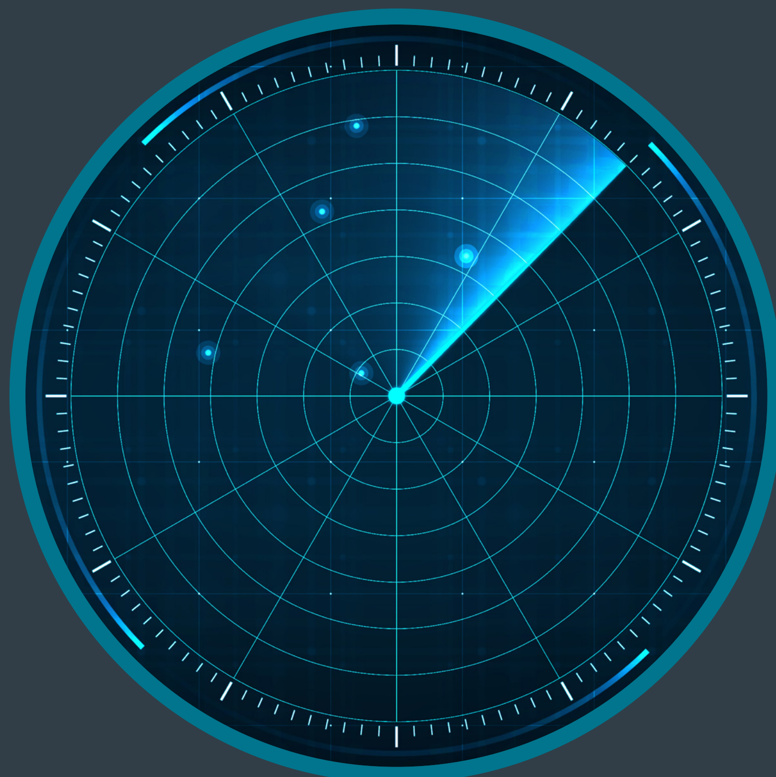
NFP

insights from the experts



US BENEFITS Trend Report

2021

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While many challenges remain the same, there is new context. Our goal is to look at the current landscape and help our clients chart a course toward better outcomes.

2021 Highlights

154%

The use of telemedicine increased 154% from March 2019 compared to March 2020.

More than one-third of Americans have displayed clinical signs of anxiety, depression, or both since the coronavirus pandemic began.

80% of employers are investing more in mental health and 80% are investing more in financial well-being.

70% of employees somewhat or strongly agreed that flexible work arrangements are as important as pay or health benefits.

More than 60% of Americans have less than $1,000 in savings to cover an unexpected expense.

For the first time ever, **more than half** of pharmacy spend was on specialty drugs.

Eddie Yoon | *Guest Editor, Growth Strategy Consultant*

Foreword

Learning to Thrive with a "Both/And" **Mindset**

Forecasting the future is hard and few companies get it right. This is true in "normal" times, but is exponentially more difficult during times of extreme uncertainty.

Employee health has been under a microscope as we grapple with unseen viruses, but is also being examined with a wide-angle lens as we start to see the mental and emotional health fallout from a year of isolation. Financial well-being goals are being completely redefined and revisited, as some employees have burned through their savings and others wonder why they saved so much to pay for college when their kids are at home staring at a screen.

Pre-pandemic, Gallup's measure of employee engagement hit a two-decade high of 35%, meaning a little more than one third of employees were "actively engaged" at work. However, that still means that two thirds of employees are not-engaged or actively disengaged. That percentage is likely to have grown during the pandemic. How could it not, when employees must worry about their jobs, their families, and their physical, financial and emotional health?

Employee benefit programs may be more important now than ever.

But what should the employee benefit program look like in a post-pandemic world? As someone who has spent the last two decades forecasting consumer behavior in new categories, here are a few best practices that might help.

Find Multi-Year Trajectories vs. Forecasting Specifics

When forecasting the future, most executives hold themselves to too high a standard of precision. It's not reasonable to predict what specifically will happen on what specific date. Instead, focus on finding a "20-year trajectory." This is a trend that has been occurring for quite some time and thus is likely to continue for the foreseeable future.


UNCERTAINTY
TIME
CERTAINTY

Companies that figure out the sweet spot of enough personalized benefits options will **win the war for talent.**

To clarify, this does not mean you need to predict what will happen in employee benefits in 2041! That is a virtually impossible task. Instead, look below the surface for events driving the trends you need to anticipate. For example, what is the trend for children? US birth rates fell in 2019 to the lowest level in 35 years. Is this trend likely to reverse? Unlikely, absent massive immigration from other countries with higher birthrates. We also see that one-person households rose from 16.7% in 1969 to 28.4% in 2019. The next 20 years will likely see a far greater diversity of household types vs. the stereotypical nuclear family of "married with two kids." Companies likely need a wider array of benefit programs that appeal to lifelong single person households, married couples without kids, blended families and more.

In the early years of Keurig, they were constantly under pressure from their retail customers for not producing enough K-cups. Every single forecast they had built was too low and it was irritating customers. The executives took a step back to look at the broader underlying trend and trajectory. The fundamental insight for Keurig was that few people in the same household or office have the same coffee palate. They found 30% of households wanted more freedom of choice in their coffee.

Office coffee is a small employee benefit compared to healthcare, but the trend away from one-size-fits all to personalized taste is the same. Employees want more freedom of choice from their health benefits. Companies that figure out the sweet spot of enough personalized options to be compelling to all segments of the workforce (e.g., employees vs. contractors, on-site vs. remote, etc.), without letting costs careen out of control, will win the war for talent.

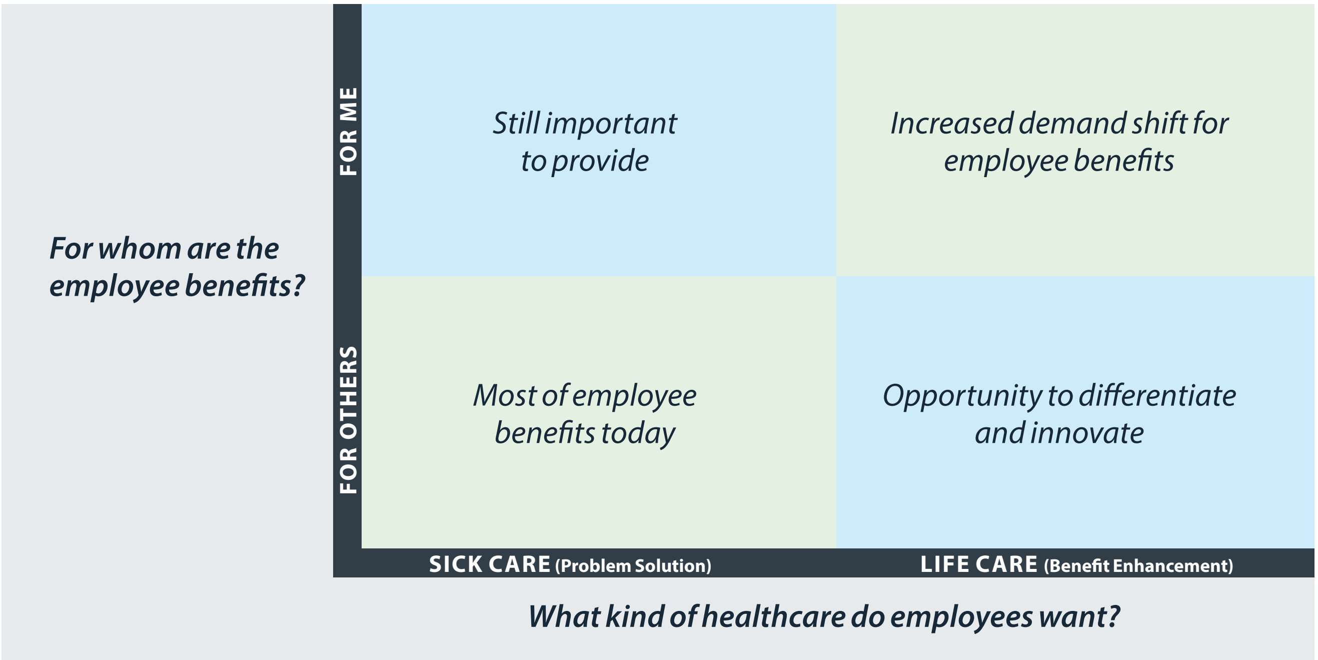
Ask "What Must Be True?" vs. "What Will Be True?"

Most people think of forecasting as a fortune telling exercise. Most CFOs would prefer not to make major CAPEX and operating expense decisions using tarot cards.

Ironically, a slight change in wording leads to a massive shift in worldview. "What must be true" is basically saying, "for this future scenario to come true, what else must be true too?" Another way of saying this is, what must you believe?

Let's take health benefits as an example. What kind of healthcare benefits will employees want in 2021? In five years? In 20 years? This seems like a daunting task if you are trying to answer "what will be true?"

Creating a framework can often be helpful, as it can help us visualize what the current state and future states might be.



Regarding the x-axis, we all know the definition of healthcare is changing. Most of healthcare today is "sick care" or problem-solution. This is the traditional definition of healthcare. This is far less preventative and much more symptom management. The emerging definition of healthcare includes more "discretionary healthcare" that improves life vs. addresses problems. This could include more medical aesthetics to improve one's physical appearance. This could be very niche areas, like myopia prevention in children by parents with severe myopia.

Per our prior discussion, household composition is changing meaningfully and the recipients of healthcare are more diverse. This could include adult children or senior parents. This can change by life stage.

In general, we anticipate more demand to shift to the top (for me) as well as the far right (benefit enhancement vs. problem solution). Companies need to shift their emphasis to the upper right, while also being prepared to offer employee benefit solutions in all quadrants. At a minimum, they must be intentional about their choices of where to invest and where to pull back.

We have now framed the hypothesis. Now we can look for "what must be true" to believe this. Clearly, companies can watch the trends of birthrate and single person households to anticipate this. We can also look at the growth of "discretionary healthcare" outlets, like orthodontists, cosmetic dentistry, plastic surgeons and dermatologists at a local level to forecast the x-axis. These are trends that are far easier to observe and therefore extrapolate.

Adopt a Both/And vs. Either/Or Mindset

Too often, executives think of employee benefits as a zero-sum game. They assume their employees want richer benefits but that those benefits will take away from their profits. It's an either/or mindset.

What if executives saw employee benefit innovation as a strategic asset that not only helped them win the war for talent, but also something that could exponentially increase innovation, productivity and growth?

HydraFacial is a next generation beauty health company that recently achieved unicorn status with a billion-dollar valuation. They provide medical technology that delivers a facial that vacuums the blackheads out of your pores and hydrates them with nutrients, leaving your face with a glow that even the most unobservant would notice.

The emerging definition of healthcare includes more "discretionary healthcare" that **improves life** vs. addresses problems.

These devices are sold to dermatologists, plastic surgeons and medical spas. Some were worried HydraFacial would cannibalize their other services, but they quickly realized it was a "both/and" product. Consumers getting a HydraFacial were more likely to consider medical aesthetics than ever before. Once they saw how effective skin care could really be, they invested more money into skin care and cosmetics. It was the gateway to even more consumer spending.

Both/and thinking was key to HydraFacial's success and valuation, especially as they told their story to investors.

Going back to our 2x2 framework, it might seem out of scope for a company to provide "medical aesthetics" as part of a healthcare benefit program. Most executives watching the bottom line would be worried about opening this Pandora's Box and watching their healthcare costs increase.

But what happens to productivity for an employee who, through medical aesthetics, feels much better and is more self-confident about how they look? Does that improve their energy, focus and productivity? Does an improvement in how they look make them more motivated to take care of their overall health? Does that ultimately reduce the acute/chronic "problem solution" part of healthcare costs? Companies need to double click and play the long game on the win-win scenarios that result from a both/and mindset.

Putting These Principles Into Action

How does this translate into employee benefits? Let's take work from home. Here we see a few 20-year trajectories in specific cities.

1. **Cities like New York, Chicago and San Jose** have been declining in population for the last three years (pre-COVID-19) from 2016 to 2019. New York is #1 of the top 25 cities by population, but is 25th out of 25th in terms of three-year city size change as it loses around 44,000 people per year.
2. **The top five cities** by three-year population growth from 2016 to 2019 are Phoenix, San Antonio, Fort Worth, Seattle and Charlotte, NC.

It's clear that work from home demand is exponentially higher than it has ever been. Yet companies still value in-office physical presence. This sounds like a recipe for an increased cost structure with unclear benefits.

So what must be true for this increased cost structure to work? BOTH the companies AND employees must get exponentially more value out of this.

1. **What if work from home** became a perk employers doubled down on, including an allowance for a home office and other new perks to enable companies to win the war for their very best talent?
2. **What if work from home** became a way for employers in cities with declining populations to aggressively manage their physical office space, especially in those areas areas with high costs?
3. **What if work from home** was offered in specific, high growth cities where they might open a physical office in the future, using work from home employees almost like a trial balloon before making a more permanent footprint bet?
4. **What if companies identified** the top high-growth cities with lower costs of living, affordable in-state college tuition and strong local healthcare systems and incentivized employees to move there as a holistic solution to save for retirement, manage college costs without incurring too much debt, and provide top notch healthcare?
5. **What if companies identified** high growth cities with collaborative local governments open to proactively co-creating laws that foster business growth and employee well-being?

As with so many things, context is king. Decisions like work from home vs. office should not be treated in unidimensional fashion, but rather with 20-year trajectories, "what must be true?" questions and "both/and" mindsets. Employers that proactively create the future they want, and focus on a win-win environment that benefits the organization and employees, will have a significant advantage in the years to come.

Creating that advantage requires working with partners who are watching and interpreting trends and developing actionable insights that help to address your most significant challenges. No one has all the answers, but NFP's US Benefits Trend Report takes readers down a path that aligns with the more productive "both/and" mindsets. I've enjoyed my conversations with NFP leaders on a variety of related topics and believe their approach with this report will spark the right kind of thinking and empower the actions that make the difference employers want and need.

A Letter from **Kim**

Following a year that tested employers – and employees – in ways we never could have imagined, each day brings more optimism and confidence. While challenges remain, one thing is certain — our ability to achieve exceptional results is enhanced when we don't have to go it alone.

NFP's 2021 US Benefits Trend Report exemplifies our commitment to ensuring our current and future clients have the partner they need to overcome challenges and realize better outcomes. Through a look at employee benefit trends and perspectives from our subject matter experts, and by embracing the change around us (as overwhelming as it can be), we want to empower employers of all sizes and across industries with actionable insights that go further to support employee needs.

While many of us are tired of hearing about COVID-19, it plays a prominent role in this year's report. The pandemic exposed gaps, but it also highlighted opportunities – with very real examples – for organizations to invest in solutions that support their employees, reduce cost, elevate productivity and advance their position as an employer of choice. From supplemental health benefits to well-being, HR solutions to digital transformation, pharmacy to compliance, the possibilities are limitless.

Meaningful progress toward your objectives – especially with tight budgets, lingering uncertainty and the pressure of competing for talent – takes commitment, strategy, communication and sound execution. It also requires a partner who listens and can connect their understanding of the landscape and available solutions to your unique goals and needs. This trend report is a first step toward achieving better outcomes for your organization and your employees.

I'm proud of this report, the team that made it possible and the value we continue to deliver to our clients. We always have more to do and room to grow and we appreciate the opportunity to do it with you. Please reach out with feedback, questions and ideas for how we can collaborate productively.

With gratitude,

Kim Bell

EXECUTIVE VICE PRESIDENT,
HEAD OF HEALTH & BENEFITS

“The pandemic exposed gaps, but it also highlighted **opportunities.**”

Joel Chapman | *Assistant Vice President , Health & Benefits*

A Take on **Trends**

US Health Expenditures

For the first year since at least 1960 – when the Centers for Medicare and Medicaid Services (CMS) began tracking national health expenditures – total health spending in 2020 was less than in the previous year. actual benchmark. NFP's year-over-year trend calculations reflect averages across coverage tiers, regions, industries and employer group sizes.

While spending has recovered somewhat from its pandemic-related decline in the spring, preliminary estimates reveal that national health spending in 2020 was 2.0% lower than in 2019, a decline of about $75.8 billion dollars.[1]

Among the major contributors to the decline were hospital care, the largest component, which was 7.0% lower in 2020 than in 2019, and dental services, which dropped 20.2% in 2020. These declines and those in other categories occurred as some services were temporarily curtailed and patients avoided seeking care to avoid exposure to the coronavirus. At the same time, spending on prescription drugs and home healthcare actually increased for the year, the latter likely related to individuals selecting home care rather than nursing homes to avoid exposure.[2]

1 George Miller, Corwin Rhyan and Ani Turner. "Perspective: Did National Health Spending in 2020 Decline for the First Year in Recorded History? Preliminary Data Says It Did," Altarum Institute, 2021; https://altarum.org/news/did-national-health-spending-2020-decline-first-year-recorded-history-preliminary-data-say-it.

2 Ibid.

3 Ibid.

About the Data

NFP's figures have been generated from NFP's proprietary benchmarking database and are based on 3,158 employer groups of all sizes. These groups are located in 48 states, plus the District of Columbia, and comprise more than 588 unique NAICS classifications. Readers are advised to consider trends for specific regions, industries and employer-size groups in conjunction with the corresponding national trend. Calculations from NFP's proprietary benchmarking database are generally based on median data as opposed to averages. Median calculations normalize for outliers in the data, making it more relatable for employers, while averages take outliers into the calculations and could potentially skew the actual benchmark. NFP's year-over-year trend calculations reflect averages across coverage tiers, regions, industries and employer group sizes. *Other data sources are as cited throughout.*

For the first year since at least 1960 total health **spending in 2020 was less** than in the previous year.

FIGURE 1 **ANNUAL HEALTH SPENDING GROWTH FOR SELECTED CATEGORIES, 2020 AND 2019, ALTARUM**[3]

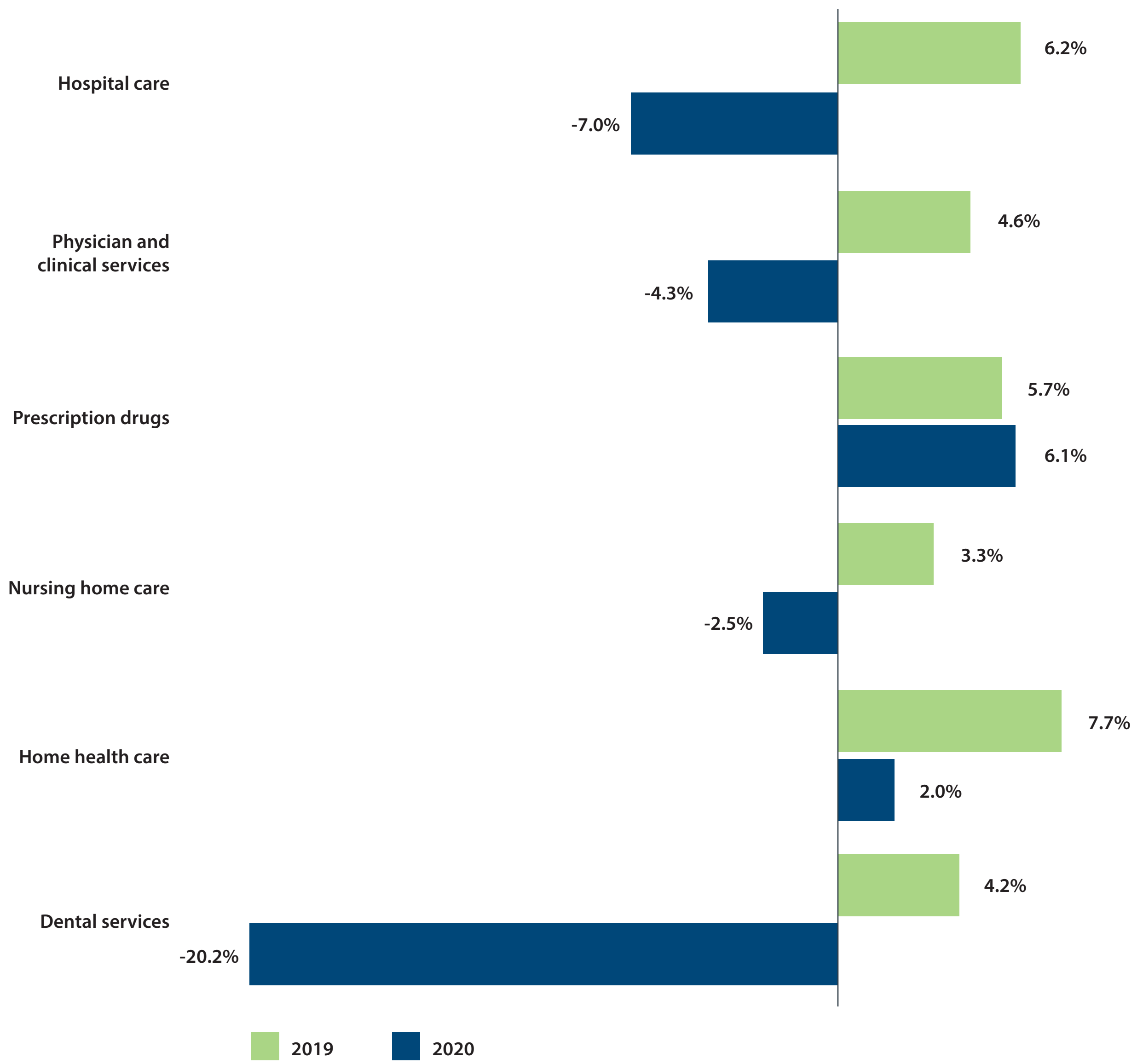
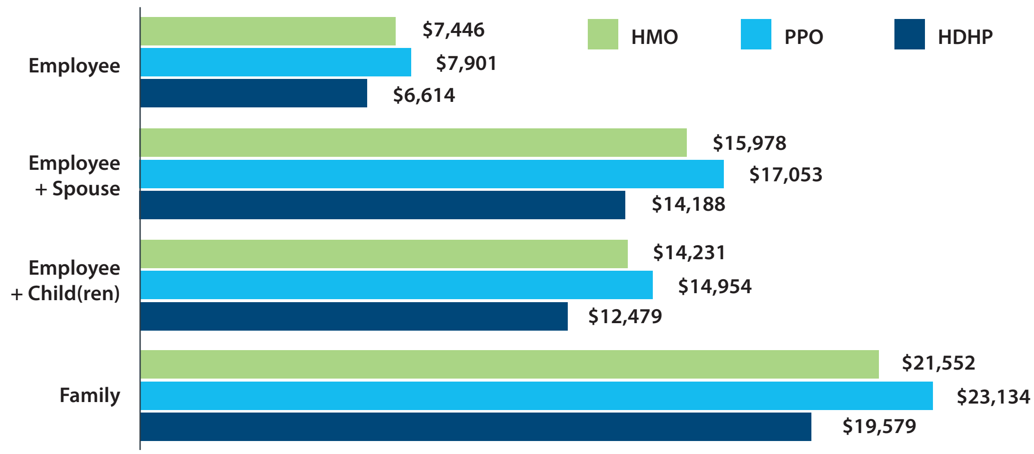


