Employee Benefits Report

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Administration

The Healthcare Affordability Gap: Employer Confidence Meets Employee Skepticism

The burden of paying for healthcare benefits has grown substantially for many employers. As the average expense for employee healthcare is projected by the Society for Human Resources Management to increase by 6.5 percent in 2023, surpassing $13,800 per employee, businesses of all sizes struggle to balance their budgets while ensuring their workforce remains healthy and productive.

And it isn't just employers who are facing problems. Though over 90 percent of people in the United States have some type of health insurance, 41 percent have medical debts, according to data from the Kaiser Foundation. This can result in situations where employees refrain from accessing healthcare benefits.

Employer Confidence

According to a survey by Arizent, 70 percent of

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This Just In ...

Rising healthcare costs remain a top concern for employers. According to SHRM, U.S. employers anticipate a 6.5 percent average increase in medical plan costs per employee in 2023, a substantial rise from 2022's expected 4.4 percent increase.

To manage costs, organizations are implementing higher deductibles, self-funding, and disease management programs. They're also advising employees to use digital tools to compare the cost and quality of healthcare plans and services for better-informed decisions.

The Rise of High-Performing Networks

High-performing networks are cost-effective, provide high-quality care and let companies tailor their benefits packages to employee needs while keeping costs in check.

Meeting Employee Needs Without Breaking the Bank

Voluntary benefits have gained popularity as a cost-effective way to enhance benefits offerings. Life and supplemental health in-employers rate their benefit options as more maximal than minimal. Over 80 percent have digital tools for healthcare navigation, fitness tracking, and chronic condition management, which are considered innovative by 53 percent of employers. Additionally, nearly 80 percent were motivated to include healthcare navigation to provide a better employee experience, improve health outcomes and reduce costs.

According to 68 percent of employers, their budget limits the benefits they can offer. When making decisions regarding benefit offerings, employers rely on benefit consultants (65 percent), existing benefit usage data (62 percent), employee surveys, and medical plan claims data (58 percent), with only 16 percent looking at social health determinants.

The most common benefits include traditional health, vision, and dental plans, as well as paid sick leave. However, employees want further benefits like gym access (50 percent), nutrition support (42 percent), and wellness activities (41 percent). Support for mental health (34 percent), chronic conditions (29 percent), and family-building (28 percent) also ranked high on employee want lists.

Employee Skepticism

Despite employer confidence in their benefits offerings, employees are not as convinced. The survey reports that 66 percent of employees say the cost of receiving care through their current health plan is too expensive, with only 32 percent claiming it is appropriate.

Moreover, nearly one-third of employees find it challenging to afford specialist care, urgent or emergency care, dental care, and imaging. While 80 percent of employers consider their health insurance affordable, employees may disagree.

Even while telehealth and primary care are affordable for more than 80 percent of participants, a healthcare affordability gap still exists. For example, according to McKinsey, a four-person family with an annual income of $60,000 could spend as much as 75 percent of their discretionary income on healthcare.

The Healthcare Affordability Gap: Bridging the Divide

The healthcare affordability gap poses challenges for employers and employees, with employers facing rising costs and employees struggling to afford care. To address this issue, a collaborative effort is needed, focusing on the following key areas:

- Innovative Strategies: Employers should explore value-based care and alternative funding models, such as self-insurance or level-funded plans, to improve patient outcomes and reduce overall costs.
- Transparent Communication: Clear explanations of benefit offerings and cost-sharing structures can help build trust and ensure employees understand employer efforts to improve affordability and accessibility.
- Employee Education and Support: Prioritize resources and tools that help employees navigate the healthcare system, make informed decisions, and access wellness programs, such as gym access, nutrition support, and mental health services.
- Leveraging Data and Technology: Employers can use data analysis and digital health tools to identify trends, monitor effectiveness, and refine benefit offerings according to workforce needs.

The Need for a Holistic Approach: Insulin Price Caps May Not Be Enough

Addressing the high healthcare costs in the United States requires a multifaceted approach that targets the foundational issues within the system. One example that highlights the potential pitfalls of a narrow solution is the recent effort to cap insulin prices.

Major insulin manufacturers (Eli Lilly, Novo Nordisk, and Sanofi) have capped insulin prices at $35, $72.34, and $35 per vial, respectively. While this move is a significant step towards mitigating rising drug costs, it could potentially backfire and have unintended consequences.

surance are examples of valuable coverages provided at a relatively low cost, usually covered by the employee.

