

2021

**WORKFORCE TRENDS
REPORT SERIES**

PHYSICAL & EMOTIONAL WELLBEING

Findings and insights from the 2021
Benefits Strategy & Benchmarking Survey

U.S. Edition



Gallagher

Insurance | Risk Management | Consulting



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INTRODUCTION

Economic uncertainty, lifestyle adjustments, increased caregiver burdens, delayed preventive care and recovery from COVID-19 continue to affect the state of employees' physical and emotional wellbeing. For employers, focusing on these core wellbeing aspects—and the ongoing implications to workforce health, safety and productivity—is critical.

Employees who feel supported by their organization are better able to bring their best to work each day. Access to physical and emotional wellbeing benefits, policies and programs is central not only to the quality of their experience, but also performance outcomes. While properly designing and applying total rewards is always a precondition to competing effectively for talent, success factors change along with the environment. And today, it's important for benefit strategies to consider the increasingly virtual labor market.

Gallagher Better WorksSM is our comprehensive approach to benefits, compensation, retirement, employee communication and workplace culture that aligns your people strategy with your overall business goals. It centers on the full spectrum of organizational wellbeing—strategically investing in your people's health, talent, financial wellbeing and career growth at the right cost structures to support diverse workforce needs.

Part of our Workforce Trends Report Series, this installment covers medical, pharmacy, absence management and voluntary benefits. It presents recent findings on current and emerging trends to help employers optimize their investments in physical and emotional wellbeing. Later installments in the series will focus on the other aspects of wellbeing.

Data and insights highlighted in the report series are compiled from a variety of Gallagher benchmarking surveys that are conducted each year. In this report, they're based on an analysis of our Benefits Strategy & Benchmarking Survey results, gathered from December 2020 to March 2021. A total of 3,996 organizations across the United States participated.

Findings are broken out by region, organization size and ownership structure for peer comparison. Each section features core data highlights, contains tables with detailed results and wraps up with key takeaways. From broad insights to specific findings, you'll gain a practical perspective on trends and best practices to help you face your future with confidence.

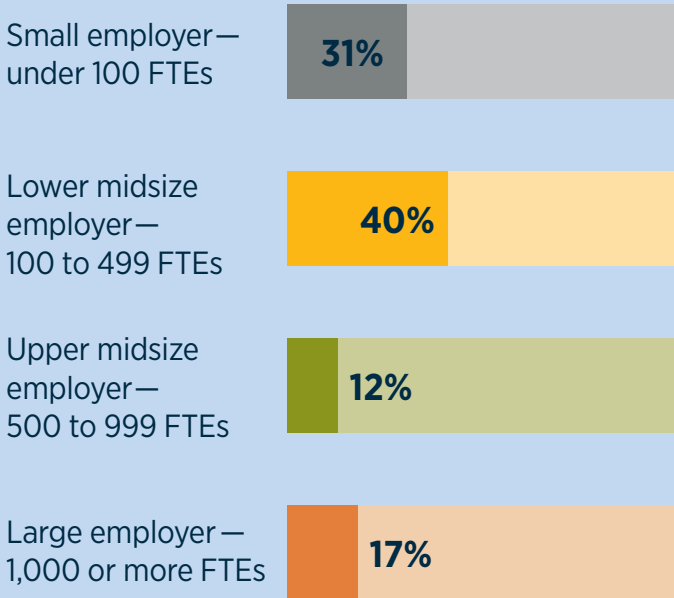
To discuss your total rewards strategies, contact your local Gallagher representative or one of the advisors listed in the back of the report.



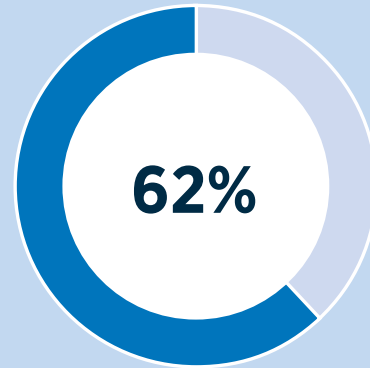
BENEFITS STRATEGY & BENCHMARKING SURVEY

PARTICIPANT PROFILE

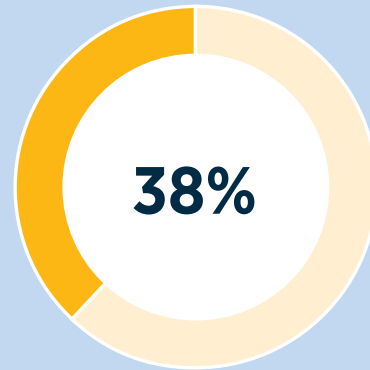
WORKFORCE SIZE — FULL-TIME EQUIVALENTS (FTEs)