FIGURE 2

ANNUAL MEDIAN HEALTH BENEFITS COSTS BY PLAN TYPE & COVERAGE TIER, NFP



Employer Health Benefit Costs (Medical and Pharmacy)

No one could have predicted at the onset of 2020 that, within a few short months, the world would be on the brink of a pandemic. COVID-19 has produced an unprecedented level of uncertainty in the healthcare industry and, in particular, with respect to how employers and actuaries went about calculating healthcare cost trend (e.g. actual versus normalized claims data, leveraging 2019 claims data instead of 2020 claims data). According to PwC, the healthcare spending trend for 2020 has been estimated to be 6%.[4]

Unsurprisingly, many factors arising from COVID-19 were the main drivers impacting employers' healthcare costs in 2020. Due to the nature of an employer's circumstances, certain cost "inflator" factors may have been offset by other cost "deflator" factors:

Decreased utilization of non-emergent services/procedures: The first half of 2020 clearly showed a demonstrative drop off in the utilization of healthcare services. The drop off in utilization was a result of consumers' fear of contracting COVID-19 in a medical setting and doctors and hospitals delaying or postponing non-emergent healthcare procedures to free up resources for combatting COVID-19. In a recent survey by PwC's Health Research Institute, 22% of individuals with employer-based insurance reported that they delayed some care since March 1 and they still had not received it as of early May.[5] On average, those individuals said they had delayed 71% of the care they would have received since March.[6]

Increased utilization of telehealth services: With many local and state municipalities enforcing not only social distancing measures but also home quarantine restrictions to combat the impacts of COVID-19, it's not surprising that 2020, especially the first of half of year, brought about a dramatic increase in utilization of telehealth services. For example, Teladoc, a leader in providing whole-person virtual care, hosted roughly two million telehealth visits in the first quarter of 2020, up 92% from the first quarter of 2019.[7] MDLive, a virtual healthcare services organization, reported daily telehealth visits were up about 50% week over week in March, reaching 20,000 visits per day.[8]

[4] *Medical Cost Trend: Behind the Numbers 2021*, PwC, 2020, p. 2; https://www.pwc.com/us/en/industries/health-industries/library/assets/hri-behind-the-numbers-2021.pdf.

[5] PwC Health Research Institute Consumer Survey, PwC, 2020.

[6] Ibid.

[7] "Teladoc Health Reports First-Quarter 2020 Results", Teladoc, 2020; https://s21.q4cdn.com/672268105/files/doc_financials/2020/q1/Teladoc-Health-1Q20-Earnings-Web.pdf.

[8] "MDLive Reports Visits and User Registrations Increase to All-Time Highs with Virtual Healthcare as First-Line Defense In Fight against Pandemic," MDLive, 2020; https://www.mdlive.com/mdlive-reports-visits-and-user-registrations-increase-to-all-time-highs-with-virtual-healthcare-as-first-line-defense-in-fight-against-pandemic/.

FIGURE 3 **YEAR-OVER-YEAR % INCREASE IN ANNUAL MEDIAN HEALTH BENEFITS COSTS BY PLAN TYPE, NFP**

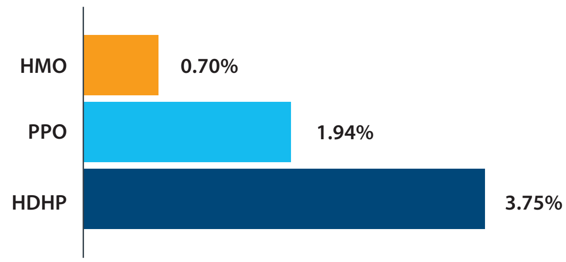
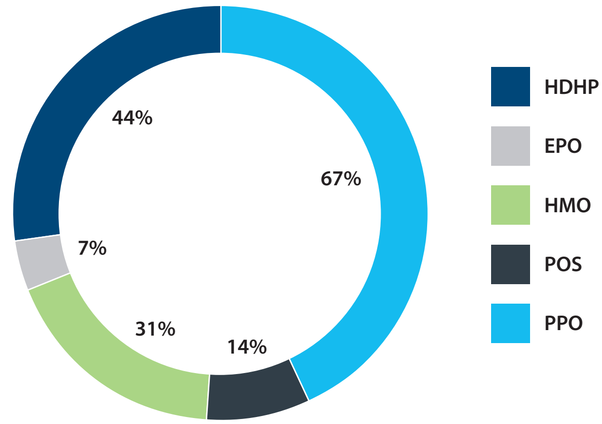


FIGURE 4 **PREVALANCE OF MEDICAL PLAN TYPES OFFERED BY EMPLOYERS, NFP**



Increased utilization of mental health services: According to George Everly, who teaches disaster mental health and resilience at Johns Hopkins, "There's no doubt that the coronavirus pandemic will be the most psychologically toxic disaster in anyone's lifetime."[9] According to the US Census Bureau, "More than one-third of Americans have displayed clinical signs of anxiety, depression, or both since the coronavirus pandemic began."[10] Not surprisingly, teletherapy and psychiatry visits soared. Ginger, a provider of virtual on-demand mental healthcare that combines high-quality, human care with data science and augmented intelligence, reported that utilization rates rose to their highest level ever in the last week of September 2020. Usage of Ginger's text-based mental health coaching was up 159%, and virtual therapy and psychiatry was up 302% compared to pre-COVID-19 averages. In addition, Ginger's psychiatrists have written 163% more prescriptions for psychotropic drugs, primarily for antidepressants, as compared to pre-COVID-19 averages.[11]

Prevalence of Plan Offerings

Medical cost containment has been a primary challenge for employers, making it unsurprising that employers are structuring their medical plan offerings accordingly. According to the Kaiser Family Foundation, in 2020, PPO plans continue to be the most common medical plan offering among employers (2020: 56% vs. 2019: 49%). The second prevalent medical offering is POS (2020: 31% vs. 2019: 23%). HDHP plans are the third most common medical plan offered by employers (2020: 26% vs. 2019: 28%).[12] It is worth noting that the NFP data reflects differences from the Kaiser data with respect to which type of medical plan is most prevalent. For example, the three most prevalent plans offered by NFP clients are PPOs (67%), HDHPs (44%) and HMOs (31%).

More On HDHPs

The foundation of the HDHP plan has been twofold: higher deductible plans (with the tradeoff of lower premiums) create "skin in the game" for consumers by increasing their share in the cost of healthcare while also driving down the cost of healthcare and utilization of services. With increased cost share and higher plan deductibles, consumers would theoretically price shop medical services (for example, MRI exams, knee replacement surgery) in order to drive down medical costs and utilization of services.

9 Naz Beheshti. "10 Eye-Opening Statistics on the Mental Health Impact of the Coronavirus Pandemic," Forbes, 2020; https://www.forbes.com/sites/nazbeheshti/2020/05/28/10-eye-opening-statistics-on-the-mental-health-impact-of-the-coronavirus-pandemic/.

10 "Measuring Household Experiences during the Coronavirus Pandemic," United States Census Bureau, 2021; https://www.census.gov/data/experimental-data-products/household-pulse-survey.html.

11 Heather Landi. "Demand for Virtual Mental Healthcare is Soaring. Here Are the Key Trends on Who Is Using It and Why," FierceHealthcare, 2020; https://www.fiercehealthcare.com/tech/demand-for-virtual-mental-health-soaring-here-are-notable-trends-who-using-it-and-why.

12 *Employer Health Benefits: 2020 Annual Survey*, Kaiser Family Foundation, 2020; https://www.kff.org/health-costs/report/2020-employer-health-benefits-survey/.

According to the Kaiser Family Foundation, in 2020, 26% of employers who offer health benefits offered some form of a HDHP plan (HDHP/HRA or HSA-Qualified HDHP). This represents a 2% decrease from 2019. 2020 is the eighth consecutive year where the offering of some sort of HDHP plan has fallen from its peak in 2012 (31%).[13] Interestingly, the percentage of employers in the NFP proprietary benchmarking database offering a high deductible plan (44%) is greater than the industry average (Figure 4).

Why has HDHP adoption leveled off?

- Consumers are forgoing or delaying treatments due to increased plan deductibles and out-of-pocket expenses. In response, some healthcare insurers are taking steps to rectify this through changes in plan design. For example, Aetna is offering two new plan designs which offer members coverage for some preventive services before they meet their deductibles.[14]
- There is a lack of consumer transparency self-service tools.
- The lack of price transparency within the medical industry makes it difficult for consumers to effectively price shop services and procedures. To combat the lack of price of transparency, the Centers for Medicare and Medicaid Services (CMS) issued a notice of proposed rulemaking in August 2019 that would dramatically expand the amount of information that hospitals would have to make public under section 2718(e) of the Public Health Service Act.[15] This rule took effect January 1, 2021, and will require hospitals operating in the United States to provide clear, accessible pricing information online about the items and services they provide in two ways: as a comprehensive machine-readable file with all items and services and in a display of shoppable services in a consumer-friendly format.[16]
- Healthcare literacy among adults remains low. According to a study published with the Journal of the American Medical Association (JAMA), "individuals with an HSA who had a high level of health insurance literacy were significantly less likely to have made no HSA contributions in the last 12 months than those with a low level of health insurance literacy."[17]
- Low wage growth prohibits consumers – especially those who are economically disadvantaged – from contributing to tax favorable health savings accounts.

In an effort to increase adoption, employers are supplementing HDHPs with other offerings such a telemedicine services, well-being initiatives and financial literacy education for employees.

Employee Contributions (Medical and Pharmacy)

According to the Kaiser Family Foundation, the average percentage of premiums paid by employees for single and family coverage in 2020 was 17% and 27% respectively.[18] Interestingly, the average percentage of premiums paid by employees for family coverage dropped by 3% (30% vs. 27%) from 2019.[19] For firms with less than 200 employees, the average percentage of premiums paid by employees for single and family coverage in 2020 was 17% and 35% respectively.[20] For firms with 200 or more employees, the average percentage of premiums paid by employees for single and family coverage in 2020 was 17% and 24% respectively.[21]

Spousal Carve-Outs

A spousal carve-out is one way employers can control their health cost spend. According to the Kaiser Family Foundation, 10% of employers will not allow a spouse to enroll. For those spouses with access to coverage

[13] Ibid.

[14] Paige Minemyer. "Aetna Aims to Offer Alternative to High-Deductible Plans in 2 New Benefits Designs," FierceHealthcare, 2020; https://www.fiercehealthcare.com/payer/aetna-aims-to-offer-alternative-to-high-deductible-plans-2-new-benefit-designs.

[15] Chris Wheeler and Russ Taylor. "New Year, New CMS Price Transparency Rule for Hospitals," HealthAffairs, 2021; https://www.healthaffairs.org/do/10.1377/hblog20210112.545531/full/.

[16] "Hospital Price Transparency," Centers for Medicare and Medicaid Services; https://www.cms.gov/hospital-price-transparency.

[17] Jeffrey Kullgren, MD, MS, MPH; Elizabeth Cliff, PhD; Christopher Krenz, BA; et al. "Use of Health Savings Accounts among US Adults Enrolled in High-Deductible Health Plans," JAMA Network, 2020; https://jamanetwork.com/journals/jamanetworkopen/fullarticle/2768350.

[18] *Employer Health Benefits: 2020 Annual Survey*, Kaiser Family Foundation, 2020; https://www.kff.org/health-costs/report/2020-employer-health-benefits-survey/.

[19] Ibid.

[20] Ibid.

[21] Ibid.

In an effort to increase adoption, employers are **supplementing HDHPs** with other offerings.

FIGURE 5 MEDIAN ANNUAL EMPLOYEE CONTRIBUTIONS BY PLAN TYPE & COVERAGE TIER, NFP

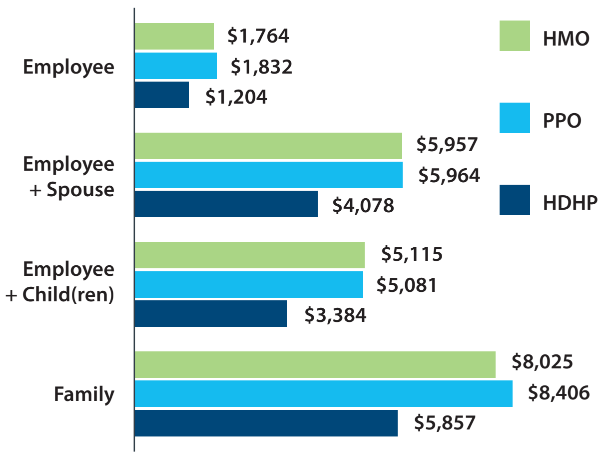


FIGURE 6 YEAR-OVER-YEAR % INCREASE MEDIAN ANNUAL EMPLOYEE CONTRIBUTIONS BY PLAN TYPE, NFP

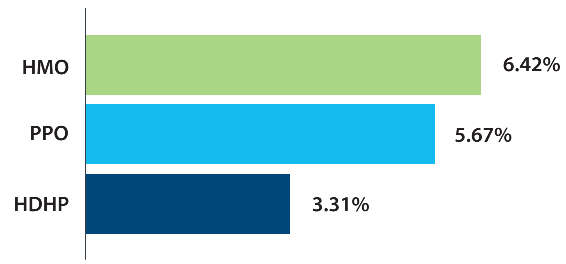


FIGURE 7 PERCENTAGE OF EMPLOYERS IMPLEMENTING VARIOUS CONTRIBUTION STRATEGIES, NFP

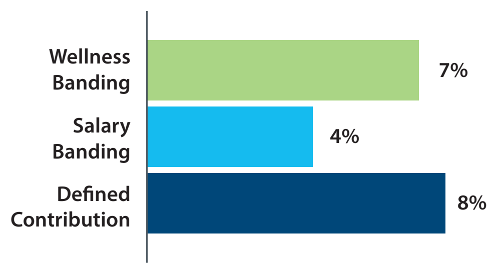
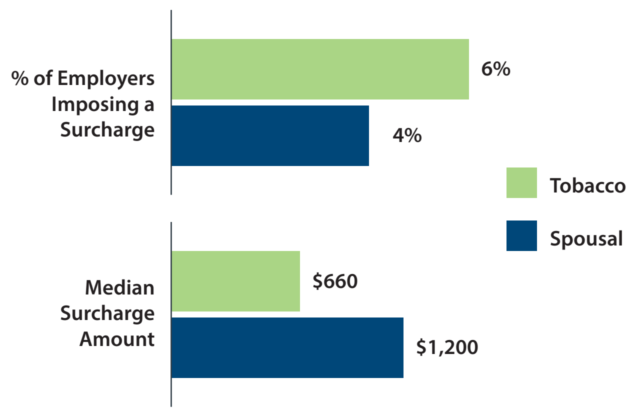


FIGURE 8 SPOUSAL AND TOBACCO SURCHARGES, AND MEDIAN ANNUAL SURCHARGE AMOUNTS, NFP



from another source, 13% of large employers allow spouses to enroll via higher premium contributions or cost sharing.[22]

Spousal carve-outs can take one of the following forms:

- Imposing an additional charge (surcharge) to cover a spouse who has access to employer-sponsored coverage through their own employer
- Imposing an additional charge (surcharge) to cover a spouse regardless of whether they have access to employer-sponsored coverage through their own employer
- Not offering access to coverage if spouse has access to their own employer-sponsored coverage
- Not offering access to coverage to spouses under any circumstances

Employee Deductibles (Medical)

Two trends with respect to employee deductibles have become apparent — a greater percentage of covered employees are now facing a deductible and those facing a deductible see the amount increasing.

Currently 83% of covered workers have a deductible in their plan, slightly up from 82% last year and 63% a decade ago. More than a quarter (26%) of all covered workers are now in plans with a deductible of at least $2,000, slightly down from 28% last year but an increase from 19% five years ago.[23]

Employee Out-of-Pocket Costs/Plan Maximums (Medical and Pharmacy)

As mandated by the Affordable Care Act (ACA), 2020 out-of-pocket maximum amounts for non-grandfathered health plans are restricted to $8,150 for single coverage and $16,300 for family coverage. In aggregate, Statista, a market and consumer data company, estimated total out-of-pocket healthcare payments to be $405B.[24] This would represent a 4% increase from 2019 (2019: $389.6B vs. 2020: $405B).[25]

The Commonwealth Fund, a private healthcare foundation, has analyzed data for out-of-pocket spending and found that out-of-pocket spending has been increasing since 2014 among Americans with the highest out-of-pocket spending levels. Further, out-of-pocket spending for most Americans has been relatively stable, and, for most people, the ACA has reduced the risk of very high out-of-pocket spending. However, a small percentage of Americans increasingly bears the brunt of high out-of-pocket costs. Specifically, those with private insurance and those with incomes above 400% of the federal poverty level (and especially above 600% of the federal poverty level) have been most affected by rising out-of-pocket costs.[26] Average out-of-pocket spending on prescription drugs peaked in 2006 but has declined quite steadily since then. Average out-of-pocket spending on hospital and emergency care has remained relatively stable over time. Average out-of-pocket spending on physician care, however, has been increasing since 2014.[27]

At the national level, regulations have been implemented to attempt to control out-of-pocket costs: The Trump administration issued final regulations in 2020 to help mitigate the impact of out-of-pocket costs through the promotion of healthcare price transparency. Hospitals would be required to publish their contracted rates starting on January 1, 2021, and insurance plans would be required to do so starting on January 1, 2022. The rates must be published on public websites and in machine-readable format so that third parties can use this data in decision tools and other applications.[28]

The Consolidated Appropriations Act bans surprise billing as of January 1, 2022. Further, the Act requires providers to notify patients that they are out-of-network at least 24 hours before elective services. Providers who deliver emergency care out-of-network must resolve

[22] "Section 2: Health Benefits Offer Rates," *Employer Health Benefits: 2020 Annual Survey*, Kaiser Family Foundation, 2020; https://www.kff.org/health-costs/report/2020-employer-health-benefits-survey/.

[23] *Employer Health Benefits: 2020 Annual Survey*, Kaiser Family Foundation, 2020; https://www.kff.org/health-costs/report/2020-employer-health-benefits-survey/.

[24] "Total Out-of-Pocket Healthcare Payments in the United States from 1960-2020," Statista, https://www.statista.com/statistics/484568/us-total-out-of-pocket-health-care-payments-since-1960/.

[25] Ibid.

[26] Sherry Glied and Benjamin Zhu. "Catastrophic Out-of-Pocket Health Costs: A Problem Mainly for Middle-Income Americans with Employer Coverage," The Commonwealth Fund, 2020; https://www.commonwealthfund.org/publications/issue-briefs/2020/apr/catastrophic-out-of-pocket-costs-problem-middle-income.

[27] Ibid.

