MarshMcLennan Agency

2023 Benefits Trends:

The evolving workplace

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Talent acquisition and retention will weigh heavier on the evaluation of benefits solutions in the years to come.

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The employee health & benefits trends of 2023

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Tomorrow's workforce is looking for more than a benefits plan.

Marsh McLennan Agency (MMA) offers a variety of solutions to support the needs of your people, your team, and your business. We specialize in helping middle-market organizations — whether self-funded or fully insured — find ways to provide their employees with benefits they can take advantage of.

While predicting and responding to employee benefit trends and employee expectations can be difficult, MMA is here to help make it easier. We offer a number of solutions that help you stay in touch with your employees and streamline how you offer the benefits they need.

Environmental, social, and governance impacts

What is ESG?

The initialism ESG stands for the environmental, social, and governance impacts of an organization. These three key dimensions are how corporate sustainability and ethics are evaluated as well as a lens for investing based on policies to encourage companies to act more responsibly.

ESG strategies are becoming increasingly important for organizations and leadership teams, regardless of size, annual revenue, or industry.

ESG can also be a way for organizations to future-proof their companies as global regulations, consumers, and employees demand more sustainable and equitable business practices. By measuring themes like community and social vitality, health and well-being, dignity and equality, climate change, and risk and opportunity oversight, ESG strategies are moving toward the center of corporate decision-making. This enables both internal and external stakeholders to create transparency around the metrics of business impact that historically hasn't shown up in earnings calls and benefits conversations.

Let’s look at the S, in ESG, as a workforce strategy.

The social component of ESG covers all the ways companies interact with their employees and the communities in which they operate. In other words, it is how a company treats and values people.

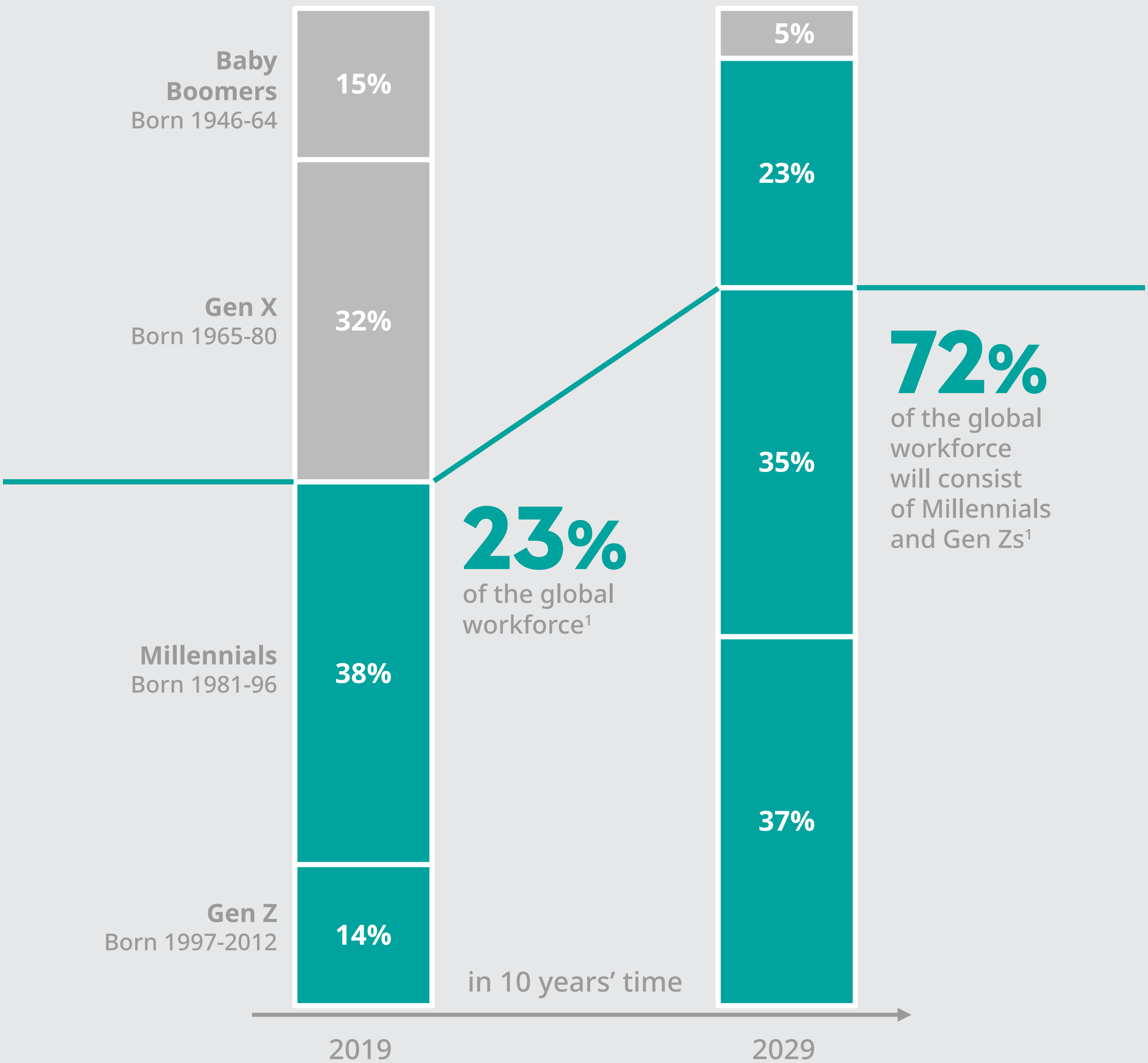
For example, what are the organization’s labor management policies? Is it committed to product safety and quality? What impact does it have on the communities where it operates—are the effects beneficial or adverse to the local community? Do its suppliers adhere to high labor standards as well?

Today, creating a purpose-driven culture and establishing a purpose-driven business is more important than ever. External pressures from investors to employee experience demands and talent retention to facilitating thought leadership are taking center stage in strategic workforce conversations.

As the world reopens post-pandemic and offices go back to full or part-time, and as leadership responsibilities and accountabilities grow, it’s time for companies to lean into social impact. Work continues to be one of the places we spend most of our time, and employees are looking for connection and meaning in more ways and in more of their day-to-day activities. Companies that give their employees, from skilled trades to knowledge workers, more than a paycheck are seeing big gains in productivity and overall satisfaction. Plus, ESG performance will become increasingly important in attracting and retaining talent as millennials and Gen Z come to make up most of the global workforce.

14%

of companies with higher ESG scores report higher employee satisfaction.[1]

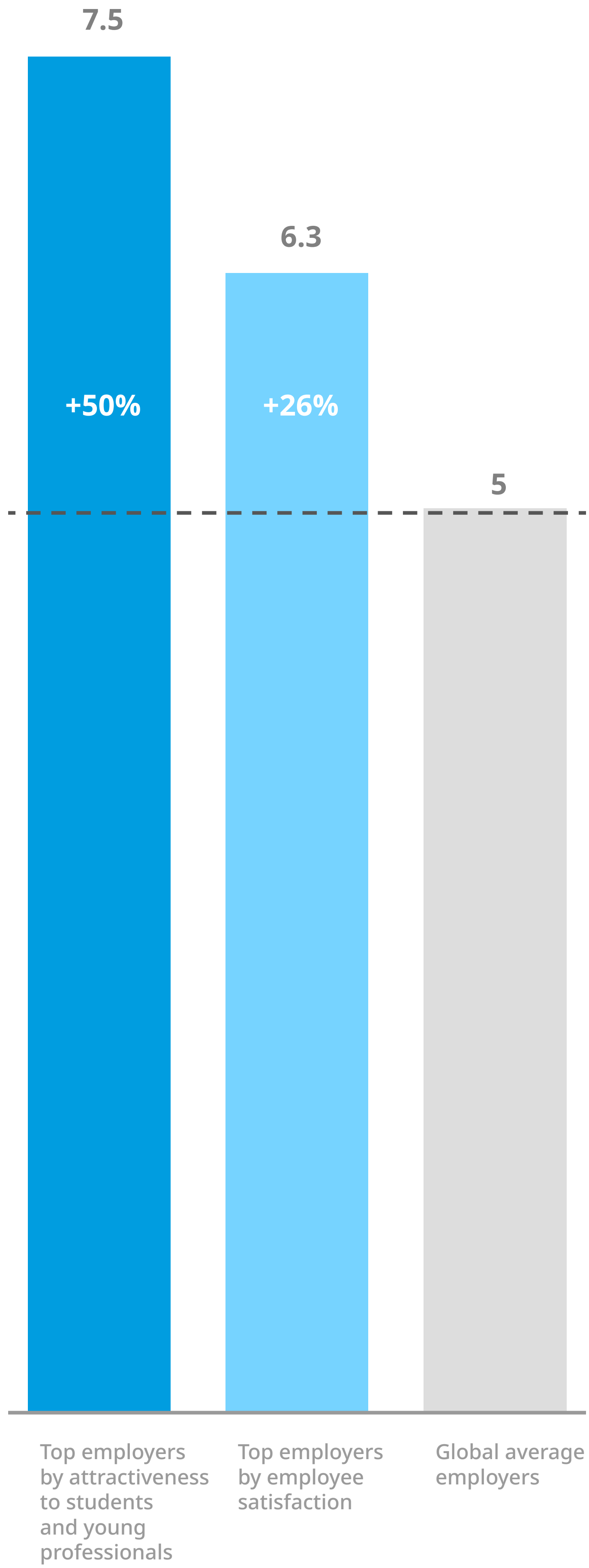

Baby Boomers
Born 1946-64
Gen X
Born 1965-80
Millennials
Born 1981-96
Gen Z
Born 1997-2012
15%
32%
38%
14%
5%
23%
35%
37%
23%
of the global workforce[1]
72%
of the global workforce will consist of Millennials and Gen Zs[1]
in 10 years' time
2019
2029

Perceived impact of environmental risks[1]

Even with a global recession looming, where the unemployment numbers are bound to go up, a company's ability to understand employee sentiment around purpose and impact should remain a top priority. It is no longer a nice to have, but a must-have to combat attrition and turnover.

Leading employers make greater efforts than their peers to understand employee sentiment.[1]

The trends are clear, companies that best satisfy and attract talent rate higher in ESG performance than their peers. This is the main reason why ESG strategies will remain a priority for many employees when it comes to where they will choose to work. It is also why employers will continue to center these conversations when discussing how to attract, retain, and sustain talent. It is clear that ESG performance will function increasingly as a competitive advantage for those companies that integrate these metrics into their overall business performance and operational strategies.



TREND 1

Shifting workplace expectations

The shifting expectations regarding meaningful support of today’s workplace and workforce

Talent retention and recruitment are becoming a persistent concern for businesses, as they struggle to adapt and adopt practices that reflect what people really want out of work.

We are seeing a massive shift in what it means and will mean to be an employer, driven by expanding employee demands. Attitudinal and behavioral data has signaled these shifts for years, but as economic volatility and a global recession looms large employers must deploy new strategies. Employees have continued to ask more from leaders and businesses when it comes to their impact on individuals, the communities they serve, and the planet we all call home.

With real pressures increasing for working families, they must continue to make tradeoffs between where they spend their time and money. While increased pay is a top priority for many employees and a top solution for businesses to remain competitive, higher wages are far from a silver bullet. Companies don't understand the realities their employees are facing, despite their best efforts and are making ineffective moves based on faulty assumptions.[1] To that end, organizations that fail to reinvent their approach to both attracting and retaining talent are risking turnover, vacant positions, and lost opportunities that negatively impact their bottom line.

50%

are reconsidering the work they do because of the pandemic[2]

3x

more than other generations, Millennials are reevaluating work.[2]

Employees are placing a higher premium on finding meaning and purpose within their work.

One thing is certain after suffering through the pandemic: many are still grieving—grieving the loss of loved ones, of routines and the familiar, of missed connections, coffees, and gatherings, canceled vacations and postponed rituals, including the loss of going into an office every day. Loss, both big and small, is continuing to radiate across work and personal lives.[1] Leaders need to bring the mourning process forward in their internal cultures to support employees as well as recognize and acknowledge that people are not going back to the old ways of working.

2/3

are reconsidering the work they do because of the pandemic[2]

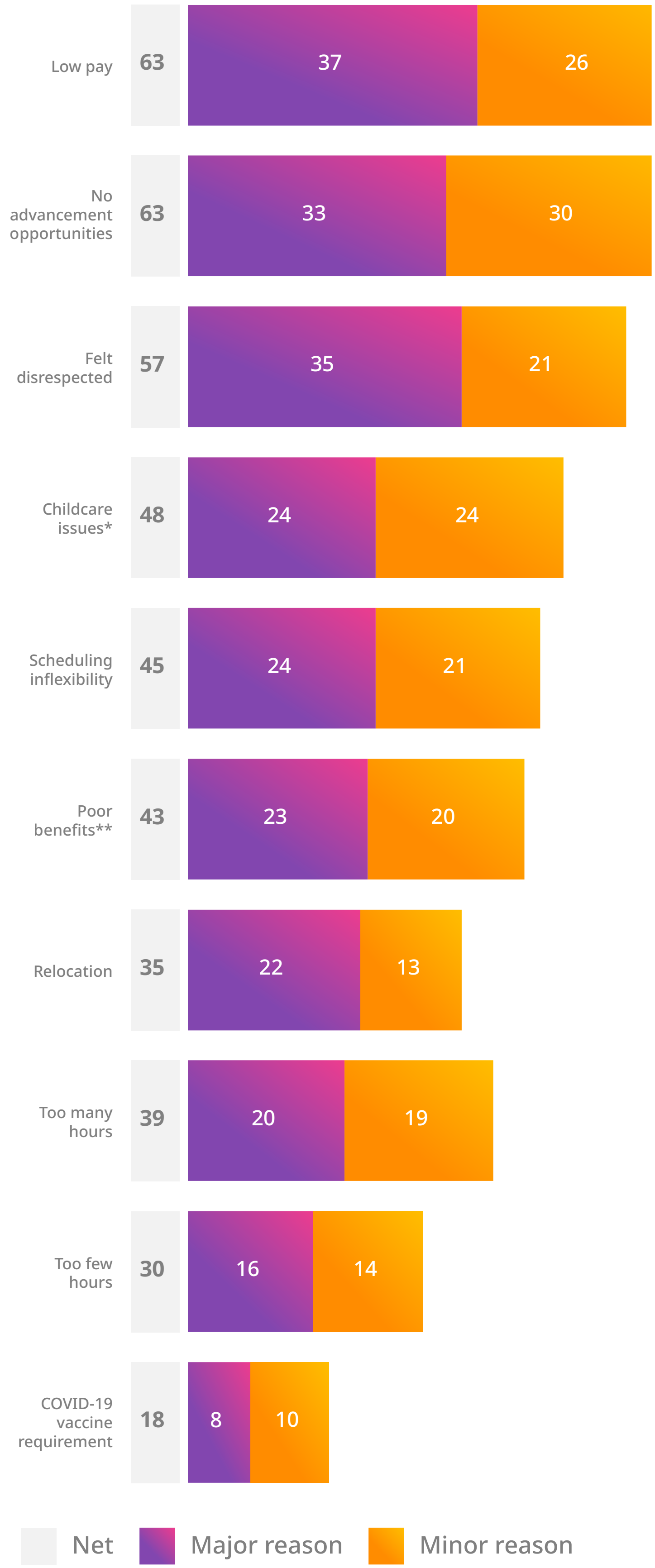
People who live their purpose at work are more productive than people who don't. They are also healthier, more resilient, and more likely to stay at the company. Moreover, when employees feel that their purpose is aligned with the organization's purpose, the benefits expand to include stronger employee engagement, heightened loyalty, and a greater willingness to recommend the company to others.

