

# CREATING A FUTURE-READY BENEFITS STRATEGY FOR YOUR MIDSIZE BUSINESS



Today, many employers are finding themselves with a disconnect between their current benefits and the trends that are changing the entire healthcare landscape. It's a gap between the present and the future.

Here's the good news: Your company is growing. It seems like every week your inbox is full of new employee announcements. Some are giddy and fresh out of college. Others are sage, seasoned vets.

With the good news, however, comes the not-so-good news: Your company's healthcare costs are growing, too.

The discount gym memberships, meatless Mondays, smoking cessation programs and that ban on cupcakes at meetings can all push the message of health and wellness, but are those measures really shrinking your healthcare costs?

You'd like to offer a solution that actually puts a lid on costs while still providing competitive healthcare coverage, but those two goals don't seem to get along very well.

## WHO SHOULD READ THIS REPORT?

### Employers who:

- Sweat when they look at their company's healthcare costs
- Have a workforce that includes millennials on Snapchat and seasoned pros on retirement calculators
- Know that one or two health benefits options are not enough for their diverse workforce
- Don't want to miss out on the best talent because their benefits aren't competitive
- Have an HR team that is pushed to do a lot more with fewer resources

# AT LEAST EVERYBODY IS ON THE SAME PAGE

You're not alone, of course. For midsize employers, the total health benefits cost per employee rose 3.8% in 2015. That's down slightly from past years, but still triple the rate of inflation.<sup>1</sup>

At the same time, a change in workforce demographics — mixing retirement-age workers with brand-new job-seeking millennials — is throwing employers another curveball. By 2022, 31.9% of US workers aged 65–74 will still be in the workforce, compared to 20.4% in 2002.<sup>2</sup>

The question for companies today is not just how to reduce healthcare costs — it's how to find health benefits that meet the needs of employees with a vast range of ages, health concerns and financial realities.

To answer that question, your strategy and underlying technology must address the key megatrends that are affecting health benefits costs today.

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“When evaluating a health benefits strategy or a new technology, consider its impact on all the megatrends that are driving change within your benefits plan. Too often we don't hold technology solutions to this higher standard; rather, companies focus on just one performance application, like benefits administration. We recommend creating a future-ready strategy as well as finding a future-ready technology platform.”

Todd Renner, Mercer Marketplace 365+ Segment Leader

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<sup>1</sup> Mercer. “Rising Costs, Shifting Strategies: Today's Health and Benefits Trends,” 2016, available at [www.mercer.com/our-thinking/health-and-benefits-trends-infographic.html](http://www.mercer.com/our-thinking/health-and-benefits-trends-infographic.html).

<sup>2</sup> Drake B. “Number of older Americans in the workforce is on the rise,” Pew Research Center, 7 January 2014, available at [www.pewresearch.org/fact-tank/2014/01/07/number-of-older-americans-in-the-workforce-is-on-the-rise/](http://www.pewresearch.org/fact-tank/2014/01/07/number-of-older-americans-in-the-workforce-is-on-the-rise/).



# FIVE HEALTHCARE MEGATRENDS EMPLOYERS SHOULD WATCH

Today, the trends sending healthcare costs into orbit are complex. Broadly, they fall into five buckets:

## 1. ACA REGULATIONS

The ACA, along with state and even local regulations, has added expense and layers of red tape to healthcare benefits administration. It's the kind of complexity that can turn benefits-hunting into a 50-hour-a-week job. Unfortunately, compliance requirements are not going away anytime soon.

Many employers are taking steps now to prepare for the shifting legislative landscape while remaining compliant. Many are shifting to high-deductible health plans (HDHPs), for example. About 24% of employees were enrolled in HDHPs in 2015, up from 13% in 2010.<sup>3</sup>

## 2. PROVIDER AND PAYER CONSOLIDATION

Among high-dollar mergers and acquisitions in 2015, the healthcare sector led the US market. The total volume of healthcare mergers reached a stratospheric \$558.3 billion, accounting for 23.8% of the health insurance market.<sup>4</sup> The changes are producing a new healthcare landscape. Employers are now looking at options such as high-performing narrow networks or hospitals that have purchased smaller healthcare plans.

## 3. A MULTIGENERATIONAL WORKFORCE

For the first time ever, four generations are working together:

- Millennials: those born between the early 1980s and the early 2000s
- Generation X: those born between the mid-1960s and the late 1970s
- Baby boomers: those born between the mid-1940s and the mid-1960s
- Seniors or the silent generation: those born between the mid-1920s and the early 1940s

Each group comes with its own set of needs. A healthy college graduate might be okay with a yearly physical and a gym membership, so a high deductible health plan with a low premium might be the best fit. But that same plan might scare an older employee who needs regular prescriptions and sees several specialists each year.

Employers who are ready for the future offer benefits that accommodate their workforce and their budget.

<sup>3</sup> Kaiser Family Foundation. *2015 Employer Health Benefits Survey*, 2015, available at [kff.org/report-section/ehbs-2015-summary-of-findings/](http://kff.org/report-section/ehbs-2015-summary-of-findings/).

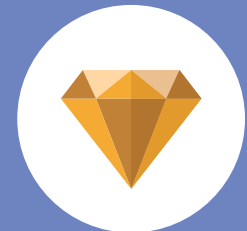
<sup>4</sup> Thomson Reuters. *Mergers & Acquisitions Review: Financial Advisors*, 2015, available at [share.thomsonreuters.com/general/PR/MA-4Q15-\(E\).pdf](http://share.thomsonreuters.com/general/PR/MA-4Q15-(E).pdf).

## BABY BOOMERS BY THE NUMBERS

Among those aged 55 and older, about 50% have no retirement savings.