[28] Jeff Levin-Scherz, Andrey Ostrovsky and John Barkett. "What Health Reform May Mean for Employer-Sponsored Health Insurance," Chief Executive, 2021; https://chiefexecutive.net/what-health-reform-may-mean-for-employer-sponsored-health-insurance/.

FIGURE 9
MEDIAN ANNUAL HMO DEDUCTIBLE, NFP

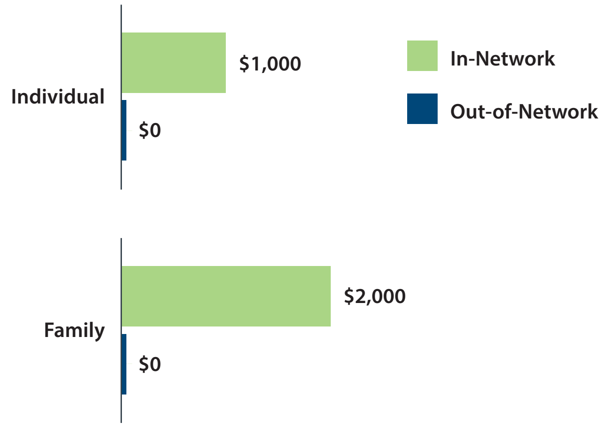


FIGURE 10
MEDIAN ANNUAL PPO DEDUCTIBLE, NFP

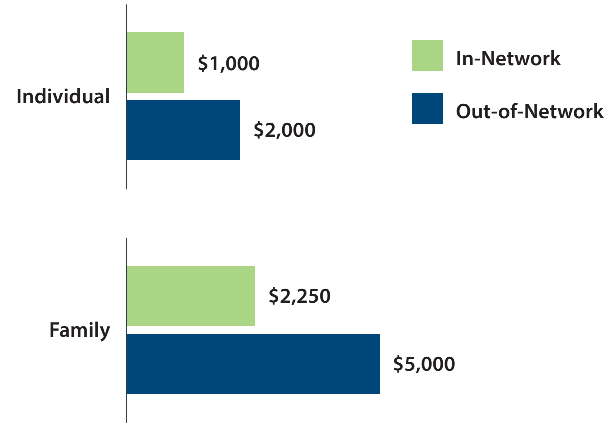


FIGURE 11
MEDIAN ANNUAL HDHP DEDUCTIBLE, NFP

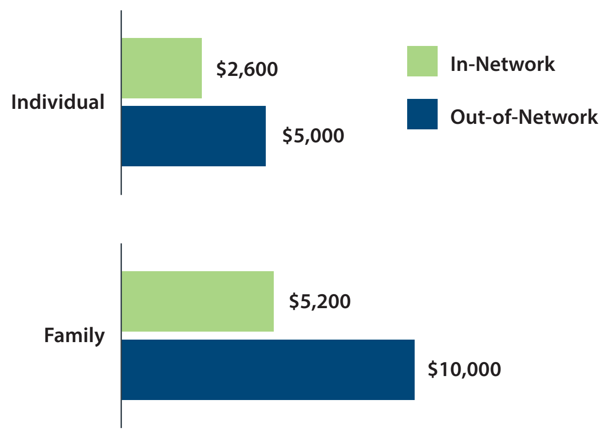


FIGURE 12
MEDIAN ANNUAL HMO OUT-OF-POCKET MAXIMUM AMOUNT, NFP

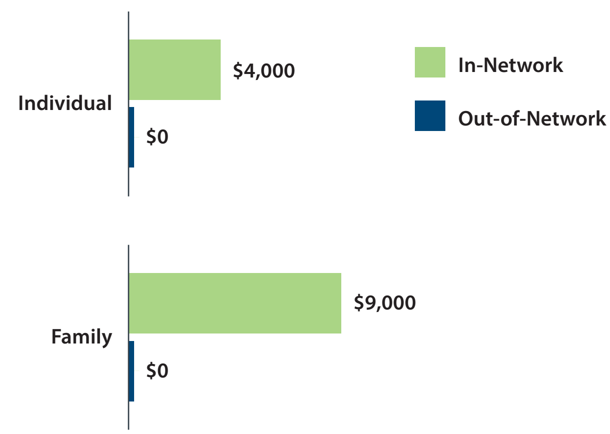


FIGURE 13
MEDIAN ANNUAL PPO OUT-OF-POCKET MAXIMUM AMOUNT, NFP

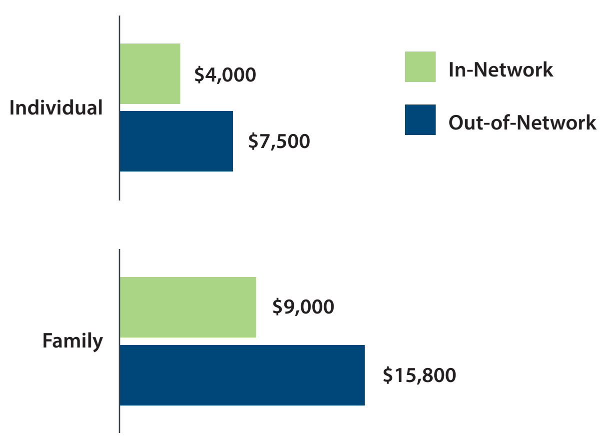


FIGURE 14
MEDIAN ANNUAL HDHP OUT-OF-POCKET MAXIMUM AMOUNT, NFP

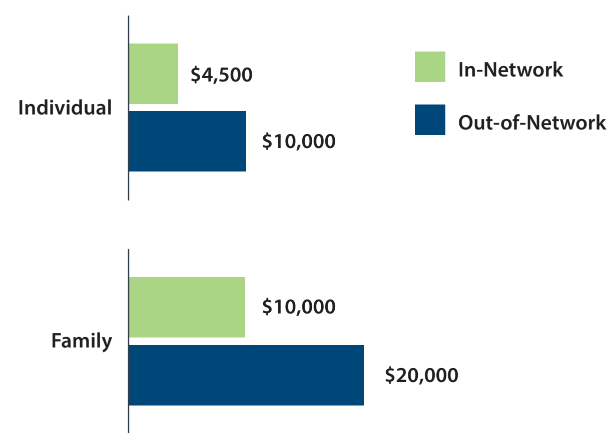


FIGURE 15
PERCENTAGE OF EMPLOYERS OFFERING PART-TIME BENEFITS, NFP

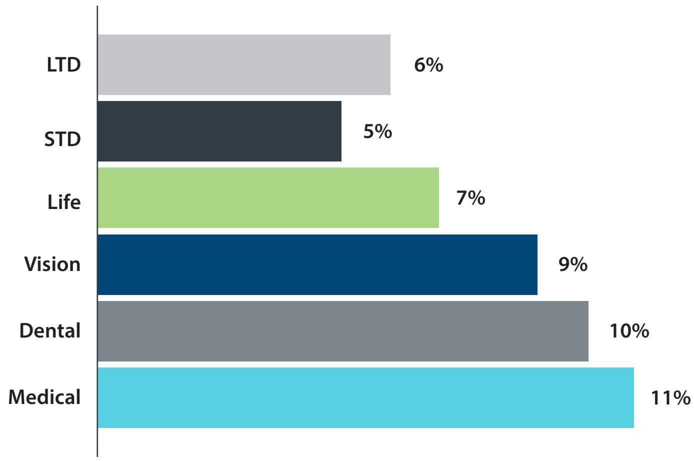
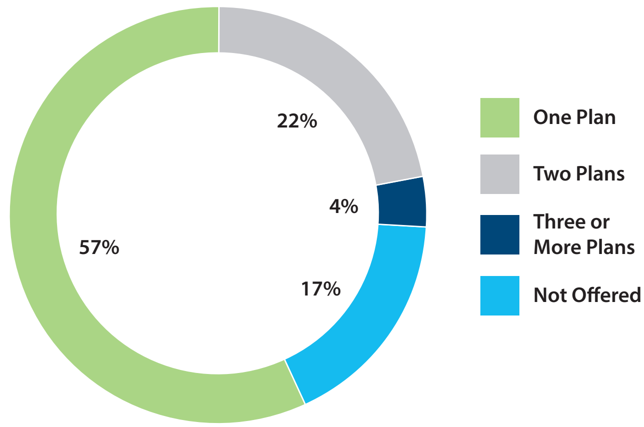


FIGURE 16
PERCENTAGE OF EMPLOYERS OFFERING ONE OR MORE DENTAL PLANS, NFP



billing disputes through arbitration with their patient's health insurance carrier. Arbitrators will not be able to consider either billed charges or Medicare and Medicaid allowed charges when making their determination.[29]

From an employer perspective, some are attempting to reign in out-of-pockets costs by offering telemedicine services, urgent care centers and/or on-site clinics, and low cost voluntary benefits plans that provide coverage for hospital stays, accidents, and even dental and vision services.

Part-Time Benefits

In 2020, according to the Kaiser Family Foundation, 12% of employers that offer health benefits provide them to part-time employees.[30] The Kaiser Family Foundation figure is very much in line with the NFP data (Figure 15). According to research, the percentage of "gig" workers, those workers engaged in temporary, contractual or freelance work, increased by 15% over the past decade at US companies.[31] Some estimates report that nearly one-third of US workers currently participate in the "gig" economy and one-half could be participating by 2027. Further, the appeal of "gig" work is not specific to any particular age group: 1 in 2 Gen Z or Millennials, 3 in 10 Gen X, and almost 1 in 4 Boomers are interested in gig work.[32] With workers seeking more flexible work arrangements, employers need to ensure their benefit plan design offerings reflect the changing environment and the demands of part-time and temporary workers.

Dental

Utilization of dental services, like medical services, were restrained – particularly through the first half of 2020 – due the COVID-19 pandemic. In most cases, dental practices and offices were either fully closed or only open for emergency procedures. As a result, some dental practices have started to offer virtual appointments with dentists. According to Guardian Life, use of teledentistry doubled from roughly 9% pre-pandemic to 19% between March and May 2020.[33]

[29] Ibid.

[30] *Employer Health Benefits: 2020 Annual Survey*, Kaiser Family Foundation, 2020; https://www.kff.org/health-costs/report/2020-employer-health-benefits-survey/.

[31] Greg Iacurci. "The Gig Economy Has Ballooned by 6 Million People since 2010. Financial Worries May Follow," CNBC, 2020; https://www.cnbc.com/2020/02/04/gig-economy-grows-15percent-over-past-decade-adp-report.html.

[32] "Thriving in the New Work-Life World: MetLife's 19th Annual US Employee Benefits Trends Study," MetLife, 2019; https://www.metlife.com/employee-benefit-trends/ebts-thriving-in-new-work-world-2019/.

[33] "Dental Benefits 2020: Maintaining Oral Health during COVID-19 and Beyond," Guardian Life, 2020, p.8; https://www.guardianlife.com/s3fs-public/2020-08/Dental_Benefits_2020_8_5.pdf.

FIGURE 17
MEDIAN ANNUAL EMPLOYEE DENTAL PPO CONTRIBUTIONS BY COVERAGE TIER, NFP

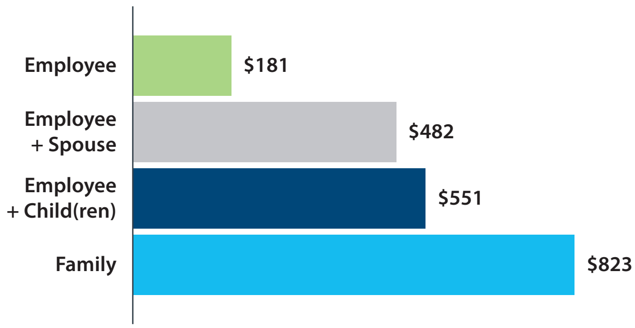


FIGURE 18
MEDIAN ANNUAL EMPLOYEE DENTAL HMO CONTRIBUTIONS BY COVERAGE TIER, NFP

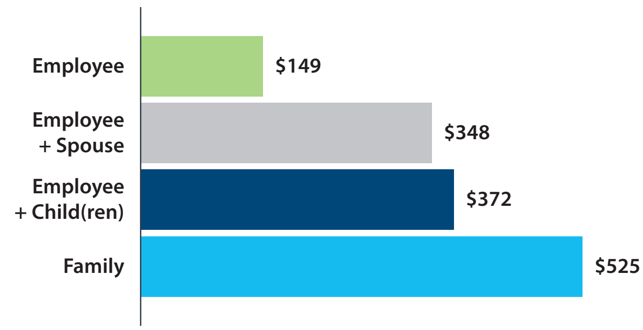


FIGURE 19
YEAR-OVER-YEAR % INCREASE IN MEDIAN ANNUAL EMPLOYEE CONTRIBUTIONS, BY PLAN TYPE, NFP

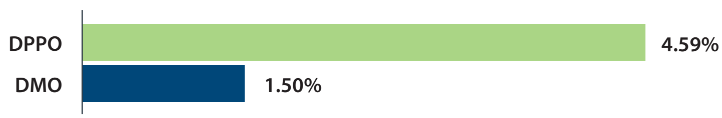


FIGURE 20
MEDIAN ANNUAL DENTAL PPO DEDUCTIBLE, NFP

FIGURE 21
MEDIAN ANNUAL DENTAL HMO DEDUCTIBLE, NFP

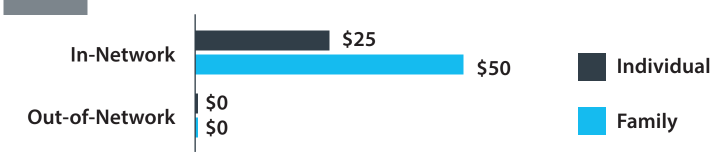


FIGURE 22
MEDIAN ANNUAL DENTAL PPO (DPPO) MAXIMUM BENEFIT (PER PERSON), NFP

FIGURE 23
MEDIAN ANNUAL DENTAL HMO (DMO) MAXIMUM BENEFIT (PER PERSON), NFP

With lower utilization, dental plan costs remained relatively in check for 2020. According to the Segal Group, coverage costs for dental provider organization (DPO) plans are expected to see a 3.8% increase while dental maintenance organization (DMO) are expected to see a 3.5% increase.[34]

A trend that has been gaining traction in recent years is the convergence of traditional health plan carriers offering dental plans and combining them both into a single, packaged offering. The percentage of health insurers offering dental insurance products has risen from 68% in 2018 to 80% today, and the percentage offering adult dental benefits has more than doubled to 48%.[35] Some experts believe that a single buying experience can provide added value to employees as only 37% of adults have visited the dentist office in 2020.[36]

Disability

Short-Term Disability

According to the International Foundation of Employee Benefit Plans, 81.5% of employers offer a short-term disability plan,[37] and data from NFP's proprietary benchmarking database reveals the key median benefit plans details for employers offering a short-term disability plan:

Weekly maximum benefit:	$1,500
Replacement percentage:	60%
Waiting days for injury:	7
Waiting days for illness:	7
Duration weeks:	13

Long-Term Disability

According to the International Foundation of Employee Benefit Plans, 76.1% of employers offer a long-term disability plan,[38] and data from NFP's proprietary benchmarking database reveals the key median benefit plans details for employers offering a long-term disability plan:

Monthly maximum benefit	$7,500
Replacement percentage	60%
Waiting weeks	13

FIGURE 24 PERCENTAGE OF EMPLOYERS OFFERING ONE OR MORE PLANS, NFP

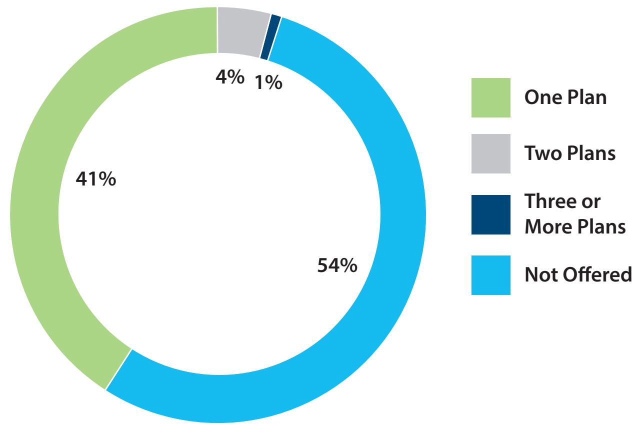
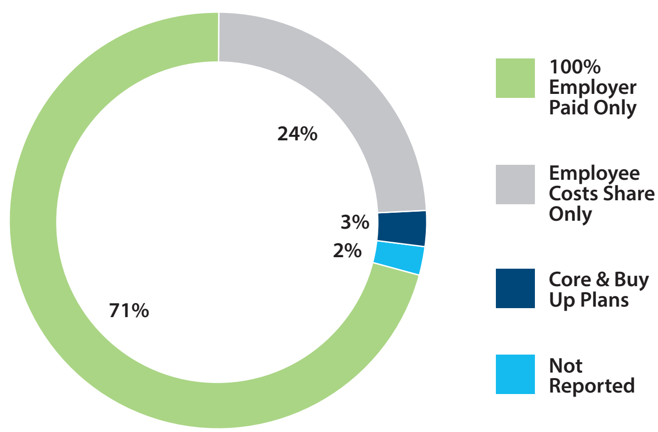


FIGURE 25 PLAN PREMIUM COST SHARE ARRANGEMENT BY % OF EMPLOYERS, NFP



34 *2021 Segal Health Plan Cost Trend Survey*, The Segal Group, 2020, p.11; https://www.segalco.com/media/1913/segal-trend-survey-2021.pdf.

35 "Convergence of Dental and Health Insurance Accelerates," West Monroe, 2020; https://www.westmonroe.com/perspectives/signature-research/convergence-dental-health-insurance-accelerates.

36 Ibid.

37 *Employee Benefits Survey: 2020 Results*, International Foundation of Employee Benefits Plans, 2020, p.55.

38 *Employee Benefits Survey: 2020 Results*, International Foundation of Employee Benefits Plans, 2020, p.58.