–McKinsey[2]

Top reasons why U.S. workers left a job in 2021: Low pay, no advancement opportunities.[3]

They want, and to some degree need, a renewed and revised sense of purpose in their work. They want social and interpersonal connections with their colleagues and managers. While that may seem like a tall order, showing up with empathy and compassion are two things leaders and management can do right now to help. While the pandemic may appear smaller in the rearview mirror, the grieving process is a long and arduous one—one that businesses of every size need to continue to grapple with as employees continue to look for meaning in new and different ways.

A clear shared identity is one way to make it easier for groups of employees to see their roles through a wider aperture. Historically, mission, vision, and values have remained static, resigned to the hallways of leadership, shareholder and investor conversations. Today, these need to be action-oriented, understood and supported by every employee at every level, and operationalized in the day-to-day in order to deliver purpose at work.



*Among those with children younger than 18 living in the household.

**Question provided health insurance and paid time off as examples.

Note: Figures may not add to subtotals due to rounding.

Mid-market companies, with leaner operating leadership models and narrower focus, can often articulate and live their purpose with greater ease and more authenticity.

By promoting their purpose externally, and living their purpose across the business, mid-market companies are enhancing the employer value proposition for candidates seeking to join purpose-driven organizations.[5]

Rather than feeling constrained to the activities defined for them, employees want to help define their own work through adding value to society and contributing to the purpose of an organization. When done right, this kind of work creates connection, belonging, and a role in being part of a bigger picture. This also creates teams that proactively and autonomously pursue opportunities, from engaging customers, to breaking into new markets. If the past 18 months have taught people anything, it's that employees crave investment in the human aspects of work. They want, now more than ever, their jobs to bring a significant sense of meaning to their lives and are willing to make moves to get it. Employers need to create strategies and initiatives that help them meet this need, or be prepared to lose talent to those that will.

While it may feel burdensome, paying attention to purpose is an opportunity to meet employees where they are at. Additional support is easier to provide when employees feel like they have something to rally around, something bigger than themselves and their day-to-day activities. Treating employees more like clients must be considered and leaders who build a strong connection that is rooted in both the business and their humanity can have a huge impact.

Anthony Perillo, Ph.D.
@ADPerillo

Hon, is everything ok? You’ve barely touched your 2020 DEI initiative.

Organizations continue to struggle with moving DEI programs beyond building awareness to creating real and sustainable action.

There was no increase in organizations with a DEI strategy from 2021 to 2022. Establishing, connecting, and integrating DEI initiatives remains a significant challenge for many organizations and we are seeing many of the currently pledged initiatives not live up to expectations. Only 42% of organizations have leadership that is committed to modeling inclusive behavior and championing DEI initiatives. This is actually down five percentage points from 2021, and yet diversity, equity, and inclusion work remains one of the most important aspects of improving the employee experience across the board.[6]

According to BenefitsPRO, some key reasons for the downshift in effort and focus are, “failure to explicitly connect DEI objectives to the organization’s mission, vision and values; lack of sustainable support from leadership; and absence of a cohesive strategic approach to integrating DEI into all aspects of the business.”[7]

Two years after companies made very public commitments to advancing racial equity, we've seen some progress — but more is needed. The engagement of the $18 trillion+ private sector and continued investment in meaningful action by corporate leaders are critical to helping our society reach equity for all.

–Ashley Marchand Orme, Director of Corporate Equity at JUST Capital

Overall there is a lack of long-term strategic planning and integration as well as accountability.

Businesses are prioritizing diversity without putting equitable and inclusive structures in place to actually support a diverse work culture. Often, organizations place their DEI initiatives as a function of HR and do not pull programming through to all aspects of their organization and day-to-day operations. It is important to mention another indicator for lack of success comes from poor training and delivery of shifting systems or policies and inauthentic and opaque conversations at every level, not simply the C-Suite. Companies must also reconsider their recruitment partners and channels.[8]

Also, the lack of DEI success means employees are impacted in very direct and personal ways, contributing to both attrition and resignations.

51% of employees who recently quit their job cited a lack of belonging at work as a critical reason for leaving. Employees from underrepresented identities were even more likely to cite this reason.[9] So while we know that employees who feel included are nearly three times more likely to feel excited by and committed to their organizations, the effort put forward doesn't match the data.

Companies in the top quartile for ethnic/cultural diversity on executive teams were 35% more likely to have industry-leading profitability. On the flip side, companies in the bottom quartile for both gender and ethnic/cultural diversity were 29% less likely to achieve above-average profitability than were all other companies in our data set. The bottom line implications cannot be ignored.[10]

A Workhuman report expanded on the many benefits that result when employees feel they are included, accepted, and belong at work. Among them:

- Higher employee engagement and productivity
- Reduced stress and better health
- Reduced conflict and improved relationships
- Increased resilience and trust
- Higher levels of learning and performance
- Greater effective commitment[10]

38%

report having a formal DEI strategy — the same as 2021.[6]

51%

of employees who recently quit their job cited a lack of belonging at work as a critical reason for leaving. Employees from underrepresented identities were even more likely to cite this reason.[9]

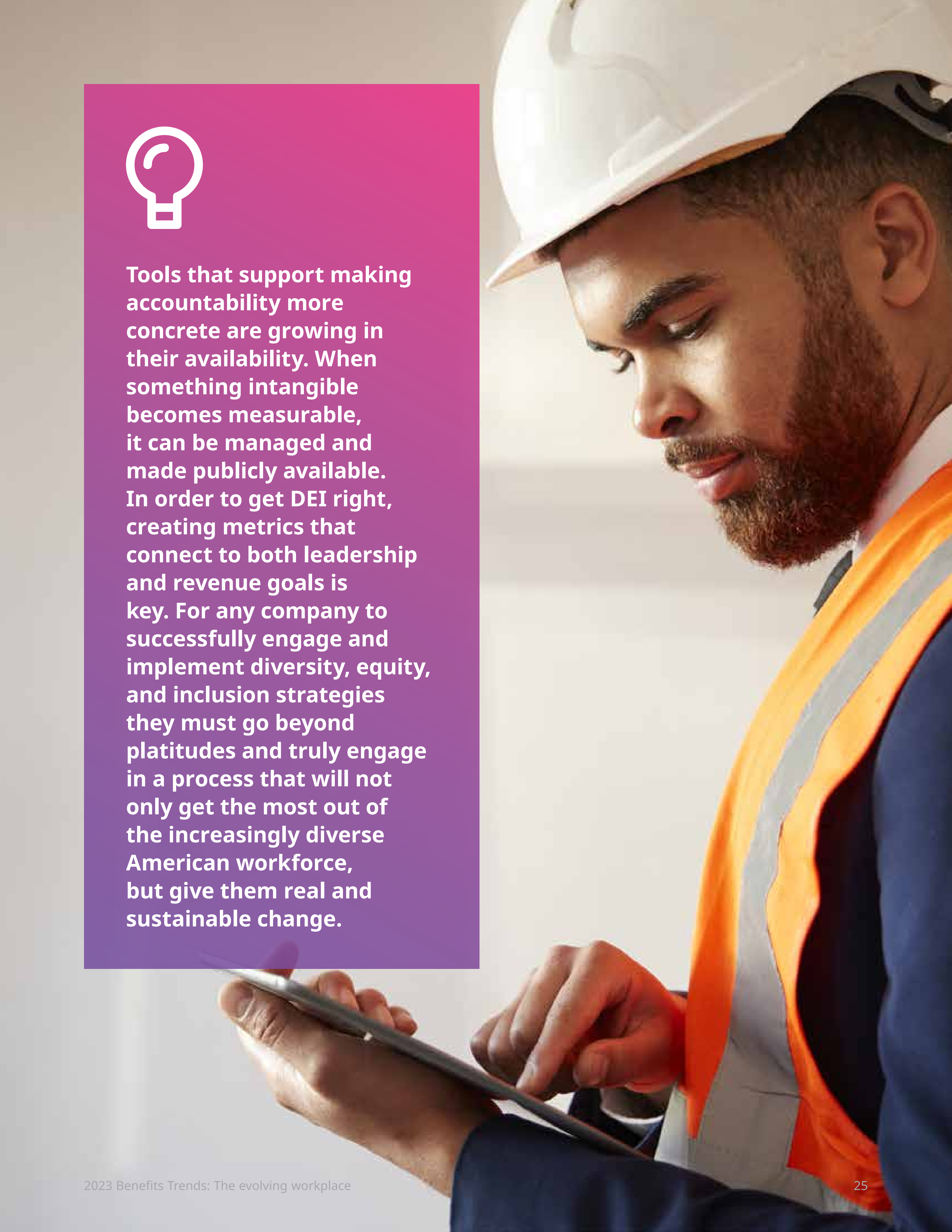
We often think of employees like patients, that when they walk out the door of an office they become someone else. But the truth is we are human in every role we play including the ones we take on at work. Each person has their own story and is accompanied by different needs. But the one thing we all share in common is the need for connection, which doesn't shut off when we log on or get to our desk. This reality is difficult for employers to acknowledge, respond to, and create sustainable solutions that solve the problem. However, letting this work fall to the wayside will open employers across every industry to attrition and apathy. The key to what's next is to listen to what people need and find a way to support it in any and every way possible.

An inclusive culture is increasingly a competitive advantage for organizations in attracting and retaining top talent.

47% increased likelihood of employees staying with an organization if it's inclusive

90% increased likelihood of employees going out of their way to help a colleague if they work in an inclusive organization

7x increased likelihood of employees saying their organization is high-performing if it's inclusive



Tools that support making accountability more concrete are growing in their availability. When something intangible becomes measurable, it can be managed and made publicly available. In order to get DEI right, creating metrics that connect to both leadership and revenue goals is key. For any company to successfully engage and implement diversity, equity, and inclusion strategies they must go beyond platitudes and truly engage in a process that will not only get the most out of the increasingly diverse American workforce, but give them real and sustainable change.

Empathy is the key to solving the myriad of challenges employers face when it comes to the modern workforce.

Every company and every team has its own unique needs. People are asking for a greater employee experience overall—one based on empathy and truly built with their needs in mind, which requires organizational understanding. Many companies today report they do not have this.

As the great resignation becomes the sustained resignation, and continues to impact women and low wage workers at a higher rate across the board, we are seeing businesses struggle across industries to “maintain business as usual” mentalities and practices. It doesn’t take much to find social media accounts promoting rest over productivity, connection over capitalism, and musings about the fact that they have no dream job because “they’ve never dreamed of labor.” It is hard to deny that more and more people of working age are rejecting the idea of climbing the ladder and embracing a different relationship to their work. Another term that has come to the forefront, the great attrition, is widespread and likely to persist if not accelerate in the foreseeable future.

50%

of the U.S. workforce are

"Quiet Quitters"

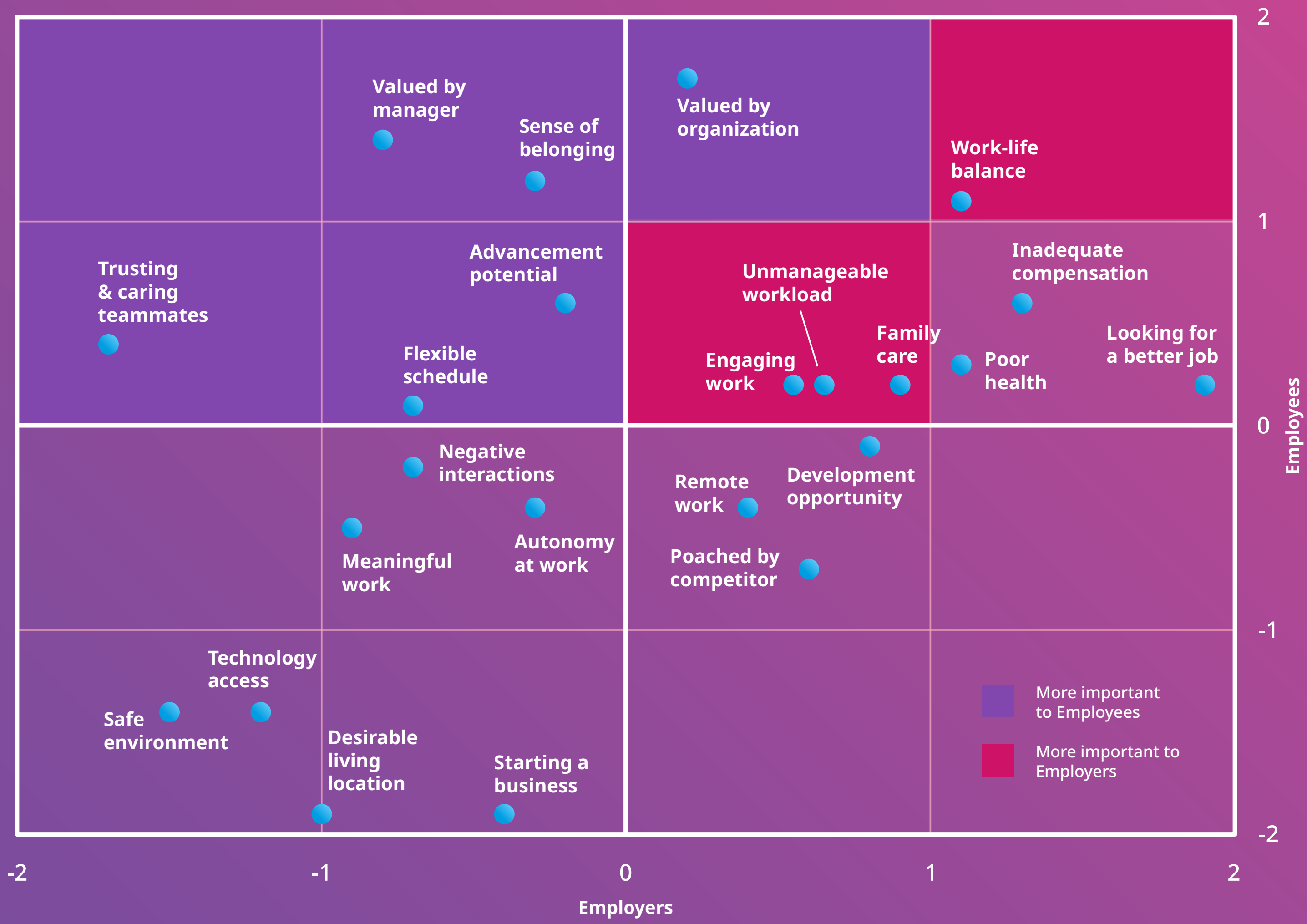
or those defined as people who do the minimum required and are psychologically detached from their job.[10]

