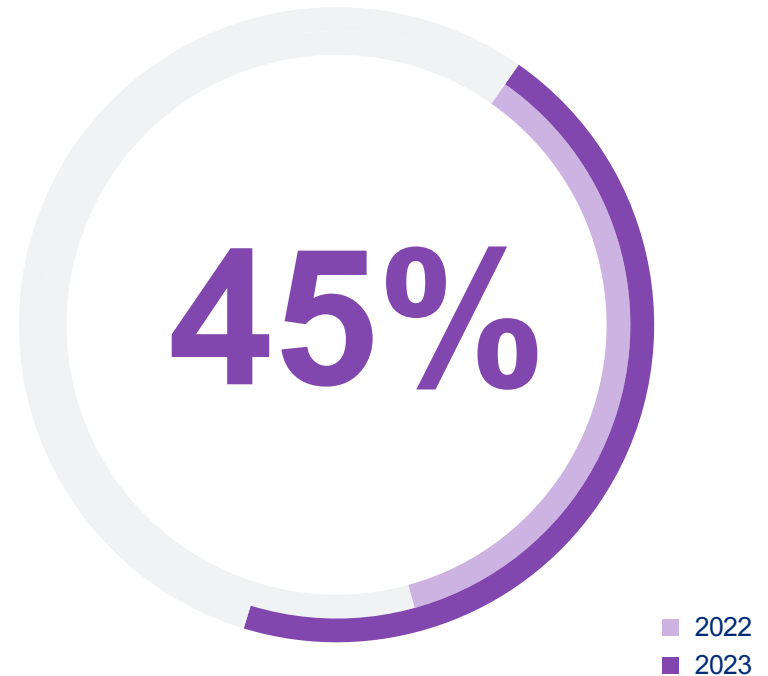
2022	2023	
36%	37%	Pet insurance
11%	14%	Student loan refinancing / repayment
40%	45%	ID theft

Employers with 500 or more employees

Voluntary benefit enrollment rate jumped from 36% to 45% in 2023

Among employers with 500 or more employees that offer voluntary benefits

Percent of eligible employees enrolling in one or more voluntary benefits



Takeaways

Accelerating health benefit cost growth means doubling down on cost-management. Maintaining affordability and support for the whole workforce may require employers pivot to strategies that optimize value, even if it means accepting a certain level of disruption

1 Faster cost growth is likely over the next few years

2 Bold action is needed! Explore network strategies and virtual care

3 Be selective with benefit enhancements – prioritize flexibility



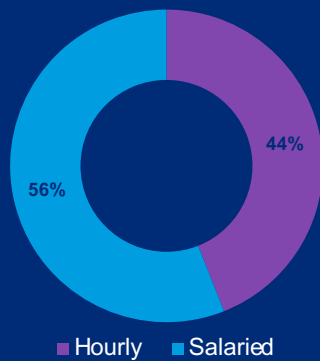
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2023-2024 Inside Employee's Minds© Study

This year marks the **3rd edition** of the study, which has been fielded annually in Q3 since 2021.

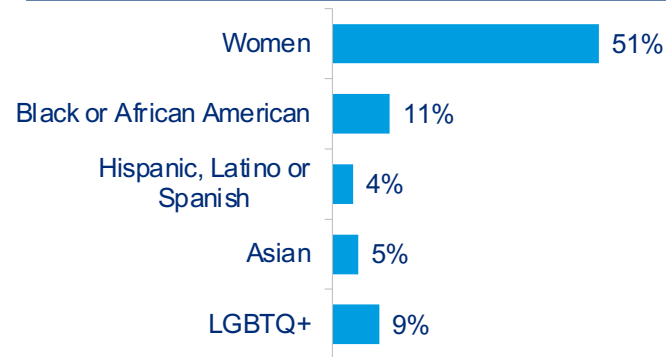
This year's study includes **4,505 full-time employees** in the United States, working for organizations with more than 250 employees.



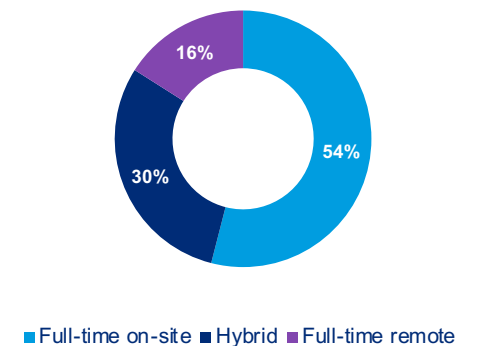
Top Industries with more than 500 employees



Representation of diverse groups



Work arrangements



Mercer's National Survey of Employer Sponsored Health Plans



Long running

Marking 38 years of measuring health plan trends



Statistically valid

Sampling and weighting methodology yields nationally projectable results for private and public employers



Robust

1,917 employers participated in 2023



Includes employers of all sizes, all industries, all regions

Results can be broken out based on employer demographics to allow precise benchmarking



Comprehensive

Extensive questionnaire covers a full range of health benefit issues and strategies



Employer size groups:

- 50 or more employees (all employers)
- 50-499 employees (small employers)
- 500 or more employees (large employers)
- 20,000 or more employees (largest employers)