

Strategies to Compete for Talent

NAPEO First Friday

May 5, 2023
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A business of Marsh McLennan



Today's speakers



Tyler Harshey, FSA, MAAA
US Health PEO Solutions Leader



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1 Employee Insights

2 Healthcare Benefit Trends

3 Strategic Priorities

4 Questions

A woman with her hair in a bun, wearing a denim jacket and a red patterned skirt, is sitting at a white desk in a modern office. She is looking at a computer monitor and has her hands on the keyboard. The office has a concrete wall with several bicycles hanging from the ceiling. The lighting is bright and natural, coming from windows in the background.

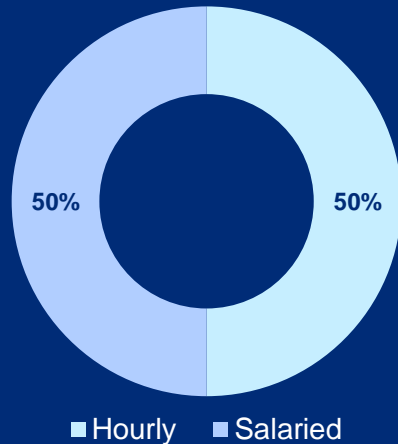
Agenda

Mercer's 2022 Inside Employee's Minds© Study

About the study

4,049

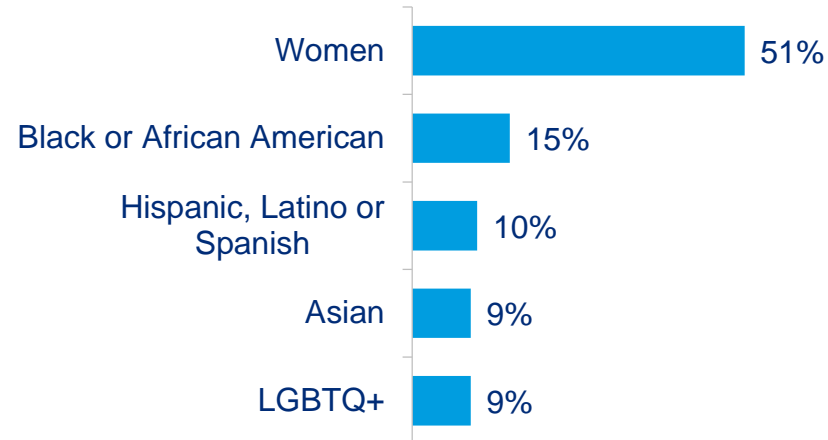
Full-time employees in the United States, working for organizations with more than 250 employees. The survey was conducted between August 26 and September 9, 2022.



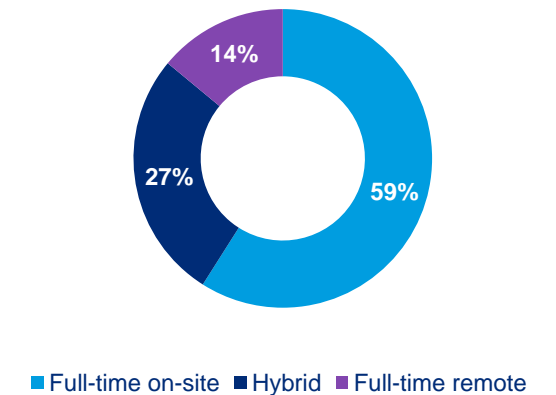
Top Industries with more than 500 employees



Representation of diverse groups



Work arrangements



National Survey of Employer-Sponsored Health Plans

About the survey



Long running

Marking 37 years of measuring health plan trends



Statistically valid

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



Robust

2,028 employers participated in 2022



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 in this presentation

Small: 50-499 employees

Large: 500 or more employees

Very large: 5,000 or more employees

Jumbo: 20,000 or more employees

Employee Insights



What's keeping the workforce up at night?

Two years of multiple existential crises are weighing heavily on workers. They are worried about their health and well-being:

Short-term financial health



Covering Monthly Expenses

is the #1 concern of workers - up from #9 in 2021

Long-term financial security



Only **46%**

of workers are confident they can turn their retirement savings into a consistent stream of income to last the rest of their lives

Work life balance



51%

of workers report feeling exhausted on a typical day at work

Physical health



#4

concern of workers; remaining a top concern – but down from #1 in 2021

Mental health



Top 5

concern of workers across most demographics – rising to #2 for workers below age 35 and LGBTQ

What's keeping the workforce up at night?

Financial concerns reign supreme in 2022



Financial concerns –

Covering monthly expenses, ability to retire and personal debt are all top concerns



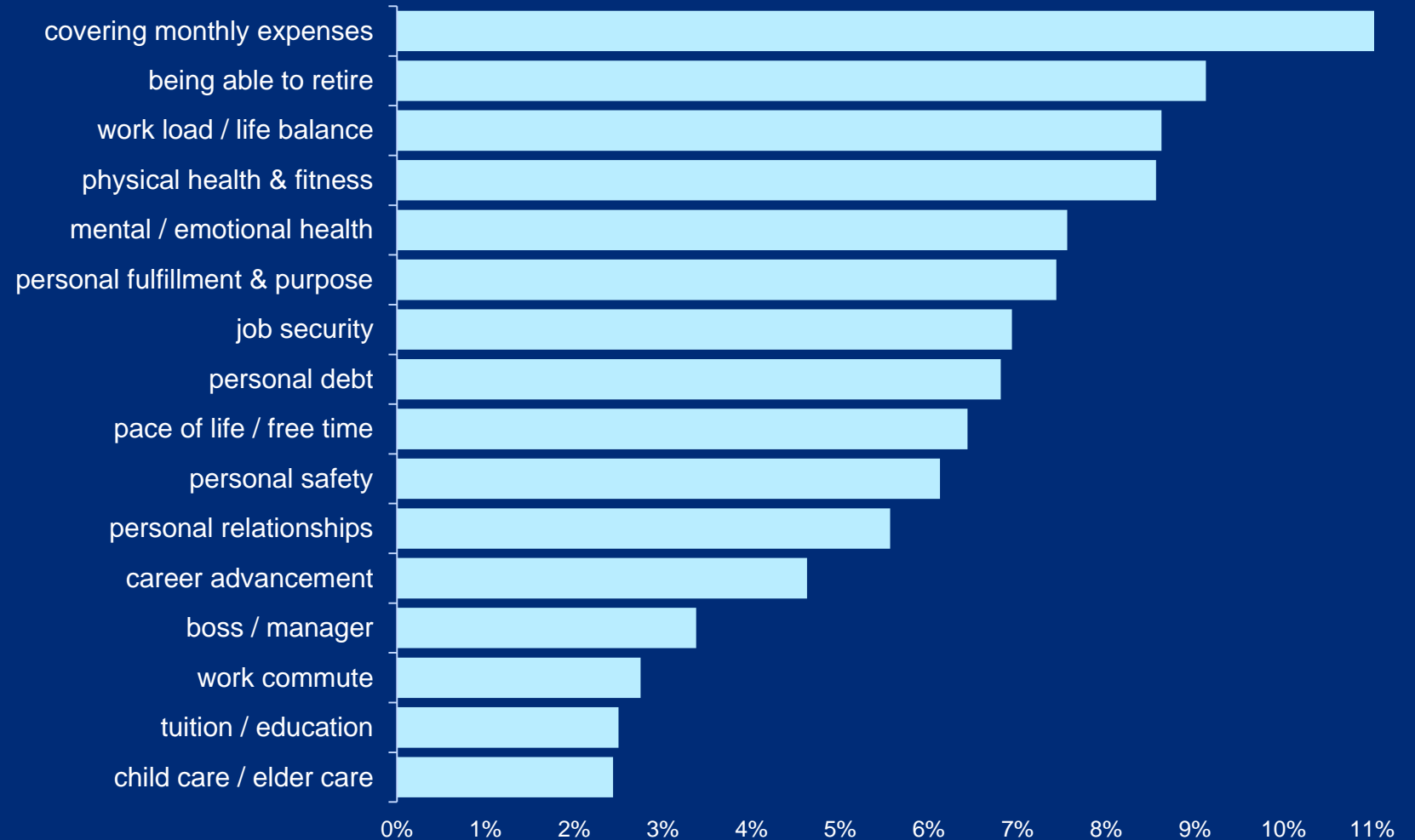
Burnout remains a top

concern with work load / life balance and mental / emotional health remaining in the top 5