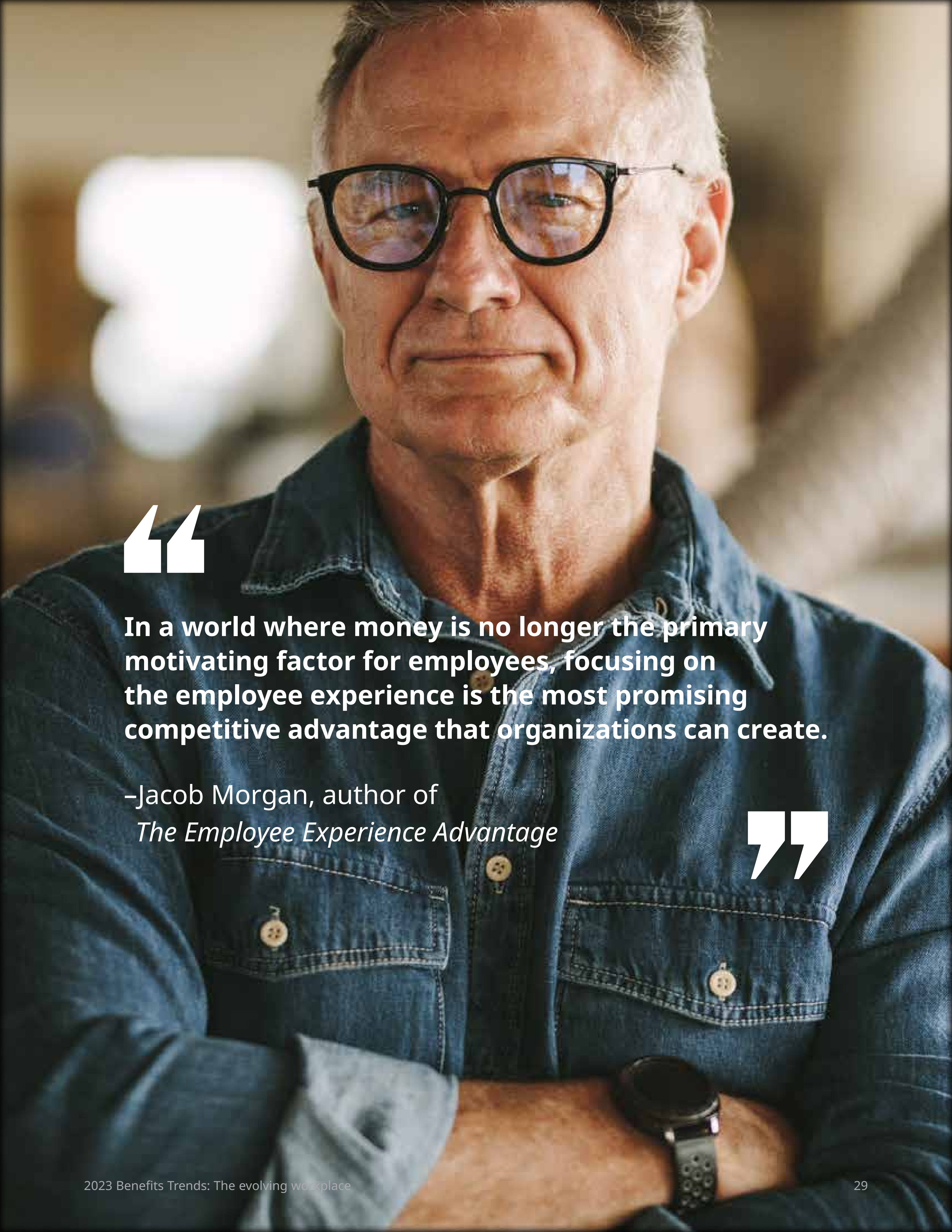
Employers do not fully understand why employees are leaving.[11]

When employees are disengaged, people grow tired of going above and beyond for organizations that don't reciprocate the dedication.

People are taking their re-evaluation of work very seriously and therefore this type of work cannot be understated. According to the Bureau of Labor Statistics, the average turnover rate is 57.3% when most industries expected to be at around 17%.

Companies that prioritize employees and culture have significantly lower turnover rates. Patagonia, for example, a company that has been known for its clear purpose and loyalty to its employees beyond financial gain—has a 4% turnover rate.[13] Empathy is a necessity for companies who are looking to not only survive but thrive into the 22nd century.

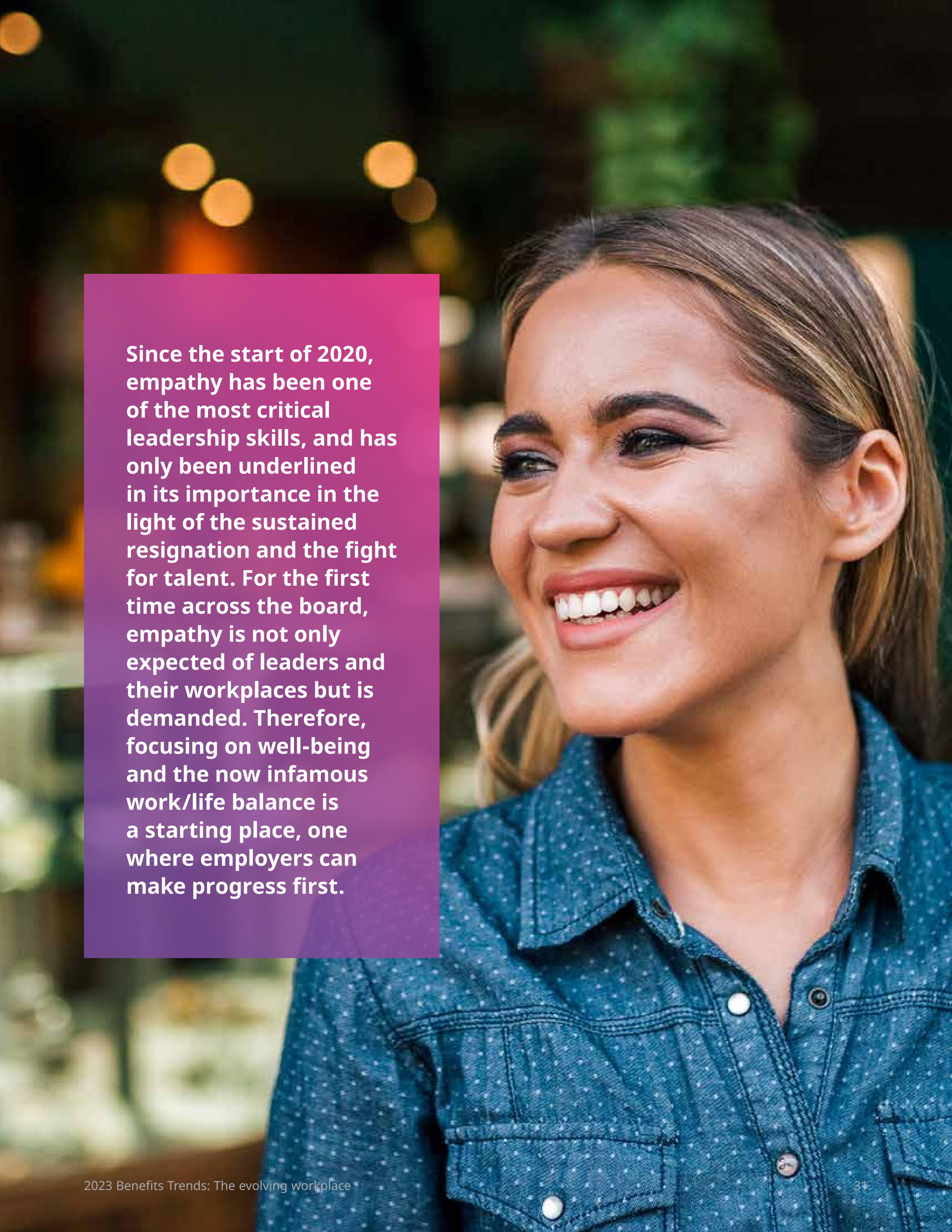




In a world where money is no longer the primary motivating factor for employees, focusing on the employee experience is the most promising competitive advantage that organizations can create.

–Jacob Morgan, author of
The Employee Experience Advantage

Creating a truly empathetic work culture requires time and support from people, structure, and processes. By taking small steps every day, leaders and managers can foster deeper connection and understanding. Practicing empathy is a simple gesture that can create the high productivity culture needed to thrive in the post-pandemic era.



Since the start of 2020, empathy has been one of the most critical leadership skills, and has only been underlined in its importance in the light of the sustained resignation and the fight for talent. For the first time across the board, empathy is not only expected of leaders and their workplaces but is demanded. Therefore, focusing on well-being and the now infamous work/life balance is a starting place, one where employers can make progress first.

Empathy-centered conversations will fall to managers and supervisors. Those who are closest to the employees and who can help reduce disengagement and burnout if taught to have conversations in this way. Managers must learn how to have conversations to help employees reduce disengagement and burnout. One-to-one and weekly check-ins are a key tool that leaders should use to get ahead of issues and elevate needs.

Manage shifting expectations

One-size-fits-all benefits programs can tend to overlook your organization's diversity. Offering a broad range of health and voluntary benefits is a great way to demonstrate compassion and empathy, and provide unique and thoughtful support for your employees and their families. MMA can help you determine straightforward, cost-effective ways to offer your employees the benefits they need.

Managing shifting employee expectations is a twofold endeavor: consistently communicating with your employees and ensuring you're offering the benefits they're looking for.

Our iNGAGED app is a customizable mobile employee communications app—and a great way for you to meet your people where they are. iNGAGED is designed for HR professionals to get the right message to the right employee.

If you're struggling with where to begin in crafting engaging messages your employees will want to read, our Well-being Communications Toolkit is a great place to start. You'll find strategies and tips on how to positively and effectively connect with your employees.

Of course, communicating with your employees is only part of offering a great benefits program—ensuring that you're offering in-demand benefits is another.

We advise employers to strive to create a supportive, caring workplace culture where employees can thrive through a multifaceted approach that supports employees as individuals rather than as a unit. In working with MMA, you will get helpful and effective resources—all delivered with a personalized touch.

TREND 2

Mental and behavioral health needs

The expanding needs of today’s workforce concerning well-being, mental, and behavioral health

Prioritizing well-being in policies and benefits is critical to developing the workplace resilience employers are seeking.

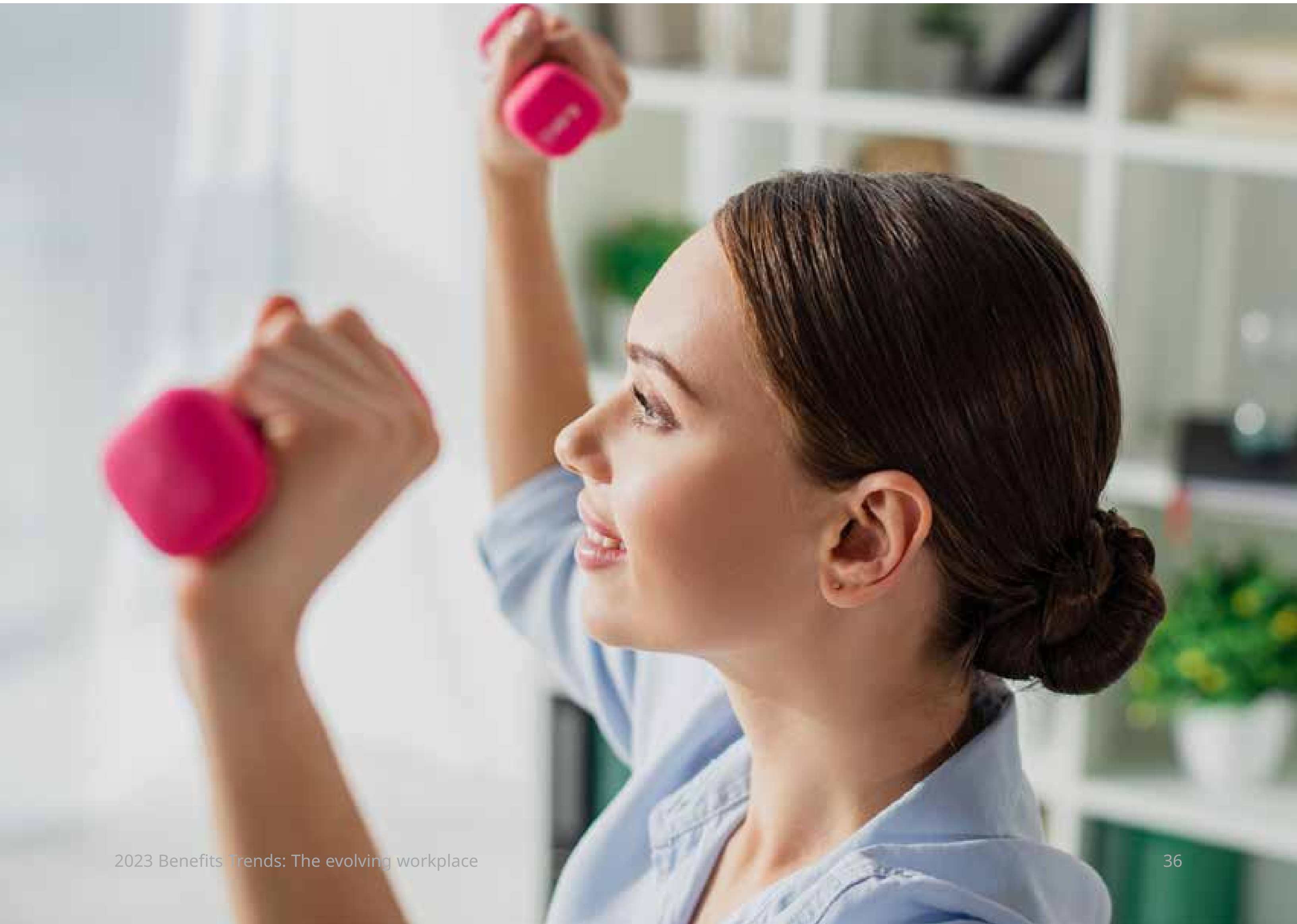
By 2040, it's expected that 60% of health care spending will go toward improving health and well-being and it's for good reason. While the pandemic's impact isn't as acute today, it has created and compounded the problem with diagnoses of mental illnesses significantly increasing year over year since 2020. Shifting the emphasis from a singular focus on physical health, companies are redefining their approach to wellness by prioritizing mental health as an essential element of total well-being. In fact, 90% of the nation's $4.1 trillion in annual health care expenditures are for people with chronic and mental health conditions.[1]

Reducing stigma remains a central priority for employers. Programs are being designed with an eye on increasing employees' knowledge of mental and behavioral health disorders to create an accepting work environment and encouraging employees in need to seek out help. Benefits that prioritize well-being are going to remain a critical aspect of attracting and retaining employees in 2022 and beyond. Addressing employees' emotional health and well-being will be core to building workplace resilience.

The workforce continues to expect more from their employee experience, especially as it relates to holistic well-being.

Today, employee well-being has expanded beyond the physical and mental aspect of health care, broadening its focus to building a culture of holistic wellness including physical, emotional, financial, social, career, community, and purpose. Workers are leaving for workplaces that align with their personal belief system and show an authentic concern for individual employee well-being. With record-high resignations and a labor shortage impacting multiple industries, some leaders now realize that they need to provide more than check-the-box wellness programs and perks to retain their best talent and attract the employees who are now searching for something better.

Gallup recently asked employees what they look for most in an employer. The data showed that employees of all generations rank “the organization cares about employees’ wellbeing” in their top three criteria. For Millennials and Gen Z, it’s their no. 1 workplace want.[2]



	What people want	What kinds of things companies are offering	
Physical	Tools to prioritize and take care of their unique bodies and lifestyles	• Hybrid work environments • Fitness membership	• Diverse health benefits • Enhanced employee assistance
Emotional	Normalized reminders that it's ok to take care of your mental health	• Forced time off • Mental health days	• Paid parental leave • Reproductive coverage
Financial	The ability to expand their financial growth and thus their progression in the world	• Financial counseling • Personal investment fund	• Retirement planning
Social	Opportunities to connect with groups and teams, engaging in meaningful activity	• Paid volunteer time • Company retreats	• Peer acknowledgment programs
	Support and space to grow as both a professional and a human in the world	• Business coaching • Tuition assistance	• Enhanced learning and • Development programs

The ability to be a whole healthy person at work is growing in importance. Much like DEI, if it remains lip service, employees will leave for companies that have repositioned themselves as partners in health—specifically, as it relates to meeting a holistic set of needs when it comes to overall health and well-being.