FIGURE 26 PERCENTAGE OF EMPLOYERS OFFERING ONE OR MORE PLANS, NFP

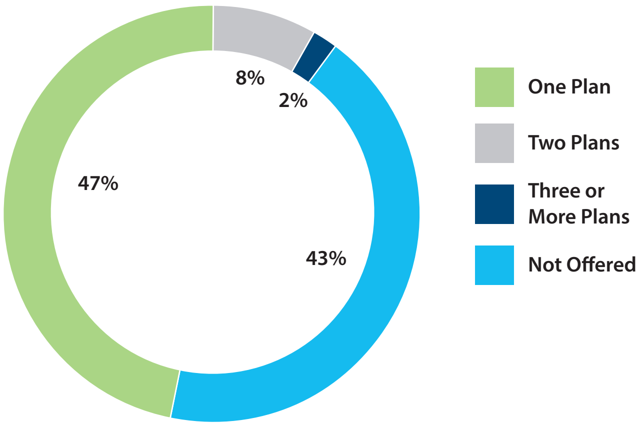


FIGURE 27 PLAN PREMIUM COST SHARE ARRANGEMENT BY % OF EMPLOYERS, NFP

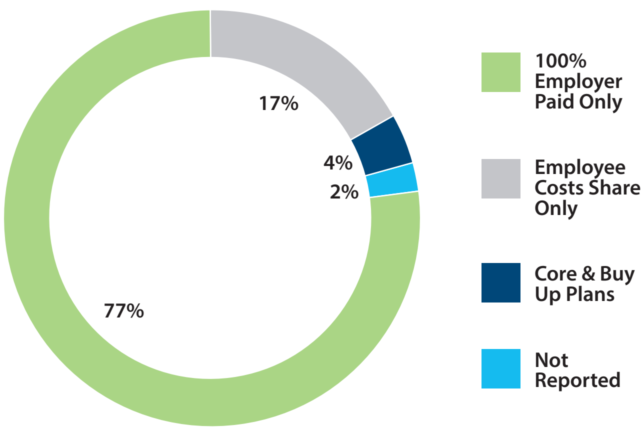


FIGURE 29 PREMIUM COST SHARE ARRANGEMENT BY % OF EMPLOYERS, NFP

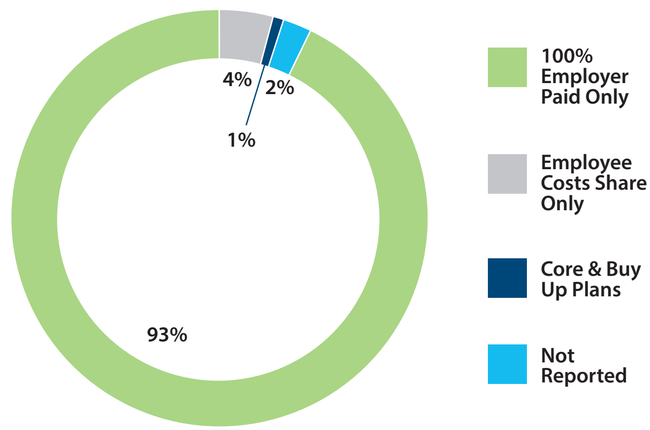


FIGURE 28 PERCENTAGE OF EMPLOYERS OFFERING ONE OR MORE PLANS, NFP

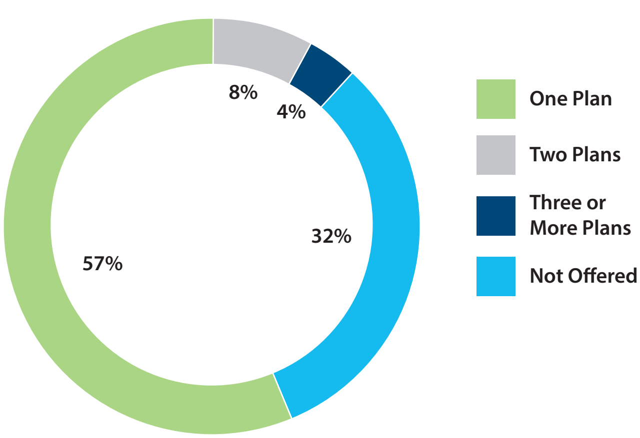


FIGURE 30 PREMIUM COST SHARE ARRANGEMENT BY % OF EMPLOYERS, NFP

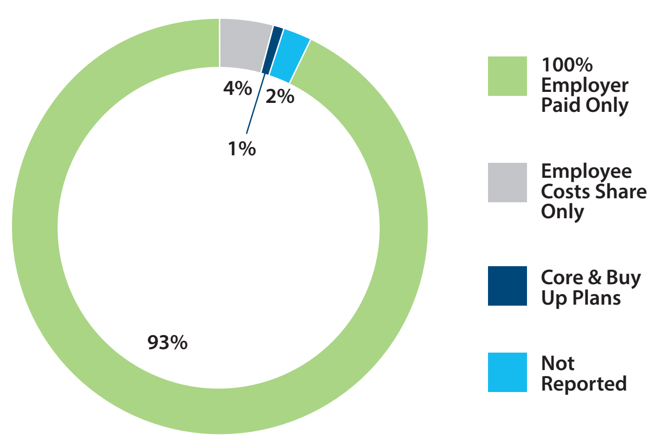
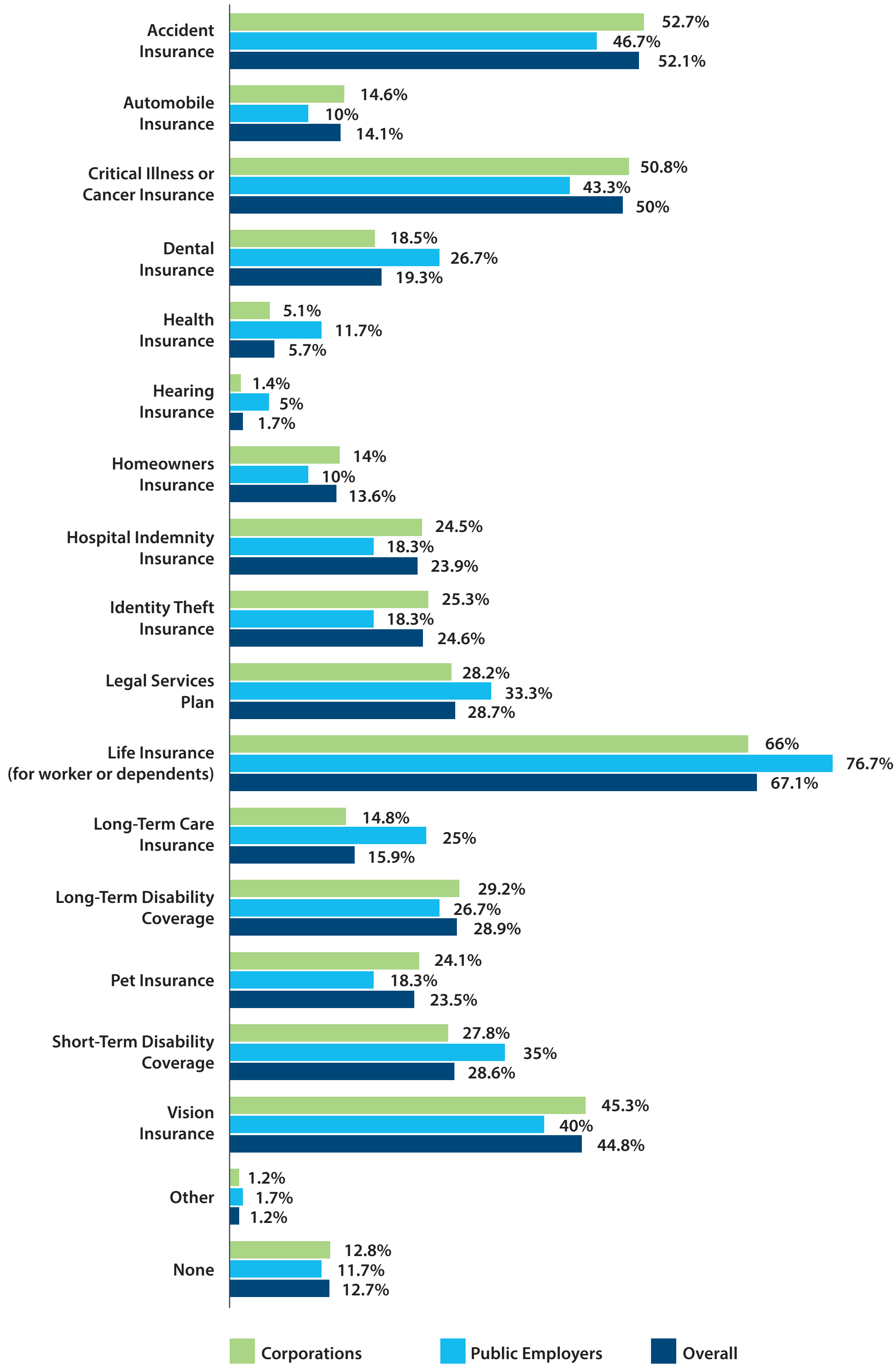


FIGURE 31 TYPES OF VOLUNTARY (EMPLOYEE-PAY-ALL) BENEFITS OFFERED BY EMPLOYERS, INTERNATIONAL FOUNDATION OF EMPLOYEE BENEFITS PLANS[41]



Life Insurance

Multiple of Salary

According to the International Foundation of Employee Benefit Plans, employers offer 94.8% of salaried and 79.6% hourly employees life insurance benefits. Employers offer 71.3% of salaried and 66.9% of hourly employees a multiple of salary formula.[39]

Data from the NFP proprietary benchmarking database reveals the key median benefit plans details for employers offering group life plans:

Maximum benefit:	$250,000
Multiple factor:	1
AD&D included?	92%

Flat Amount

According to the International Foundation of Employee Benefit Plans, employers offer 94.8% of salaried and 79.6% hourly employees life insurance benefits. Employers offer 28.2% of salaried and 31.6% of hourly employees a flat amount formula.[40] Data from NFP's proprietary benchmarking database reveals the key median benefit plans details for employers offering group life plans:

Flat benefit.	$25,000
AD&D included?	91%

Voluntary Benefits

With the emergence of a more diverse workforce, employees expect a broader range of personalized benefits to meet their tastes and lifestyles. While the "typical" array of voluntary benefits offerings such as life insurance, short-term disability and long-term disability are still being offered, employers realize that, especially among younger workers, attracting and retaining employees requires offering expanded and personalized offerings.

The graph from the International Foundation of Employee Benefits Plans (figure 31) illustrates the percentage of employers currently offering various types of voluntary (employee-pay only) benefits.

Further, the COVID-19 pandemic has caused employees to take a closer look at their voluntary benefit offerings. For the current enrollment season, nearly 7 in 10 employees (71%) plan to spend more time reviewing their voluntary benefits as a result of COVID-19 than they did last year and more than half (53%) plan to make changes to their benefits coverages.[42] Three voluntary benefit trends have emerged from the COVID-19 pandemic: employee financial security/well-being, employee behavioral/mental well-being, and flexible work arrangements.

- **Financial security/well-being:** With the onset of the COVID-19 pandemic, many employers were faced with the difficult decision of furloughing and/or reducing their workforce in order stay afloat. According to the Commonwealth Fund, nearly 15 million employees and dependents lost employer-sponsored insurance coverage because of the COVID-19 pandemic.[43] 84% of Americans reported that the COVID-19 outbreak was causing stress on their personal finances. And 39% say they will feel "very/somewhat worried" about their financial situation 12 months from now.[44] Therefore, one can expect to see new or more voluntary benefits offerings such as student loan repayment, bill payment, short-term loans and financial counseling.
- **Behavioral/mental well-being:** the COVID-19 pandemic has heightened the importance of behavioral/mental well-being. The pandemic has brought about loss of life of loved ones, diminished

39 *Employee Benefits Survey: 2020 Results*, International Foundation of Employee Benefits Plans, 2020, p.39.

40 *Employee Benefits Survey: 2020 Results*, International Foundation of Employee Benefits Plans, 2020, p.39.

41 *Employee Benefits Survey: 2020 Results*, International Foundation of Employee Benefits Plans, 2020, p.44.

42 Mike Wilbert. "4 Voluntary Benefit Trends to Expect in 2021 as a Pandemic-Weary Workforce Faces New Realities," 2020; https://www.benefitspro.com/2020/12/04/4-voluntary-benefit-trends-to-expect-in-2021-as-a-pandemic-weary-workforce-faces-new-realities/.

43 Paul Fronstin and Stephen Woodbury. "How Many Americans Have Lost Jobs with Employer Health Coverage during the Pandemic?" Commonwealth Fund, 2020; https://www.commonwealthfund.org/publications/issue-briefs/2020/oct/how-many-lost-jobs-employer-coverage-pandemic.

44 Mike Wilbert. "4 Voluntary Benefit Trends to Expect in 2021 as a Pandemic-Weary Workforce Faces New Realities," 2020; https://www.benefitspro.com/2020/12/04/4-voluntary-benefit-trends-to-expect-in-2021-as-a-pandemic-weary-workforce-faces-new-realities/.

FIGURE 32 **FINANCIAL WELL-BEING BENEFITS OFFERED BY EMPLOYERS, THE EMPLOYEE BENEFIT RESEARCH INSTITUTE**[45]

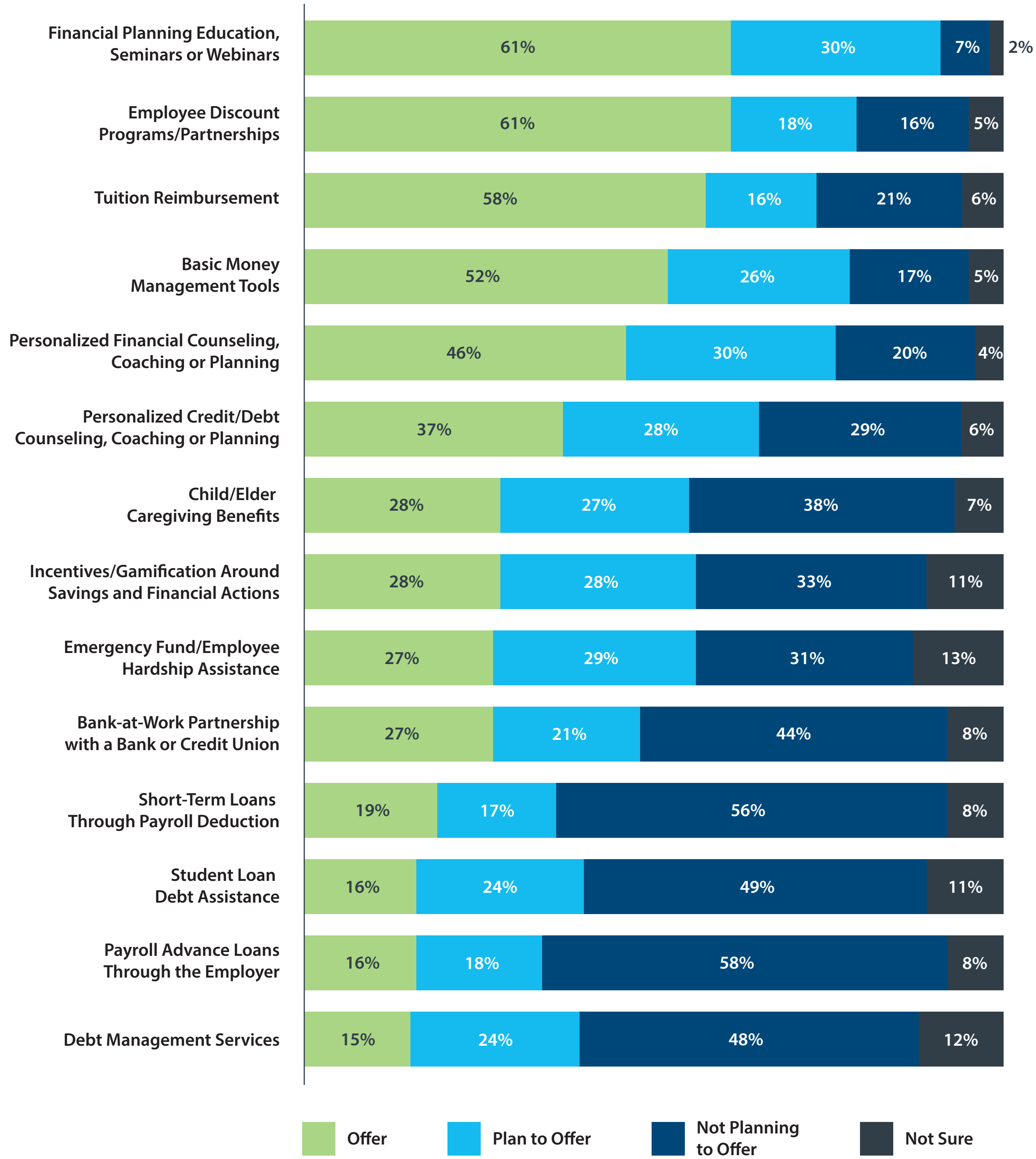
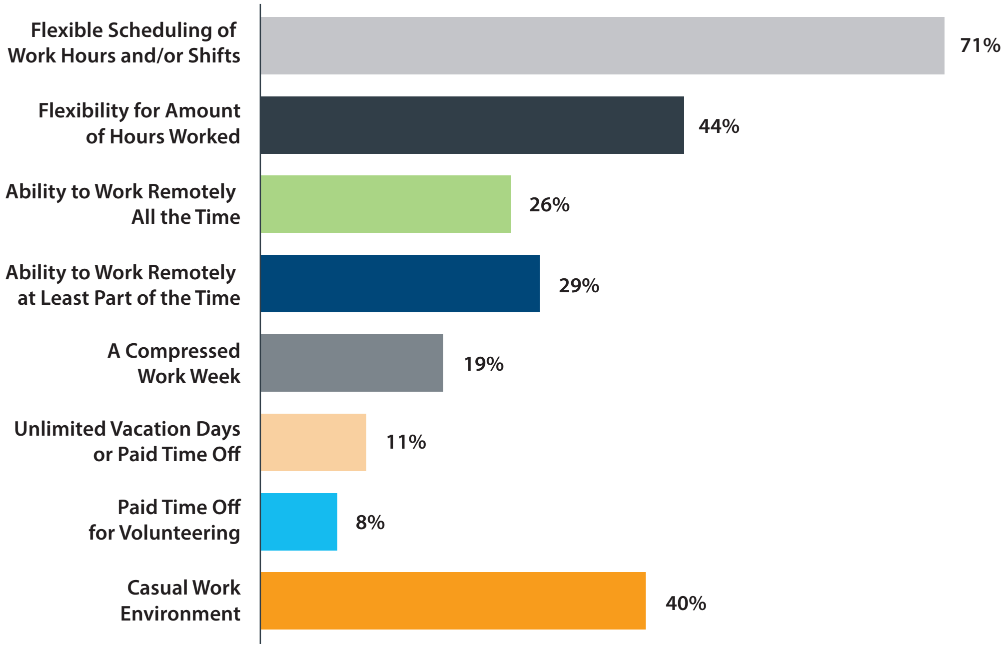


FIGURE 33 IF YOUR COMPANY OFFERS FLEXIBLE WORK ARRANGEMENTS, WHICH OF THE FOLLOWING DO THEY OFFER?, ZYWAVE[46]



health due to contraction of COVID-19, potential or actual job loss, and general insecurity about the future. According to the US Census Bureau's Household Pulse Survey, in January 2021, 35.8% of adults experienced symptoms of anxiety disorder, 28.4% experienced symptoms of depressive disorder, and 41.1% experienced symptoms of anxiety or depressive disorder during the pandemic.[47] While 42% of employers surveyed plan on investing the same amount in health and well-being programs for 2021, 37% said they would invest more.[48]

- **Flexible work arrangements:** For those industries where employees have the capacity to work from home, the advent of the COVID-19 pandemic may very well be looked upon as a tipping point for telecommuting and flexible work arrangements. According to a Zenefits survey on the state of flexible work arrangements, 67% of employers indicated that some form of a flexible work arrangement is in place and 25% have introduced flexible work arrangements just in the past six months.[49] Further, employees overwhelmingly are placing a high emphasis on the importance of having a flexible work arrangement. For example, 70% of employees somewhat or strongly agreed that flexible work arrangements as important as pay or health benefits and nearly 80% of employees somewhat or strongly agreed that flexible work arrangements are a major consideration when evaluating job opportunities.[50]

45 *EBRI 2020 Financial Wellbeing Symposium*, Employee Benefit Research Institute, 2020; https://www.ebri.org/docs/default-source/fwrc/sept-2020-symposium/fwrcsym_masterday1.pdf?sfvrsn=f10f3a2f_2.

46 "The State of Flexible Work Arrangements," Zenefits, 2020, p.6; https://www.zenefits.com/wp-content/uploads/2020/05/Flexible_Work_Report_2020_Coronaviruspdf.pdf.

47 "Anxiety and Depression Household Pulse Survey," CDC, 2021; https://www.cdc.gov/nchs/covid19/pulse/mental-health.htm.

48 "2021 Employee Wellness Industry Trends Report," Wellable, 2021; https://resources.wellable.co/2021-employee-wellness-industry-trends-report.

49 "The State of Flexible Work Arrangements," Zenefits, 2020, p.6; https://www.zenefits.com/wp-content/uploads/2020/05/Flexible_Work_Report_2020_Coronaviruspdf.pdf.

50 Ibid.

Chase Cannon | *Senior Vice President, Benefits Compliance, Deputy Chief Compliance Officer*

COVID-19 and Benefits Compliance:

A Relentless Barrage of Legislative and Regulatory Rules

In 2020, the continuous bombardment of federal and state legislative and regulatory rules resulted in challenges, complexities and exhaustion for employers.

Two massive new laws, the Families First Coronavirus Response Act (FFCRA) and the Coronavirus Aid, Relief, and Economic Security (CARES) Act in the first half of the year were followed by seemingly endless regulatory clarifications. The second half of the year brought a Supreme Court vacancy, extensions to COBRA and other important employer and employee deadlines, and other new exceptions for health and dependent care FSAs and Section 125 elections.

Together, the barrage created new administrative and compliance challenges and the constant ebb and flow left employers feeling drowned and exhausted.

With presidential and other elections decided and vaccine efforts moving forward, 2021 seemed to be on track for some relative calm on the health care legislative and regulatory front. Then, Congress enacted the American Recovery Plan Act of 2021 (ARPA), which – along with several other pieces of guidance from the IRS and DOL – once again shelled employers with additional compliance obligations, including new COBRA subsidy notice and administration requirements.

Thankfully, even with the constant barrage, employers have reason for optimism with respect to their compliance responsibilities. As the pandemic eases and employees return to a sense of normalcy (and/or accept some new normalcies), many of the burdensome pandemic-related requirements will fade.

Even so, compliance continues to carry significant weight in shaping employer strategies. Proactivity, agility and individualism will drive success, particularly with respect to three hot issues: pandemic-related rules, remote work, and shifting political priorities and judicial decrees.

COMPLIANCE

REGULATION

Pandemic-Related Rules Continue to Dominate Employer Strategies and Obligations

Three new pieces of legislation and regulatory guidance immediately challenged employers in 2021. First (although chronologically third), ARPA created (among other things) a new 100% COBRA subsidy for six months — from April through September 2021. The subsidy is available for any employee who had experienced a reduction in hours (voluntary or involuntary) or an involuntary (employer-initiated) termination or reduction in hours for any reason (not just pandemic-related reasons).

Via a new enrollment period, any employee still in their COBRA maximum coverage period as of April 1, 2021, could elect COBRA (regardless of whether they waived it before, enrolled and dropped, or never enrolled) and receive the 100% subsidy. The subsidy applies to medical, dental, vision and HRA coverage for the remainder of their COBRA maximum coverage period (generally 18 months from the original COBRA event date). Generally speaking, employers (for both fully and self-insured plans) are required to front the COBRA premium, but can then turn around and receive a refundable tax credit via their quarterly employment tax filings with the IRS.

