



# 2019 Lockton Benefits Survey

Executive Summary

April 2019



# EXECUTIVE SUMMARY

When designing benefits plans, employers face the difficult challenge of balancing the cost of those benefits with the need to attract and retain talent in a highly competitive marketplace. Employers often seek benchmarking data that helps determine how they compare to competitors.

To shed light on current and potential benefits-related strategies and trends, Lockton conducted a survey of more than 1,300 US employers in early 2019. The results of this survey provide important insights into the most common and the most progressive employee benefits strategies, as well as their expected adoption over the next plan year.

This summary provides some key findings gleaned from survey responses. For a more complete view of what the survey revealed, along with a discussion of how your organization can use this information to develop the most effective strategies, please contact your Lockton account team.

## Competitiveness vs. cost: Employers face opposing priorities

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It's no surprise that employers are struggling to find enough talented individuals to fuel their growth. As of February 2019, unemployment dropped again to a mere 3.8%, further reinforcing the current job seekers' market. Employers understand the role of their employee benefits in attracting and retaining talent, and nearly 96% of respondents know that they need to be competitive when it comes to talent acquisition.

At the same time, survey responses revealed that the single most important factor for organizations when making benefits decisions is cost reduction, requiring a delicate balancing act. And when it comes to the top challenge related to developing a total rewards strategy, the majority of respondents cited escalating healthcare costs.

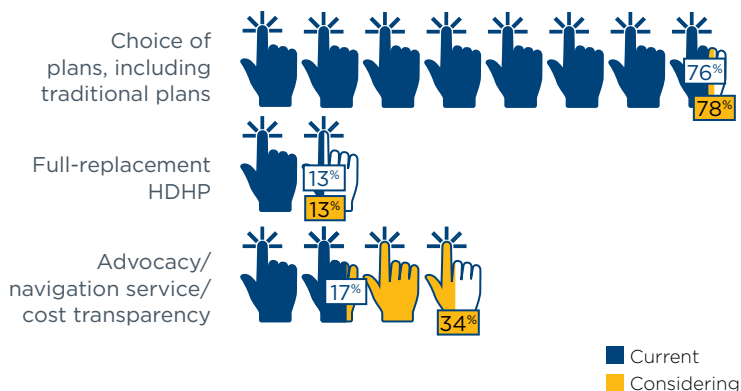


## Developing a competitive plan at a low cost is both an art and a science

When employers make changes to their benefits plan designs to reduce costs, these changes also tend to cause disruption for employees. The challenge is for employers to balance carefully their need to offer desirable benefits with their need to manage costs, to ensure they are providing the highest perceived value for their benefits budget. Survey responses demonstrate that employers are more likely to implement benefits features that cause the least amount of employee disruption in lieu of changes that offer greater cost savings.

### Choice vs. consumerism

The vast majority of employers offer a choice when it comes to health plans, including a traditional plan like an HMO or PPO. Choice drives higher costs, in part because employees who expect high claims tend to select rich plans. High-deductible health plans are designed to promote consumerism, but very few employers have made the decision to implement a full-replacement HDHP. The choice trend is also expected to increase slightly next year.



When it comes to helping employees develop more of a consumer mindset, fewer than one-fifth of employers provide tools to encourage this. Such tools are expected to increase next year, however.

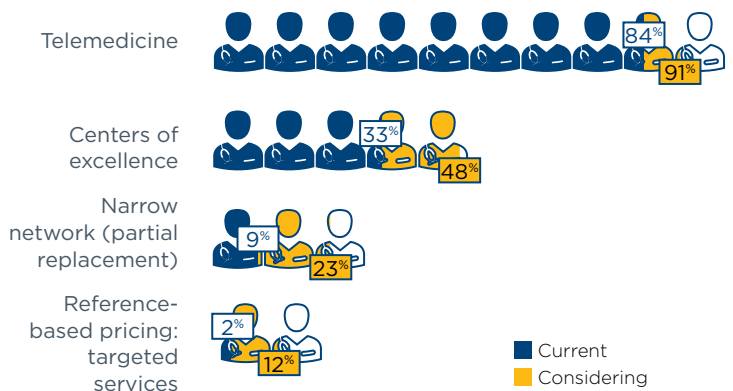
### Broader provider access vs. limiting to high-quality providers

Employers have been far more likely to provide a broad network of providers and add convenient benefits like telemedicine. Current strategies that direct members to high-quality providers, whether through a narrow network or centers of excellence, have been somewhat limited. Approximately 15% of employers are considering these for next year. Alternative payment methods, like reference-based pricing, have not gained much traction to date, though 10% of employers are considering them for targeted services.