67%

of employers plan to offer enhanced employee assistance programs in 2023.

15%

plan to make behavioral health care more affordable.[3]

Well-being, also known as whole person benefits, are going to continue to remain at the top of employees' lists of wants. However, they are far from the only demand employees are making in 2022. Better defining and integrating what flexibility can look like is another key issue employers must continue to consider. The ability for employees to determine how they spend their time is now considered equal to benefits like wage increases to a growing number of the workforce.

Employees who have thriving relationships with their immediate team members have better well-being than those with poor relationships. They also work with higher productivity and are less likely to change employers in the year ahead. Social capital, and knowing how to build it, will be crucial for organizational success, and it is yet another way the employee experience directly connects to the bottom line. While it may feel like a soft metric, socialization in the workplace impacts hard metrics.

The challenge of how to build productive and successful flexibility into work has created new opportunities for employers to shift how we work.

The rise of flexible work environments created by the pandemic in 2020 forced businesses to find ways to operate within and outside of the traditional models of working. Today, the workplace landscape has completely shifted from the previous and predominant office dynamics to experiments in hybrid, full flexibility, and co-working environments. "At the heart of this is the growing need for flexibility in where, when, and how employees work."[4] The ways in which we work together have forever changed, and many employees want to keep it that way.

For example, younger employees (18–34 years old) were 59% more likely to leave if a hybrid workplace was not offered than older ones (55–64 years old). Employees with disabilities were 11% more likely to prefer a hybrid work model than employees without disabilities. More than 70% of men and women expressed strong preferences for hybrid work, whereas non-binary employees were 14% more likely to prefer it. LGBTQ+ employees were 13% more likely to prefer hybrid work than their heterosexual peers. More generally speaking, when people have the chance to work flexibly, 87% of them take it.[5]

59%

of younger employees were more likely to leave if a hybrid workforce was not offered than older ones.

11%

of employees with disabilities were more likely to prefer a hybrid work model.

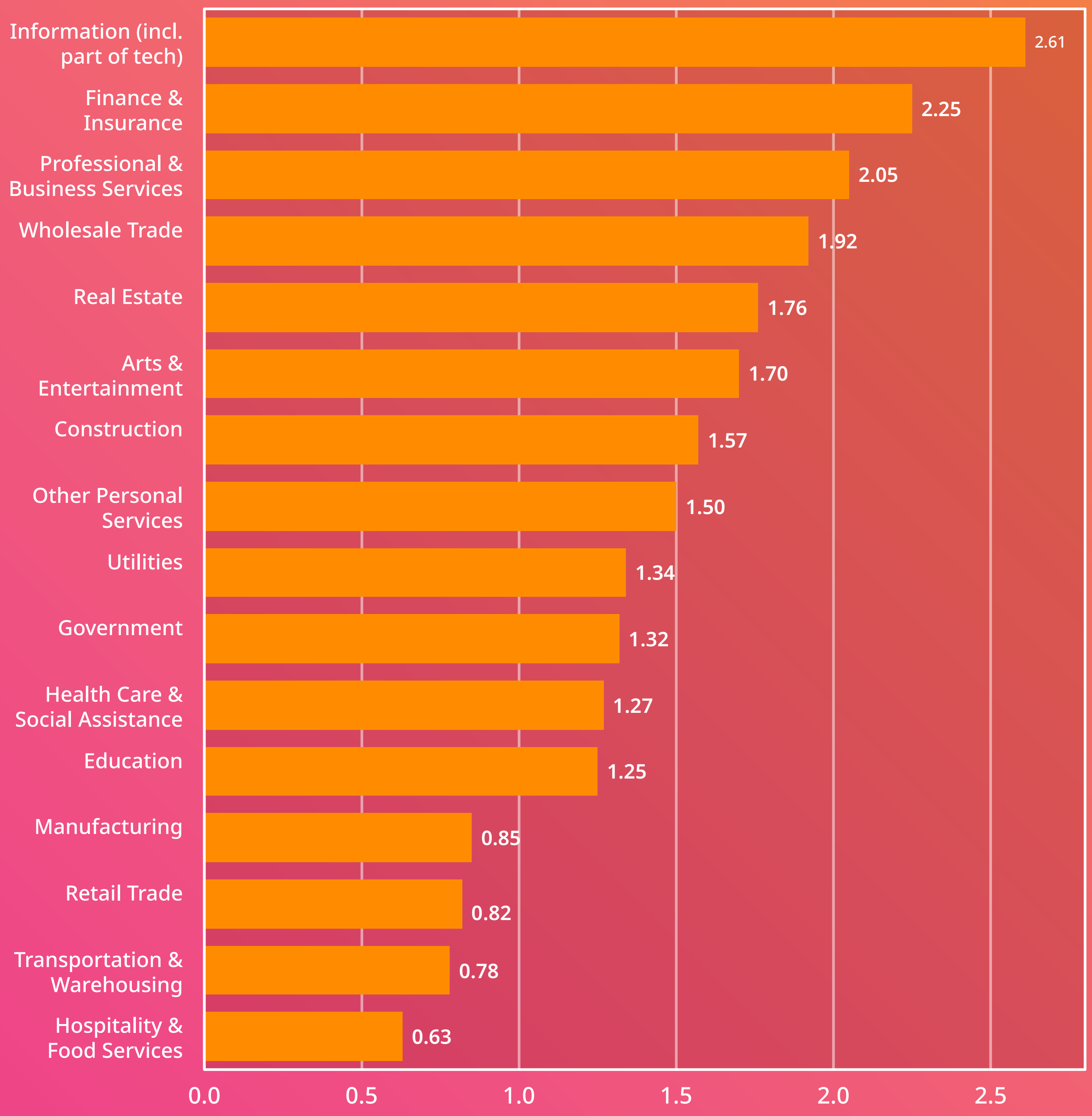
13%

of LGBTQ+ employees were more likely to prefer hybrid work than did their heterosexual peers.

87%

of people take the opportunity to work flexibly when offered.[5]

Current levels of working from home are highest for the information, finance, and professional and business sectors



Hybrid work has the potential to offer a higher level of flexibility, a better work-life balance, and a more tailored employee experience. These environments can also have a disproportionately positive impact on diversity, equity, and inclusion (DEI) efforts, as well as on overall employee performance.[7]

For jobs that *can* be performed remotely, organizations are…

3x

more likely to report that remote work has had a **positive impact on attraction.**

2.7x

more likely to report that remote work has had a **positive impact on retention.**

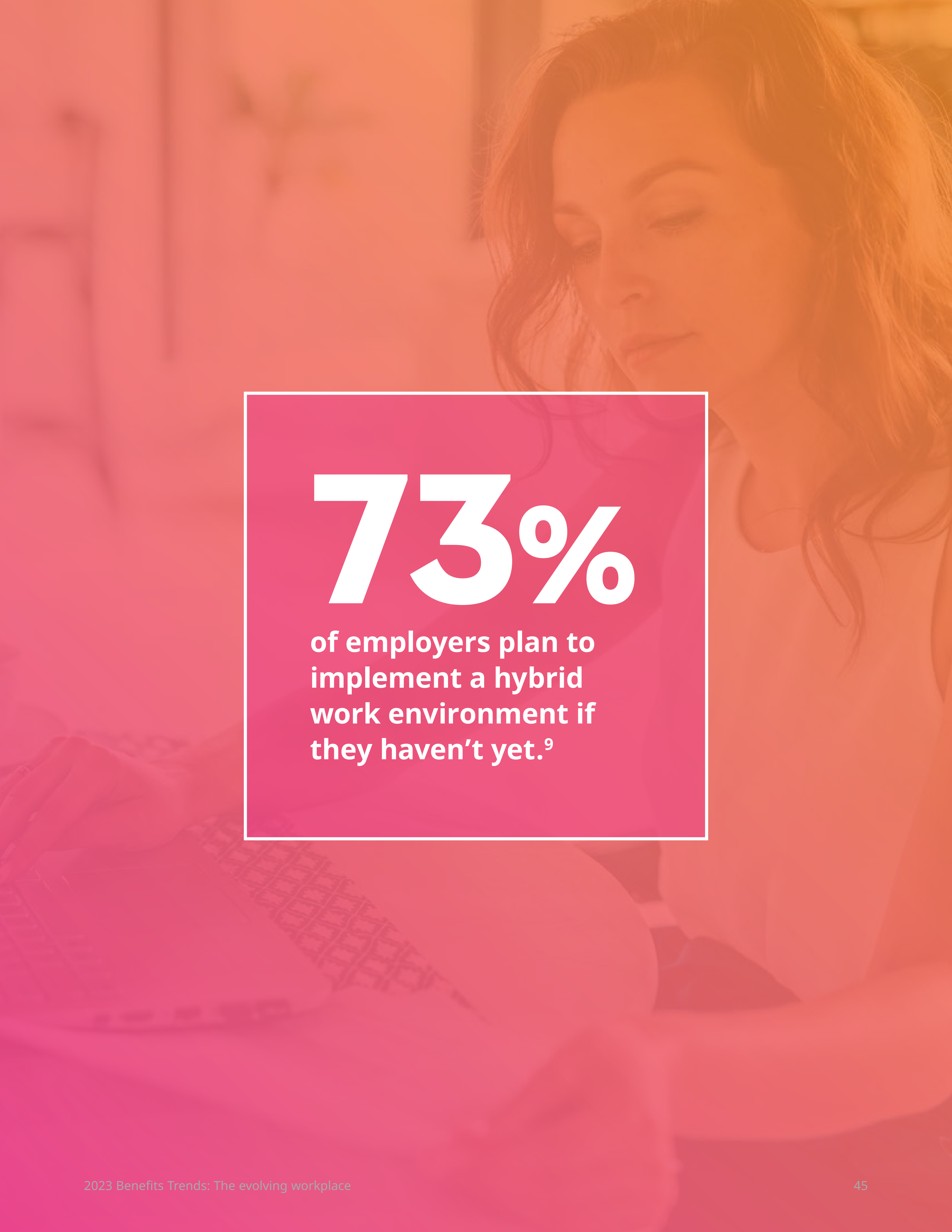
For jobs that *cannot* be performed remotely, organizations are…

4.2x

more likely to report that remote work has had a **negative impact on attraction.**

2.8x

more likely to report that remote work has had a **negative impact on retention.**



73%

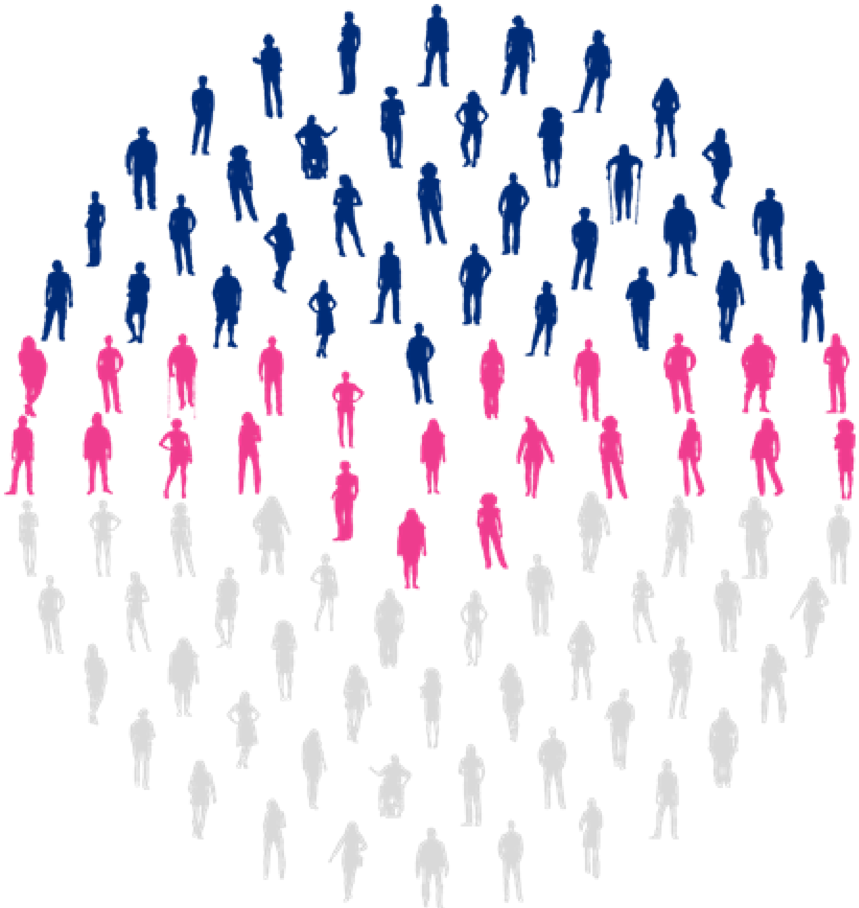
of employers plan to implement a hybrid work environment if they haven't yet.[9]

While the majority of people report wanting the ability to work in a hybrid environment, 60% of people still don't have jobs that can be done from home.[10]

35%
offered remote work on a full-time basis

23%
offered remote work part-time or on occasion

42%
not offered remote work opportunities



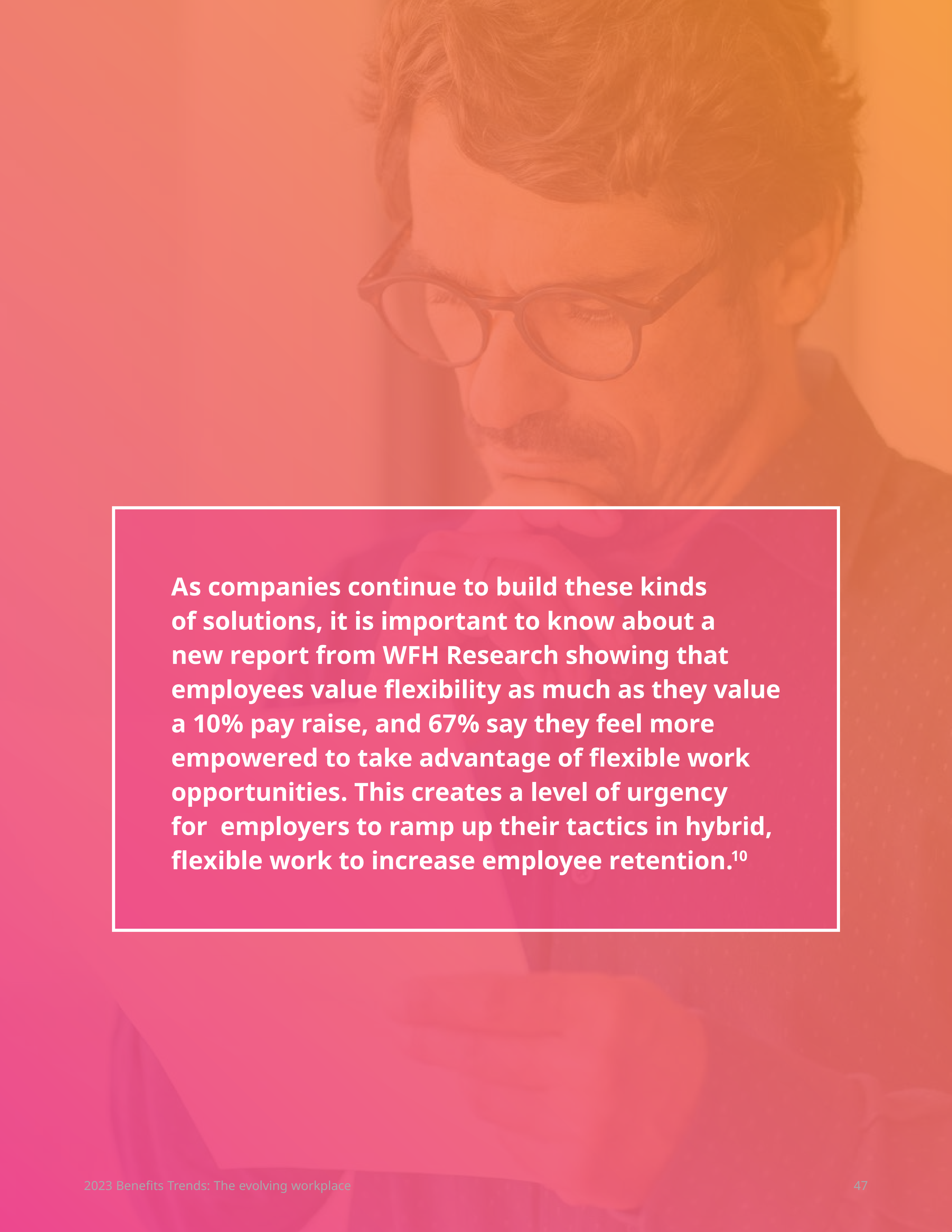
Number of workers, extrapolated[5]