Physical health has

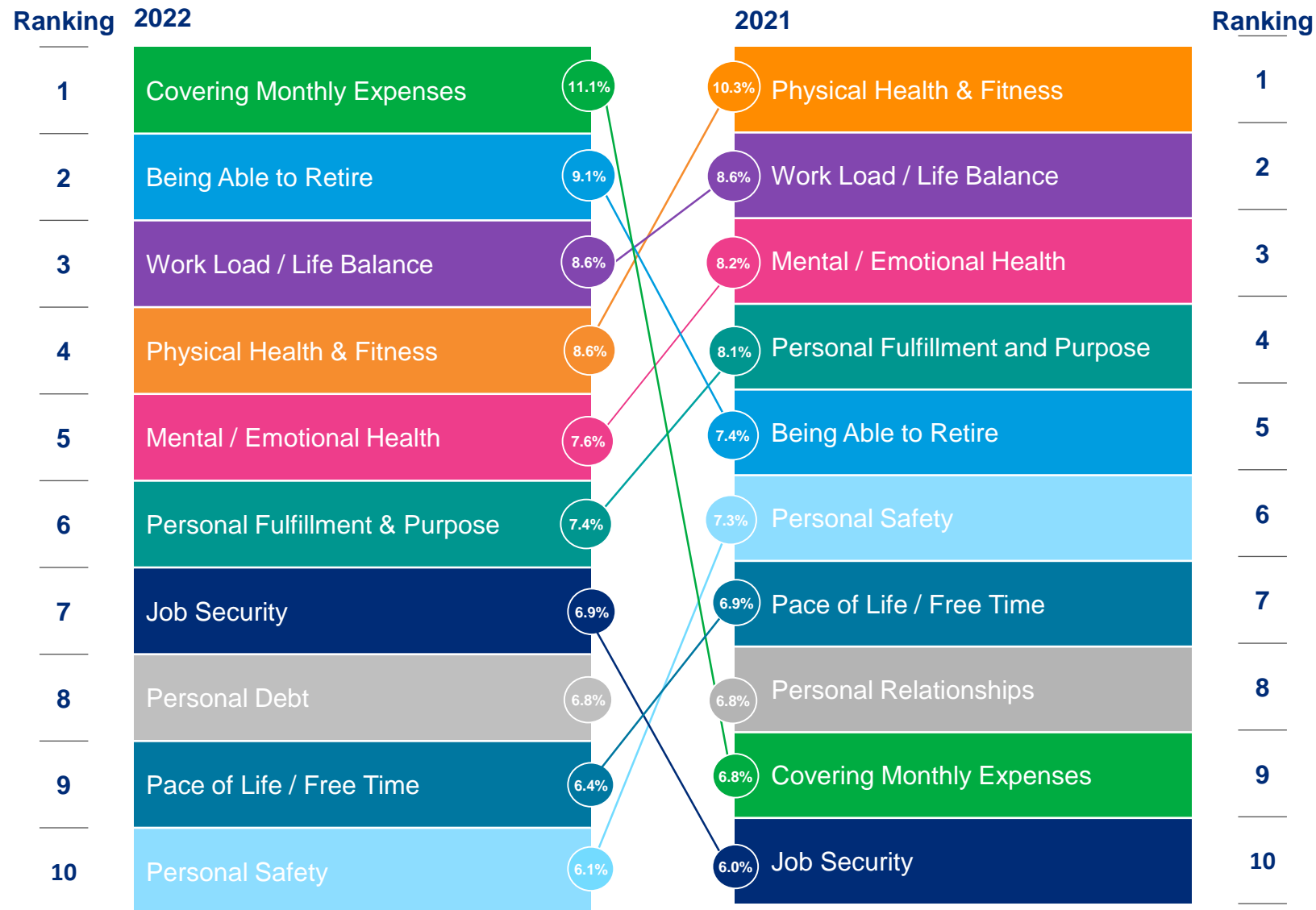
declined in importance with reduced concerns over COVID, but still claims a top spot



Source: Mercer's 2022 Inside Employees' Minds® Study

Workers wants and needs have changed significantly

- **Financial concerns increased significantly**
 - Covering monthly expenses claims the top spot, up from #9
 - Ability to retire jumped to #2 from #5
 - Personal debt was not previously a top concern
- **Job security** is now an above average concern, increasing 15 points since last year
- **Purpose** declined as workers face increasing financial worries



Grey items represent items that were not in the top 10 both years

Inflation is hitting hard for everyone

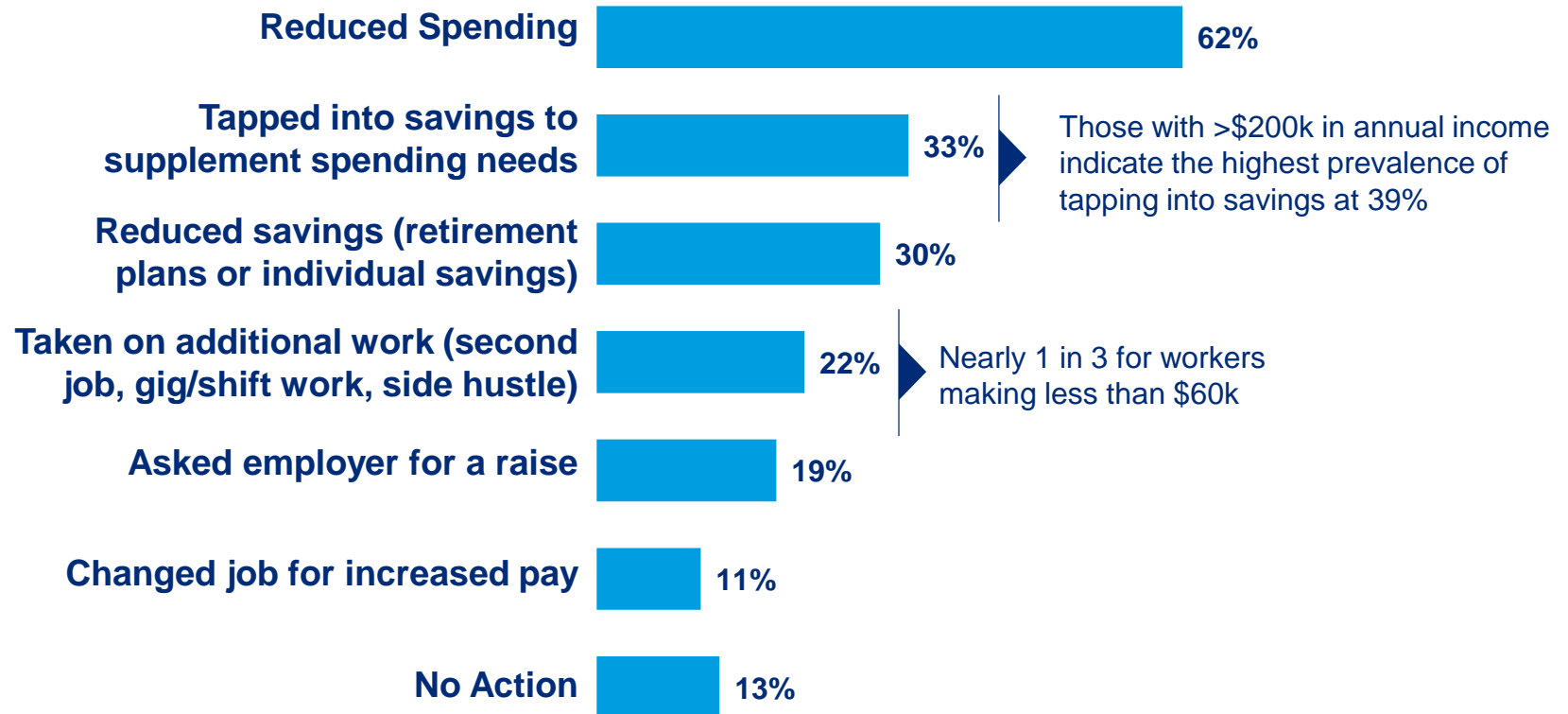
Workers are making lifestyle changes to adapt



7 out of **10** employees say that high inflation and market volatility in 2022 has significantly increased their financial stress...