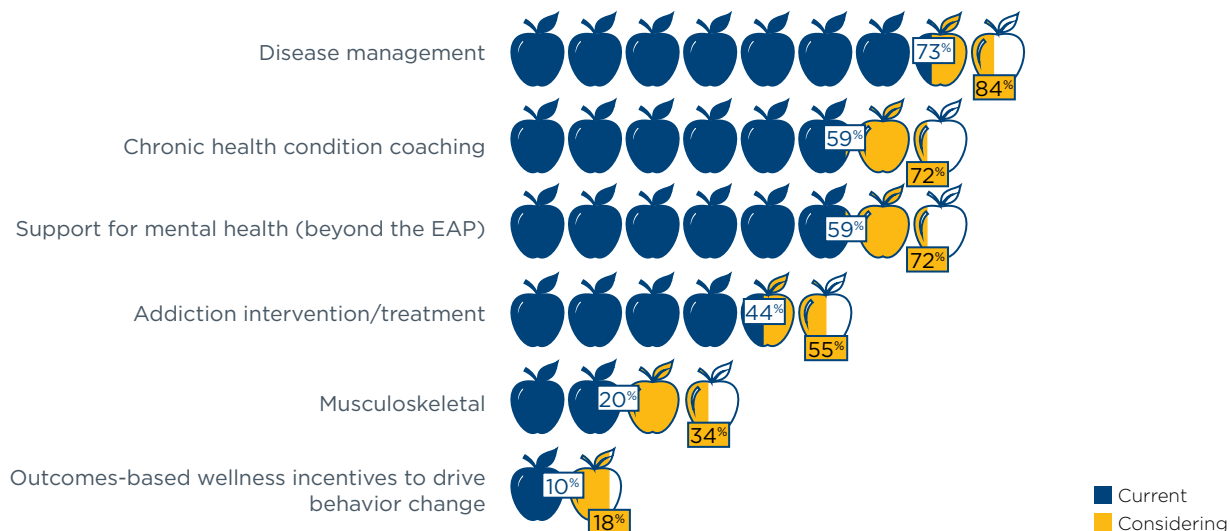
### TIP

Each of the following charts has two values: Blue represents the current levels, and yellow represents the total of both the current number and the number of those who are considering that action for next year.



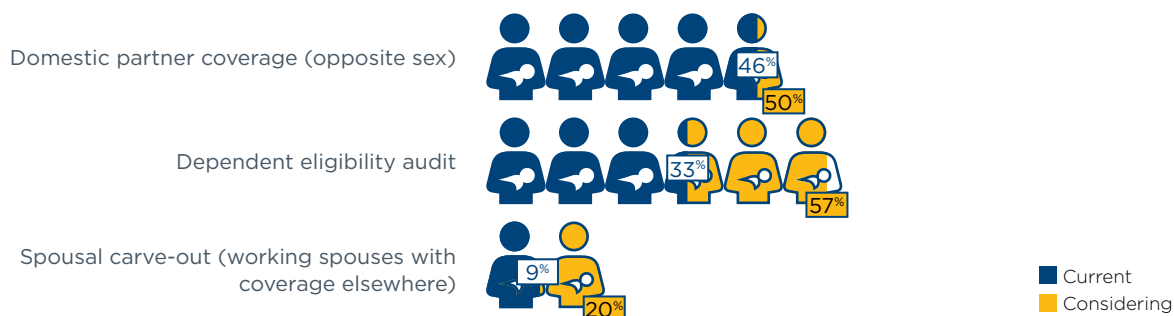
## Care management support vs. rewarding outcomes

Most employers provide support for members with specific diseases like diabetes or chronic conditions like metabolic syndrome, as well as mental health support outside their employee assistance programs. Surprisingly, only about 20% of employers offer musculoskeletal interventions. However, this could grow to 34% next year, which is still low given that musculoskeletal issues are frequently seen as one of the top three categories for overall claims, according to Infolock®.\* Less than a quarter of employers have implemented wellness programs that offer incentives for specific outcomes. There is a slight shift toward progress-based and outcomes-based programs, but the majority of employers plan to continue their participation-based programs.