While extremely helpful for COBRA-qualified beneficiaries, the ARPA COBRA subsidies create huge challenges for employers. First, they had to identify employees who were involuntarily terminated or had their hours reduced (voluntarily or involuntarily) in the past 18 months. Then they had to send the affected employees notices of the subsidy, work closely with their COBRA administrators to ensure subsidies were administered correctly, and work through the tax credit process so they could be made whole by the IRS. Lastly, ARPA created a second notice requirement — employers must notify enrolled subsidy-eligible individuals when the subsidy is ending. The COBRA subsidy will likely be a challenge throughout 2021, particularly if they're extended beyond September by the government.

Second, in 2021, the DOL clarified guidance published in 2020 on pandemic-related extensions for deadlines relating to COBRA election notices, elections and premium payments; HIPAA special enrollment rights; and certain claims and appeals requests. Originally, those deadlines were extended through the end of a so-called "outbreak period," defined as March 1, 2020, through 60 days after the end of the White House-proclaimed national emergency.

As the pandemic continued through 2020, the White House never proclaimed the end of the national emergency and the extensions ran up against a statutorily-imposed one-year limit. Most assumed that limit meant all deadline extensions would end on or shortly after February 28, 2021 (one year measured from March 1, 2020).

However, the DOL, in a somewhat surprising move, announced in February 2021 that the extensions would continue until the earlier of one year from the date an individual or plan is first eligible for relief or 60 days after the national emergency is proclaimed

Benefits compliance continues to carry **significant weight** in shaping employer strategies.

over (the end of the outbreak period). That means that the deadline extensions are measured based on an individual employee's (or plan's) deadline. If someone experienced a COBRA qualifying event on June 1, 2020, their COBRA election period would not begin running until June 1, 2021. Consequently, they'd have until July 29, 2021, to elect COBRA, unless the outbreak period ended sooner.

Thus, employers have to individualize their responses to the deadline extensions, looking at each employee's situation to understand when and how the extensions apply. Further, because most employers engage a third-party administrator (TPA) to assist in plan administration and notice distribution, employers have to work closely with that TPA to ensure notices appropriately describe the extensions and that the extensions are administered appropriately. Importantly, the extensions are mandatory — employers and administrators must comply with these extensions.

Overall, the DOL's clarification on the extensions exemplify a shift in the need to look at employees individually when it comes to compliance. Similar to other compliance areas (like leave administration), employers will have to consider each employee's unique circumstances and timing of COBRA (or HIPAA or claims/ appeals requests) events to comply.

One factor to note is that few employees are likely to make requests to enroll in COBRA (or under a HIPAA special enrollment right) under the extensions, since they'd be required to pay retroactive premiums for the coverage. Few employees are likely to have that kind of money, particularly if they've been laid off or experienced a reduction in hours during the pandemic. Nonetheless, while the actual impact for employers may be low, they will still have to juggle the notice requirements and ensure any employee who does exercise their extended deadline rights is treated as required under the extensions.

Third, the IRS published rules addressing health and dependent care FSA carryovers and grace periods. Published in February 2021, this was a valiant, but slightly late, attempt to provide more flexibility for employees who may have contributed to those accounts in 2020, but who couldn't use their account funds due to pandemic-created restrictions or consequences.

Additionally, the IRS allowed more flexibility for mid-year election changes for plan years ending in 2021. This essentially allows employers to allow employees to jump on or off coverage throughout the year, or at limited times during the year, as an exception to the general rule that changes can't be made without a qualifying life event. For 2021 only, ARPA also increased the dependent care FSA exclusion, which also creates additional flexibility and tax advantages. The new exclusions are $10,500 for married individuals filing joint tax returns, and half that ($5,250) for single parents or married filing separately. Similar to the above ARPA benefits and DOL extensions, while helpful to employees, these FSA and Section 125 flexibilities are administratively burdensome. Thankfully, the IRS flexibilities are optional. Employers were not forced to adopt the changes (but if they do adopt them, they need to be consistent in application to employees and make formal amendments to their FSA/Section 125 plans.

"Employers have **reason for optimism** with respect to their compliance responsibilities."

Overall, ARPA, DOL extensions and IRS flexibilities illustrate the ongoing and continuing deluge of federal rules for employers to bear. Employers that remain flexible, proactive and agile will enhance their ability to comply.

The Rise of Remote Work Adds Compliance Complexities

Under the assault of the pandemic, employers continue to bend to various forces, driving remote work. Specifically, while the pandemic created a necessity to have employees work from home, employees increasingly recognize and value the associated flexibilities and conveniences. Employers are now reevaluating their remote work policies, hoping to remain competitive in the constant battle for talent while identifying cultural, well-being and engagement benefits that may have been lost in a remote work setting.

From a compliance perspective, remote work creates several challenges and considerations. The first relates to state tax nexus. This is the idea that work location establishes a tax connection with the state, which in turn drives state income and employment tax withholding. For example, for an employee who previously worked in the company's New York location in prior years but who now permanently works remotely from their Massachusetts home in 2021, the employer may no longer be responsible for New York state income tax withholding. The work location generally drives the state tax nexus, so the shift from traditional office to remote work may result in significant changes to an employer and employee's state tax withholding.

Similarly, state tax withholding often drives eligibility for state protections, including paid family and medical leave. Using the previous example, while the employee in prior years may have been eligible for New York's disability and paid family leave benefits (and the employer would be required to withhold deductions relating to both), the employee's shift to work from home in Massachusetts likely means the employee is no longer eligible for those New York state benefits. However, the employee would be eligible for Massachusetts paid family and medical leave. Further, the eligibility for state benefits also triggers the employer's requirement to withhold related state deductions. Using the above example, that would mean the employee's shift to remote work would trigger the employer's obligation to withhold Massachusetts-related deductions.

Work location drives other compliance obligations, including FMLA. Specifically, FMLA looks at the eligibility of remote employees based on where the employee reports. Although employees may work remotely from different states, if they report in to an office where there are 50 or more employees, then they'd likely still be eligible for FMLA. Therefore, employers with remote workforces will have to review their FMLA obligations as well.

Finally, remote work creates challenges with respect to plan-related employee notice distribution (such as SPDs, SMMs, SBCs and other important plan notices). While many notices can be sent via email, employers must ensure that the remote worker has email or computer access as a big part of their job (likely

Remote work requires proactive employee engagement strategies and compliance with state tax, leave and notice obligations.

they would, if they're performing remote work). If not, then the employer must obtain affirmative consent from the employee via the employee's personal email prior to distributing email notices.

Intranet posting may in some instances work, but that also requires some type of notice sent to remote workers alerting them of the intranet posting. Any email notice to a remote worker should highlight the importance of the plan-related notice, that a paper copy is available and how to request a paper copy. Of course, employers can always send notices via regular postal service (first class is preferred). Additionally, notices normally posted in common workplace areas may also have to be sent to remote workers.

Overall, with remote work in many instances becoming the new normal, employers will have to be proactive in developing strategies to sufficiently engage remote employees, while satisfactorily complying with relevant state tax, leave and notice obligations.

New Administration and Supreme Court Decisions Shift Priorities for Strategies and Enforcement

With any new presidential administration, employers can always anticipate some type of shift in regulatory focus and enforcement. Shortly after taking office in early 2021, President Biden and his administration took several steps indicating their direction on certain items, including an extended open enrollment period for health insurance exchanges, a rollback of several anti-ACA provisions enacted by the prior administration, and a freeze on prior administration regulations in process but not yet in effect.

In doing so, the Biden administration re-emphasized its intentions to strengthen the ACA, expand affordability for lower income individuals through premium tax credit expansions (outlined in ARPA) and other steps (such as further expanding Medicaid). For employers, the new administration's focus signals some stability under the ACA (subject to the challenge at the Supreme Court, discussed below), a sharp contrast from the all-out attempted assault on the ACA over the last four years. While the ACA remains somewhat burdensome for employers, at a minimum the stability provides some certainty as they mold their employee benefit strategies around compliance obligations.

Interestingly, though, the new administration has signaled its interest in highlighting and enforcing several of the prior administration's rules and laws, including:

- **Certain rules** on price transparency for plans
- Prescription drug **price controls**
- **Mental health parity** (a new required analysis showing compliance under the previously-applicable Mental Health Parity and Addictions Equity Act)
- **Certain leave laws**, including the FFCRA's emergency paid sick leave and expanded paid FMLA provisions

The FFCRA obligations expired at the end of 2020, but the FFCRA tax credits extended into 2021 (optional for employers). For the other three (price transparency, prescription drug prices and mental health parity), the related federal agencies are required to publish much-needed guidance in 2021 — with anticipated effective dates for compliance coming in 2022 and beyond. The new administration's expected guidance highlights the continued torrent of rules aimed at employers, illustrating the need for employers to remain patient, agile and diligent in complying with the law.

Further, the new administration has signaled its intention to focus on other areas that may not have been as heavily emphasized in pandemic-riddled 2020, including wellness programs, HIPAA privacy and security (something of particular concern for employers with self-insured plans).

In addition, the US Supreme Court has yet to weigh in on whether the ACA's individual mandate (requirement for each US citizen to carry health insurance or pay a tax penalty) is unconstitutional, and if so whether the remainder of the ACA is constitutional. Most scholars believe that the Supreme Court will strike down the individual mandate, but leave the ACA in place. In that case, and because the individual mandate tax penalty has been $0 for several years (since 2019), the impact of the Supreme Court's ruling will likely be minimal. If the Supreme Court strikes down the ACA in its entirety, it would create all sorts of mayhem. But until we hear from the Court, the ACA remains the law of the land, meaning employers will need to (among other things) continue offering coverage to full time employees, completing reporting (Forms 1094/95-C) and paying the PCORI fee (employers must pay this directly if they sponsor a self-insured plan – including HRAs – but carriers will pay it for fully insured plans). Finally, because maintaining and strengthening the ACA remains a priority for the Biden administration, it's unlikely any other challenges or diminishments of the ACA will occur in the next few years.

Maria M. Trapenasso | *Vice President, HR Solutions*

Striving to Be **Strategic:**

HR Challenges in a Dynamic World

In a year where human resources leaders faced a wave of new challenges – a global pandemic, new legislation, more compliance requirements – it became even more difficult for employers to keep up. The complexities of how federal leave regulation interacts with state laws and the evolution of employee expectations converged with the impact of COVID-19, accentuating the need to consistently audit leave policies and adjust accordingly.

Through all the complexity, one reality became clear: it's increasingly difficult for an employer to take a strategic approach to HR. And even harder to do it alone.

The following Q&A highlights issues employers are facing, the increased responsibilities for HR teams and how specialized HR expertise can play a key role in making a company an employer of choice.

It was quite a year for HR professionals. What stands out for you in terms of what employers should be aware of and how they're dealing with the challenges?

Last year was chaotic for everyone, especially HR teams. The challenges they faced became more intense and overwhelming and it's not over.

First, it became more important than ever to stay on top of federal and state legislative changes and track how they impact leave plan administration. The Families First Coronavirus Response Act (FFCRA) came and went in 2020, which alone was a lot to process and comply with, but then 2021 began with six states enacting new or modified leave laws (CA, NY, MA, CT, CO, ME).

Second, employers faced a new wave of workplace safety regulations related to COVID-19. These were uncharted waters for all of us and we were all learning on the go. New Occupational Safety and Health (OSHA) rules on the federal level and the state level created additional reporting requirements, and CDC workplace reopening guidelines took time to understand and develop policies around, which created anxiety for employers and forced HR teams to be very tactical in their execution.

Finally, HR compliance – aligning policies with new regulations – felt like an endless wave of change and complexity. What I observed is that many HR professionals overseeing policies and procedures were not equipped to manage the compliance requirements effectively. Some got help by working with external advisors. Others didn't, putting their organizations at risk for fines and falling short for their employees.

Why are HR teams so overwhelmed?

Legislation is changing so rapidly. It's just hard to keep up. And the looming threat of fines for noncompliance, which can be severe, adds another layer of pressure.


PLANNING
ACTION

It's increasingly difficult for an employer to take a strategic approach to HR. And even **harder to do it alone.**

There's OSHA – both federal and state – and employers have to comply with both. Much of the OSHA regulation involved establishing parameters around COVID-19 and newly required reporting requirements. While many companies still have their employees working remotely at least part of the time, many are back in the workplace. Implementing protocols for distancing, personal protective equipment (PPE) and cleaning takes time.

Since the CDC guidelines for returning employees to the workplace are constantly evolving, HR practitioners are scrambling to stay ahead of the curve in order to be compliant. Employers are also faced with major decisions around creating vaccine policies, mandatory or voluntary, within what is permitted by law.

Alongside all of the changes spurred by COVID-19, other shifts have been coming for a while. There's the Equal Employment Opportunity Commission (EEOC), which updates protected classes. Employers always need to make sure they're policies are current. More recently, gender identification was confirmed to be a protected class by the Supreme Court, and employers have increasingly been moving toward gender-neutral language in handbooks and policies to foster inclusion and avoid any perceptions of discrimination. The process of switching out "he/she" for "employees" or "they/them" seems like a simple fix, but it takes time to review every document and make revisions. And that's just one change. Add all of the little adjustments like that together and it can be overwhelming.

What are some best practices that employers can adopt to make progress and proactively drive compliance?

Every employer should conduct an HR audit of its policies and procedures at least once a year. It can be done by the internal team or in collaboration with a third party. It's just really important to do it. We are operating in a dynamic world of constant change and a consistent assessment of recent changes and where policy updates are needed is the best way to stay compliant and avoid fines.

Audits should include a review your onboarding package, including I-9 regulations for employment eligibility verification, as well as W-4 requirements for employee withholding. I have worked with many employers that change their policies in the handbook but don't update their onboarding package. That gap can be an issue.

For example, it may be time to review drug testing policies. If you operate in a state where recreational cannabis use becomes legal, are you reviewing your drug testing policies for cannabis use? It's important to have a process for making sure policies and practices still make sense as regulations and legislation change.

Another key auditing subject is hiring practices. Companies often decentralize hiring and involve managers to lead the process. Are you taking steps to ensure they're asking the right questions? And not asking prohibited ones? What is your manager training program for hiring practices? And are you complying with job posting requirements, especially if the majority of your workforce is now remote?

There are also filing requirements. I-9s should never be with other files. Medical files should be separate. You have to be diligent about making sure everything is in order, including document retention procedures.

All of this can be sorted out through an audit. And more and more I see employers investing in external resources to help them with it.

Can you share some more detail on hiring practices and the impact when they're decentralized?

This has changed significantly during the pandemic. In-person interviews aren't happening and many organizations are still remote so it's very decentralized.

I think it's good to empower managers to lead the hiring process. It can create efficiencies, but without the proper training and support, companies risk undesirable outcomes.

Some employers may see high turnover. The first question I ask is "are they hiring the right people?" I ask about the interview questions managers are asking, the guidance they're being given, the training that's provided. Too often, companies don't have good answers to those questions.

Issues emerge when an organization doesn't have a strategic HR leader. They may have a homegrown HR person who works very hard and does things well, but who doesn't have the training to keep track of the changes, refine policies, define goals and objectives, implement training, and put a strategic HR plan together, especially all at the same time. Everything is reactive and tactical, which leads to issues.

Employers have a choice of where to invest their resources. They can train internal staff or hire external expertise, which has a cost. Or they can do the best they can and accept the consequences when issues turn into regulatory fines or high turnover or complaints from ex-employees, which also has a substantial cost. Companies we work with ultimately find the cost of the investment to be the better choice.

You've mentioned fines several times. What is the magnitude of the fines that can be imposed?

Fines can be imposed for a variety of things. It may be an EEOC claim involving a wrongful termination or discrimination against a protected class. Estee Lauder was required to pay $1.1 million in a class sex discrimination lawsuit for disparate treatment of its male employees due to the inequity of its parental leave policy.

It may be a Fair Labor Standards Act (FLSA) violation that requires an employer to provide back pay for misclassified non-exempt employees. An FLSA audit can be difficult. They will review job descriptions for exempt and non-exempt classifications. Classifications that don't align with the job descriptions can cause employers to lose their exemption status and may result in fines and back pay due to employees. Under the FLSA, liquidated damages must match the amount of unpaid wages for the worker who was denied overtime wages. In other words, if the worker is awarded $4,000 in back pay, they may be eligible for an additional $4,000 in liquidated damages.

I-9s may not be completed correctly or an employer may have knowingly failed to request proper identification, which results in verification violations. Violations can range from $573 for the first violation up to $20,130 for repeated violations — for each I-9 form (per occurrence).

Internal audits may also include a review of handbooks and policies. Inconsistencies and gaps are a problem. There is also a review of training programs to ensure they're current. Sexual harassment training, which is now required in CA, CT, DE, IL, ME and NY, needs to be reviewed regularly and updated to meet state standards.

Fines are also red flags. Regulators have an obligation to revisit companies to make sure they've corrected deficiencies and taken steps to tighten up policies and procedures. This increased scrutiny adds to the pressure, which makes it important to consider getting help from experts.

Putting yourself in the shoes of an HR leader for an employer, what worries you most?

First, remote work policies have been difficult because most never had a policy in place to begin with. In very short order, companies had to figure it out and things are still changing. Considerations such as employee engagement, productivity and resources while working at home are just a few concerns. Now some employers are pivoting to return employees to their offices, which requires new policies around COVID-19 safety protocols and vaccines.

Second, sick leave and how it interacts with COVID-19-related leave. Creating COVID-19 leave policies that comply with federal and state regulations, keep employees healthy, and meet the needs of employees who are facing challenges involving childcare and other caregiving responsibilities is very complicated.

Finally, and I mentioned this earlier, meeting OSHA reporting requirements with compliant CDC safety protocols is not easy. Every single policy and practice must be compliant (temperature checks, daily questionnaires, access to PPE, etc.) and effective. Consider a manufacturing environment where if someone gets infected, the operation has to shut down, notify affected employees and disinfect the workplace prior to re-opening. That's a lot of responsibility.

The takeaway is that there are more obstacles, more requirements and more ways to fall short. Again, there's a lot to worry about and many employers are overwhelmed.

Let's turn to leave polices. Navigating regulation, aligning policies with company objectives, setting the right parameters to maximize productivity and well-being — there's a lot to consider. What insights do you have for employers working to get it right?

As I mentioned earlier, there's a lot to keep track of in terms of federal and state regulation. So any time you can connect with an expert, I highly recommend doing it.

One key area is creating comprehensive leave policies. Federal FMLA, state provided medical leave (which we are seeing a lot more of now) and short-term disability (whether statutory or provided by an employer) should all run concurrently whenever possible.

When creating a parental leave policy, always look at any state-provided leave benefit that may offset the employer's cost for providing leave benefits; these types of leaves should also run concurrently when used for purposes covered under both. Employers should always clearly document how company-provided leave plans interact with federal- and state-provided leave in their policy.

Some employers will conduct benchmarking research before making major policy changes. This helps to enhance understanding of where policy offerings fall in the market versus your competition. Also, take steps to understand the costs of a change and what you hope to achieve with the new policy. It may be helpful to survey employees or engage focus groups to find out what matters most to them and focus on implementing policies that have the broadest and most significant impact. Keep in mind that it's rare for an employer to make all employees happy all of the time.

Finally, consider conducting an analysis of what would have happened if the policy were in place a year ago. How many employees would have been eligible and how many requested leave in the prior year for a reason allowed under the new policy? While it won't be an exact prediction, it will help to provide a sense of the reach of the new policy and related costs.

COVID-19 vaccinations continue. What are your thoughts on employers thinking about requiring employees to get vaccinated?

I understand that employers want to do everything they can to create a safe workplace so people can be back at work. Vaccines are central to this objective.

However, mandating vaccinations may be more trouble than its worth. Current recommendations would be to encourage employees to get vaccinated, rather than mandating it. Employers who adopt mandatory vaccines for the workplace will still need to make exceptions for those who may have disabilities preventing them from receiving the vaccine or for those who, due to strong religious beliefs, are against it; this is in accordance with Title VII protections.

Also, keep in mind that harassment of employees who choose not to get vaccinated may emerge as a workplace issue. And employees should not be forced to disclose if they're vaccinated or not (or why they choose not to get a vaccine). While there has been discussion around opportunities for incentives (cash, additional PTO), if the incentive is too large, some fear that it may actually feel like employees are being "coerced" into getting the vaccine. The best way to encourage employees to get vaccinated is to provide availability to resources and education around its benefits.

Are there any trends in the HR space that stand out for you? Can you provide any examples where companies are being innovative with HR policies?

I'm familiar with a number of companies that have taken steps to address some of the ongoing effects of the pandemic. The most common step is providing additional PTO for all employees – through flex time or

More time strategically aligning the workforce with the company's goals is always **time well spent.**

emergency time – to use any way they choose (caregiving, a break to combat burnout).

Employees still need to schedule it and get prior approval, but the extra time is a meaningful gesture to employees who have endured a difficult year. It's not an option for every employer and depends on the culture, but those that are doing it are getting very positive feedback.