55 million

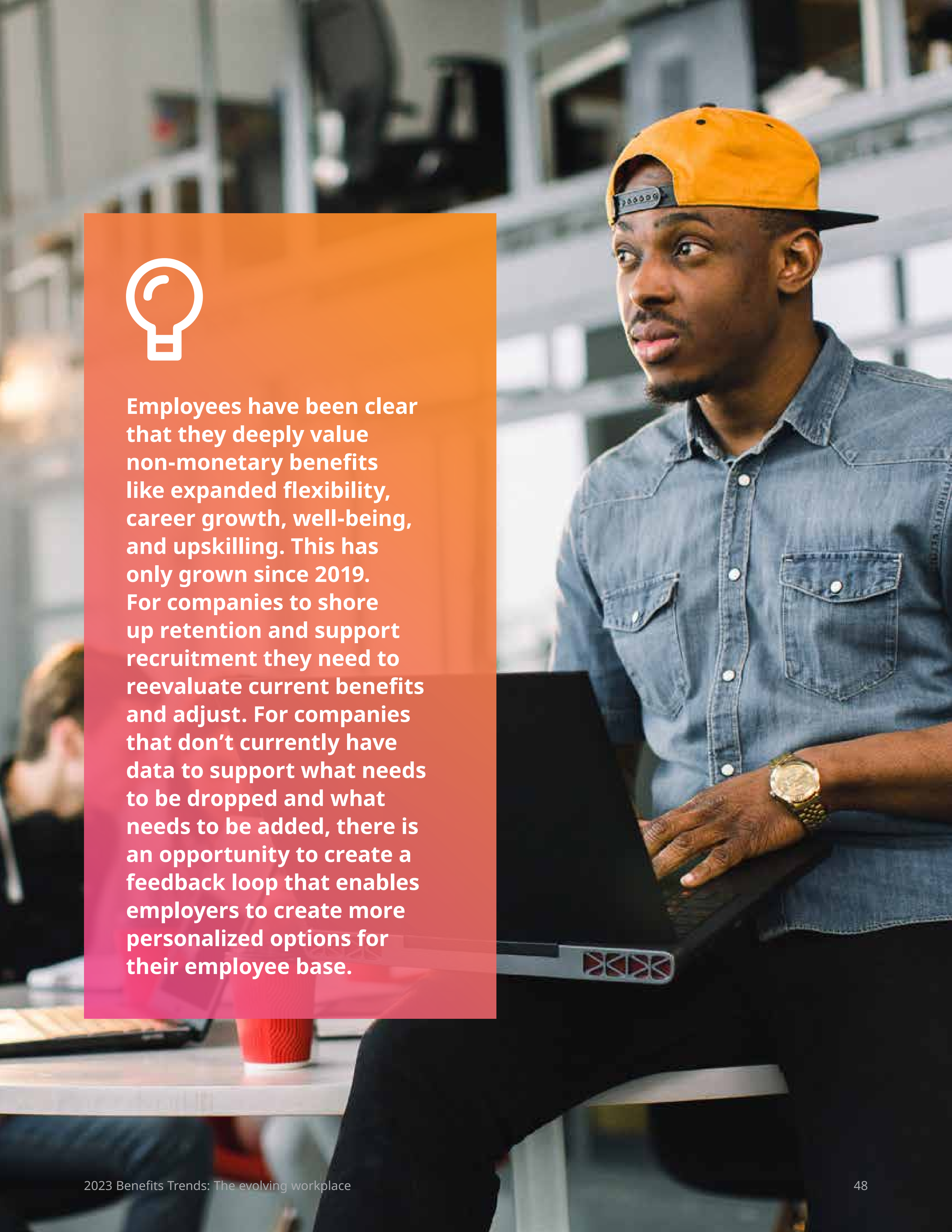
36 million

66 million

This has created division in the workplace, often creating an unequal playing field.[7] Proximity bias, for example, happens as in-office workers get more attention from their managers and better reviews than their peers. Remote workers aren't getting the same amount of recognition for the work that they are doing. In particular, there's research showing that remote workers are working longer hours and actually performing better, but are 50% less likely to get promoted.[9] There is work to be done in making each environment more equitable.



As companies continue to build these kinds of solutions, it is important to know about a new report from WFH Research showing that employees value flexibility as much as they value a 10% pay raise, and 67% say they feel more empowered to take advantage of flexible work opportunities. This creates a level of urgency for employers to ramp up their tactics in hybrid, flexible work to increase employee retention.[10]



Employees have been clear that they deeply value non-monetary benefits like expanded flexibility, career growth, well-being, and upskilling. This has only grown since 2019. For companies to shore up retention and support recruitment they need to reevaluate current benefits and adjust. For companies that don’t currently have data to support what needs to be dropped and what needs to be added, there is an opportunity to create a feedback loop that enables employers to create more personalized options for their employee base.

Mental and behavioral health benefits will dominate as it relates to increasing the incentives employers offer in the coming years.

In 2022, nearly 23% of employers have added new mental health benefits.[11] According to a newly released Mercer survey analyzing health and benefits strategies for 2023, strategies for mental health incentives will continue and will now include a stronger focus on behavioral incentives as well. Studies are showing that providing these types of incentives has significant benefits for both the employers and the employee.[12]

23%

of employers added new mental health benefits in 2022.

The more well-being resources an employer provides, the lower their average turnover.

–Beth Umland, Mercer's Director of Employer Research for Health and Benefits

New research finds that employer-sponsored behavioral health programs move the needle in a positive direction.

Results of this cohort study found that these programs were associated with large clinical improvements in depression and anxiety, fewer missed days of work, and a positive financial ROI across all employee salary levels. However, for employers to see these results requires a higher level of communication and transparency on the employers' side to ensure employees that have access to these kinds of services are not only made aware, but are reminded and even pushed to use them. In addition to the health and productivity benefits, the study revealed that mental health benefits improve retention for employers.[13]

35%

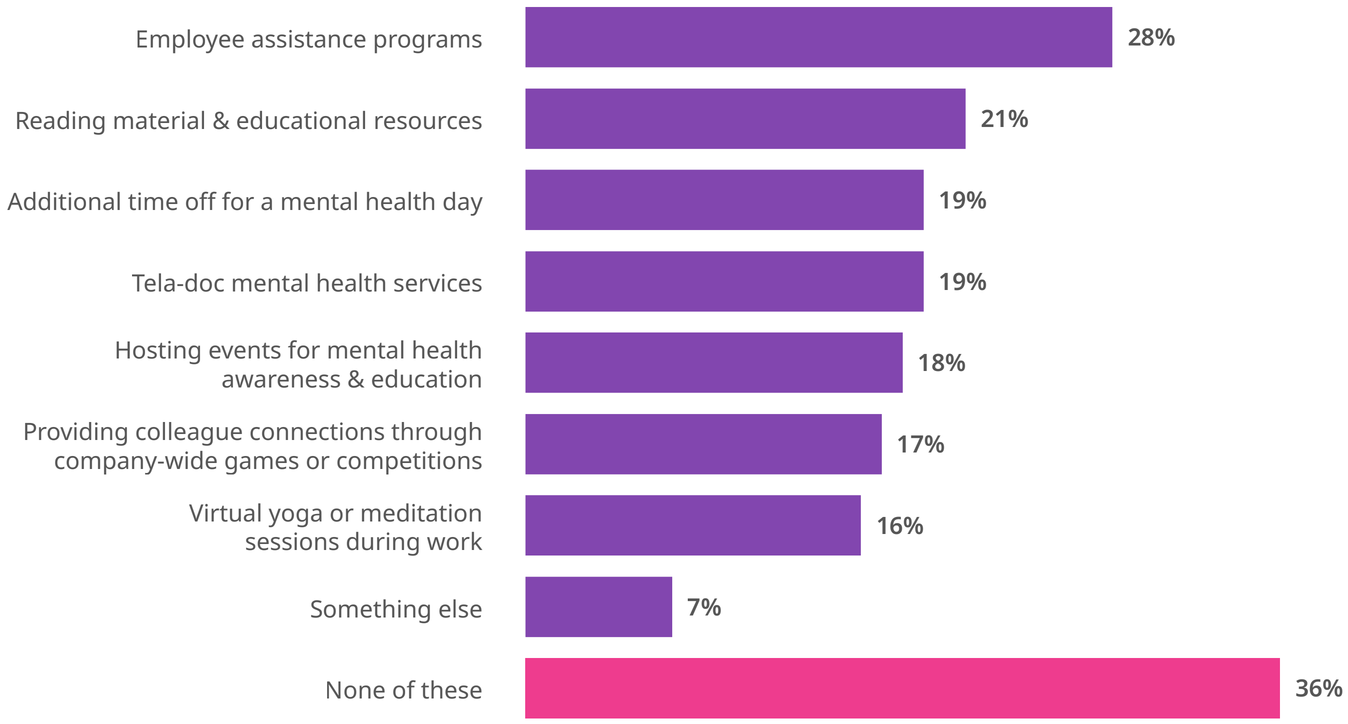
of employers will provide managers with training to recognize employee behavioral issues.[14]

26%

of employers will offer employee and peer training.[14]

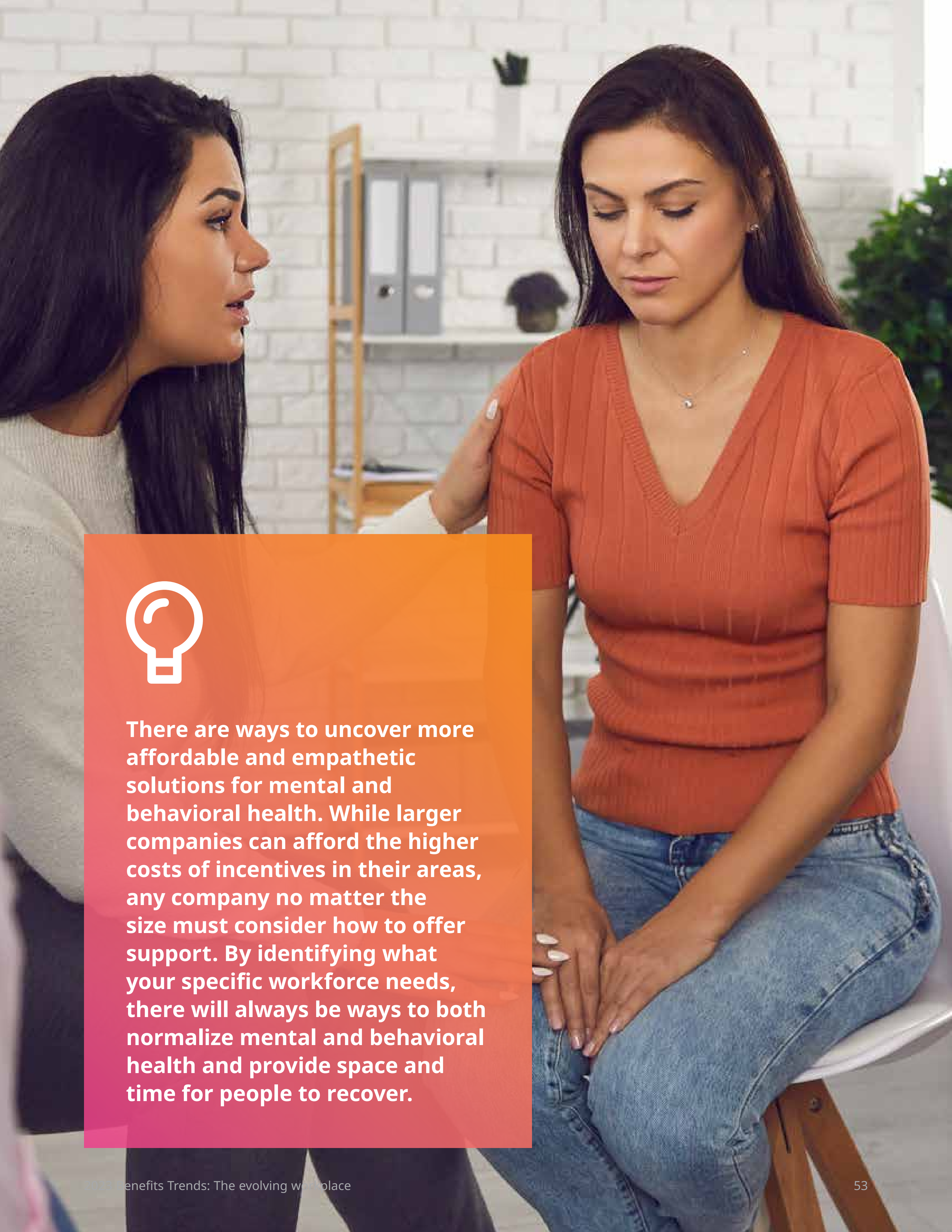
Types of mental health support employers are offering.[11]

The share of workers who say these types of mental health benefits are available from their employer:



Survey results released in August by America's Health Insurance Plans (AHIP) highlight how health plans are improving access to mental health, also called behavioral health, services by bringing more high-quality providers into their networks and helping patients find available mental health appointments. Based on responses from administrators of plans representing 95 million enrollees, the survey found that:

- **All respondents provided some telehealth coverage for mental health services.**
- **The number of in-network behavioral health providers offered by health plans grew by an average of 48%.**
- **The overwhelming majority of health plans are actively recruiting mental health care providers, including practitioners who reflect the diversity of the people they serve.**
- **78% have increased payments to providers in efforts to recruit more high-quality professionals to their plan networks.**
- **The number of providers eligible to prescribe medication-assisted therapy for substance use, including opioid dependence, has grown 114%.[15/16]**



There are ways to uncover more affordable and empathetic solutions for mental and behavioral health. While larger companies can afford the higher costs of incentives in their areas, any company no matter the size must consider how to offer support. By identifying what your specific workforce needs, there will always be ways to both normalize mental and behavioral health and provide space and time for people to recover.