OWNERSHIP STRUCTURE

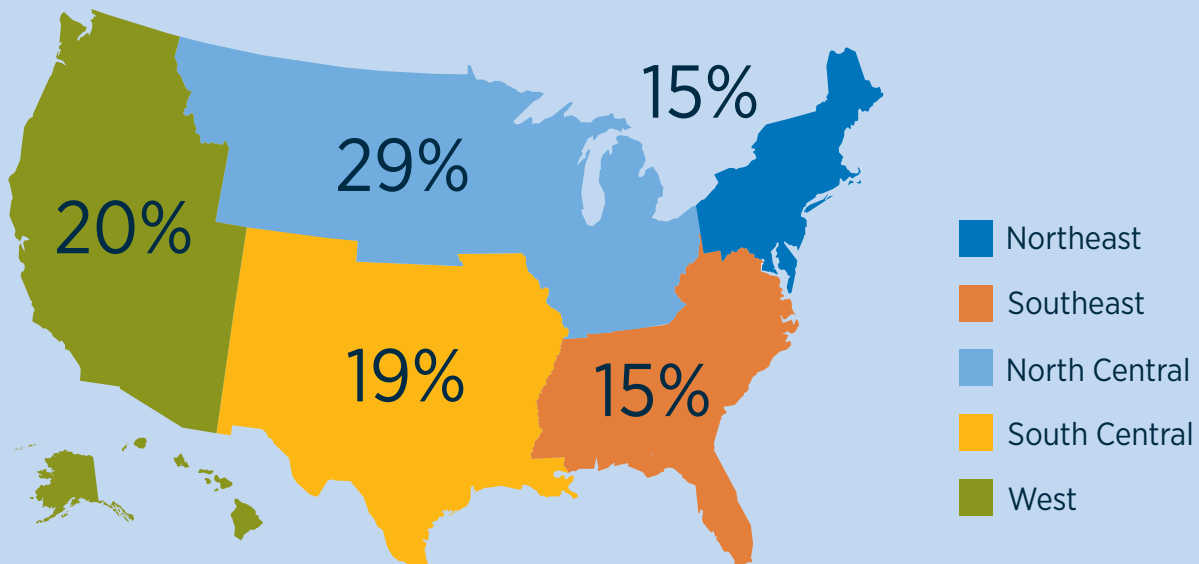


For profit



Nonprofit

GEOGRAPHY



NUMBER OF PARTICIPATING ORGANIZATIONS BY INDUSTRY



HEALTHCARE

715



MANUFACTURING

500



PUBLIC ENTITY

388



BUSINESS SERVICES

262



TECHNOLOGY

256



FINANCIAL SERVICES

228



CONSTRUCTION

224



K-12 EDUCATION

208



SOCIAL SERVICES

196



HOSPITALITY/RESTAURANT/
ENTERTAINMENT

159



ENERGY

125



WHOLESALE-
DISTRIBUTION

115



TRANSPORTATION

112



RETAIL

100



HIGHER EDUCATION

74



REAL ESTATE

67



LAW

66



ASSOCIATIONS

64



LIFE SCIENCES

57



RELIGIOUS INSTITUTIONS

55



AGRICULTURE

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PHARMACEUTICAL

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MEDICAL BENEFITS

All aspects of employee wellbeing interrelate and interact. But while they're mutually supportive, physical and emotional health determine the foundational capacity for performance and productivity. Clearly a high-value benefit for employers and employees, medical services remain very costly in both an operational and individual sense. Minimizing these shared expenses for health plan coverage isn't a simple process—but a determined effort can make them more affordable. Applying value-centric strategies is one way of providing access to appropriate care at a reasonable cost.

The unusual operational challenges businesses endured in 2020 slowed the inertia of market innovation, especially in medical benefits. Many organizations diverted their attention to stability, temporarily pushing major benefit changes to a lower priority (88%).¹ Two healthcare needs that overrode other interests were managing cost trend and otherwise maintaining the status quo. Yet lower utilization of health coverage made cost containment more realistic than expected. Employers are in a relatively favorable position to resume their focus on improving both healthcare value and access, as the pandemic recedes.

Telemedicine’s forward momentum is expected to continue uninterrupted.

Remote healthcare has been delivered in some form or another for decades. Those early years laid the groundwork for the advanced capabilities and reliable infrastructure of telemedicine today, and most recently its broad availability and acceptability to patients—just in time for the pandemic.

Telemedicine is offered by 64% of employers, up 12 points since 2019, while virtual patient visits increased by a factor of 28x from January to May 2020, before dropping slightly and remaining level through October.²

Interestingly, findings for preferred provider organization (PPO) plans suggest that a fair number of organizations are not collecting a copay on telemedicine, and a few explanations are likely. Some employers may have made this decision as a savings measure.



Offer telemedicine

Waiving the upfront cost share could pay off in the near and long terms in two ways—by encouraging patients to use a lower-cost provider site and incentivizing them to get the care they need during the pandemic. It’s also possible that new adopters of this technology overlooked the application of a copay. In any event, there’s a good chance the outcome will be a continued upsurge in telemedicine.

The use of technology to preserve access to necessary care is an area of active interest, and these findings suggest that telemedicine has earned its place in an expanding tech toolkit. As benefit planning processes pick up where they left off in early 2020, alternative technology solutions for healthcare delivery will be top of mind. Their strong potential for helping employers avoid deferred care issues and maintain continuity could be a key driver of change in the years ahead.