Voya Financial found that 63 percent of employees are likely to participate in voluntary benefits offered by their employers, such as critical illness coverage and hospital indemnity. This marks a significant increase from the previous year when only 45 percent expressed interest.

Addressing Workplace Stress and Burnout

Mental health has emerged as a central focus in employee benefits discussions, with stress and burnout rates surging due to the pandemic's ongoing effects and financial strain. The American Psychological Association (APA) found that 67 percent of working adults claimed that their jobs were a significant source of stress in 2021.

In response, employers are integrating mental health services into their benefits packages to better support employee well-being and reduce stress-related issues.

When insulin price caps bypass Pharmacy Benefit Managers (PBMs), PBMs may end up raising prices elsewhere, offsetting the benefits of the caps. As a result, employees might end up paying more for medications through their employer's plan than if they purchased them directly from the drug manufacturer.

This example underscores the importance of adopting a holistic approach to tackle the high costs of healthcare rather than implementing isolated solutions that could be counterproductive.

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Reimagining Retirement: The Case for a Return to Pension Plans

As the retirement crisis looms, experts are exploring innovative solutions to ensure a secure financial future for America's workforce. One such solution is a return to pension plans, which could provide the stability and affordability employers and employees seek..

Understanding Pension Plans and Their Differences

Pension or defined benefit plans are retirement plans in which employers promise to pay employees a specific benefit upon retirement. The benefit is typically calculated based on the employee's years of service, salary, and age at retirement.

In contrast, defined contribution plans, like 401(k)s, involve employees contributing a portion of their income to an individual account, which is then invested on their behalf. As a result, the retirement benefit in a defined contribution plan depends on the performance of the investments, making it less predictable and more reliant on market fluctuations.

While defined contribution plans have become the norm in the United States, recent data suggest they may not be enough to provide a secure retirement for many Americans. According to the Bureau of Labor Statistics, 67 percent of private industry workers receive retirement benefits from their employer, and those benefits are defined contribution plans for 52 percent of them. Experts argue that re-embracing pension plans could be a more affordable and stable alternative for employers while providing guaranteed lifetime income for employees.

A study conducted by Fidelity's 2023 Retirement Savings Assessment found that American savers have just 78 percent of the income they'll need to cover

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their expenses during retirement, a decline from 83 percent in 2020. By carefully tailoring the plan's design to the employer's desired budget, pension plans can offer the financial security that employees crave without breaking the bank.

The Pension Plan of the Future

To address the need for affordability and stability, experts have proposed a hybrid retirement plan model that combines the best aspects of defined contribution and defined benefit plans. This "plan of the future" would consist of two components: an investment plan, such as a 401(k), and a security plan, which would be a cash-balance pension plan.

Under this model, employees would continue contributing to their 401(k)s, while employers would fund the cash-balance pension plan. As a result, the pension plan would grow at a rate of return that reflects current market conditions, providing a stable source of income during retirement.

Personalization and Education

One of the key aspects of this proposed pension plan model is personalization. In an era where younger workers crave customization in their benefits packages, the hybrid model allows individuals to tailor their retirement plans to their unique needs. By providing the option to roll over funds from the investment plan to the security plan, employees can increase their guaranteed monthly income during retirement.

However, the success of this model relies heavily on effective communication and financial education. According to recent surveys, employees are increasingly worried about outliving their wealth in retirement. Therefore, employers must ensure that their workforce understands the value of pension plans and how they differ from the current strategies in securing a stable financial future. By addressing the specific concerns and needs of each workforce demographic, employers can encourage informed decision-making and drive employee engagement in retirement planning.

Benefits for Employers

Returning to pension plans offers several advantages for employers. First, a more stable and secure retirement plan means employers can attract and retain top talent in a competitive job market. Furthermore, since employers can tailor the cost of the pension plan to their budget, it remains an affordable option that enhances the company's overall benefits package.

Additionally, employers who prioritize financial education and communication around pension plans can foster a more informed and engaged workforce, leading to increased employee satisfaction and ultimately benefiting the organization.

Rethinking Employee Benefits: Strategies for Enhancing Worker Satisfaction

Recent data reveals a troubling trend: employee satisfaction with workplace benefits has reached its lowest point in a decade, falling to 61 percent in 2023 from 64 percent in 2022. As employers navigate a rapidly changing landscape marked by inflation, mental health challenges, and ongoing pandemic-related issues, employees are calling for more comprehensive support. Experts argue that a reevaluation of employee benefits, grounded in data-driven insights, is necessary to address these concerns and bolster workplace satisfaction.