Prioritize holistic well-being

It's crucial to remember that employees are more than employees—they're people. Everyone has their own individual needs, wants, and challenges. To that end, we offer consulting services that help you offer care for your employees in areas that often go overlooked.

One solution we offer is our Dimensions of Well-being consulting. Our health management consultants can create a custom, comprehensive approach for your organization with actionable tactics to implement. MMA also offers several self-serve tools like our well-being playbooks, mental health toolkit, and well-being communication toolkit.

We also offer a host of training solutions for employers to engage with. Our clients have access to Mental Health First Aid, which affords employees the opportunity to train in the program. They can learn the signs and symptoms of someone who might be experiencing a mental health challenge. These people can be present and hopefully support others in times of potentially great need.

TREND 3

Changes in health care economics

Costs continue to rise as the burden gets heavier on employers across health care services and solutions

With influences like shifting employment trends, deferred utilization, and pressures on unit costs, the economics of health care are getting heavier and more complex.[1]

While the impact of COVID as a health care issue has slowed, the lasting effects in other areas leave companies needing to focus their efforts to keep costs in check. For example, while the labor market is seeing record lows in unemployment numbers, employers are facing a more demanding workforce, workplace shifts, and reevaluation of career paths and priorities.

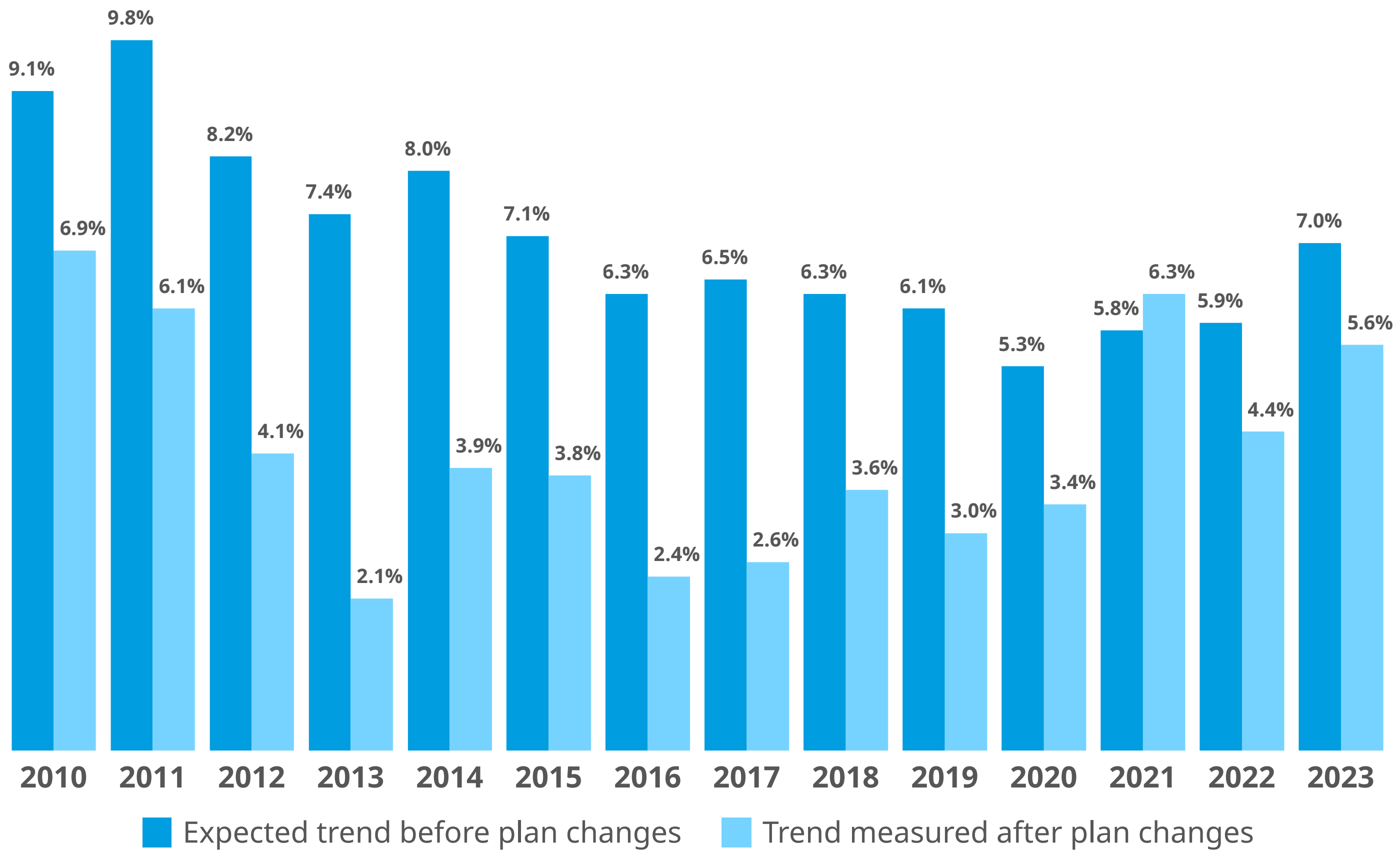
With rising inflation, consumer costs, and wage stagnation, employees need to stretch their dollars even further, and health care expenditures are at the top of the list. In fact, annual health spending in the U.S. increased by 9.7% in 2020 to $4.1 trillion.[2] Inpatient care costs have increased 37% across the board. 60% of people reported experiencing health care costs increases that outpaced inflation in the past three years and 63% expect that trend to continue, signaling potential cost challenges in the future.[1]

23%

of employers added new mental health benefits in 2022.

For 2023, the average estimated increase is 7.0% before plan changes and 5.6% after plan changes.[3]

Estimated cost increase to renew plans with no changes vs. actual increase after plan changes, among all employers:

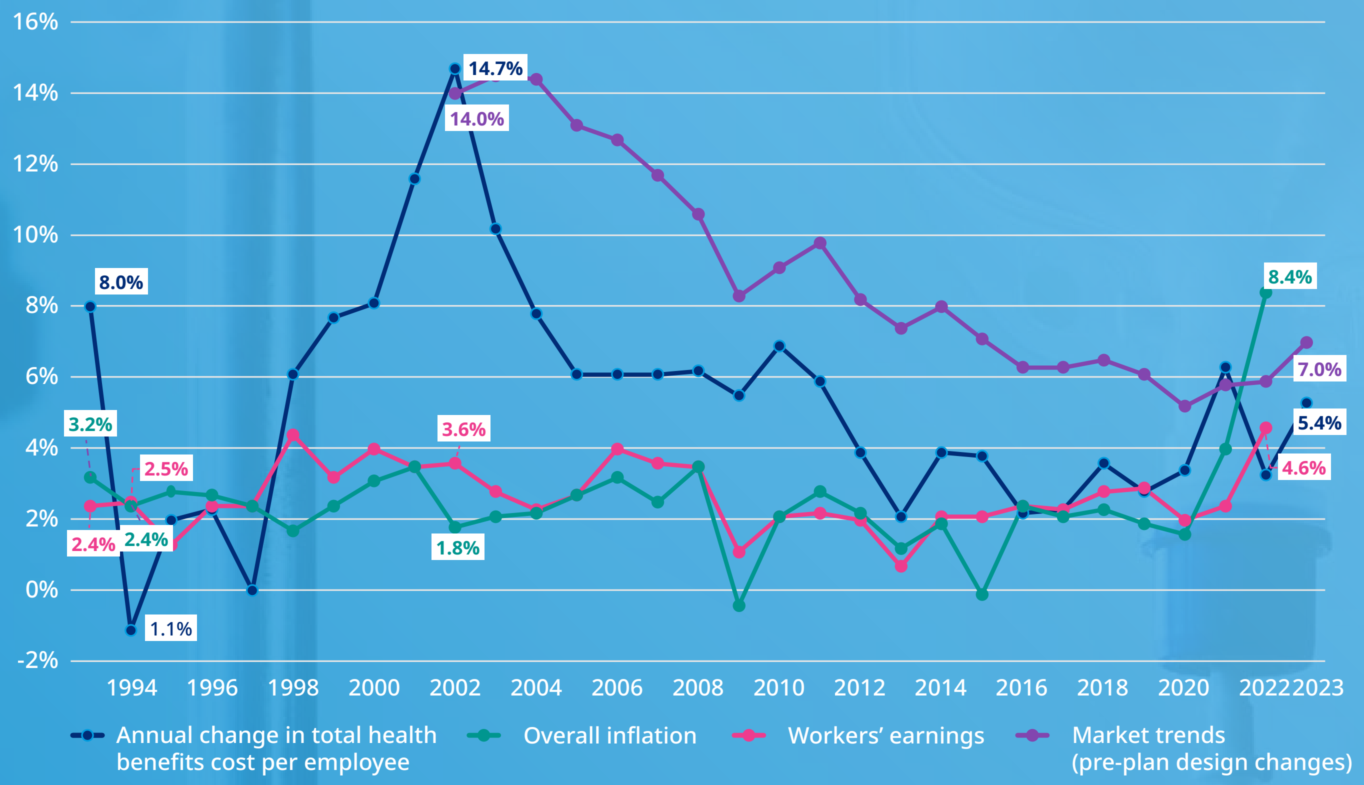


U.S. employers can expect health benefits cost to increase to 7% but through plan management and strategic changes, the shift can get to 5.6%.[3]

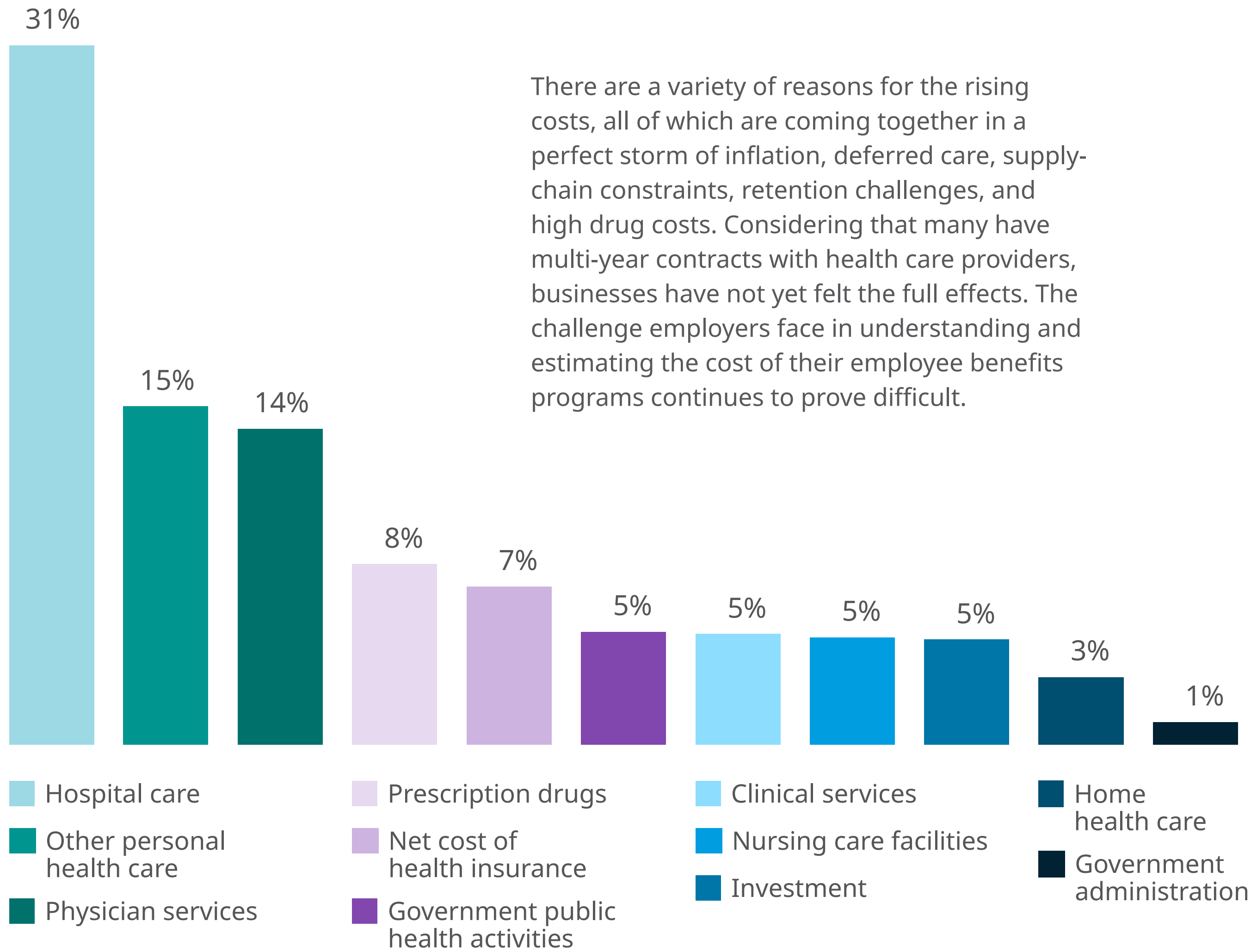
Today, the average costs for employers that pay for health care will increase somewhere between 6.5% and 7%, which equates to more than $13,800 per employee in 2023. This is double the 3% increase for health care budgets employers experienced from 2021 to 2022. This is the average increase that employers can expect if they stick with their current plans.[4]

Health benefit cost per employee rose 3.2% in 2022, but employers see bigger increases ahead[3]

Most employers are prioritizing enhancing benefits to attract and retain workers over cost-cutting



There are a variety of reasons for the rising costs, all of which are coming together in a perfect storm of inflation, deferred care, supply-chain constraints, retention challenges, and high drug costs. Considering that many have multi-year contracts with health care providers, businesses have not yet felt the full effects. The challenge employers face in understanding and estimating the cost of their employee benefits programs continues to prove difficult.



Typically, medical inflation outpaces inflation in the rest of the economy. But in 2022, medical prices are growing at a similar rate as in past years, while prices in some other parts of the economy are growing much more rapidly than in the past.

–Peterson-KFF, Health Systems Tracker[5]

We anticipate frequency and severity of medical stop loss claims to tick up as the 2022 year progresses and extends into 2023.[1]

This is an outcome of deferral challenges and a direct result of macro economic factors. These impacts have made their way to health care, spiking costs to providers and expecting to increase over the next five years. One of the top influences contributing to the rise in costs are worsening availability of clinical labor staff.[6]

With cost increases looming, employers are refocusing on cost management strategies to slow increases over the long term, while minimizing cost shifting to employees. This includes plan design changes focusing on specialty pharmacies, site of care, and support from drug manufacturers to lower out-of-pocket costs. It also means employers are demanding integrated care management from PBM's and health plans as well as supplemental specialty pharmacy coverage and captive arrangements.

The use of targeted programs aimed at specific health conditions (e.g., diabetes, musculoskeletal, COPD) has gained traction in recent years as a way to achieve better outcomes and lower costs.[4,7]

49%

of all large employers and 58% of those with 20,000 or more employees offer these types of programs or are seriously considering it.

12%

of all employers have adopted enhanced clinical management models beyond the standard health plan model.[7]

Employers are also steering employees to high-value care, including alternative networks, high-performance networks, and centers of excellence.