HEALTHCARE COST-CONTROL TACTICS USED IN 2021

Category	Base	Increase the employee contribution to the premium cost	Increase the employee cost share through plan design changes	Change plan carriers	Use narrow provider networks	Use reference-based pricing for healthcare services
ALL	3,380	44%	36%	32%	13%	5%
North Central	1,077	49%	38%	30%	15%	5%
Northeast	483	45%	40%	31%	8%	4%
South Central	633	41%	31%	33%	13%	7%
Southeast	500	41%	38%	31%	8%	4%
West	687	38%	32%	37%	17%	3%
For Profit	1,946	44%	37%	38%	11%	4%
Nonprofit	1,235	44%	34%	25%	18%	6%
Under 100 FTEs	988	33%	25%	40%	10%	3%
100 to 499 FTEs	1,341	45%	35%	33%	11%	5%
500 to 999 FTEs	402	47%	40%	25%	13%	5%
1,000 or more FTEs	587	54%	52%	24%	24%	7%

HEALTHCARE COST-CONTROL TACTICS USED IN 2021 (CONT.)

Category	Base	Increase deductibles and offer supplemental benefits	Offer telemedicine	Provide employees with healthcare decision support	Designate centers of excellence (expert facilities or providers specializing in complex care)	Provide employees with cost-transparency tools
ALL	3,380	27%	64%	30%	10%	27%
North Central	1,077	26%	64%	29%	10%	29%
Northeast	483	31%	62%	30%	10%	27%
South Central	633	25%	61%	33%	11%	26%
Southeast	500	26%	73%	31%	12%	29%
West	687	28%	61%	27%	7%	24%
For Profit	1,946	27%	67%	31%	10%	28%
Nonprofit	1,235	27%	59%	28%	8%	25%
Under 100 FTEs	988	28%	43%	21%	2%	18%
100 to 499 FTEs	1,341	26%	67%	28%	5%	27%
500 to 999 FTEs	402	27%	76%	39%	14%	34%
1,000 or more FTEs	587	27%	85%	42%	30%	37%

Category	Base	Provide wellbeing incentives	Offer disease management programs	Integrate health and disability management programs	Actively deploy a care coordination or navigation model	Perform eligibility audits
ALL	3,380	43%	30%	9%	6%	16%
North Central	1,077	46%	31%	9%	6%	18%
Northeast	483	44%	31%	9%	4%	16%
South Central	633	41%	28%	9%	7%	15%
Southeast	500	48%	39%	9%	6%	18%
West	687	37%	23%	8%	3%	14%
For Profit	1,946	40%	27%	9%	5%	15%
Nonprofit	1,235	47%	33%	9%	7%	18%
Under 100 FTEs	988	26%	9%	3%	1%	5%
100 to 499 FTEs	1,341	43%	27%	8%	4%	11%
500 to 999 FTEs	402	55%	40%	15%	6%	29%
1,000 or more FTEs	587	63%	65%	18%	17%	37%

Category	Base	Perform claims audits	Offer second-opinion services	Provide nonsmokers a discount on premiums (smoker or tobacco surcharge)	Apply a separate charge per dependent	Apply a surcharge or exclusion for spouses with access to other coverage	Offer an opt-out credit to employees who waive coverage
ALL	3,380	15%	8%	14%	7%	14%	10%
North Central	1,077	14%	7%	16%	7%	22%	12%
Northeast	483	16%	9%	11%	4%	13%	15%
South Central	633	17%	9%	14%	7%	12%	4%
Southeast	500	18%	7%	19%	7%	15%	8%
West	687	11%	7%	7%	9%	5%	12%
For Profit	1,946	15%	8%	16%	7%	15%	8%
Nonprofit	1,235	15%	7%	10%	7%	14%	13%
Under 100 FTEs	988	3%	3%	4%	12%	6%	10%
100 to 499 FTEs	1,341	14%	6%	13%	5%	12%	12%
500 to 999 FTEs	402	21%	8%	17%	5%	19%	12%
1,000 or more FTEs	587	35%	18%	30%	3%	29%	7%

ABOUT GALLAGHER

The pursuit of “better” is ongoing. And the process involved requires recognizing and acting on unforeseen risks, while keeping a mindset that turns the toughest challenges into opportunities.

People are an organization’s greatest asset in any challenge. And the connection between employee wellbeing and organizational wellbeing has never been more apparent—or more important.

Employees have multifaceted needs that extend beyond their work commitments. That’s why their wellbeing is at the center of Gallagher Better WorksSM, a comprehensive approach that engages them in their work and drives your organization’s success. By strategically investing in benefits, compensation, retirement and employee communication, you’re able to support the health, financial security and career growth of your people at the right cost structures.

From evaluating the demographics of your workforce to surveying and analyzing competitor trends, Gallagher helps you gather new insights and apply best practices that promote productivity and growth. A data-driven focus allows you to continually improve and make changes for better outcomes.

As you develop new business operating models, support employees working remotely, and ensure equity and inclusion within a diverse workplace culture, your people can perform at a higher level. When this happens, you optimize your annual talent investment and mitigate organizational risk to maximize your profitability.

A strategy rooted in the wellbeing of your people is one that allows organizational wellbeing to thrive—even in times of uncertainty.

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