Evolving Expectations and the Perception Gap

One critical factor contributing to this decline in satisfaction is the widening gap between employer perception and employee reality. According to recent studies, the gap between how satisfied employees are with their benefits and how employers view their employees' satisfaction with benefits has increased from 3 to 22 percent within the last five years. This data-driven disconnect highlights the need for employers to reassess their benefits offerings in light of evolving employee expectations.

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The Rising Demand for Holistic Benefits

Since the pandemic began, employees' expectations of workplace benefits have shifted significantly. A recent survey shows that the average number of benefits employees consider essential is now 8.3, compared to 6.6 in 2020, before the pandemic. Of course, traditional benefits such as health insurance, retirment plans, and paid leave remain crucial. Still, employees now expect additional support, including financial wellness programs (45 percent view them as a must-have, up from 18 percent in 2019), employee assistance programs, and resources for stress management.

Employers Struggle to Keep Pace

Despite employers' efforts to offer more benefits, they have been unable to meet employees' evolving expectations quickly enough. In fact, 61 percent of employees say they want certain benefits their employer doesn't currently offer, a 3 percent increase from 2022. As a result, experts suggest employers should consider rethinking their benefits strategies and use data-driven insights to better align with employees' needs.

A Comprehensive Approach to Employee Care

Recent data indicates that employee wellness improves if people feel they are cared for at work. However, 42 percent of employees report that they don't feel as if their employer cares for them. To tackle this problem, experts suggest that employers look at every part of the employee experience with a focus on care. They should use data to assess factors such as meaningful work, a friendly and supportive environment, flexibility, balance between work and personal life, opportunities for growth and learning, wellness initiatives, benefits, and pay.

Addressing Varied Needs

It is essential for employers to recognize that employee needs vary significantly. Therefore, organizations should consider implementing tailored solutions that address employees' diverse requirements rather than adopting a blanket approach for everyone. Experts argue that a data-informed approach will improve the employee experience and deliver better results for employers with increased loyalty (69 percent job satisfaction in 2023, up from 66 percent in 2022), improved productivity, and higher job satisfaction.

Data Should Inform the Future

As employee wellness declines and benefits satisfaction reaches a decade low, employers must rethink their approach to employee benefits using a data-driven perspective. By addressing the evolving needs of their workforce and adopting a comprehensive approach to employee care, organizations can effectively bridge the gap between employer perception and employee reality. With a renewed focus on holistic wellness and tailored solutions, employers can create a more satisfying and supportive work environment for their employees, backed by facts and figures.

Supporting Employee Mental Health After Tragic Events

A rising number of mass shootings have been reported across the United States in recent years, with a significant increase in 2023. These tragic events considerably impact employees' mental health, making it essential for employers to offer support in these challenging times. Experts emphasize the importance of providing resources and assistance to maintain a mentally healthy workforce.

The Decline in Mental Health Among Employees

Recent studies reveal that mental health among employees has been steadily declining since the onset of the COVID-19 pandemic. Ongoing financial concerns, including the rising cost of living and fears of an impending recession, further aggravate the situation. According to recent data, only 40 percent of employees report feeling holistically healthy, with just 65 percent of employees in 2023 stating that they are mentally healthy. In addition, the frequency of mass shootings and constant media coverage take a toll on the mental well-being of those already under stress.

Addressing Mental Health in the Workplace

Employers are encouraged to prioritize mental health initiatives and inform employees of available resources. Employee assistance programs (EAPs) have gained popularity among organizations as valuable tools for addressing mental health concerns. A recent survey found that following major mass shootings in 2022, nearly 30 percent of emotionally affected employees sought out their organization's EAP or intended to do so.

Increasing Awareness of Available Resources

Despite significant investments in wellness programs and mental health resources, many employees remain unaware of the benefits or hesitate to use them. Research indicates that only 19 percent of workers have accessed mental health care through their employer. Employers are urged to communicate proactively about resources, such as EAPs, crisis counselors, and well-being apps, and ensure that employees know how to access them.

The Role of Managers and Supervisors

In addition to providing resources, employers should train and encourage managers and supervisors to actively engage with their employees. Managers can check in on their team members, ask how they are coping, and offer support when needed. It is essential to foster an environment where struggling with mental health issues is seen as a normal human reaction and seeking help is encouraged.

The Benefits of Supporting Employee Mental Health

By acknowledging the impact of mass shootings and other tragic events on their workforce, employers can demonstrate that they prioritize employee well-being. Providing access to resources and benefits that support mental health can be mutually beneficial for both employers and employees. A healthy, supported workforce is more likely to be engaged, productive, and loyal to the organization.