...and this holds true across income levels

What changes have you made in response to the current inflationary environment?



Employees struggle to get the healthcare they need

Healthcare affordability is the biggest struggle faced by employees – especially low-income workers

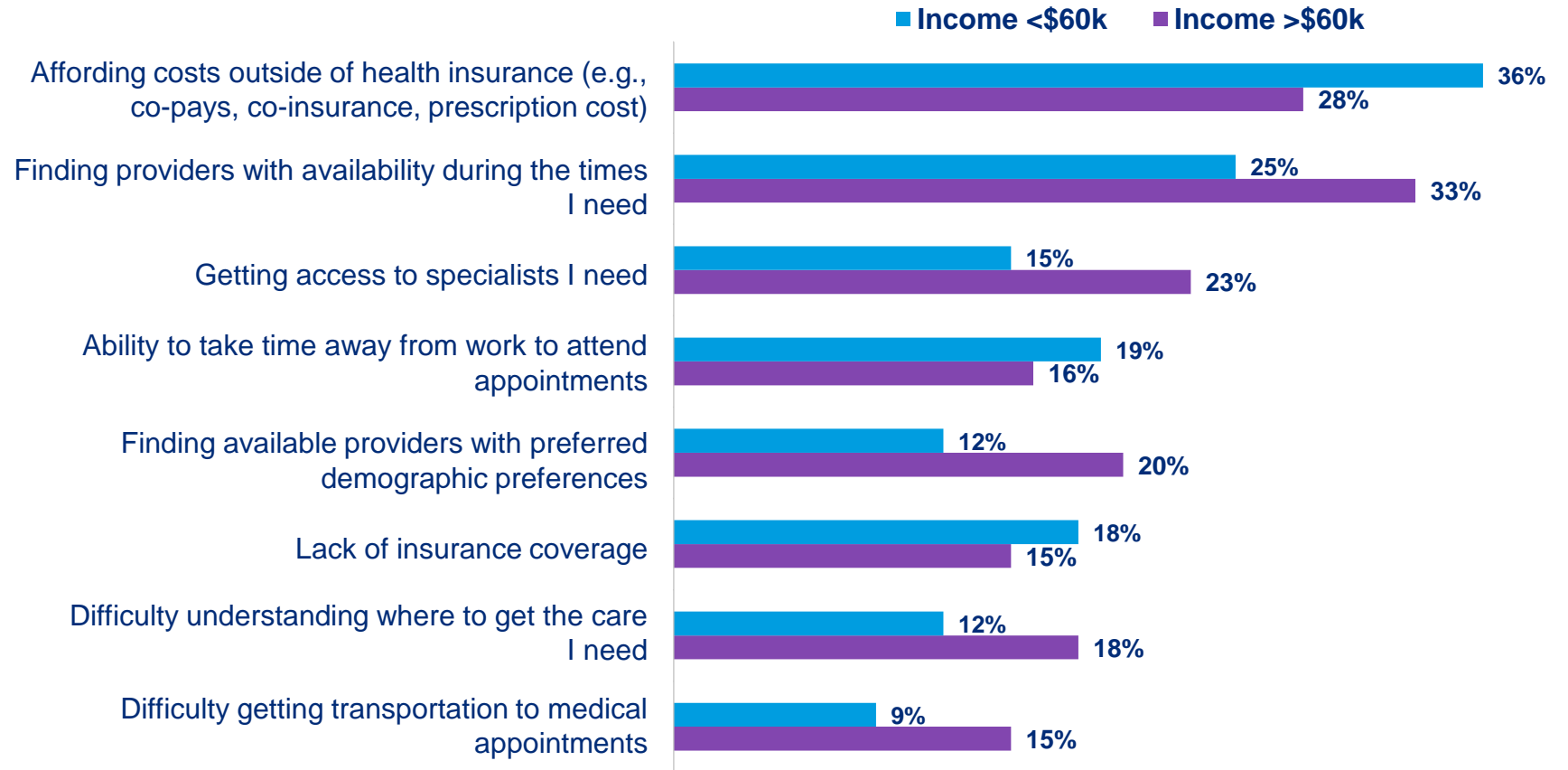


68%

of employees say they have challenges getting healthcare for themselves and their family

Younger workers, caregivers and LGBTQ+ employees are even more likely to say they face challenges getting the healthcare they need

What are your biggest challenges with getting the healthcare you need?