In terms of innovation, there's an opportunity with leave technology. LeaveLogic is a clear leader in the space that provides an employee facing solution where employees can create and manage their leave (eligibility, application guidance, notification requirements and e-submission to HR). LeaveLogic is unique in that the employee drives the leave modeling and then shares their plans with HR. It gives the employee all of the information they need to understand their benefits and responsibilities. It empowers employees to manage their own leave and reduces the administrative burden for the HR team. Analytics are built into the system so that employers know when employees are planning to take leave, even if they have not yet discussed it with HR or their manager. This can be a game changer for employers trying to manage scheduling and employee leaves.

One thing to remember. Leave vendors, and even solutions like LeaveLogic, are not "set it and forget it" resources. There still needs to be HR engagement, especially in states where there are many layers of leave regulation (such as California). There are always nuances relative to the employee and to the state requirements that require active HR involvement.

With that said, leave vendors can take on routine, time-consuming aspects of leave management to allow HR leaders to devote more attention to strategy, policy refinements and employee satisfaction. More time strategically aligning the workforce with the company's goals is always time well spent, especially when it leads to more productivity, increased engagement and enhanced recruiting and retention.

Let's close with culture. How does culture come into play in your conversations with employers and identifying steps and resources to move them forward from an HR perspective?

Culture really is intertwined in everything an employer does. The feel, the flavor, the tone across the organization dictates what they do today and how they evolve tomorrow. You can often get a sense of a company's culture from their employee handbook — the language, the focus, the flexibility.

Some clients want to give employees everything. This may sound great on the surface, but parameters and policies are essential. You can't just provide unlimited everything, but understanding the organization's goals and aligning policies with those goals sends a clear message. The company's culture will be apparent in the message its policies send.

No matter how big of an organization you are or what business you're in, acknowledging the power of culture and ensuring it's reflected in your HR policies and procedures has to be a priority. Alignment and consistency matter, employees notice it.

Sometimes HR teams are so close to their work it's difficult for them to see misalignment. Like many things, third-party perspective can make all the difference.

Mark Rieder | *Senior Vice President, Head of Innovation*

Ready to **Innovate?** Start with the Problem.

We've all heard the saying that necessity is the mother of invention. This definitely held true in 2020, when COVID-19 created new levels of disruption in nearly every aspect of our lives. The need to adapt accelerated the development, implementation and adoption of new tools, resources and processes. From working from home to the creation of vaccines, circumstances didn't allow for a slow and steady approach to anything.

But absent a driver like a global pandemic, how can companies and industries evolve with urgency? Mark Rieder shares his insights in this Q&A.

COVID-19 has been a catalyst for change. From a new level of adversity, there has been tremendous progress in how companies do business, serve clients and support employees. How do you see the COVID-19 effect playing out going forward?

The silver lining of COVID-19 has definitely been the acceleration we've seen in the development and adoption of everything digital. We believe strongly that the experience – both the negative in terms of the discomfort many companies felt and the positive of solving problems for employers and employees – will support a permanent shift in the way business is conducted moving forward.

Overall, the trends really haven't changed. Data, technology advancements, APIs and personalization are still front and center. The mindset has changed for many and more are getting there. We shouldn't wait to innovate until we're forced to.

Innovation is often overwhelming for a company. There are resource requirements, indecision when prioritizing and pressure to get it right. Any advice on how to overcome these obstacles?

It really starts with strategy. You need an overarching plan with a vision of what success looks like. Then you need to make sure everyone in the company – top down and bottom up – is aware of it. Awareness will lead to understanding and soon people at all levels will be embracing the strategy. Being consistent with messaging, listening to feedback and answering questions, and getting people involved will keep you moving forward.


OPPORTUNITY
PROBLEM
SPACE
12:45

"Everyone needs to be on the **innovation team**."

Then focus on executing the strategy, while always reiterating where you're going. If it turns into a list of individual tasks with no clear connection to the strategy, it will quickly become overwhelming. People won't know where to start, a lack of progress will create frustration and any momentum you had will dissipate.

I also think it's important to think big and be bold. Paint the picture and empower "what if" thinking. When you do that effectively, excitement about the possibilities will bring people together to move things forward.

Break down the silos, which often create issues with resource allocation and prioritization. Instead of individual business units working to solve just their problems, companies need to support integrated problem solving where teams collaborate to address multiple issues through common access to the same data and technology, and continuously refine solutions as business and customer needs shift.

Lastly, the mindset has to be "we're never finished and we can always be better."

You lead Innovation for NFP. How do you make an impact across an organization that has 6,000 employees and thousands of clients?

I think the concept of an innovation team is a step in the right direction because you need people dedicated to leading the charge. But to really make a meaningful impact, everyone needs to be on the innovation team.

There should be buy-in that there are problems to fix and that the status quo isn't good enough. This buy-in has to exist at the board and executive level, but it also needs to exist within the team that actually uses a new tool and does the work each day. There needs to be adoption – try it, provide feedback, refine, repeat – so you can see how solutions are actually addressing the problems. If you don't have buy-in, all the resources and money in the world won't get you where you need to be.

I've seen some instances, particularly in the insurance industry, where creating big innovation teams or labs can have unintended consequences. People not on the team start to think that innovation isn't their job or that new innovations created in the lab are being imposed on the rest of the company without input or perspective. This ultimately becomes counterproductive and creates an adversarial environment that's not good for culture or results.

How have you worked to get buy-in from your colleagues?

First, something I think many organization look past is the importance of having someone involved with the innovation efforts that has had a long history with the company. I understand that might not always be possible, but when it is it helps cut down the learning curve significantly. I've been part of the organization in various capacities for nearly 20 years — I know who's who, have built strong relationships with leaders across the organization and I understand the business and the clients we serve. Companies often bring in people from outside the organization to lead their initiative and it takes time for them to learn, make connections and generate momentum.

Next, you need to be willing to put yourself out there and ask "why" and "what if." Beating the drum for change is something I've become pretty good at. I'm constantly encouraging employees across the company to focus on the problems they face and that their clients are dealing with each day. Don't worry about the solutions right off the bat. Start with the challenge, see if others share your view that's it's actually a problem, and then talk with those in other roles or business lines to see if they see similar issues. What I've found is that everyone wants to tell a new story and these stories resonate when they solve problems.

From there, we can think about the path forward. There may be existing technologies helpful to the effort. There may be start ups already working on it. Or this may be something nobody is working on yet. But we have to start with a problem and commitment to solving it in a way that improves lives.

We still have work to do, but this empowerment – we're all on the innovation team – is incredibly helpful. It supports the collaborative, exploratory, "what if" culture that brings people together. You may not always agree on how to get there, but if you agree there's a problem and can get people excited about being part of fixing it, you're going to be much more productive at every stage of the process.

What do you see as the phases of innovation?

Innovation is continuous process that requires both patience and urgency. Urgency in terms of the need to develop and launch solutions and then refine them over time (not waiting five years until you think you achieved perfection). Patience in terms of knowing that change, and understanding the why behind it, takes time. Jumping in with the assumption that everyone is immediately on board and that the path to progress is clear won't be productive.

I see three phases as critical to a company's evolution. First, you need to become a scholar of innovation. Learn everything you can about what's happening in your space — what are competitors doing and why, what technologies are supporting it, what start-ups are gaining traction and what's attractive to customers and what's pushing them away. This expertise provides the foundation for what you actually do.

Second, you have to continuously educate stakeholders and make innovation part of your culture. Articulate the why of innovation, the focus on problems and how everyone needs to be involved. Remind people that innovation isn't an indictment of how things are being done, it's an opportunity to learn, grow and meet the needs of customers more effectively and efficiently.

And third, you'll need to organize a transformation strategy that touches every part of your business. The strategy will evolve over time, empower ideas, create paths for solving problems and identifying new ones, and be the roadmap for the business. It should be understood across the organization and reinforced regularly to deepen understanding and drive engagement.

Talk about a specific example where agile innovation solved a problem.

One that stands out is virtual open enrollment. We knew that in-person employee benefits meetings weren't going to happen in 2020, so we quickly pivoted to creating open enrollment websites — data-driven, personalized sites that helped employees understand the benefits available to them and make informed election decisions. If they had questions and needed live support, Zoom or Teams was there to facilitate the interaction.

We focused on two main things. First, the client experience was critical so we invested resources to make it intuitive and easy. Second, everything was connected. Data we had about a particular employer group was used to populate the site, educational materials were pulled from a single source, and HR leaders could easily access dashboards to track progress and enrollment choices.

This was a great example of something accelerated by COVID-19 and that will likely become the norm for most employers.

Where do you see opportunities to innovate in the insurance space?

I think the insurance industry may have the most innovation potential, in part because we've been slow to adapt and adopt new ways of doing things. Opportunities will be driven by a real passion for solving problems or a fear that a company's survival depends on digital transformation. Both are strong forces and success requires a balance of both.

Specific opportunities I see include helping companies manage their data in ways that inform decisions

Stories resonate when they solve problems.

and give leaders the confidence to try new things. Instant access to data, in a secure environment, visualized to convey options is what buyers want. It's powerful to see the impact of action or inaction supported by data.

Customer experience is another area where we have room to grow and improve. Think about how easy it is to buy a product on Amazon or order takeout on Doordash. Customers expect that kind of experience in everything they buy. Personalization is a subcomponent of this. While there are privacy regulations to adhere to, people want to receive information and recommendation based on who they are and the information they've already shared. Starting over with every purchase is not a way to create a standout customer experience.

How has Innovation interacted with the startup community?

I really enjoy working with people who are passionate about finding problems to solve with technology. There are new insurtech companies popping up every week, so it's a frenetic environment, but we find a lot of companies who share our focus on solving problems. We gather problems from leaders in our business and clients and sit down with startups and start asking "what if."

How they approach development has been incredibly valuable to our efforts and our support of clients. NFP Connect, an integrated, client-centric digital platform that facilitates the sharing of best practices, enhanced efficiencies, data aggregation and a streamlined organization of systems, brings a variety of resources together, including the virtual open enrollment websites, to make them even more impactful in terms of driving decisions and improving outcomes. NFP Connect is not the enrollment site or our COVID-19 modeling tool, but it feeds the enrollment site and the modeling tool with data from a dynamic data lake. Having data in 12 different places to support 12 different tools is not sustainable.

What advice do you have for leaders who may be uncomfortable with big change?

The world isn't going to slow down for anyone. If you think things are moving fast now, just wait. The only option is to get started now. Become an innovation scholar – phase one in the process – and start assessing the landscape and identifying big problems that affect your business, your employees and your customers.

Second, avoid the pitfall of solving problems that don't exist. I've seen companies create something cool but then realize that it doesn't do anything customers care that much about. Change isn't meaningful when there's no benefit for the customer or no improvement in someone's life. Again, this is why starting with the problem is really important.

Finally, focus on configuration versus development, where solutions are modular and can be applied in different ways. Creating ten new tools or resources individually is a lot harder than creating one tool or resource on a platform that can be configured (and reconfigured) to support significant enhancements to ten resources or tools. Business lines are unique and have their own vernacular, but they have the same business process at a high level. It will be much more efficient and productive if we take a step back and see the process flow in general terms – solving one problem that exists in multiple business lines – instead of trying to address challenges individually because we assume they're unique to the business.

Kimberly Heald | *Vice President, Voluntary Benefits Practice Leader*

Empowering Employees

with Supplemental Health and Lifestyle Benefits

Prior to 2020, there were strong indications that many employees were struggling. They were facing rising deductibles and copays, difficult choices involving essential healthcare, and devastating financial pressures.

Then COVID-19 hit.

In the wake of the global pandemic, employers have an opportunity to provide supplemental health and lifestyle benefits that empower employees to address a variety of challenging circumstances. Through the lens of current trends, this section highlights the problems and potential solutions that can elevate employee loyalty, productivity and well-being.

TREND 1:

More than 60% of Americans don't have $1,000 in savings to cover an unexpected expense.[1]

Consider this. An employee gets injured cleaning out their garage. They go to the emergency room to have their back evaluated and leave with a bill that includes more than $1,000 in out-of-pocket costs not covered by the employer's plan. If they're one of the people in the above stat, they have to make a difficult choice. Savings isn't an option so they have to pay with a credit card, borrow from family and friends or their 401(k), or take out a personal loan.

But what if they had a supplemental health benefit through their employer, paid for by the employee via a payroll deduction that's a small fraction of their emergency room bill, that covered the unexpected medical costs? Employers that offer supplemental health benefits – side-by-side with traditional medical plans – help employees avoid hardships that include taking second jobs, delaying medical care and putting off life events (marriage, education, home purchase).

TREND 2:

If offered at a reasonable cost, 75% of employees would be interested in purchasing "pandemic insurance," supplemental coverage to help offset financial costs – from medical expenses to car payments – related to COVID-19 or other pandemics as a way to protect their income.[2]

AFLAC: 21% extremely interested; 24% very interested; 30% somewhat interested

With this level of interest, and the financial insecurity that can result from an unexpected medical expense, it seems obvious that an employer would consider supplemental health benefits. Supplemental

[1] Jeff Ostrowski, "Survey: Fewer than 4 in 10 Americans could pay a surprise $1,000 bill from savings," Bankrate, 2021; https://www.bankrate.com/banking/savings/financial-security-january-2021/.

[2] Workplace Benefits Trends: Executive Summary, Aflac Workforces Report, 2021, p. 21.


ADVANCEMENT
LEADERSHIP

benefits can be offered to employees with little or no cost to the company and help employers build comprehensive benefits packages that can help employees navigate financial and other challenges.

It's also important to note that while this coverage helps offset incurred expenses, it also gives employees confidence that they will be able to access care they need without the financial hardship. This is critical to supporting a healthier and more productive workforce.

The key is to deploy the options strategically and proactively communicate how they work. When these things happen, supplemental health benefits can turn a one-size-fits-all benefits program into a meaningful customized benefits package that recognizes the different needs and challenges within a multigenerational employee population.

TREND 3:

69% of employees say a wider array of benefits would increase loyalty to their employer.[3]

While COVID-19 has altered the employment landscape, many employers are always working to enhance their competitiveness for top talent. And with recent positive job data and the predicted economic boom that will likely spark more hiring, the competition is about to go up a notch. The status quo probably won't cut it.

Salary and traditional benefits are part of the equation, but employees want and need more. They want the flexibility to choose from benefits that align with their needs, not a generic plan that tries to be all things to all people.

Employers that offer a more robust benefits plan – and communicate the value effectively – have an advantage when competing for professionals. Whether their previous employer offered supplemental health and/or lifestyle benefits or they're aware of them through conversations with friends and professional connections, expectations are higher and it's up to employers to deliver.

Employers that have moved forward with offering supplemental health benefits see a positive impact that goes beyond doing the right thing. According to Aflac, 50% said it helped with employee recruitment and 60% reported that it helped with employee retention.[4] The Work Institute says is costs about $15,000 to replace an employee and that voluntary turnover cost companies $630 billion in 2019.[5] It's clear that the small investment employers are making in customized benefits programs can produce a return that keeps their teams together and their organizations growing.

TREND 4:

From 2010 to 2020, deductibles have increased 111% for covered workers.[6]

As medical plans get even more expensive, employers are grappling with coverage cutbacks that leave employees exposed while shifting more costs to them.

The cost shift can be seen in higher premiums and/or higher deductibles, which create financial burdens that are overwhelming for families. As mentioned before, too many employees are living paycheck to paycheck and too few have sufficient savings to cover the costs that come with today's plans. So, if 30% of employees have deductibles of $2,000 or more, average expenses are $4,000 for individuals and $8,000 for families, and 60% of Americans don't have $1,000 in savings, something has to give.

Taking on debt or not getting the care they need using the medical benefits they have – the primary options employees have when they face deductibles they can't afford – are not desirable outcomes. Employers can provide the safety net employees need with supplemental health benefits that cover expenses not covered by a medical plan.

TREND 5:

59% of employers use a benefits consultant to determine supplemental options for their business.[7]

Solving complex challenges requires specialized expertise. It's critical to work with a consultant who

[3] Navigating Together: Supporting Employee Well-Being in Uncertain Times, MetLife, 2021; https://www.metlife.com/employee-benefit-trends/ebts2020-holistic-well-being-drives-workforce-success/.

[4] Workplace Benefits Trends: Executive Summary, Aflac Workforces Report, 2021, p. 12.

[5] 2020 Retention Report, Work Institute, 2020; https://info.workinstitute.com/hubfs/2020%20Retention%20Report/Work%20Institutes%202020%20Retention%20Report.pdf.

[6] "Average Family Premiums Rose 4% to $21,342 in 2020, Benchmark KFF Employer Health Benefit Survey Finds," Health Affairs, Kaiser Family Foundation, 2020; https://www.kff.org/health-costs/press-release/average-family-premiums-rose-4-to-21342-in-2020-benchmark-kff-employer-health-benefit-survey-finds/.

[7] Workplace Benefits Trends: Executive Summary, Aflac Workforces Report, 2021, p. 24.

Supplemental health benefits can turn a one-size-fits-all program into a meaningful **customized package.**

understands the challenges, is aware of the solutions, and can support the implementation and communication of a supplemental benefits plan that integrates with a traditional benefits program.

According to Aflac, employers working with a benefits consultant say they get a higher quality plan overall and are able to maximize value and lower cost. They're also able to provide valuable support for benefits communication, education and enrollment, each of which elevates adoption. The bottom line: expertise enhances results and gets employees connected with the supplemental benefits they need.

This expertise has become even more essential during the global pandemic. With many employees still working from home, connecting with them and educating them on options that fit their needs is more challenging. Consultants can provide companies with enrollment support – via call centers and/or decision support tools – that provide essential guidance for those unsure of what they need and why. When a supplemental benefits program is communicated thoughtfully and proactively, and integrated with traditional medical benefits, adoption – and the benefits for employees and employers – increases.

TREND 6:

Beyond medical costs, employees are facing a variety of costs in their day-to-day lives. Identity theft, student loans, legal issues are all up and the costs of managing these challenges can be overwhelming.

As a result of COVID-19 we're seeing more financial stress, more demand for planning resources and more aggressive cyberattacks that try to take advantage of the vulnerabilities that come with so many people working from home. These events create distractions and lower productivity, and the stress can cause physical and mental health challenges.

Any time an employer can help an employee overcome a non-work challenge, everyone involved wins. The employee removes a stressor, such as anxiety around student debt, from their life and can focus on other things. Meanwhile, the employer gets a more focused team member who now has an increased level of loyalty to the company. Caring beyond the work and the job means a lot.

This is where lifestyle benefits come in. These benefits are nonmedical options built to protect an employee's assets through financial programs like student debt repayment support, as well as identity theft protection, legal coverage and socially responsible credit acquisition. It is likely that most, if not all, employees within an organization face one or more of these challenges. And these challenges span employee tenure, stage of life, title and salary level.

- Identify theft cases doubled in 2020 versus 2019 (and tripled versus 2018).[8]
- Student loans hit a record high, $1.57 trillion, in 2020, growing at 12% (double the rate in each of the past five years).[9]
- Estate planning activity reached levels not seen since after 9/11, driven, in part, by uncertainties and vulnerabilities exposed by the pandemic.[10]

[8] Katherine Skiba, "Pandemic Proves to Be Fertile Ground for Identity Thieves," AARP Money, 2021; https://www.aarp.org/money/scams-fraud/info-2021/ftc-fraud-report-identity-theft-pandemic.html.

[9] Elizabeth Gravier, "Student Loan Debt Has Grown Double Since the Pandemic to Record-High Levels — Here's What to Know," CNBC Select, 2021; https://www.cnbc.com/select/experian-state-of-student-loan-debt-covid-19/.

[10] Stephanie Vozza, "How COVID-19 Is Propelling Virtual Estate Planning," LegalZoom, 2020; https://www.legalzoom.com/articles/how-covid-19-is-propelling-virtual-estate-planning.

Of those employers offering supplemental insurance, their plans include:

Long-term disability insurance 60%	Short-term disability insurance 57%	Supplemental life insurance 52%	Accident insurance 49%	Critical illness insurance 48%
Cancer or other specified disease insurance 38%	Supplemental vision insurance 37%	Supplemental dental insurance 36%	Supplemental hospital insurance 33%	COVID-19 or other pandemic insurance 22%

Workplace Benefits Trends: Executive Summary, Aflac Workforces Report, 2021, p. 13.

Providing employees with access to legal resources is one area to make a difference. One company we work with found that seven of ten employees are faced with one or more legal events each year. As a result of the pandemic, we've observed increases in estate planning activity, landlord/tenant issues, bankruptcies/foreclosures, and DUI/DWI incidents. More people than ever are seeking financial counseling. These are realities that employees are facing and in terms of the potential financial impact, they are no less relevant than medical issues.

Those facing legal issues would benefit from the support of an attorney. Unfortunately, attorneys' fees run $200 to $400 an hour, making them inaccessible to most. The problems are exacerbated because employees feel like they have to manage alone (or do nothing). This creates stress and distractions that adversely impact productivity and well-being, which is a bad outcome for the employer.