These approaches deliver savings focusing on the quality and efficiency of a provider network, rather than its breadth. Navigation or advocacy services can also be used to steer employees to higher-value care. Research shows that primary care can deliver greater health care value through its focus on prevention, early detection, and more cost-effective specialists.[7]

34%

of employers are using various network strategies to manage costs.[7]

Employers are also looking to invest in population health management programs and enhanced clinical management models. Integration in the areas of primary care physicians, specialists, and hospitals provides medical, care, and patient management processes designed to improve a fragmented delivery system. One where incentives are aligned and better health outcomes can be achieved.[7]

84%

of employers (those with 500 or more employees) rated enhanced health care benefits as important or very important to improve attraction and retention.[7]

Health care costs will continue to create difficulties when it comes to management and delivery. Getting creative with different solutions across plan designs and offerings is key. There will be no one-size-fits all solutions as workforce needs and broker offerings are so varied across industries and companies; however, as holistic well-being and population health management grow in importance, this is an opportunity employers must create and connect strategies to, in the pursuit of cost-savings.

High cost of prescription drugs remains a source of frustration for employers, especially with a pipeline of cell and gene therapies that are expected to create much higher claims.

Specialty biotech drugs have revolutionized treatments for conditions such as HIV, multiple sclerosis, cancer, and rare genetic conditions. They are also very, very expensive. In recent years employers have reported double-digit increases in their specialty drug costs. Cost adaptation for those who need higher-cost prescriptions or more costly medical treatments can put employers at risk. On average, insurance covers a larger share of retail prescription drug spending than a decade ago, while consumers' share has leveled off in recent years.[8]

However, with high-dollar claims becoming more frequent, it comes down to an employer's overall risk tolerance as a self-funded plan sponsor. The question becomes: is there a preference to pay a capitated rate or a higher premium for claims that may never materialize, to avoid the shock waves of million-dollar and above claims? There is no right or wrong answer to this question. It simply comes down to what works best for an employer, their employees, and the plans they choose.

50%

of employers surveyed say they are taking focused action to manage specialty drug costs.[9]

Plans are shifting. New plan designs can steer patients to a specialty pharmacy, focus on the site of care, seek support from drug manufacturers to lower member out-of-pocket costs, demand integrated care management from PBMs and health plans, and mitigate claims risk via authorization programs, stop loss coverage, or captives. Plans that cover the use and cost of biosimilars, a cheaper but still costly version of branded biologic medicines, have started to increase in the U.S.

Approvals for cell and gene therapies continue to grow at an unprecedented pace. Currently, there are more than 1,000 therapies in the development and approval pipeline worldwide. The number of therapies available is expected to more than double in the next two years and triple in the three years after that. The global cell and gene therapy market is projected to grow from $6.58 billion in 2021 to $8.57 billion in 2022, up 30%, and reach $21.33 billion in 2026, a compounded annual growth rate of 26%.[1]

Process of clinical trials[9]

Preclinical study
Learning how a treatment works in test tubes and animals to determine potential safety and effectiveness.

Application period
Researcher submits an Investigational New Drug (IND) application to the FDA for a proposed clinical trial.

Phase I
Involves the fewest participants, making sure the therapy is safe, and finding the right dosage.

Phase II
More participants and researchers look for favorable or useful effects while monitoring safety.

Phase III
The longest phase, with the most participants, proves the therapy has the desired result while being safe.

FDA final approval
Biologics License Application (BLA) is submitted to the FDA and is thoroughly reviewed to determine approval.

It is estimated that in 2023, cellular and gene therapies will total between

70
per million members

and
43
per million members

compared with just
7
per million members in 2020.[9]

50–100
gene and cell therapies are anticipated to receive FDA approval by 2025.[1]

87%
of employers are concerned about the new million-dollar treatments getting approved by the FDA.[9]

Here are a few examples of the cost and prevalence employers can expect from gene therapies. In August 2021, the FDA rejected two emerging therapies. One, for Hemophilia A, had a potential price tag between $2 and $3 million dollars. The FDA is currently re-evaluating it, with many working under the assumption that an approval will be forthcoming in 2023. This leaves many plan sponsors and stop loss carriers trying to plan for the eventual approval.

Another therapy recently approved was for a very rare, inherited blood disorder. The estimated U.S. impact is 1 in 100,000 people. The treatment for this condition often results in frequent blood transfusions; that not only result in plan costs, but patient risk. The wholesale cost for this therapy is $2.8 million.[8]

The impact of these drugs and therapies cannot be understated for employers. Historically, most plan sponsors have excluded cellular and gene therapies from coverage because they are considered experimental and investigational in nature. As these therapies have improved, more insurers, third-party administrators (TPAs), and self-funded plans are making the determination to cover. Plans may elect to cover through their pharmacy benefit management program, through capitated or pooled solutions, and through stop loss coverage now available in the market.

Many more solutions are anticipated in the coming years to help plan sponsors, payers, and the market in general understand their risks within their populations, determine how to finance the risk, and provide warranty solutions that help provide an avenue to ensure that value is delivered to the patient and the plan. The following solutions vary significantly and include advantages and disadvantages, target markets, costs, etc., with no solution solving for the entire risk equation for payers or plan sponsors.[8]

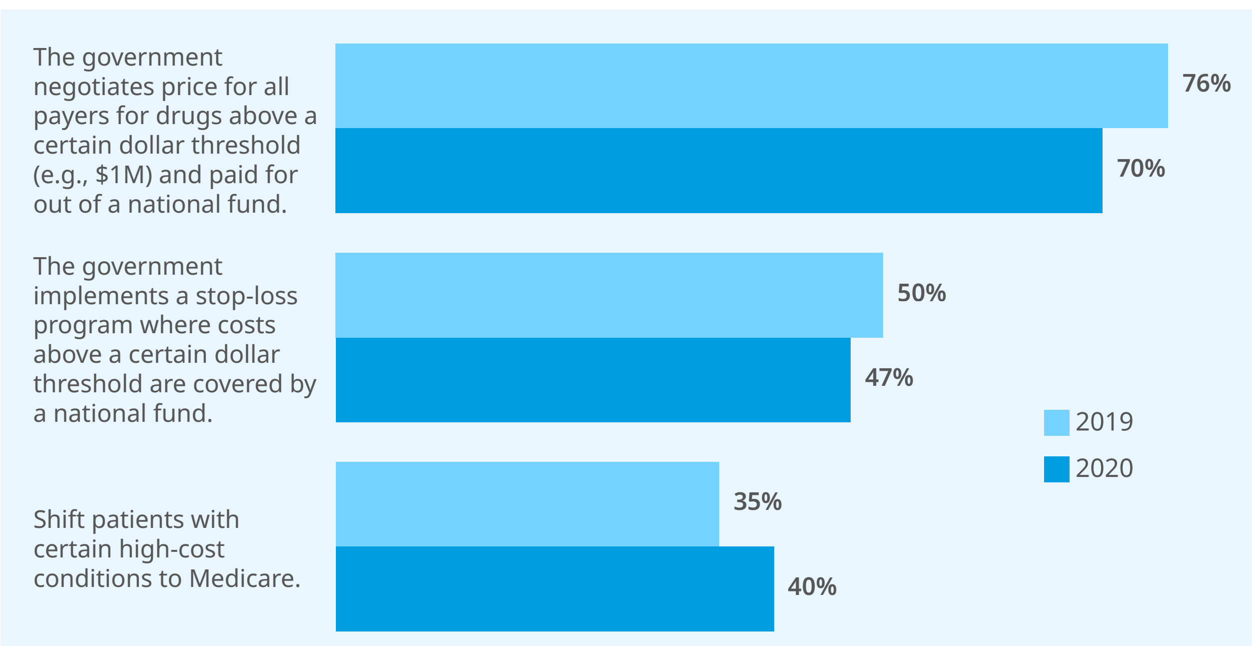
Here are a few solutions in brief:

- Capitation solutions will cover specific cell and gene therapies, with many subject to pre-existing condition exclusions and availability may be limited.
- Center of excellence (CoE) solutions ensure that drug procurement is competitive and is administered with CoE-negotiated rates.
- Stop loss/reinsurance solutions offer step-down deductibles in coordination with TPB and PBMs, where they can cover their own risk.
- And finally, financing solutions where outcomes-based and warranty solutions benefit the payers and the stop loss carriers, but not the plan sponsors themselves.[9]

How are employers preparing for the potential cost of the impact of high-cost gene and cellular therapies?[9]

	500 to 999 employees	1,000 to 4,999 employees	5,000 to 9,999 employees	10,000+ employees
Conduct risk assessment to estimate cost exposure	15%	19%	21%	28%
Add/enhance stop-loss protection	4%	4%	8%	2%
Work with medical carrier/pharmacy vendor on clinical/cost management strategies	21%	40%	57%	52%
Other steps	1%	2%	3%	3%
No plans, but aware of these therapies and concerned about potential cost impact	31%	34%	26%	25%
Aware of these therapies but will treat them like other specialty drugs	14%	13%	7%	6%
Not aware of these therapies	17%	7%	3%	6%

Employers consider a role for the government in financing high-cost drug therapies.[9]



As the possibility of million-dollar claims increases and an expanding pipeline of life-saving therapies make their way through the FDA, employers must continue to weigh their responsibility to create coverage that supports employee needs and is fiscally responsible. Time will tell what the best practices for both brokers and employers will be.

The environment of high-cost claimants, utilization increases, and employment trends will keep health care costs higher overall.

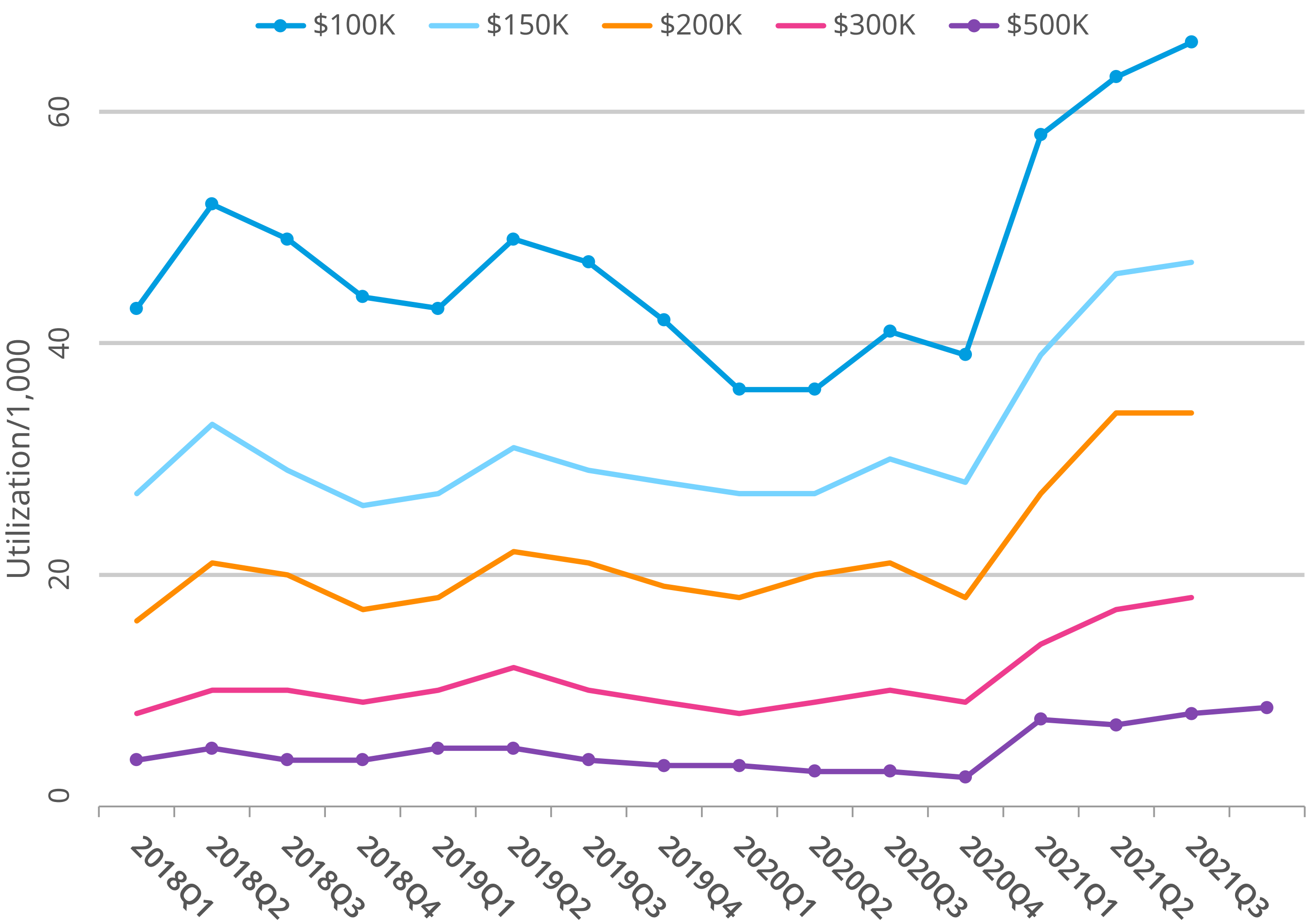
On average, 3% of annual claimants represent 50% of total health care spend.[1] New treatments are emerging, including high-cost injectable and specialty medications, continuing a structure where a small portion of members represent a large portion of health care spend.

In the 2021 Mercer National Survey of Employer-Sponsored Health Plans, employers rated monitoring and managing high-cost claimants as the most important health benefits strategy for the next five years. Employers will be best served to continue to find creative reinsurance, population health, and cost optimization strategies to mitigate high-cost claimant risk on employer-sponsored health plans.[3]

50%+

of employers surveyed say they are taking focused action to manage specialty drug costs.[9]

Quarterly utilization/1,000 for same-day services by plan deductible.[1]



For a wide variety of reasons, many individuals chose to forgo medical visits during the pandemic.

As the number of medical visits picks back up in the remaining months of 2022 and into 2023, we are likely to see an increase in the severity of newly diagnosed patients and increased complication rates for those with existing chronic conditions. The pandemic's long tail may increase utilization and health care spending in 2022 thanks to the return of some care deferred during the pandemic, the ongoing costs of COVID-19, increased mental health and substance use issues, and worsening population health.

One consideration is the impact employee trends will have on employers. As businesses consider layoffs or selling parts of their companies, the impacts to the health plan are not always top of mind. Any time that a material portion of individuals leave a health plan, suddenly two new risks present themselves.

First, employers may see a significant increase in claim payments as employees exit the organization. This is typically a temporary increase, though not one to be ignored. Second, if the average risk for or age of the remaining employees is higher, the premium rates may increase during the year for self-funded employers and at renewal for fully insured employers. Employees are working longer, in some cases well beyond the traditional age of retirement. The U.S. Bureau of Labor Statistics estimates that by 2024, a quarter of the workforce will be over the age of 55, and of these, a third will be 65 or more. Retiree-age workers are more likely to remain on an employer-sponsored health plan during periods of uncertainty. Therefore, the average risk is higher and premium rates may increase during the year for self-funded employers and at renewal time for fully insured employers. The good news is these are issues that can be planned for.[10]

15%

of American consumers with employer-sponsored insurance said they had deferred some care between March and September of 2021.[1]

Although virtual visits and telehealth care aren't new, utilization increased substantially during the pandemic—and has continued to trend upward. Virtual visits are a lower-cost way to deliver health care for providers, though the increase in utilization also comes with the need to share patient data with multiple providers. Health care data is highly sensitive and sharing it among providers can be a nuanced process. While each situation is unique, in general, any decreases in coordination of care can also increase costs.