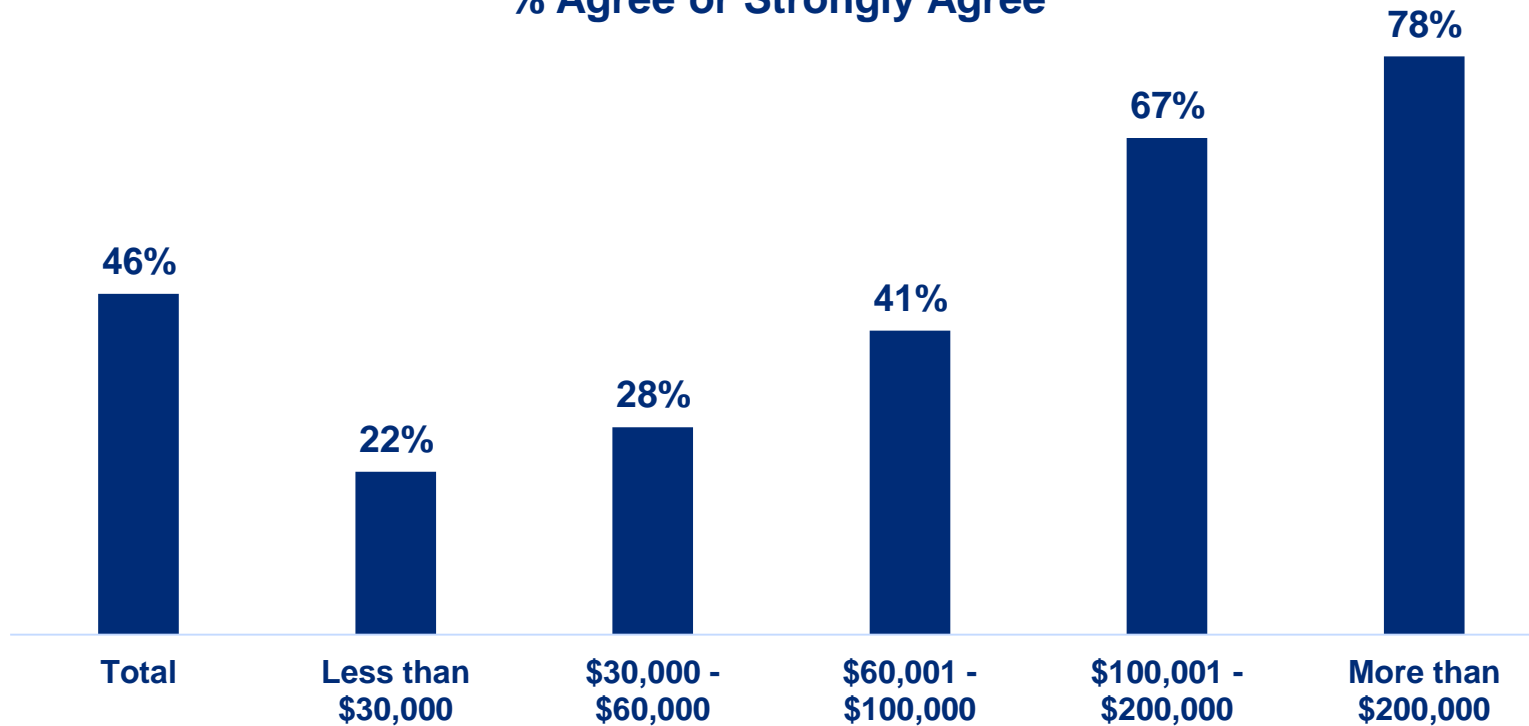


Fewer than half of workers are confident about retirement

Retirement confidence drops to 1 in 4 for low-income workers

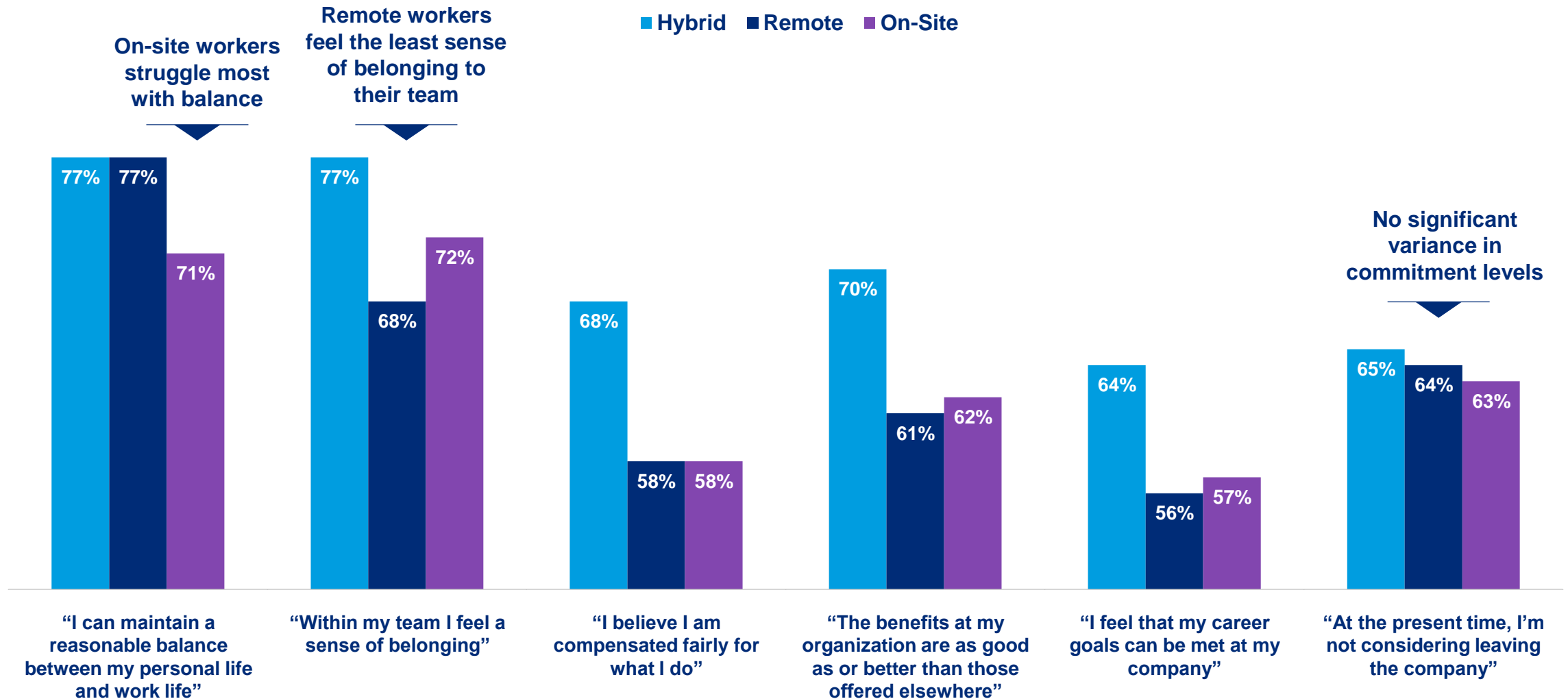
I am confident that I can turn my retirement savings into a consistent stream of income to last the rest of my life.

% Agree or Strongly Agree

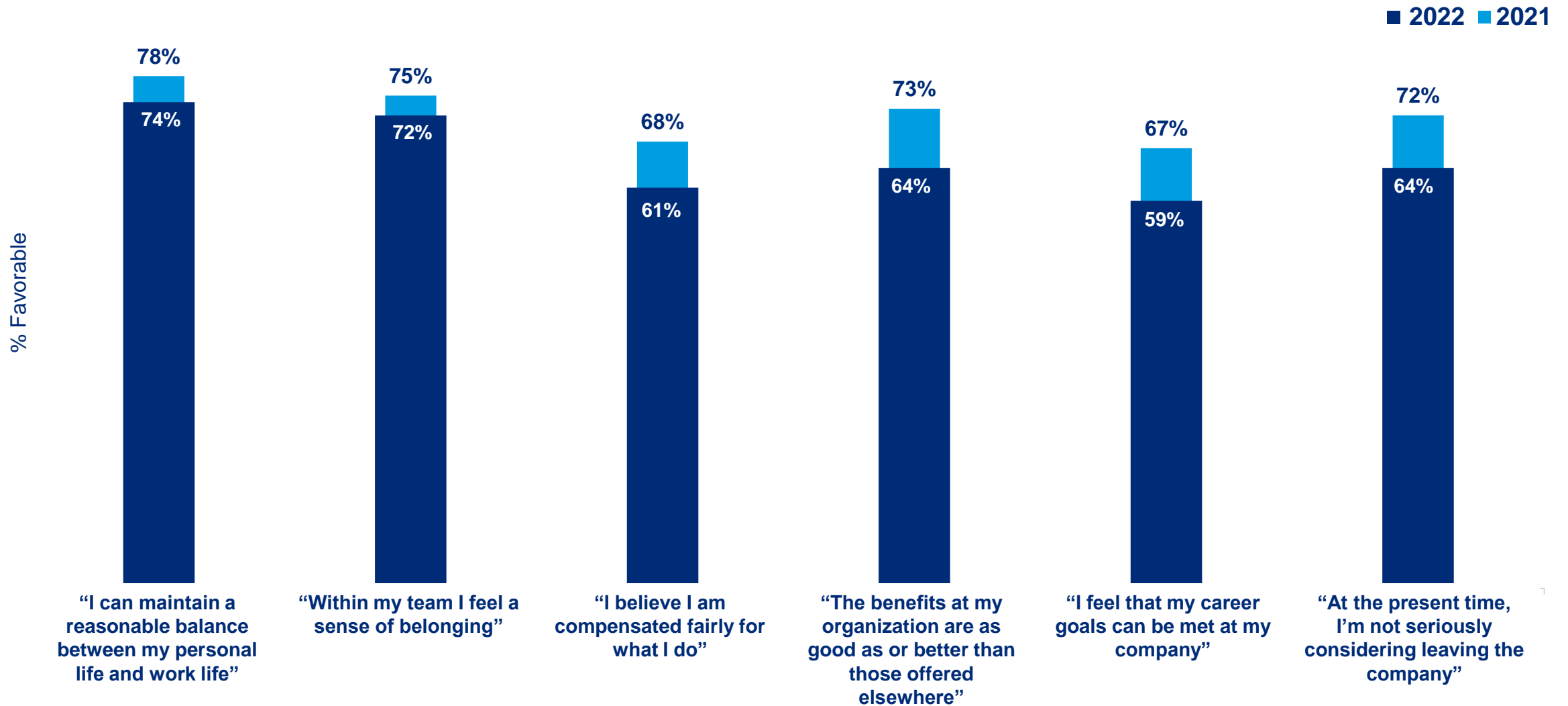


Hybrid workers are the happiest

Hybrid workers feel greatest sense of belonging, satisfaction and that their career goals can be met



