

reinvent for value

creating the
future of
employee health
and benefits



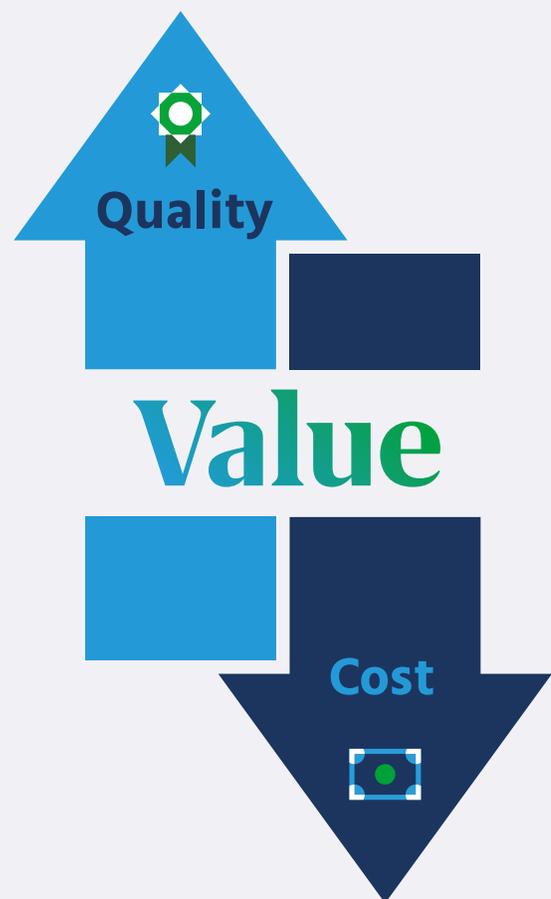
Imagine a future state in which benefit programs are no longer considered just a cost of doing business, but produce optimal outcomes for both employers and employees, adding value to a company's bottom line. It is **possible** for employers to better harness the value that rests within their employee benefit programs, increasing employee engagement and ultimately optimizing business outcomes.

Employers can determine the value of their health and benefits programs by assessing the balance of the quality and cost of their offerings. When quality and cost are out of balance, it's bad for both employees and employers – low quality and high costs benefit no one. In an ideal state, employers can achieve greater value by demanding higher quality while putting downward pressure on costs.

Value is *multi-dimensional*, dictated by what employees value, the value of the care employees receive, and the value of the benefit partners chosen; by recognizing these dimensions, a more holistically valuable benefit package is delivered.

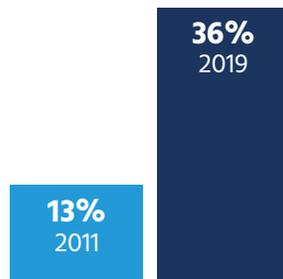
At Mercer, we believe now is the time for employers to rebalance the equation and *reinvent for value*.

Employers need to derive greater value from their benefits. Now is the time to rebalance the equation and reinvent for value.



An essential area for employers to reinvent for value is within the healthcare programs offered. Employer-driven healthcare transformation is not a new concept. Over the last decade, employers have pressured the healthcare market to drive meaningful transformation, and we have seen the impact.

Personalizing employee experience has led to CDHP enrollment nearly tripling from 2011 to 2019.



Employers understand the need to pay for value, with more than half of large employers adopting Accountable Care Organizations (ACOs) and high-performance networks as an important part of their cost management strategy over the next 3-5 years.²



The push to high quality care has already begun, with nearly a third of large employers (5,000 or more employees) providing onsite primary care services, up from only 24% in 2013.³ Most prominently, employers have embraced ideas that were once considered disruptive, as critical guiding principles of their strategy.

Telemedicine has grown significantly between 2013 and 2019.⁴



During the pandemic, telemedicine utilization increased YOY in April by 8,336%,⁵ showing that employees are ready to embrace disruption too.