Navigate economic fluctuation

Of course, we also offer solutions that focus specifically on your business that will help you navigate the changing economic conditions currently facing many organizations.

Fully insured clients can take advantage of a number of solutions, such as our stellar actuarial specialists. Our actuarial team can help you see both the big picture and the small details. Managing health care costs is a multi-disciplinary challenge and requires a multi-disciplinary team. By working with MMA, you get access to unparalleled global resources, hand-delivered by a team of actuarial, clinical, and compliance specialists who understand your business acutely and who can advise you on cost management and other strategic solutions. We partner with you to identify your risk, measure potential financial exposures, and offer long-term strategies for sustainable health plans.

For our self-funded or health captive clients, stop loss coverage protects your organization when catastrophic claims arise. However, not all coverage is the same. Contract terms and conditions can vary significantly. The MMA Stop Loss Advisory Practice can help you get the most out of your stop loss contract terms.

MMA Rx Solutions℠ delivers significant savings to self-insured health plans by focusing on contract language, clinical and formulary management strategies, and employee purchasing trends. Our dedicated team of actuaries and pharmacists review your data periodically to find opportunities beyond just the PBM contract, resulting in additional savings.

The MMA Planning and Analytics for Total Health (PATH) team helps our clients use their medical claims data to drive actionable health outcomes and cost-savings. PATH makes data valuable. Our team transforms health care data into innovative and prescriptive strategies that help businesses offer competitive, cost-effective benefits while engaging employees to optimize their health.

Additionally, our Compliance Center of Excellence (CCOE) helps our clients by keeping them informed of legislation that could affect their business and employee benefit plans. Between individual state laws and federal regulations, it's a lot to keep track of and it can be difficult to determine what affects you directly. Our CCOE takes an approach that involves consistent communication, thoughtful education, and critical support when it comes to making sure your organization is complying with all the latest applicable regulations.

These are just some of the solutions MMA can offer you. We provide services tailored to fit your needs—all backed by a broad scope of global resources. Reach out today to get in touch with an MMA consultant and start building your strategy for 2023 and beyond.

Political and legislative considerations

As employee demands continue to rise, employers must also consider and take on some of the legislative pressures and compliance burdens.

Greater transparency, equity for mental and behavioral health, and the rising costs of prescriptions are the key issues getting bipartisan support across legislative bodies.

The pendulum will continue to swing on issues like the Inflation Reduction Act and Paid Family Leave as both federal and state administrations change.

Greater transparency will help employers and employees address wide price variations, reduce waste in the health care system, and help individuals make more informed choices about health care spending. As the Transparency in Coverage Act, the No Surprises Act, and Rx reporting will all come to full fruition in the next few years, we should see shifts in the choices made by both employers and employees.

Mental health parity laws play a huge role in the wide range of telehealth services that medical and behavioral health professionals can offer. These laws make it possible for patients to get equal or comparable access and benefits to health care relating to any physical conditions or needs.

The Inflation Reduction Act and Paid Family Leave are examples of where state administrations, more than the federal government, will continue to impact employers and employees. States will be asked to work directly with drug manufacturers to negotiate drug costs due to inflation. Most states at this point have adopted or considered adopting paid family leave, and other states are currently considering legislation that would provide paid family leave only for government employees.

First and foremost is the passage and implementation of both the Transparency in Coverage rule and the No Surprises Act.

The goal of the new transparency legislation is to:

- Empower, inform, and incentivize action from consumers that enable comparison shopping.
- Shine light on hidden business arrangements between payers and providers to stabilize and reduce the price of health care services overall.
- Expose real-time pricing information and out-of-pocket liability so the U.S. can establish a market-driven health care system.
- Create a foundation of pricing data standards across the board.

The Transparency in Coverage rule will be implemented in three phases.

The first phase is the public posting of pricing data, known as the "machine-readable files" or "MRFs." The second phase is progressing to a more personalized transparency experience for plan members in 2023 and 2024. The final phase is a deployment of a consumer cost estimate tool. This will require plan sponsors of self-insured plans and fully insured group health plans to disclose extensive price and cost-sharing information through public disclosures and plan participant disclosures.[1]

Transparency in coverage: What are the key phases and scope?[1]

Phase 1: Document

January 1, 2022
(enforcement delayed until July 1, 2022)

Created public machine-readable files (MRFs) that display in-network rates, out-of-network allowed amounts, and prescription drug pricing.[1]

- Plan years beginning from 1/1/22 to 6/30/22 began disclosing the first MRF (medical) by July 1, 2022.
- Plan years beginning on or after 7/1/22 began disclosing by the end of the month in which the year begins.

Phase 2: Personalize

January 1, 2023

Offer an internet-based, consumer cost-estimate tool that provides personalized, out-of-pocket cost estimates and other price-related data for 500 pre-determined items and services.

Phase 3: Expand

January 1, 2024

Expand the internet-based consumer cost-estimate tool to include cost estimates for all covered items, services, and prescription drugs.

Quality data is not part of the mandatory disclosures in the rules.

The No Surprises Act became effective on January 1, 2022 and was designed to protect patients from surprise bills for emergency services at out-of-network facilities or for out-of-network providers at in-network facilities.

The Act intends these protections to limit the ability of out-of-network providers to balance bill plan participants; and to create a dispute resolution system between plans and providers (as well as patients and providers).

In most instances, the insurance carriers/ TPAs will bear the administration burden for employer-provided group health plans, although we expect they will pass the costs through to employers in the form of additional fees. This does not mean the employers are free and clear of compliance responsibilities. The regulations will require several plans to amend their claims and appeals procedures, certain group health plans will require additional plan design changes, and employers will need to address certain disclosure obligations.[2]

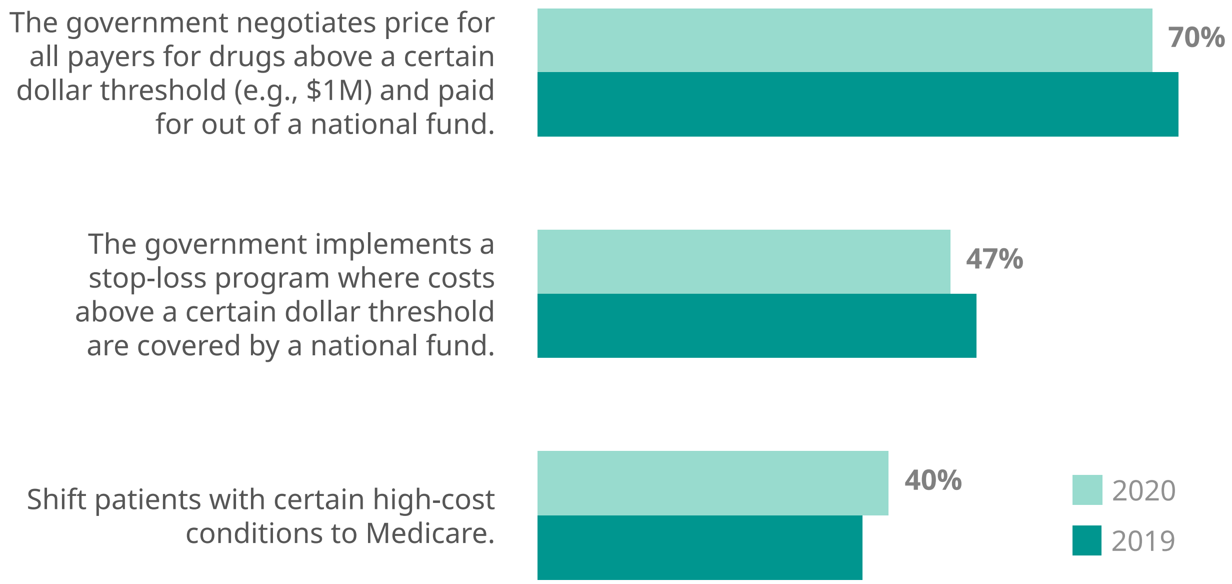
Secondarily, the focus is on both the rising costs and mandated Rx reporting.

A new prescription drug reporting mandate, adopted as part of the 2021 Consolidated Appropriations Act, requires group health plans and health insurers in the group and individual markets to report annually certain information about drug and health care spending to the federal government. This includes information about health care spending by category, the most frequently dispensed and costliest prescription drugs, and information about rebates paid by the drug manufacturers to plans, issuers, TPAs and PBMs. It also will provide transparency around the impact of complex drug pricing mechanisms, rebates, fees, and other remuneration paid by drug manufacturers on premiums.[2]

The data will be used to prepare a publicly available report about prescription drug reimbursements and pricing, and the role of prescription drugs in premium increases, helping to identify excessive drug pricing due to market concentration, promote generic drugs, and address the cost impact of drug manufacturer rebates. The Rx and health care spending reporting rule applies to health insurers and ERISA group health plans, whether fully insured or self-insured.

Several solutions being discussed at this stage are government intervention via high-risk pools, leveraged purchasing, or shifting patients to Medicare as 80% of large employers are concerned that current strategies to finance high-price therapies do little to address overall price.

Employers consider a role for the government in financing high-cost drug therapies.[2]



Do employers want the government to play a role in managing high-cost drugs?

15%

of large employers would welcome government intervention in managing high-cost drugs (up 4% from 2019).

15%

of large employers are concerned that current strategies to finance high-price therapies do little to address overall price.

Third, but equally important, is equity as it relates to both mental and behavioral health parity.

The Senate Finance Committee aims to introduce bipartisan legislation in 2023 that addresses behavioral health care issues. Both chambers will continue to work on proposals to expand access and services to include expanding the use of telehealth, supporting employers' ability to offer mental health services in employee assistance programs, encouraging the Department of Labor to provide clearer guidance on how to comply with mental health parity rules, and exploring policies to increase network participation by mental health providers.

The Mental Health Matters Act would give the Department of Labor more authority to enforce plan requirements under the Mental Health Parity and Addiction Equity Act and the Employee Retirement Income Security Act, ban forced arbitration agreements when plans improperly deny benefits, and ensure a fair standard of review by the courts.

The networks of mental health care providers affiliated with individual insurance plans are woefully inadequate, leaving most people requiring care with no choice but to find any available care provider. For those patients fortunate enough to locate a mental health care provider in-network, wait times are usually so long as to put the patient's life in grave danger.

Finally, the ever-shifting reality and influence of both federal and state administrations continues to impact specific areas of healthcare-related legislation.

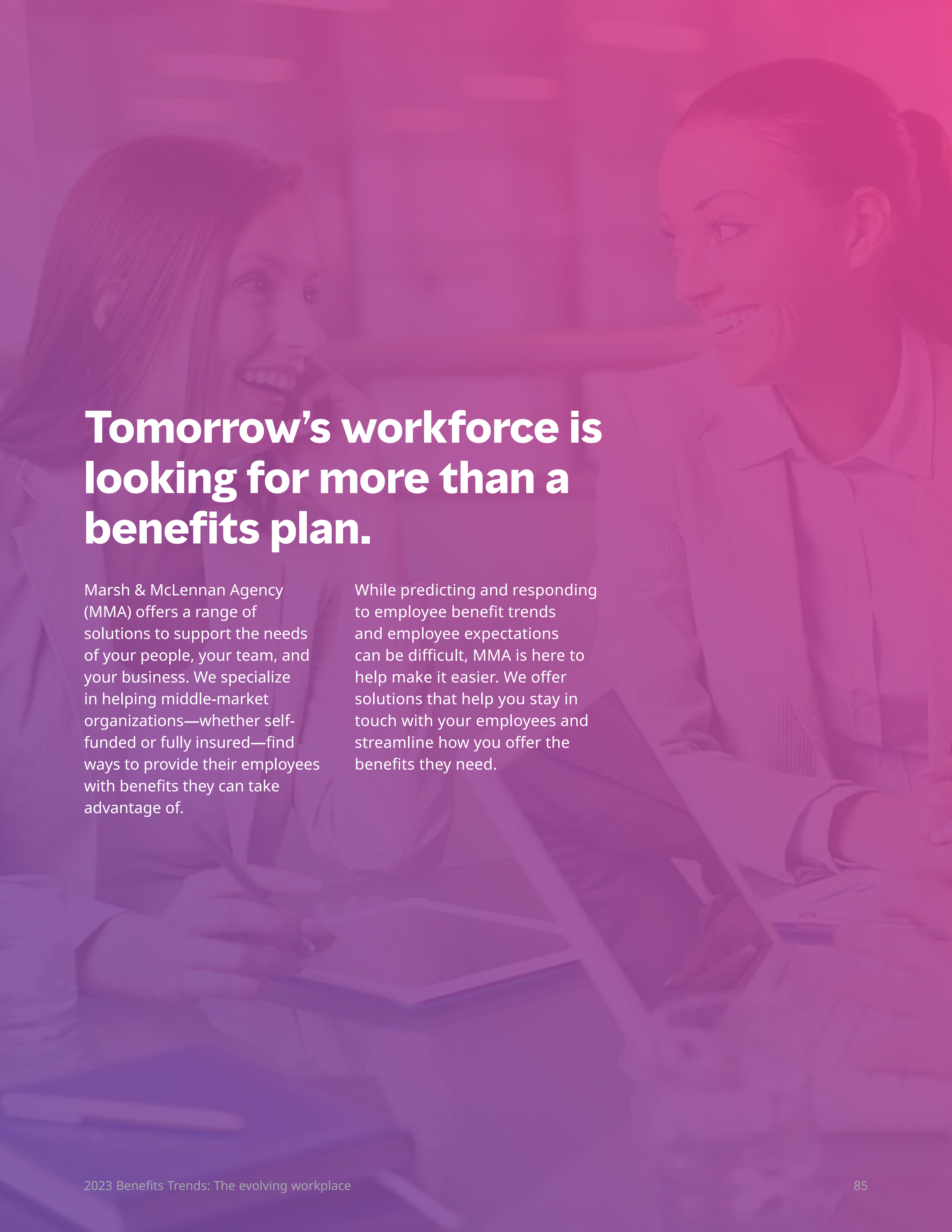
Inflation continues to rise to levels not seen for decades. In general, it's becoming more difficult to suppress increases for all expenses. However, it remains to be seen how effectively the measures the government has implemented to date will curb inflation. The longer the elevated levels remain, the larger the impact.

It's worth noting that although health care costs have risen more quickly than the Consumer Price Index historically, they are much less volatile. In its own words, the CPI is "a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services." As of August 2022, the CPI has recorded year-over-year increases between 6% and 24% for broad categories of goods, including food and energy. Rather than assuming the same level of increase will occur for health care, an upward adjustment of 1%–2% from historic levels is more likely.[4]

Annual change in Consumer Price Index for All Urban Consumers (CPI-U), July 2001 - July 20224

With the potential of an economic recession and the continued rippling effects of the COVID-19 pandemic, the challenge employers face in understanding and estimating the cost of their employee benefits programs continues to prove difficult.

The future of health care law is in no way set in stone. The best course of action is to stay updated and understand how current legislation at both state and federal levels will affect businesses and what health care plans will offer as solutions to support them.



Tomorrow's workforce is looking for more than a benefits plan.

Marsh & McLennan Agency (MMA) offers a range of solutions to support the needs of your people, your team, and your business. We specialize in helping middle-market organizations—whether self-funded or fully insured—find ways to provide their employees with benefits they can take advantage of.

While predicting and responding to employee benefit trends and employee expectations can be difficult, MMA is here to help make it easier. We offer solutions that help you stay in touch with your employees and streamline how you offer the benefits they need.

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