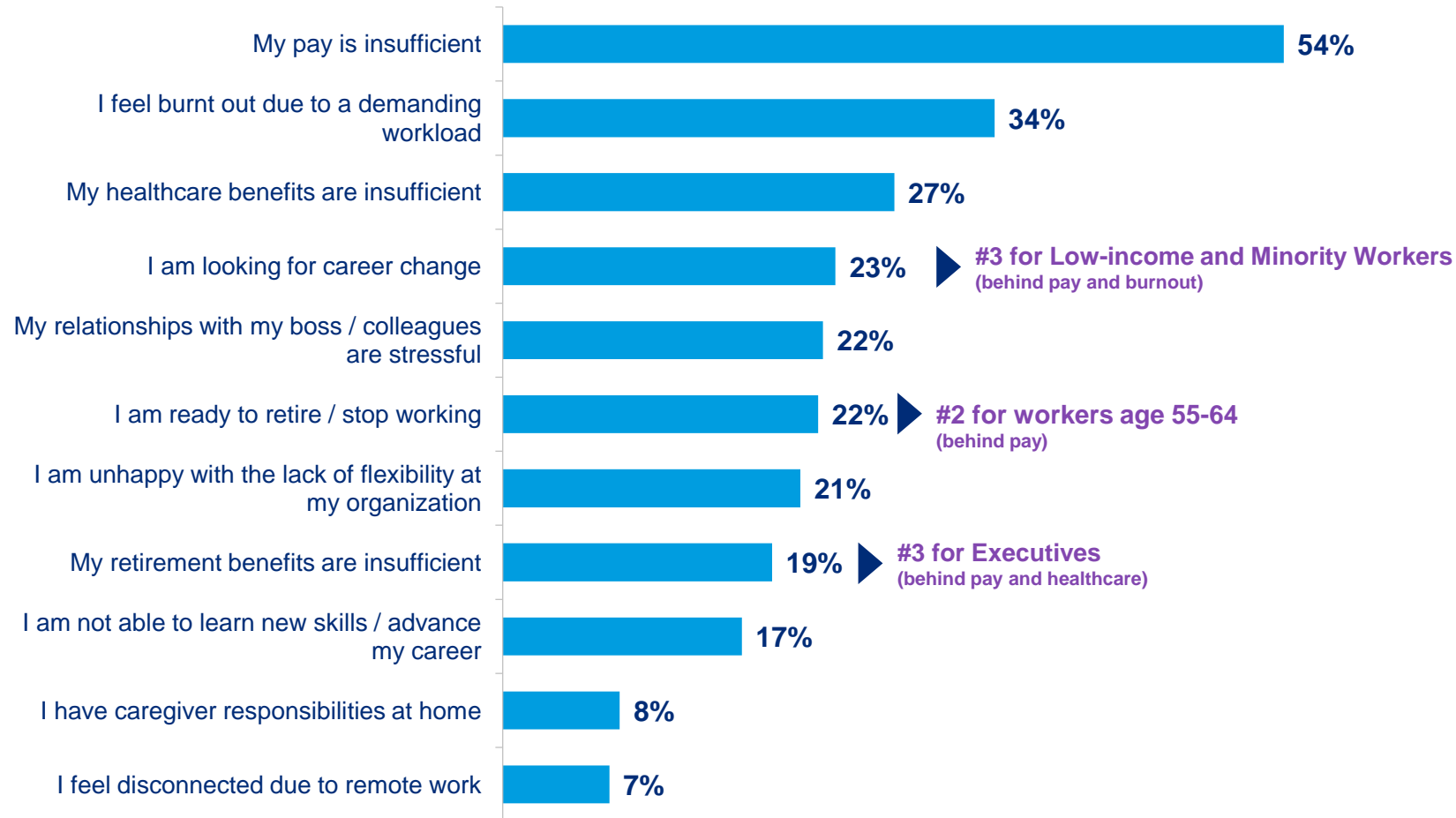
After pandemic highs, employee sense of support is diminishing



Source: Mercer's 2022 Inside Employees' Minds© Study

What are the top 3 reasons you would consider leaving?

Pay, burnout and benefits again top the list in 2022



Source: Mercer's 2022 Inside Employees' Minds© Study

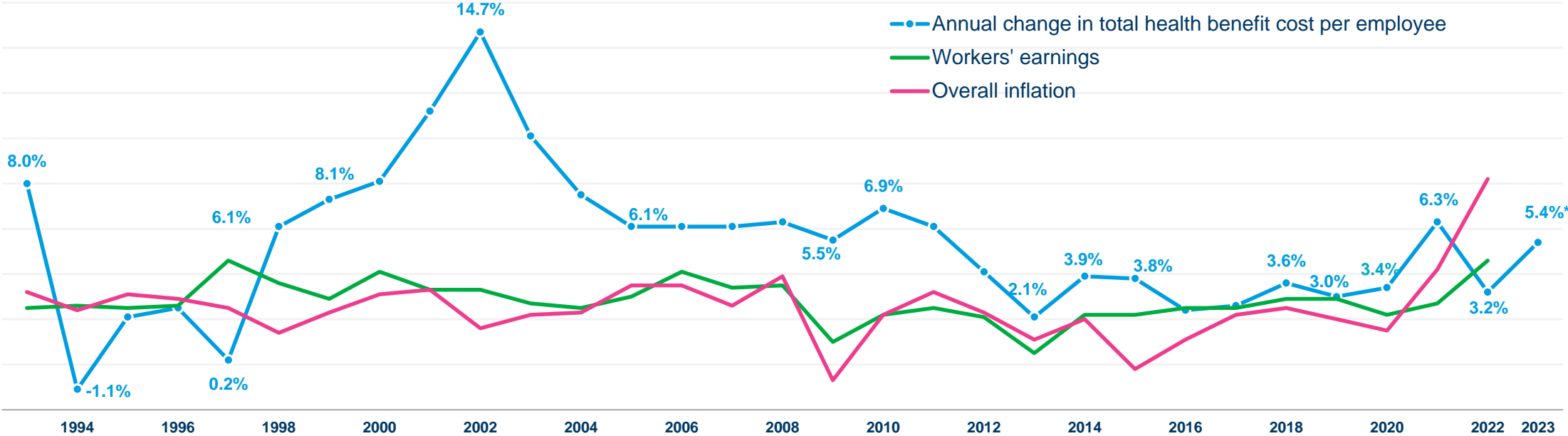


Healthcare benefit trends

2

Health benefit cost growth cooled in 2022 following a COVID-related spike, but sharper increases are expected

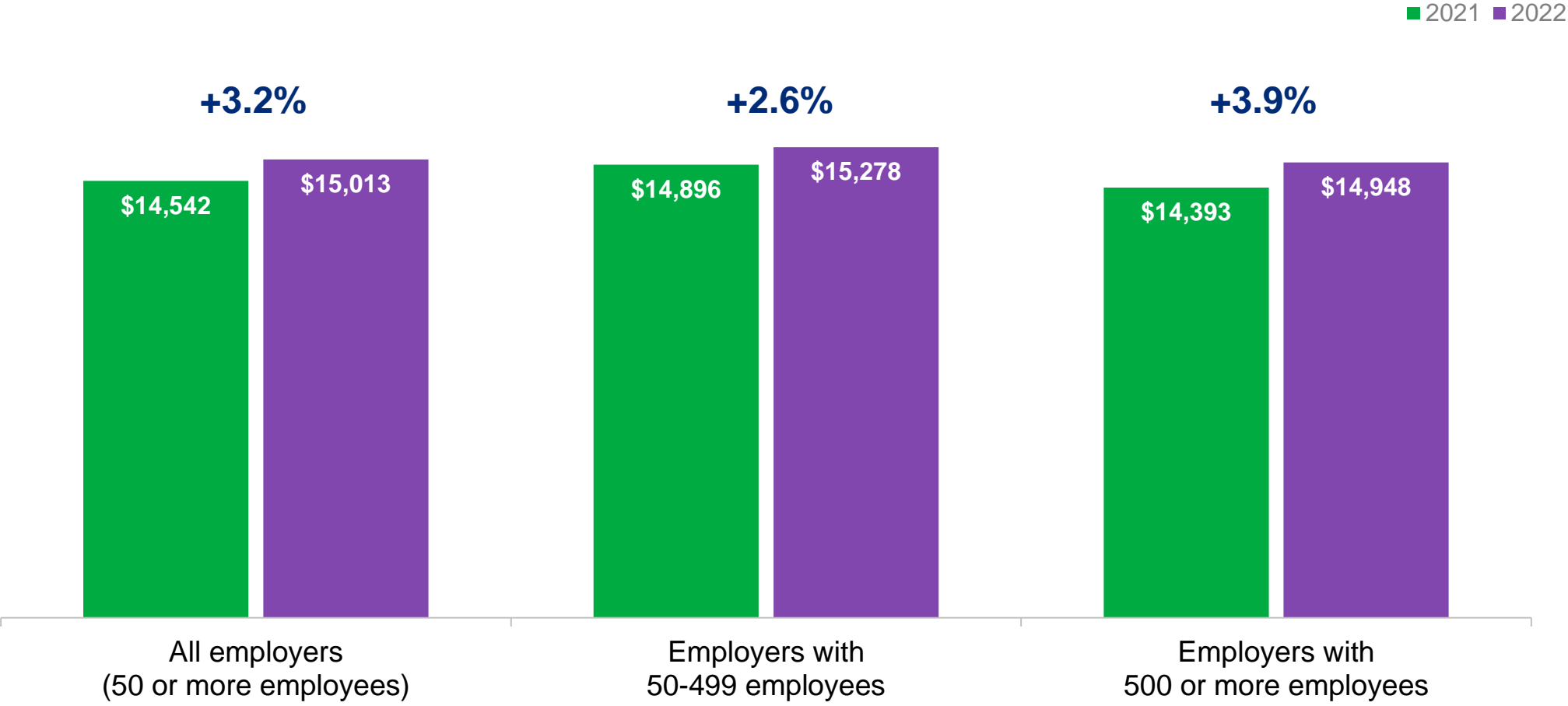
Change in total health benefit cost per employee compared to CPI, workers' earnings