From getting a will to resolving a difficult housing situation to shoring up a financial plan, employers can empower their employees to address life's challenges with lifestyle benefits.

TREND 7:

Improving health literacy could prevent nearly one million hospital visits and save over $25 billion a year.[11] Seventy-three percent of employees said they are interested in support and guidance tools that would help them understand how much money to put aside for retirement, emergency savings and health care expenses.[12]

While most, if not all, would agree that providing more effective education leads to better choices (and better outcomes), too many employers are still falling short. So much is invested in benefit strategy and program development, yet employers and employees end up wasting money on benefits that aren't understood and go underutilized or unused (or for some employees, aren't needed).

Benefit communication and education is more important than ever as costs skyrocket. Doing it well helps maximize the return on the investment for employers and employees, and sets companies apart from competitors as they work to attract and retain talent. And when employees utilize benefits in ways that improve their lives and the lives of their families, a healthier and more productive workforce is a natural result.

Enrollment is an ideal time to educate. It's when employees should be thinking about the benefits they need and how the costs fit into their budget. It's a time

11 "Improving Health Literacy Could Prevent Nearly 1 Million Hospital Visits and Save Over $25 Billion a Year," UnitedHealth Group, 2020; https://www.unitedhealthgroup.com/content/dam/UHG/PDF/About/Health-Literacy-Brief.pdf.

12 "Voya Survey Finds One-Third of American Workers Don't Understand the Benefits They Selected During Open Enrollment," Voya Financial, 2021; https://www.voya.com/news/2021/01/voya-survey-finds-one-third-american-workers-dont-understand-benefits-they-selected.

to understand the mechanics of the benefits offered – how they work, how they're accessed and how they can be utilized more efficiently. It's not safe to assume all of your employees understand terms like "deductible," "coinsurance" and "premium" in the context of their personal situations.

The solution is some form of decision support. Traditionally, employers have relied on call centers staffed with professionals trained to answer employee questions. These remain an effective option, but as technology has evolved, more employers are exploring and utilizing artificial intelligence supported tools that provide data-driven insights. Through a set of questions, systems can provide election recommendations based on personal circumstances to create a customized "people like you choose…" experience. This instills confidence in the choices employees make and may also spark a level of curiosity that keeps the education momentum going.

CLOSING THOUGHTS:

Looking Forward to More Employers Leading the Way

More employers are seizing the opportunity to support the unique needs of employees with lifestyle benefits. Like supplemental health benefits, lifestyle options can be added to a benefits offering for little to no cost to the employer. The investment comes in understanding the diversity of challenges employees are facing, understanding that there are solutions to address them, and implementing options that are well communicated as a complement to traditional benefits.

When you consider that 100 million people live paycheck to paycheck in this country, there is a need for employers to step up to help. Supplemental health and lifestyle benefits, together with core employee benefits, empower employees to address medical and other needs for themselves and their families without the consequence of financial devastation.

We look forward to seeing more employers embracing supplemental benefits and providing a safety net that benefits their workforces and their growing organizations.

Trends to Watch

Scrutiny of coverage and claims will increase.

Enrollment support is important, but so is ensuring that employees know how to file claims and extract value from their coverage.

Decision support tools will get better and become more widely used.

As costs increase for employees, employers need to be proactive in helping them make informed decisions that realistically align with their needs and goals.

More investment in education/ communication.

Effective communication/education is an essential complement to a benefit program.

Awareness of supplemental health and lifestyle benefits will grow.

Employers must evolve to provide the support employees want, need and in some cases, expect.

Nelly Rose | *Vice President, Clinical Pharmacy*

Prescription Drug **Costs:**

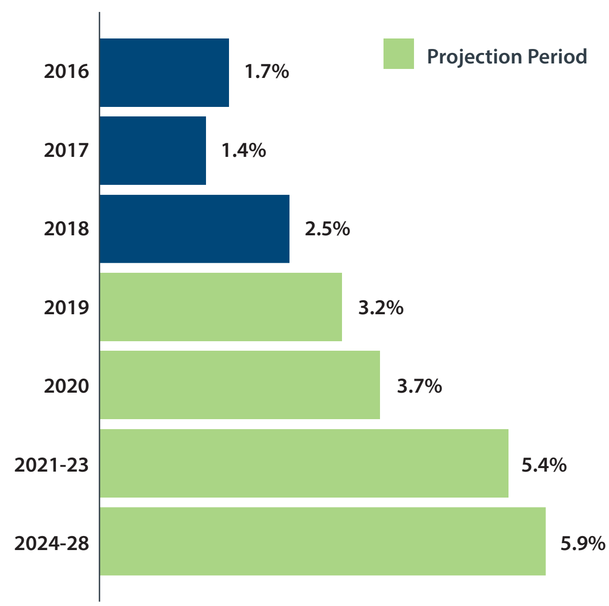
A Growing Challenge for Employers

Prescription drugs continue to be a powerful driver of overall healthcare costs. National health spending grew by 4.6% to $3.8 trillion in 2019: 17.7% of gross domestic product.

- **More than $2.2 trillion** (58%) in total 2019 healthcare expenditures came from hospital care and professional services (physicians, dentists and other healthcare professionals).
- **Outpatient prescription drugs** accounted for only 9.7% of US healthcare spending, having fallen from a 10.2% share in 2015.
- **From 2018 to 2019,** the U.S. spent $69.5 billion (+6.2%) more on hospital services and $46.4 billion (+4.7%) more on professional services.
- **Meanwhile, prescription drug spending** was up 5.7% to $370 billion (largely due to price increases). And according to the CMS, these show no signs of slowing.[1]

These trends present a daunting challenge for employers who want to continue to provide robust support to employees and enhance their ability to compete for top talent. Employers seizing the opportunity to consider Rx trends in the context of their own challenges will gain the insight that is critical to refining strategy, achieving key objectives and elevating value for their organization and key stakeholders.

FIGURE R1 SPENDING GROWTH FOR PRESCRIPTION DRUGS



[1] "NHE Fact Sheet" Centers for Medicare and Medicaid Services, 2021; https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NHE-Fact-Sheet.

Where we are	What it means
Overall prescription drug volume decreased by 3% in 2020.	• With the overall spend on the rise, this decline shows that increasing prices are a leading driver of rising healthcare costs.
New-to-brand prescriptions were down 11% last year.	• With fewer in-person interactions, physicians were unable to collect the biometric information required to be comfortable with prescribing new drugs. This is true particularly from specialties that faced the largest declines in in-person visits or those who struggled to find a productive telehealth replacement (particularly in oncology). • With in-person interactions likely to move toward more normal levels in 2021 (as more people receive COVID-19 vaccinations), new-to-brand prescriptions will likely grow.
The Food and Drug Administration (FDA) shifted resources to COVID-19 related projects, with Emergency Use Authorizations issued for three COVID-19 vaccines.	• As vaccinations continue, the FDA may be able to devote more attention to new therapies.
While there were delays, the FDA still approved 53 novel drugs 2020 (up from 48 in 2019).[2] **There were also 737 new generic approvals (down from 935 in 2019).[3]**	• Nearly 40 new cancer drugs were approved in 2019 and 2020. Many are firsts for their indication, with unique and novel mechanisms of action, and treat rare cancers with relatively small patient populations. • 60% were specialty therapies, with oncology, multiple sclerosis (MS), and anti-inflammatory making up 87% of the specialty category • Demand and activity remain high for innovation in these areas.
Out-of-pocket payments for all prescriptions filled hit $67 billion in 2019 (up from $61 billion in 2015).[4]	• Consumers are facing a variety of challenges that require collaborative solutions • More education that empowers and informs choices, more innovation in development and distribution, and more cost efficiency are critical.

[2] "New Drugs at FDA: CDER's New Molecular Entities and New Therapeutic Biological Products," FDA, 2021; https://www.fda.gov/drugs/development-approval-process-drugs/new-drugs-fda-cders-new-molecular-entities-and-new-therapeutic-biological-products.

[3] "FDA Approved Fewer Generic Drug in Fiscal 2020, Reversing Upward Trend," FDA News, 2020; https://www.fdanews.com/articles/199689-fda-approved-fewer-generic-drug-in-fiscal-2020-reversing-upward-trend.

[4] "Medicine Spending and Affordability in the US," The IQVIA Institute, 2020; https://www.iqvia.com/insights/the-iqvia-institute/reports/medicine-spending-and-affordability-in-the-us.

Since January 2016, list prices for brand drugs have continued to climb while generic drug prices have fallen sharply:

- **Price for commonly used** brand drugs increased by 36.0%
- **Price for commonly used** household goods increased by 9.9%
- **Price for commonly used** generic drugs decreased by 42.3%

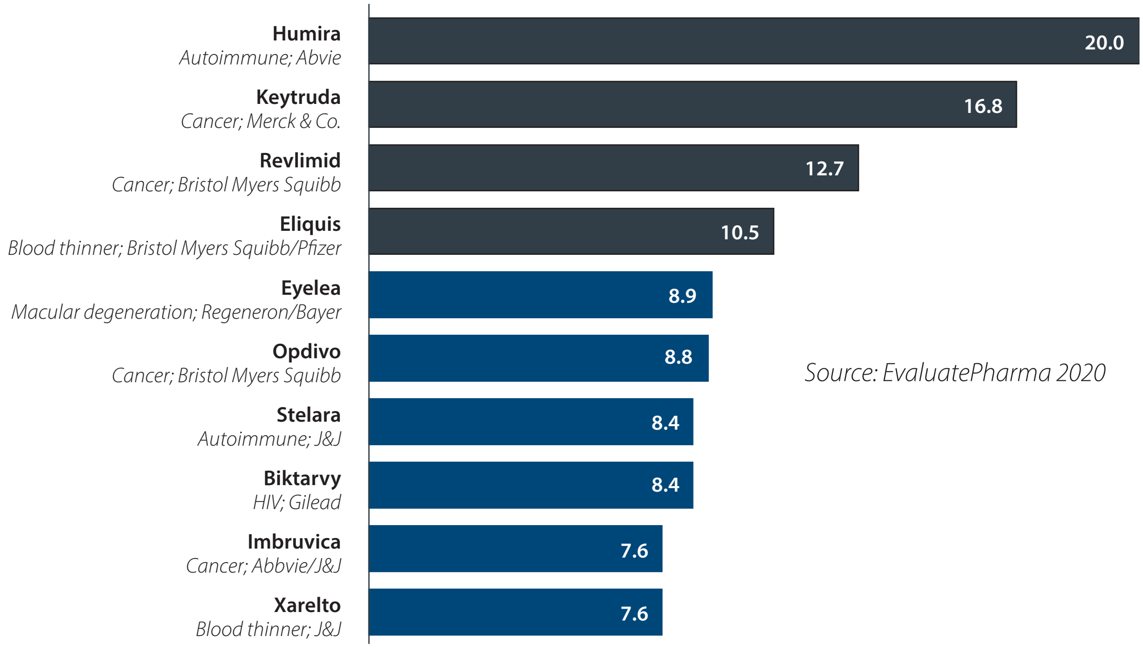
For the first time ever, more than half of pharmacy spend was on specialty drugs.

While drugs to treat rare and specialty conditions were used by less than 2% of the population in 2020, they accounted for almost 51% of spending under the pharmacy benefit. (*Source: ESI 2020 Drug Trend Report)*

Specialty Drug Trends

- **Specialty drug growth** year-over-year hit 13% in 2020 (again, primarily due to therapeutic categories; Inflammatory conditions, oncology, HIV and MS).
- **While representing only 2%** of prescriptions, specialty drug represent almost 51% of total costs.
  - 30-day supply of generic: about $50
  - 30-day supply of a brand name drug: $350
  - 30-day supply of a specialty drug: $5,000 – $10,000
- **Although costs** continue to rise, it's quite clear that utilization, not unit cost, continues to be the main driver of pharmacy trend.
- **Specialty is the biggest trend driver** and the pace is not sustainable if employers don't adjust benefits to accommodate the trajectory.
  - Vendor selection
  - Utilization management
  - Co-pay accumulators
  - Benefit design
- **Outlook:** We expect this trend to continue as specialty spending could increase 10% – 15% over the next few years, influenced mainly by existing medications for inflammatory conditions and new drugs for cancer and rare conditions. We anticipate

FIGURE R2 BIGGEST SELLING DRUGS IN 2021 ($BN SALES)



Source: EvaluatePharma 2020

some downward pressure as a result of generic availability for HIV.

- Cancer drugs will continue to be a cost driver for many plans in 2021
- Four of the top 10 anticipated top selling drugs for 2021 are cancer treatments

Gene Therapies

Since the first US approvals of gene and cell therapies in 2017, research and development continues to accelerate. According to PhRMA, there were 362 therapies in clinical development, nearly half focused on cancer treatments and a third focused on rare diseases. Even as the FDA has raised the bar for approvals, slowing the approval process, the pipeline remains very strong.

There are currently 20 FDA-approved products, but only a handful are available in the market. Kymriah (lymphoma), Luxturna (retinal disease/blindness), Yescarta (lymphoma) and Zolgensma (spinal muscular atrophy) are the most prevalent therapies being prescribed.

There have been some setbacks. In 2020, Roctavian, for hemophilia A, was rejected while its developer was asked to gather more data. Audentes Therapeutics reported a third clinical trial participant death for their rare neuromuscular disease gene therapy. UniQure's therapy for hemophilia B and Sarepta's muscular dystrophy therapy missed a main clinical trial goal.[5]

The stakes are high. Both the investments being made in biotech firms and the cost of the treatments are astronomical. Zolgensma is the world's more expensive drug at $2.1 million for the single dose, and Luxturna has a list price of $425,000 per eye, so the economic upside for manufacturers and their investors is clear.

But as more gene therapies are approved, plans are trying to figure out how to manage costs. Utilization is low (less than 1%) but in light of the potential for life-changing impact, demand will increase. Assessing the value (upfront cost versus the cost of future treatment) is part of the process.

[5] Ned Pagliarulo. "5 Questions Facing Gene Therapy in 2021," BioPharma Dive, 2021; https://www.biopharmadive.com/news/gene-editing-therapy-trends-2021/592951/.

So, what are the paths for covering the gene therapy costs? We continue to see three main approaches

- **Value- or outcomes-based model:** Manufacturer offers rebate or reimbursement if a patient fails to achieve a promised outcome. The challenge is follow-up over an extended time, as patients may change to coverage under a new plan/employer.
- **Pay-over-time/annuity model:** Make payments over time (typically five years). This model leaves one-time treatments to be paid for by a previous payer/employer, but there may be a way to transfer payments with the patient if they change employers.
- **Risk-pooling model:** Spread upfront treatment costs across a pool of plans to protect any individual plan from having to take on the full financial burden. Express Scripts/Cigna Embarc have a program where participating plans pay a per-member per-month fee to participate in the gene therapy network.

Digital Transformation

Just as technology has enhanced efficiency and impact across many other sectors, there is an opportunity to do the same in the Rx space.

First, patients have access to information that allows them to compare prices, empowering them to make informed choices and lower their out-of-pocket costs. Transparency and electronic prescribing (e- prescribing) is also helping doctors better understand drug costs, which informs decisions on which drugs to prescribe. They have insight into lower cost alternatives that don't compromise effectiveness and can support cost savings for plans, employers and patients. Across healthcare, there will always be opportunities to educate and inform in ways that enhance outcomes.

Beyond simple comparison shopping, digital solutions may prove the remedy to a persistent concern: medication nonadherence. According to the Permanente Journal, medication nonadherence causes an estimated 125,000 deaths per year and costs $100 billion. It's estimated that 40% – 50% of patients managing chronic diseases don't take their medicines as prescribed.

There are a number of reasons for nonadherence – including cognitive or physical impairment, concerns about side effects, cost, administration complexity and even denial – and there is strong motivation to introduce tools and resources to ensure patients take

[36] IQVIA Institute Medicine "Use and Spending in the U.S. A Review of 2018 and Outlook to 2023."

Both the investments being made in biotech firms and the cost of the treatments are **astronomical**.

medication as directed. Reminders via SMS messages are an inexpensive option and can be effective. Virtual pillbox apps track medications (when to take them and dosages) and are starting to add price information to spark motivation.

Beyond these more basic approaches, a new tactic has emerged: ingestible sensors attached to prescribed medications, known as "digital therapeutics." The sensors are Bluetooth enabled and send a message when a dose is taken. Dosing precision is critical and the benefits for all stakeholders can be significant.

Digital therapeutics are not for everyone and they are expensive. Companies are likely to be reluctant to cover the cost if the value is not clear. However, for certain treatments the upfront cost is justified, as the digital therapeutic can help prevent more costly consequences of not taking the medication as prescribed.

Take Abilify, an antipsychotic drug that costs about $1,000 per month. Patients taking this medication (typically people with schizophrenia or bipolar disorder) often struggle with medication compliance, and when they don't take their medications, there is a risk that the patient could end up in the emergency room due to a psychotic episode.

In these cases, digital therapeutics allow the caregiver or physician to monitor non-adherence for timely interventions that don't have to involve the high cost of a trip the emergency room (or any other issue that might emerge from not taking the medication correctly). The patient takes the drug they need, there is no waste and payers avoid additional expenses by ensuring patient adherence.

The Future of Rx Tourism

For obvious reasons, the global pandemic had a severe effect on Rx tourism. Global travel came to a halt, so the operators had to retool the business.

Prior to the pandemic, a member might travel to a country to obtain a specialty drug and visit with an in-country physician who had consulted with the patient's physician in the US. The patient could bring medication home, usually a three-month supply at a discount to the plan sponsor (variable but potentially discounted as much as 20% to 30% off current medical carrier/PBM specialty drug costs). Enticements such as travel and lodging expenses in a desirable location (Europe, Mexico, Canada, the Caribbean) were offered to members using the service.

Now, demand for Rx tourism is down considerably and the member experience has been modified. For example, quarterly trips to obtain drug supplies may have become annual trips supplemented by quarterly virtual visits. While activity may pick up again once the world is sufficiently vaccinated, the already-tight margins may have become too small to sustain this business model.

Patient Specialty Drug Assistance

Demand for these programs, which involve accessing specialty drug manufacturer or charity programs that are financially and/or criteria based, increased in 2020 as businesses experienced losses and many people lost their jobs and found themselves uninsured or underinsured. For some drug assistance programs the demand was overwhelming and under-staffed programs were plagued by poor service, supply chain delays and admin issues.

There are some positive developments emerging (supply chain improvement, more employer interest in contracting with programs to get employees the medications they need). In light of rising specialty drug costs, there is a continuing role for third-party vendors to focus on specialty drugs as a business model to reduce spend by plans and members. Instead of the plan paying for a specialty drug, the vendor charges a fee to the plan to facilitate a labor-intensive qualification and enrollment process for the member. There is no cost to the member or the plan for the cost of the drug, but there are still service fees for the plan to cover. However, contractual limitations with PBMs and medical carriers on sourcing of specialty drugs must also be considered.

Canadian Drug Importation

The previous administration created pathways via executive order to allow for the importation of drugs from Canada. And in response to COVID-19 concerns, Health and Human Services (HHS) Secretary Alex Azar made a statement in September 2020 that it was safe to do so. But the Biden administration has put a temporary hold on the executive orders, suspending importation.

Seventeen states have also taken action to allow for importation as a means to control rising drug costs in their states. Florida has worked with a logistics company to import drugs to get medications to Medicaid and corrections patients. Colorado is also working on a plan. It should be noted that ineligible medications include injectables, biologics (including insulin), and drugs that require special handling (specialty agents). These limitations mean that some of the biggest cost drivers for patients and plans will not be addressed by current importation restrictions.

Legislation

Section 204 of the Consolidated Appropriations Act of 2021 established significant new reporting requirements for group health plans or health insurance issuers offering group or individual health insurance coverage. These parties must submit to the Secretaries of HHS, Labor, and the Treasury information on prescription drug spending, including:

Technology empowers patients to make informed choices and **lower out-of-pocket costs**

- The 50 prescription drugs that are **most frequently dispensed** by pharmacies
- The 50 prescription drugs that are **most costly**
- The 50 prescription drugs with the **greatest increase** in plan expenditures over two plan years[6]

Health plans and issuers must also report total healthcare spending by type of costs, including costs and spending on prescription drugs, and share any impacts on premiums due to rebates, fees and other remuneration paid by drug manufacturers to the plan. It is too early to tell how these requirements will affect plan and prescription drug costs.[7]

In May 2020, Oklahoma passed a law (HB 2632) designed to promote competition among pharmacies and prevent plans from steering members to specialty, chain or mail order pharmacies. PBMs must allow local pharmacies to participate in any network and prohibit any restriction on consumer choice. The law also applies to self-insured plans. Critics of the law argue that this will ultimately raise costs for consumers.[8]

In February 2021, SB 821 was introduced in Oklahoma. This bill would make clear that many of the provisions of HB 2632 would apply to all patients/lives in the state of Oklahoma regardless of where an employer or group is located, so long as it has one employee that lives or works in Oklahoma.[9]

In December 2020, the US Supreme Court ruled in an Arkansas case that ERISA does not preempt a state statute that regulates the minimum prices at which PBMs must reimburse pharmacies in the state. This presents challenges for plans "as they might come to face a patchwork of prescription drug price control laws and regulations across the 50 states." Perhaps the biggest takeaway: prescription drug price reform is needed.[10]

Complexity in the pharmacy space will likely only increase over time. New therapies, growing cost pressures and ongoing legislative activity are just some of the factors that will force employers to rethink their priorities and their approach in the context of their overall benefit programs. More insight and perspective, as well as proactive collaboration with advisors, will empower change, inform decisions and enhance outcomes.