8,336%

Employers recognize that employees are consumers who are making benefit choices, and have adopted tools to aid in the employee experience. Price transparency resources, advocacy solutions, and more recently, AI-enabled tools help guide members to the most relevant health and benefit choices for them. In addition, two-thirds of employers are now incentivizing the use of high-value provider programs,⁶ and capitalized on the growth in the digital health space. Employees are eager to use these tools: 48% of workers are highly confident in their employers' ability to provide digital health solutions.⁷

Macro forces that were already pressuring employers to reinvent their health and benefit programs have been greatly accelerated by the COVID-19 pandemic. Employers are navigating uncharted waters, dealing with economic challenges, the declining health of Americans generally, working to address racial and ethnic disparities and adapting to the new realities of work.

Volatile Economies

US GDP had increased year over year for over a decade⁸ when the COVID-19 pandemic suddenly brought the economy to a halt. One of the most significant global threats to financial stability that many will see in a lifetime, the pandemic drove a steep economic decline that could take years to rebound. Many businesses have failed, and unemployment is at a historic high.



Many workers have filed for unemployment and nearly 9 in 10 Americans reported financial stress.⁹

Mercer's COVID employer pulse found that 85% of respondents estimated that the pandemic would have a moderate to high impact on overall financial performance for 2020.¹⁰

Health and Care Delivery Under a Microscope

The COVID-19 pandemic has highlighted concerns about public health, obesity, and chronic disease in this country. Age and generation also may come into play: healthcare costs for Millennials are as much as a third higher than for Gen Xers at the same age.¹¹ With many people deferring preventive and maintenance care during the pandemic, follow-on costs are likely to skyrocket.

Changes to the primary care landscape and new resources to identify and steer members to high-quality providers have made it necessary and possible for employers to get involved. The explosion of virtual care utilization has opened the door for digital to become the go-to mode of care. Employers should embrace this new digital paradigm and align their benefit offerings with the way employees are engaging in healthcare differently. This virtual-first approach gives employers an unprecedented opportunity to help members get the right care, at the right time, at the right cost.

Racial and Ethnic Disparities

Racial justice is a societal imperative, and employers are actively looking to address disparities. Prior to COVID-19, racial and ethnic minorities had higher rates of chronic disease, obesity and premature death than white people.¹² The COVID-19 pandemic has further exposed disparities¹³ in healthcare and the profound impact that social factors can have on health and health outcomes, which have long existed. COVID-19 contraction and hospitalization rates for African Americans and Latinos in the US are significantly higher than those of white populations. The COVID-19, the Black Lives Matter and #metoo movements and recent widespread racial injustice conversations highlight the need for everyone to do better. By doing better, all benefit, as data shows companies in the top quartile for gender or racial and ethnic diversity are more likely to have financial returns above their national industry medians.¹⁴ Companies are driving change in support of all employee cohorts, including race and ethnicity, LGBTQ+, gender, differently-abled, veterans and more. Recognizing a one-size-fits-all approach no longer works - employers have the opportunity to reinvent and successfully support a diverse, equitable and inclusive workforce.¹⁵

The New Shape of Work

There's a new shape of work; previous paradigms around business operations no longer hold as the workforce has moved out of physical offices. "Anytime, anywhere" operations are becoming the norm as companies recognize the effectiveness of remote working and flexible hours.



6 in 10 employers indicated that at least 25% of their workers will continue to work remotely¹⁶ after restrictions caused by the pandemic end.

Your company has always cared about its people. But since the COVID-19 pandemic turned the working world upside down, many businesses have pivoted to a remote-first workforce. Employees are madly juggling work and family life—the lines are blurred and there is no balance. The result? Distance, stress, and the loss of community mean less employee connectedness and lower engagement and productivity. Although distance makes it more challenging to assess well-being, it isn't impossible or even difficult—but it can be easily overlooked. Creating a culture of caring means addressing employees' physical, emotional, financial, social and environmental well-being, which combine in an enhanced sense of purpose. Improved employee well-being drives significant gains in performance and engagement, estimated to increase productivity among employees who address their well-being by 31 percent, lower healthcare costs by 41 percent, and decrease turnover among thriving employees by 35 percent.

Employers have made great strides in transforming the healthcare market over the past several years. Now is the time for employers to ensure that they are expanding this transformation beyond healthcare, into all benefits, to derive the greatest value possible and construct an ideal future health and benefits program for their business and their employees. Mercer believes employers can reinvent for value to create a future state where:



Quality, affordable healthcare is accessible



Benefits are valued and drive engagement



Vendors are aligned and continuous improvement reigns



Dollars are spent to deliver value to the business

By taking action now to drive change, employers can turn this future into a reality.