2022 Mercer National Survey of Employer-Sponsored Health Plans
 Beginning in 2020, results are based on employers with 50 or more employees. *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); Bureau of Labor Statistics, Seasonally Adjusted Weekly Earnings from the Current Employment Statistics Survey (April).

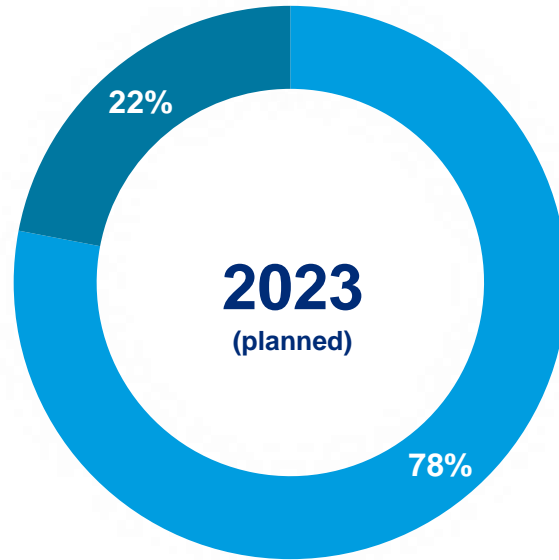
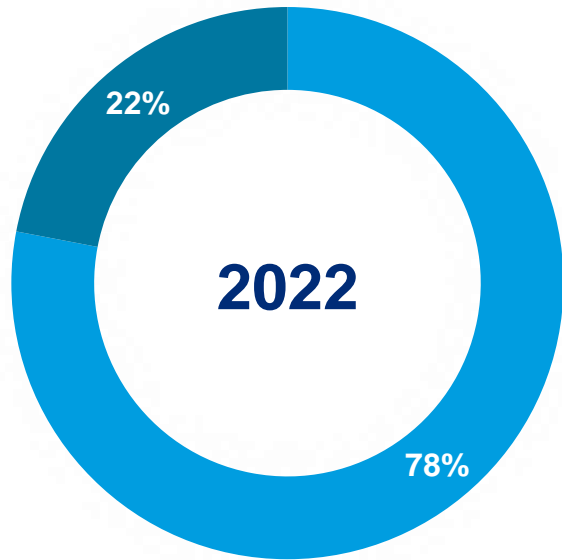
Per-employee cost topped \$15,000 in 2022