## Expanding eligibility vs. limiting eligibility

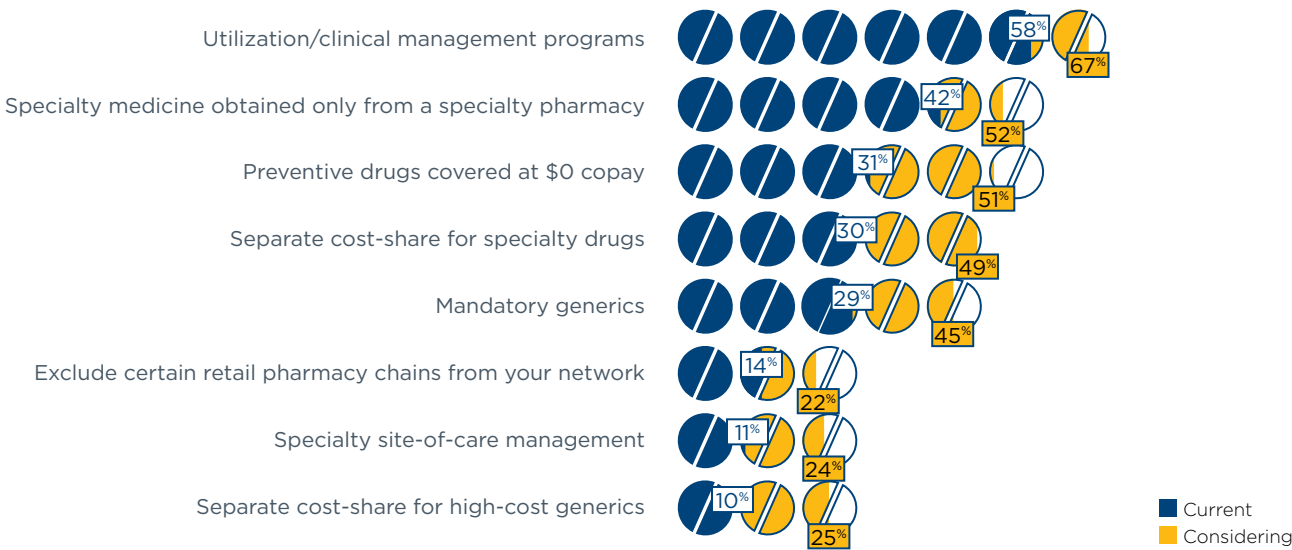
Employers have been far more likely to expand coverage to new eligibility groups than to police or limit coverage. However, dependent eligibility audits are expected to increase next year and, to a lesser extent, so is carving out working spouses who have access to their own coverage.



\*Infolock is Lockton's client normative database.

Pharmacy utilization

Pharmacy is the one area where employers have been willing to push their employees further in terms of cost control. This is evident in the high prevalence of utilization management programs like prior authorization and step therapy, as well as restricting where employees can obtain specialty medicine. Employers are considering additional strategies for next year.



Voluntary benefits vs. work-site perks

Voluntary benefits that help fill the gaps left by traditional plans (for example, accident and critical illness insurance) have the highest prevalence. More than 10% of employers are considering adding voluntary benefits next year. Identity theft and pet insurance are the highest-trending benefits. Family-focused benefits, like caregiver support, are not widely used today nor are they under significant consideration for next year. Work-site services, like on-site laundry, are also not widely provided or trending for next year.





## Despite the need to be competitive, employers are not adequately addressing the diverse benefits needs of their employees

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Respondents acknowledge that benefits are crucial for attracting and retaining talent. They also understand that employees at different stages of life have different benefits needs. Even so, the majority of employers surveyed do not account for the diverse needs of their workforce when they make benefits decisions or plan their benefits communications. Only about one-third of employers consider the diverse needs of their employees when designing their benefits programs. When it comes to tailoring messages to specific segments of the target audience, today only 12% of respondents do so.





## Communication is crucial ... but still limited

Communication is key to helping employees understand the value of the benefits that they receive. The majority of employers emphasize the value of their benefits only during the hiring process and at open enrollment. Increasing year-round communications and targeted messages offers opportunities to drive additional engagement and awareness.

### Employee communications frequency



At hiring  
(72%)



Onboarding  
(66%)



Open  
enrollment  
(60%)



Year round  
(45%)



Targeted  
messages  
(12%)

### Three key takeaways

Although survey responses were not particularly surprising, three key takeaways provide useful insights to employers that are considering new strategies for evolving their benefits plans.

- The opposing priorities of cost control and value to employees pose real challenges.
- An area of opportunity is an increased understanding of and response to the different needs of workforce generations when it comes to benefits features and communications.
- Perhaps most importantly, employers should consider implementing other cost-saving strategies that could be highly effective in helping them manage those costs while still providing value to their employees. A strong communications plan can help manage the disruption to employees.

A strong broker partner is key to the most effective benefits program design. Your Lockton account team can help you evaluate all the options available and design a benefits plan that will meet your corporate and benefits goals.

### ABOUT LOCKTON

Lockton is a global professional services firm with more than 7,000 Associates who advise clients on protecting their people, property and reputations. Lockton has grown to become the world's largest privately held, independent insurance broker by helping clients achieve their objectives. For 10 consecutive years, *Business Insurance* magazine has recognized Lockton as a "Best Place to Work in Insurance." With questions about the 2019 Lockton Benefits Survey, please contact [benefitsnationalsurvey@lockton.com](mailto:benefitsnationalsurvey@lockton.com).

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