

BLOG

Future of Risk: Employee Benefits Evolve Alongside Shifting Workforce Needs

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Work as we knew it three years ago no longer exists. Today's employment landscape is unprecedented, with employees enjoying more flexibility and power while employers struggle to meaningfully engage and retain them. Simultaneously, economic and societal forces are influencing how businesses build their total rewards packages and what workers view as most valuable.

In the coming years, businesses nationwide must be ready to transform their employee benefits offerings in response to shifting workplace dynamics, or risk losing the battle for top talent.

Changing Workforce, Changing Incentives

The pandemic forced 85% of employees to transition from being in-office to working remotely. Though some companies have now returned to offices, many have maintained a hybrid or remote workforce. In-person work historically paid a loyalty dividend because employers were able to build connections with employees. That is no longer the case.

Engagement has become more challenging. "The Great Resignation" is creating mounting retention problems. These challenges are compounded by the rise of Millennials and Generation Z in the workforce, younger populations who do not approach employment longevity in the same way as their older peers.

The changing dynamic is pushing employers to deeply reconsider their total rewards package: working conditions, time off, creative perks and additional benefits are all being reexamined. Companies are searching for ways to differentiate themselves through employee benefits programs and have expanded beyond obligatory health insurance. We are seeing increased interest from businesses to meet shifting generational ideals and the demands of high-value talent. Though not necessarily new to the marketplace, more large businesses are adding fertility benefits and pet insurance to their benefits packages, because of their appeal to the younger generation. New benefits offerings have entered the space—including insurance to support financial wellbeing for couples who are divorcing and policy additions such as pet bereavement leave—providing businesses with even more outside-the-box incentives to leverage for employee retention and attraction.



Employers must work to understand what is most valuable to their employees and structure incentives to accommodate their workforce. This includes adapting to the communication preferences of younger employees, providing fully digital and mobile delivery methods, and understanding the varying insurance coverage needs for multiple generations.

Behavioral Health Concerns Grow, Telehealth Rises

The pandemic both exacerbated and shined a spotlight on the pressing behavioral and mental health needs of employees across the country. This continues to be a substantial issue that employers must address. Many businesses recognize this need and are focused on providing employees and their dependents with quality behavioral health care.

However, due to the national rise in people seeking behavioral health care and the attendant shortage of providers, it is becoming more difficult to find professionals who are willing to accept new patients or work with an insurance system.

To combat this, telehealth options have significantly expanded, especially in the field of behavioral health. As recently as three years ago remote health care services were prohibited in several states. Now, fueled by the crucial need for virtual health care support during the pandemic, legislators have come around and relaxed longstanding objections. Telehealth has become the predominant delivery system for mental and behavioral health treatment and is frequently being used by other types of care providers as well.

This shift towards telehealth represents a substantial change in the health care delivery system and has made access to care far easier. Several telehealth and virtual health care startups have entered the market in the last few years, expanding more rapidly during the pandemic. The influx of options has provided support not just for behavioral health, but also for dental care, physical therapy, and more.

To further support employee wellbeing, some businesses have also begun offering meditation app subscriptions as a part of their total rewards package. Employers understand that by supporting workers' mental health and enabling them to be happier and more fulfilled, they are developing a more productive workforce. In the future, behavioral health access will be more widespread and central to employee benefits packages.

Economic Worries Fuel Cost Sensitivity, New Strategies

Employers and financial managers fear that a recession is on the horizon. Combined with unprecedented inflation, this is influencing the way they are looking at benefits packages and potential cost increases. Employers know that they need to provide access to top-quality medical benefits, but a worrisome economic environment is increasing sensitivity to medical benefits costs overall, especially due to the rising costs of specialty drugs. For drugs like Zolgensma, a gene therapy medication used to treat spinal muscular atrophy, pharmaceutical manufacturers are charging over \$2 million dollars per treatment, and health plans are under pressure to cover these costs. This becomes a large expense for employers to bear. An increase in the value of catastrophic claims and the volume of high-cost specialty drugs are leading to significant increases in medical costs.

To effectively manage these costs, employers should work with their benefits broker or consultant to develop strategies that mitigate risks without sacrificing the quality of care. Some major companies are

negotiating with health care providers on a *direct contract* basis, which simplifies access for employees by allowing them to go to a specific provider at a reduced cost.

In a direct contract model, the plan pays a pre-determined case, visit or procedure rate. This model also helps support employee engagement by incentivizing the selection of the best providers. The system has not made it easy for employees to get the data needed to make an informed decision on provider cost and quality and to fully understand benefits coverages and out-of-pocket costs. New and future delivery systems may change that.

Future Benefits Success is in Relationship Building

The future of risk in employee benefits is changing as the workplace evolves and employee needs and benefits expectations expand. The key to succeeding in this new environment is to innovate ways to build relationships and engagement with employees, regardless of their location. Understanding the requirements of a multi-generational hybrid workforce is critical. Accommodating the holistic needs of the workforce will require companies to think beyond traditional employee benefits and find solutions that make employees and businesses thrive.

This year, we are exploring the rapidly evolving nature of risk across industries in our blog series [The Future of Risk](#). Follow along in the Knowledge Center.

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