Average total health benefit cost per employee



Average share of total premium cost* paid by employees will not change in 2023

■ Paid by employer ■ Paid by employee



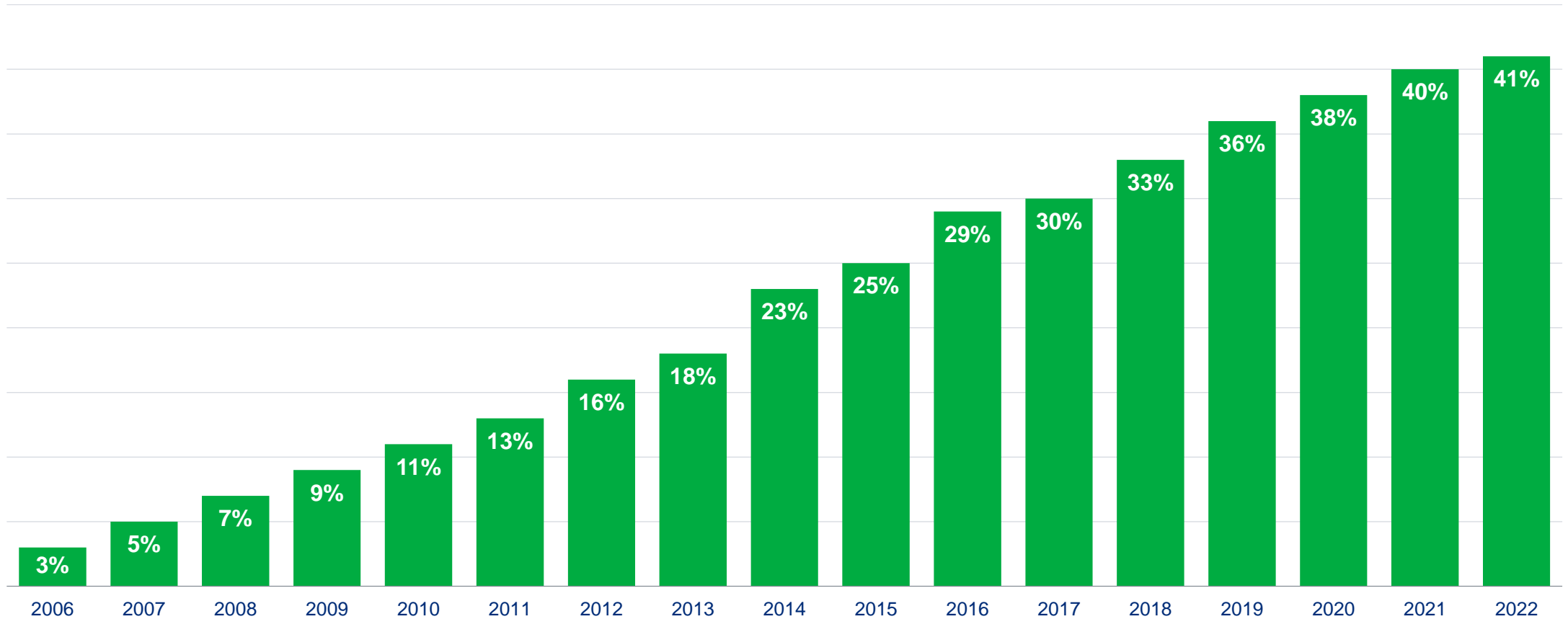
*Across all plans and coverage tiers

Employers with 500 or more employees



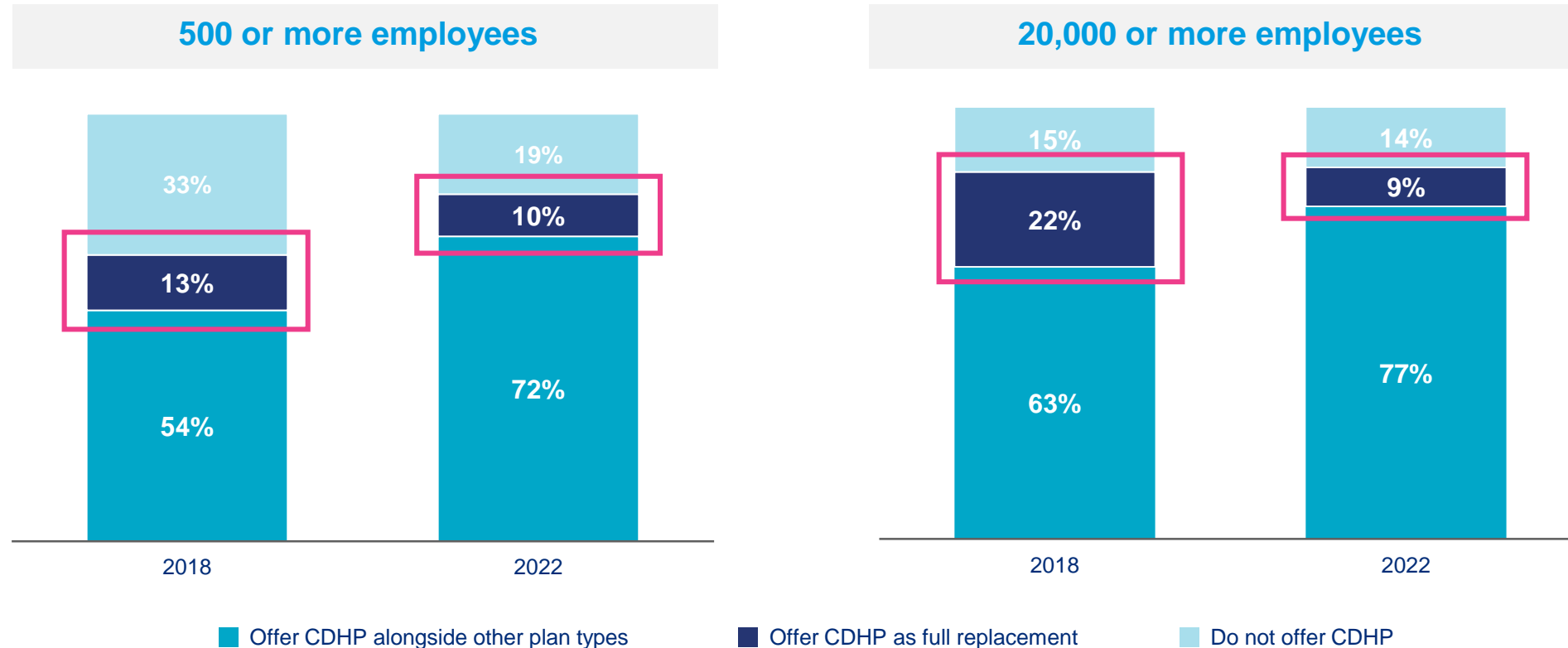
Even as full-replacement strategies wane, CDHP plan enrollment continues to tick upwards

Percentage of covered employees enrolled in account-based consumer-directed health plans



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

Employers are backing away from offering a high-deductible consumer-directed health plan as the only medical plan



Plans offered at largest worksite

Over the past few years employers have added voluntary benefits to help fill benefit gaps -- and meet diverse needs

Offer VBs that supplement the health benefit

2019	2022	
33%	46%	Hospital indemnity
59%	65%	Cancer / critical illness
67%	72%	Accident

Offer VBs that help personalize the benefit package

2019	2022	
27%	36%	Pet insurance
10%	11%	Student loan refinancing / repayment
36%	40%	ID theft