The average balance in a baby boomer's 401(k) is \$120,000.



An average couple's healthcare costs in retirement are more than \$240,000.



As the cost of health care in retirement exceeds savings, many baby boomers will have to work longer and stay on their employer's health plans. This trend will necessitate the design of new and creative plans for this group.

Sources: US Government Accountability Office, 2015; Mercer, 2016

## 4. CONSUMERISM

Today's benefits plans add perks consumers expect, like weight management programs, fitness challenges, online health libraries, over-the-telephone health coaches and more. No longer is it "get old, get sick and get pills." Patients are taking charge of their health and wellness.

People are also taking charge of where they get their healthcare. They ask friends, research online and, of course, look at online review sites. About 84% of patients use online reviews to evaluate physicians, and 77% use online reviews as their first step when searching for a new doctor.<sup>5</sup> When shopping for insurance, patients want a plan that lets them keep seeing their current primary care provider.<sup>6</sup>

This trend toward consumerism in healthcare can challenge employers. Your competitiveness in recruiting talent may depend on rich online rating tools with easy-to-use interfaces and the breadth of choice of plans and physician networks.

## 5. TECHNOLOGY AND THE HEALTH DATA EXPLOSION

In the past two years, more than \$8 billion has been spent on developing digital tools that compare costs, rate physicians and even count how many steps you take each day.<sup>7</sup> These new technologies are all aimed at keeping people healthier while reducing costs and making sure patients get the best care. Currently there are about 165,000 health-based smartphone apps on the market.<sup>8</sup>

Companies with a future-ready benefits strategy know how to use that data to make better decisions for their employees and their healthcare budgets.

<sup>5</sup> Loria G. "How Patients Use Online Reviews," *Software Advice*, 2015, available at [www.softwareadvice.com/resources/how-patients-use-online-reviews](http://www.softwareadvice.com/resources/how-patients-use-online-reviews).

<sup>6</sup> [source to come]

<sup>7</sup> Mercer. "Creating a Future-Ready Benefits Strategy," webinar, 1 January 2016, available at <http://tinyurl.com/htbuu33>.

<sup>8</sup> IMS Institute for Healthcare Informatics. "New report finds more than 165,000 mobile health apps now available, takes close look at characteristics & use," *iMedicalApps*, 17 September 2015, available at [www.imedicalapps.com/2015/09/ims-health-apps-report](http://www.imedicalapps.com/2015/09/ims-health-apps-report).

## HEALTHCARE BY SATELLITE

62% of smartphone users have used their phones to look up health information.

The number rises to 75% among young adults.



## EVALUATING BENEFITS SOLUTIONS: NINE KEY QUESTIONS TO ASK

If your company is growing, you already know why it's important to have exceptional benefits in place: recruitment. High-performing talent wants high-performing benefits.

### HEALTH BENEFITS: IT'S NOT JUST A PERK – IT'S BAIT



**88%** of employees consider employer-based health insurance “extremely” or “very” important – significantly more than other workplace benefits.



**75%** of prospective employees say benefits are “extremely” or “very” important in their decision whether or not to accept a job offer.



Most employees want more choices in health plans: **80%** consider choice to be “extremely” or “very” important; **80%** are interested in having more choices.

Source: Employee Benefit Research Institute, *Views on Employment-based Health Benefits: Findings from the 2015 Health and Voluntary Workplace Benefits Survey*, November 2015

Developing a benefits strategy that resonates with your employees starts with an informed advisor who understands the megatrends. It may be the best investment you could make as you work to contain costs on health premiums.

As you're evaluating different types of supporting technology solutions – and choosing an outside expert to lead you through it – here are nine questions to ask:

1. Megatrends are just that – trends. Will the health benefits technology solution you are considering address these trends? It is a critical question.
2. How can this solution help my company and individual employees save on healthcare costs?
3. What kind of track record and stability does this solution have? Will this solution be around in a few years, or will I be shopping again soon?
4. What tools will the solution offer to help employees save on out-of-pocket costs? This could include a provider network directory, cost comparison tools, online portals, etc. Can my employees access these tools on their mobile devices?
5. Are these tools easy to use, or do my employees have to be computer science majors? Are there explanatory videos and printable guides as well?
6. Will employees be able to get different types of benefits – from medical and dental insurance to identity theft protection?
7. To what extent can we customize benefits?
8. Does this solution work with my current payroll and HR systems, or does it replace them?
9. What support is offered for rolling out the solution? Any onsite trainings, videos or dedicated support staff?

## ALSO, ABOUT THOSE REGULATIONS ...

Trying to comply with healthcare regulations can be a headache — but not complying is a guaranteed nightmare. The question is not just, “Do my company’s benefits comply with all healthcare regulations?” It’s also, “Who is going to make sure that it does?”

Again, this is where an outside expert can save you time and frustration. Seek out a compliance specialist who’s not just informed, but future-ready — knowledgeable about new regulations around the corner.

## THE FINAL STEPS

When you’re ready to select a future-ready benefits technology solution, there are certain steps that can help you:

- Make sure you have buy-in from senior leadership.
- Invest time and budget into project planning.
- Understand employee habits, as well as their decision-making process around health benefits.
- Generate a communications plan.

Then you can start tracking key metrics, such as your yearly healthcare costs savings and your employees’ health outcomes. With a successful health benefits solution in place, you can focus on growing your company — the sweetest metric of all.

## MERCER MARKETPLACE 365+

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Mercer Marketplace 365+ is specifically designed to bring all the value of our industry-leading solutions to our clients with 100–500 employees. With proven financial results, member satisfaction at 96% and a decision/implementation time frame that works for those who are fully insured, now is the time to consider Mercer Marketplace 365+ for your health and welfare strategy.