Quality, affordable healthcare is accessible

Historically, measuring value has been difficult, and often felt like a black box. Employers have rarely been told the whole story when it comes to healthcare value. On the quality side, it has been difficult to obtain objective and meaningful quality measurements, let alone pair that with objective and meaningful cost data. As a result, healthcare quality and cost continue to be misaligned, costing employers and employees hard dollars. In the same geography, the cost for the very same procedure can vary by up to 50%. Furthermore, employers and private insurers have been found to pay 247% of what Medicare pays at the same facilities for the same services¹⁷; and are paying that difference on 178 million people across the country.¹⁸ Today marks the start of a new era for measuring

the value of healthcare. With the advancement of the market, and new quality measurement tools, employers have more options than ever for implementing value-based, quality-focused health and benefits strategies. Employers should evaluate innovative strategies like virtual quality overlay networks, direct contracting with high-quality providers and bundled payment arrangements with payer and provider guarantees attached. Once you know where to find quality care, you'll be able to help employees get the best value.

Employers must demand better cost and quality in the healthcare system, as they have the most to gain from disruption. And because employers provide health coverage for more than half of the US population,¹⁹ they have significant market influence on the value equation through cost and quality levers. If employers collectively speak, the healthcare system will have to listen.

How Mercer can help

Mercer's quality and cost assessment tool can source broad data sets to obtain an independent and objective measurement of quality, paired with real cost information, down to the provider level. Having visibility into both quality and cost at the same time allows you to analyze true value – the first step in improving it.



Benefits are valued and drive engagement

By understanding how different employees value their health and benefits, employers can create a culture where employees are supported to access the most meaningful resources for them. Incorporating diversity, equity and inclusion into the benefits strategy ensures all employees are able to thrive. By being aware of how social determinants of health (like access to healthy food, reliable transportation and safe housing) can impact healthcare status and access to benefits, employers can further develop a responsive benefits strategy. Employers have been conducting surveys, focus groups and more for some time. Now it is more important than ever to engage in these tactics nimbly, to understand and act on what your employees want out of their benefits.



Vendors are aligned and continuous improvement reigns

The proliferation of new vendors in the benefits space has disrupted incumbents and allowed access to solutions that can address the specific needs of populations, rather than historically broad, less-tailored approaches. This has opened up new opportunities for employers to realize value previously unattainable as a result of limited options. In addition, employers are now expecting meaningful data and ongoing measurement to demonstrate that value. Through measuring the performance of vendors and their impact on the business, employers can ensure that partners are driving value for the company and employees.

How Mercer can help

With extensive survey capabilities, Mercer can highlight employees' voices and develop an overarching benefits strategy that responds to employees' wants and needs. Mercer's diversity and inclusion experts can ensure that your strategies have actionable tactics that will address diverse population needs.

How Mercer can help

Mercer consultants are constantly reviewing new vendors across the benefits space to know which solution fits best with employee needs, company culture and strategy. Mercer taps into market insights to negotiate the best contract rates and performance guarantees, and focuses on data-driven strategies to measure and demonstrate value and continuous improvement over time.



Dollars spent deliver value to the business

Employee benefits are an expense, but spending wisely can bring value to the business. A close look at benefits and costs can help identify waste and under-performing programs. Invest in benefits customized to employees' needs and priorities to help them – and your organization – thrive. That kind of return on investment can drive long-term business success.

How Mercer can help

Mercer's measurement and analytics teams are poised to develop detailed return-on-investment to measure the outcomes of the benefits solutions and strategies to understand if they are generating value for your business.

2020 is the year everything changed. Upheaval in the economy and the marketplace presents employers with a meaningful opportunity for activism. Disruption by demanding greater value for benefits spend can bring greater rationality to the system. Together, we can reinvent for value by driving higher quality at a lower cost.

Begin the transformation by analyzing what employees value, the value of the care employees receive and the value of the benefits they choose.

Contact your Mercer Consultant or request a consultation today.

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