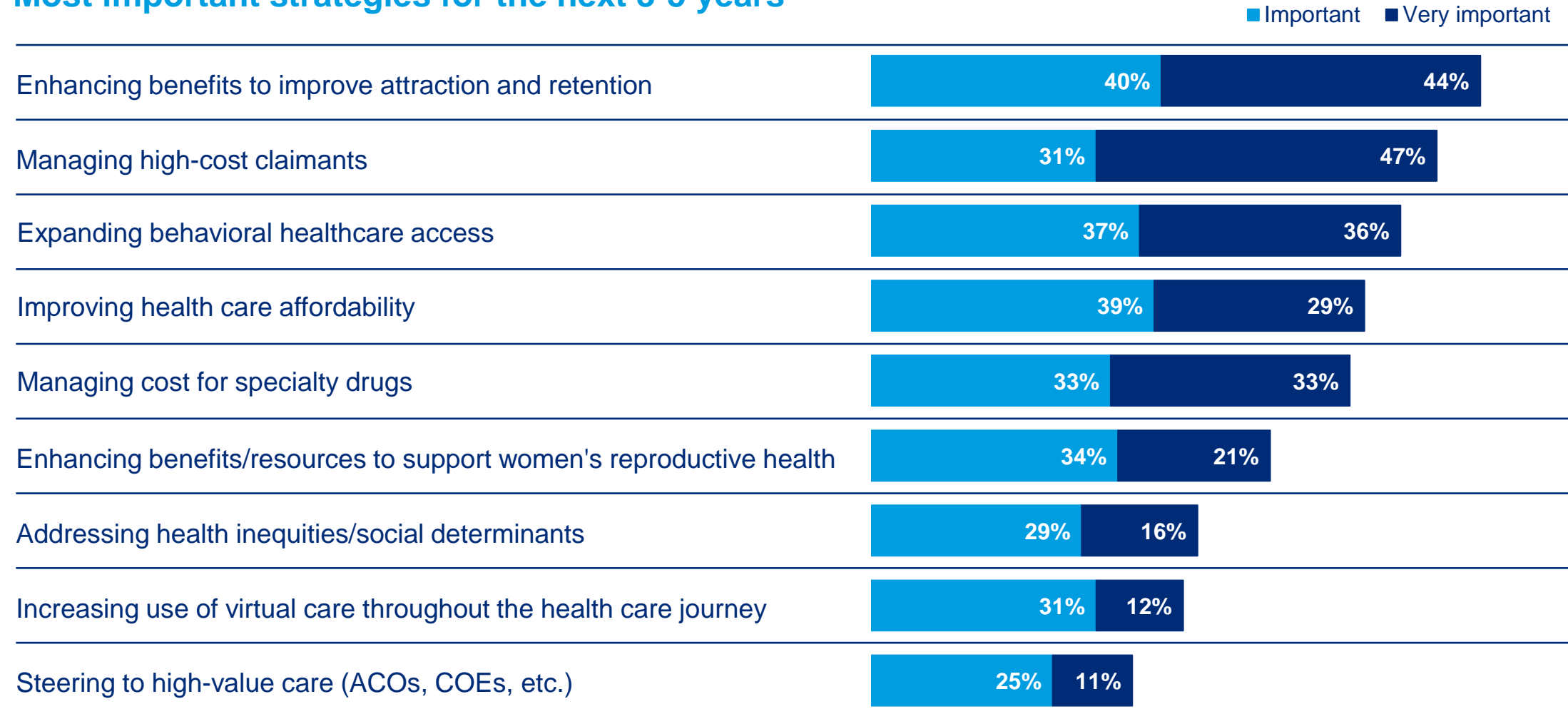
Employers with 500 or more employees

Strategic Priorities

3

#1 priority: Enhancing benefits to improve attraction/retention

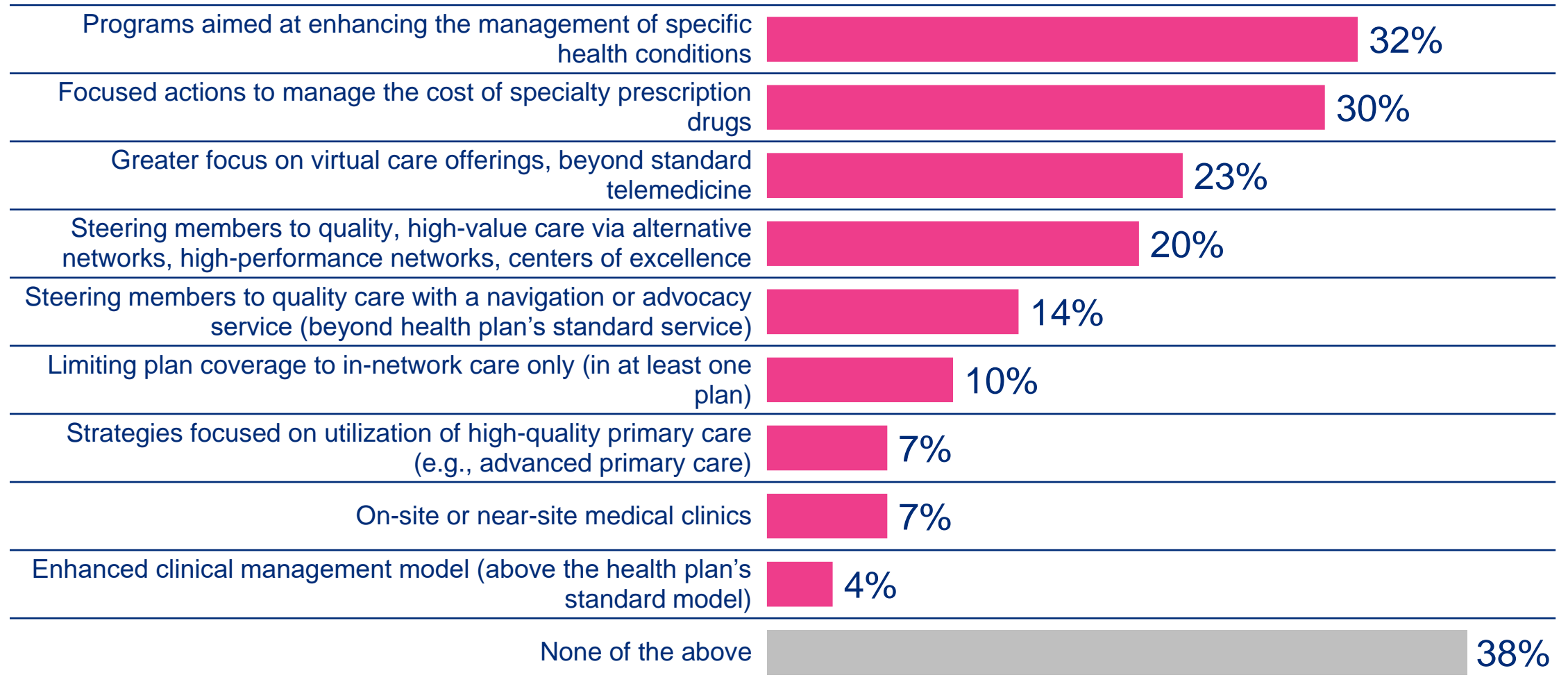
Most important strategies for the next 3-5 years



Employers with 500 or more employees

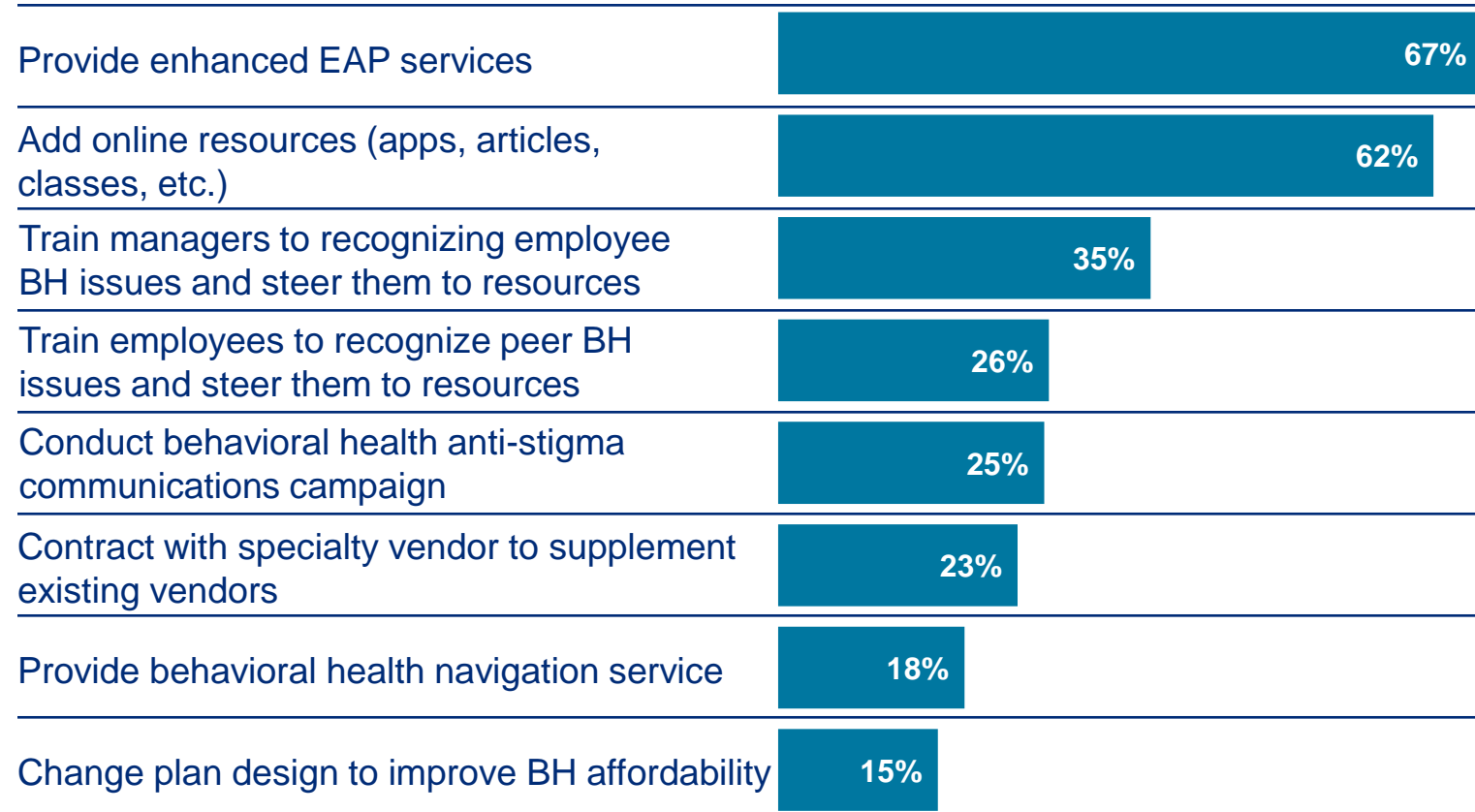
Strategies small employers will use to slow cost growth

Have implemented or seriously considering within two years



Taking actions to expand access to behavioral healthcare and reduce stigma in the organizational culture

Strategies in place or planned for 2023



Respondents with 500 or more employees

Expanding access to behavioral healthcare is the #3 health program priority among all large employers – and #1 among jumbo employers

Family-friendly benefits

Offer or plan to offer in 2023



Parental leave

Paid parental leave	70%
Paid adoption leave	53%
Paid foster child leave	33%
Paid surrogacy leave	27%
Phased back-to-work for new parents	12%



Family-building benefits

Onsite lactation room	77%
Adoption assistance (financial)	38%
Fertility benefit (financial support for fertility treatment outside of the health plan)	19%
Concierge fertility service (enhanced support, typically with a dedicated specialist who works with the care team and the member)	15%
Surrogacy benefit (financial)	14%
Breast milk shipping services for business travel	13%
Foster care assistance (financial)	8%



Child care assistance

Child care referral / consultations	30%
Access to backup child care services	22%
Tutoring / educational support	17%
Subsidized child care services	13%
College coaching	12%
Special needs support	10%
On-site child care	9%
Child care cost reimbursement for business travel / working late / overtime	4%








Elder care assistance

Elder-care caregiver referral / consultations	34%
Provider and facility search assistance	28%
Access to backup elder-care services	19%
Elder-care caregiver leave	13%

Respondents with 500 or more employees

If you only do five things ...

- 1** |  | **Plan for future inflation-related cost increases, but maintain a balance against the value of health insurance as an attraction and retention tool.**
- 2** |  | **Ask insurers in-depth questions about the true extent of their support for mental health conditions.**
- 3** |  | **Explore the functionality and quality of digital services offered by insurers, and understand how these fit within the benefits portfolio.**
- 4** |  | **Promote early health screening and diagnosis for chronic conditions to help manage future claims costs.**
- 5** |  | **Establish a year round education and communication plan to promote the value of the benefits being offered.**