6 "Summary of Health Care Provisions in the Consolidated Appropriations Act of 2021," JD Supra, 2020; https://www.jdsupra.com/legalnews/summary-of-health-care-provisions-in-43923/.

7 Ibid.

8 Steve Metzer. "New Law Promotes Competition Among Oklahoma Pharmacies," The Journal Record, 2019; https://journalrecord.com/2019/05/22/new-law-promotes-competition-among-oklahoma-pharmacies/.

9 Ibid.

10 John Manganaro. "ERISA Preemption Curtailed by Supreme Court Ruling," Compliance, Plansponsor, 2020; https://www.plansponsor.com/in-depth/erisa-preemption-curtailed-supreme-court-ruling/.

Deb Smolensky | *Senior Vice President, Well-Being and Engagement Practice Leader*

Not Optional:

Well-Being as a Business **Imperative**

After a year like no other, employee well-being is facing a variety of challenges. Public and personal health crises, family demands, financial instability, and social and racial unrest are creating new levels of stress.

The good news is that employers have an opportunity to provide the support employees and their families need. And many are seizing the opportunity. Ninety-two percent of CEOs say their companies are more focused on mental health because of COVID-19.[1] The myopic view that well-being is just a way to reduce healthcare costs has evolved. Investing in well-being is no longer a nice to have. It is a business imperative that enhances recruiting and retention, elevates productivity and demonstrates an organization's commitment to caring for people.

Success requires investment, but it also requires a thoughtful, humanity-focused strategy that gets at the root of the issues. There must be a commitment to learning, engagement with experts and thought leaders, and communication across your business. And remember that just because you send an email to employees doesn't mean they're aware of what's available. Ninety-eight percent of CEOs say their company offers mental health benefits. Meanwhile, 55% of individual contributors say that their company does.[2]

The strategy must also be for the long term. There may be positive news regarding vaccines, but that doesn't mean the issues exposed and exacerbated by COVID-19 go away. Support that takes a regenerative approach in terms of resources, policies and best practices will help employees cultivate the skills and resilience critical to building a mentally strong organization.

Mental Health vs. Mental Well-Being

It's important to clarify the differences between mental health and mental well-being.

The World Health Organization describes mental health as "a state of well-being in which an individual realizes [their] own abilities, can cope with the normal stresses of life, can work productively and is able to make a contribution to his or her community." It's the emotional and social components of who we are, which support how we reason, feel and perform, and have a direct effect on our day-to-day lives, relationships and

[1] *Workforce Attitudes Toward Mental Health*, ed. 2, Ginger, 2021.

[2] Ibid.


MINDFULNESS
WELL-BEING

physical health.[3] Solutions focus on health, access and cost, and are more clinical and preventative in nature.

One analogy that may be helpful is this: mental health is the hardware and mental well-being is the software. Chrome (the software) won't work if your computer (the hardware) is broken. Breathing exercises for reducing stress (software) aren't enough if you're having panic attacks. Also, the hardware can work without the software, but the software needs the hardware to work. Enhancing mental well-being requires rewiring the brain through skill development and building new habits for mental strength.

When you put mental health and well-being together – and both are at optimal levels – you have mental thriving where an individual is well positioned to regulate their system for joy, energy, focus, calm, clarity, resilience and connectedness.

Employers have to address mental health first with clinical and preventative solutions that focus on addressing issues (including depression, anxiety and post-traumatic stress disorder) and making them accessible and affordable. If employees can't access resources to properly address mental health concerns, elevating mental well-being in the workplace will be very challenging (if not impossible).

Mental Well-Being Progress Requires Full Engagement

In addition to health issues, COVID-19 brought on a variety of new issues. Almost overnight, employees found themselves working from home, homeschooling children and caring for relatives more vulnerable to the virus, all while facing the stress and uncertainty of a completely unfamiliar situation. Increased cyber vulnerability, getting kids online for school, managing Zoom meetings, juggling the demands of work and home all at once—it was a lot and it came at everyone quickly.

The biggest takeaway is that we have very little control over what happens in the world. Whether it's a terrorist attack like 9/11, the economic recession of 2008 or a global pandemic, employers are much better off helping employees learn how to deal with difficult circumstances. Taking steps to fully understand and recognize the impacts of societal challenges, and empowering employees with strategies and skills necessary to overcome them, will help companies emerge from the pandemic (and other events) stronger and more resilient.

Progress starts with acknowledging that resilience, compassion, innovation and even stress-reduction are all skills. We aren't born with them and they're not taught in school, yet we can't do our best work or live our best lives without having these skills. Employers have an opportunity to step up in every initiative – diversity and inclusion, resiliency, return-to-work safety, upskilling, innovation, or cyber preparedness – to help employees cultivate and apply these essential skills.

Social Determinants of Health

One silver lining of an otherwise difficult year was enhanced awareness of the social determinants of health.

The Centers for Disease Control and Prevention (CDC) defines these social determinants as "conditions in the places where people live, learn, work and play that affect a wide range of health risks and outcomes." There are inequalities across the country that create significant issues for employees and families. To enhance understanding and support change, the CDC has outlined five categories of social determinants of health:

- Healthcare access and quality
- Education access and quality
- Social and community context
- Economic stability
- Neighborhood and built environment

While we all have an obligation to take steps to address the inequities of our society, there is an urgent need for employers to recognize how these inequities change which benefits, resources and programs will benefit their employees.

Access is a great place to start. If circumstances prevent some employees from accessing well-being resources or participating in well-being programs, the impact of the resources and program will be limited. Saying that offerings are available to everyone isn't enough.

[3] "Mental Health vs. Mental Wellness," Blossom Mind Wellness Academy, 2020; http://www.blossommindwellness.com/mental-health-vs-mental-wellness/.

A mentally strong organization sets priorities, builds systems and develops habits to build **mental strength.**

Inclusivity is also critical. Employees must feel welcome in every aspect of your organization. They need to feel safe as they access support, while always being able to be their authentic selves. Safety starts with building trust from a foundation of ability, integrity and benevolence (show you're capable, do things the right way and care about each other). Employees need to see they can try things and fall short, and express perspectives that may not align with your own without having it held against them (as long as there's no malicious intent). Focus on benefitting the team before the individual, embracing the "cognitive friction" that drives growth/progress (even if it is uncomfortable at times) and acknowledging that being your authentic self doesn't give you license to hurt others.[4]

Employers with cultures that recognize social determinants and how they impact inclusion, accessibility and the results of the benefits they provide, will enhance their ability to elevate well-being for all of their employees.

Well-Being Areas of Focus

The challenges that have emerged since the start of the pandemic align with the well-being trends in the marketplace. Family means more than ever (and demands are higher than ever), financial challenges are on the rise, and people have been at home, so they're moving and engaging less. In addition to mental health and mental well-being, here are three areas receiving significant attention with focused solutions.

- **Family First**
  - Providing access to family planning/fertility resources
  - Offering parenting support
  - Addressing the demands of caregiving for family members/neighbors

- **Financial Well-Being**
  - Providing access to emergency cash/on demand pay
  - Allowing the conversion of PTO carryover days to reduce employer liability and fund employee financial wellness goals (401(k), travel, charity, etc.)
  - Integrating supplemental health and lifestyle benefits into traditional benefit programs

- **Digital Front Door to Care**
  - Supporting virtual care for chronic condition management
  - Encouraging the use of wearables to elevate engagement
  - Introducing subscription fitness tools (Peloton, Mirror, Tonal) to motivate activity
  - Offering well-being platforms with curated groups of family and friends

[4] Shane Snow. "How Psychological Safety Actually Works," Forbes, 2020.

Good News — Employers Are Investing More

According to a Wellable survey, employers understand the importance of upping their well-being game, both for the good of their employees and growth of their business. Thirty-five percent of employers surveyed plan to invest more in well-being and health programs (compared to 14% that plan to invest less). And Wellable expects that employees will continue to push employers of all sizes to offer competitive benefits that go far beyond the traditional medical/dental/vision program.

So where are they spending?

FIGURE W1 TOP 5 CATEGORIES FOR INCREASED INVESTMENT/PERCENTAGE RESPONDING

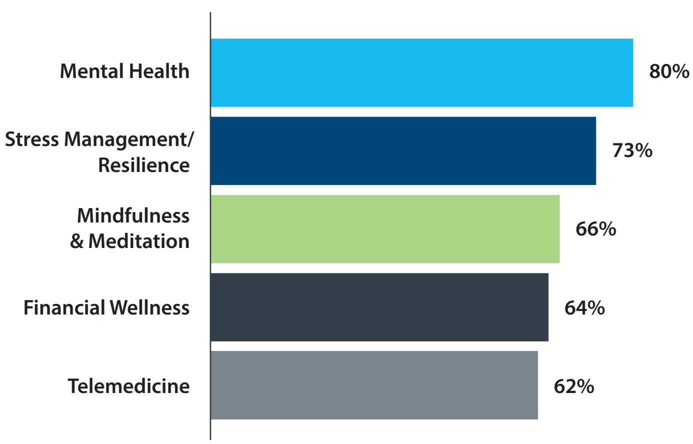


FIGURE W2 MENTAL HEALTH INVESTMENT TREND

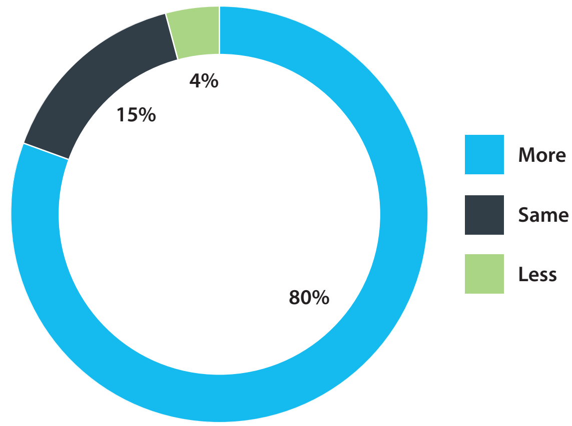


FIGURE W3 MINDFULNESS/MEDITATION INVESTMENT TREND

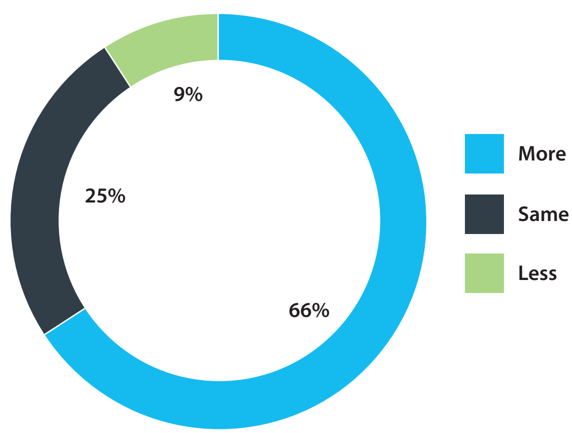
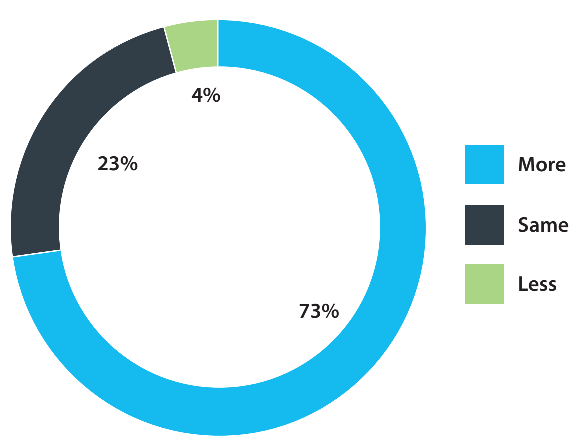


FIGURE W4 STRESS MANAGEMENT/RESILIENCE INVESTMENT TREND



Pillars of Well-Being

	Trends	Actions to consider
Prevention/ Physical Health	• 99% of employers include physical health in their overall well-being strategy • In 2020, there was in increase in condition-specific programs, including infertility, weight management/diabetes prevention and maternity programs • 84% of financial incentive amounts are tied to physical well-being	• Provider telehealth services • Workout/nutrition apps • Preventive screening campaigns • Disease management programs • Activity challenges • Ergonomics • Fitness reimbursements (wellness savings account) • Vaccine awareness
Emotional/ Mental	• 39% of workers have taken a day off in the past year due to stress, anxiety or depression • 40% of younger workers suspect they suffer from anxiety and depression but haven't been diagnosed or seen by an MD • 53% of workers feel mental health benefits are essential in wake of COVID-19 • 80% of employers are investing more in mental health	• EAP or behavioral health virtual counseling/telehealth • Yoga, meditation, breathing apps and seminars/webinars • Sleep improvement programs • "Quiet rooms" in physical locations • Mental health first aid training
Financial	• 80% of employers are investing more in financial well-being • 81% of firms offer financial seminars	• Free budgeting apps, banking • Financial seminars/webinars • Student loan assistance • 401(k) and health savings accounts (HSAs) • Wellness savings account
Holistic	• Caregiver support is a top priority for employees, both for child- and elder-care • 72% of employers include community involvement in their overall well-being strategy • 65% of employers include social connect-edness in their well-being strategy	• Paid volunteer days • Charitable matching programs • Team building volunteer programs • Care giver support programs • Paid parental leave

There will always be challenges for employers and employees. But when employers take the lead to provide the support employees need, and empower them to be more resilient and adaptable, the return to the organization is significant. Employers that integrate well-being into their business strategy, invest time and resources to create value, and engage with employees to communicate objectives and gather feedback will be well-positioned for growth and success.

Dr. Mark Tomasulo | *National Medical Director*

Healthcare **Delivery:**

The Telemedicine Boom and Other Trends

Telemedicine has been around for decades. But because of COVID-19, utilization expanded considerably. Even as patients were stuck at home, they still needed to interact with healthcare professionals. Telemedicine platforms made it possible for them to get the care and advice they needed.

Circumstances often accelerate adoption of new methods and the global pandemic is no exception. Both patients and providers were forced to get comfortable with telemedicine as a care delivery mechanism. COVID-19 also drove an expansion of the types of care provided virtually, going beyond acute care to include chronic disease management, physical therapy and mental healthcare.

But as COVID-19 vaccinations continue across the country and limitations are lifted on in-person visits, will telemedicine remain a first choice for patients? What are providers, payers and employers considering in terms of healthcare delivery? And what are the factors driving the trends? Dr. Tomasulo shares his insights in this Q&A.

While telemedicine isn't new, utilization has expanded due to COVID-19. What are some of your observations of how things have evolved?

Telemedicine has traditionally been a mechanism for augmenting the patient-doctor relationship and removing barriers for accessing healthcare (transportation, lack of care resources in a community). The pandemic made virtual care a necessity because we were all staying home and facilities were closed. All of a sudden, telemedicine became the easier (and in some cases, the only) option for both patients and providers.

A few things stood out for me. First, telemedicine was no longer just for younger, more tech-savvy patients. In many cases, if you wanted to get care, you had to figure out how to use a telemedicine platform.

Second, telemedicine has expanded to include limited chronic care management. We're seeing patients interacting online to manage chronic condi-

TELEMEDICINE

VIRTUAL CARE

154%

Year-over-year increase in Telehealth visits from peak week in March 2019 to March 2020.

Source: www.cdc.gov

tions like diabetes and hypertension, and receiving care for behavioral health issues. There may have been some who believed that these would always be addressed through in-person interactions, but COVID-19 has forced some patients and doctors to get more creative.

Finally, the effectiveness of telemedicine as delivery mechanism on a broader scale proved that we aren't limited to doing things the same way just because we've always done them that way. This will likely serve as a catalyst for more change, more adoption and more innovation.

In terms of telemedicine, what's in it for the stakeholders? Is there enough mutual benefit to support sustainable growth?

Telemedicine has some advantages for everyone involved. Providers can deliver limited scopes of care more efficiently. Payers can support some healthcare needs at a lower cost. And patients can access care conveniently and connect with medical professionals virtually when they can't connect in person.

But how healthcare is delivered – including telemedicine – has to be driven by patient needs and provider comfort. How a patient connects with their doctor and the impact of the care the patient receives will determine success. For some, the virtual connection works. But others want the human connection and the continuity of seeing the same provider in person for every appointment. This is especially prevalent in complex or co-morbid chronic disease management.

So while I expect to see growth in telemedicine utilization, it won't be – and at this point it really can't be – universal. Patient choice and provider comfort coupled with education, encouragement and refinement will drive telemedicine adoption.

How is the market responding to telemedicine trends? What have you learned from startup and M&A activity in the space?

I think the amount of money being invested in healthcare platforms, as well as recent M&A activity, is a strong indication that investors believe there is a huge opportunity in the telehealth space.

Last fall, Teledoc acquired Livongo for $18.5 billion. The deal combines Teledoc's telemedicine platform with Livongo's platform for managing chronic diseases like heart disease and diabetes. The players involved see an opportunity to expand telehealth resources and patient engagement into the chronic disease space. A key aspect of the transaction is that there was only a 25% overlap in the customer base, meaning that there is significant opportunity to introduce Livongo services to Teledoc customers, and vice versa.[1]

More recently, Grand Rounds announced plans to merge with Doctor on Demand. Grand Rounds offers care navigation services, including second opinions. Doctor on Demand offers a telehealth platform focused on limited virtual primary care. They see synergies in

[1] Elise Reuter. "Teladoc, Livongo Finalize $18.5B Merger," MedCityNews, 2020; https://medcitynews.com/2020/10/teladoc-livongo-finalize-18-5b-merger/.

helping people find the care they need and access it within one platform. Grand Rounds raised $175 million last fall with a focus on building out their own primary care offering.[2]

In addition to these deals, Google invested $100 million in telehealth provider Amwell, and Microsoft launched a $40 million initiative called AI for Health. There are big bets being made, but they are informed by a belief that telemedicine utilization is just getting started and increasingly positive data around these tools. McKinsey recently reported that up to $250 billion of current US healthcare spending could eventually shift to virtual care. However, the savings for total healthcare spend, from decreasing hospitalizations, lower 30 day re-admissions, decreased avoidable emergency room visits and lower specialty care utilization, still need further studying to determine the true savings impact.[3]

As COVID-19-related restrictions are lifted and more people have the ability receive care in person, what do you think will be the impact on telemedicine utilization? Why do you believe more people aren't comfortable with it?

I expect utilization for some patients to go down because it has really been forced during the pandemic. However, some of the lower cost of care items will probably drive an increase in telemedicine demand simply due to the convenience of care.

I don't think we'll be back to pre-pandemic levels once we return to some state of relative normalcy. Many people who were already using telemedicine resources became even more comfortable with it, especially for acute care. Those who were skeptical or resistant had to try it out of necessity and many found it to be a viable option that they would use going forward if clinically appropriate.

But there are others who can't wait to get back to seeing their providers in person. There is something therapeutic about the human connection that can't be replicated on a video call. Convenience may not be a consideration — in fact, some may actually be looking forward to the process of driving to a doctor's office, checking in at the desk and experiencing the doctor-patient relationship in person again. I talk to patients at all age levels who really want to get back to seeing their providers in person.

The main point is that individual patients are helping to drive how they receive care. Telemedicine utilization will likely be higher than it was before, but it still won't be for everyone once patients have a choice.

Cost containment continues to be top of mind for employers. Telemedicine provides some relief as it provides opportunities to deliver care at a lower cost, but as you point out, it's not a universal solution. What are the other options?

Telemedicine certainly provides some efficiencies from a cost perspective. There was a time that reimbursements for virtual visits were a fraction of what they were for in-person visits. But even as reimbursements have increased for virtual visits to remove a barrier (providers were resistant to telemedicine because it paid so much less), rates are still lower than in-person.

But beyond that, companies are always exploring ways to lower costs. The key is doing it without diminishing the quality of care. For example, employers can push employees to use telehealth platforms, but if the experience, quality and scope of practice fall short for the patient and provider, there won't be any cost savings.

Telehealth isn't everyone's first choice and it still has limitations. That's where things like direct primary care and on-site clinics can help. Amazon now has 17 health clinics across the country serving employees and their families. They combine convenience (closer to worksites and open earlier/later) with in-person primary care to deliver the care employees need within a structure that allows for improved cost and quality control. I expect that other large companies are exploring similar solutions.

Direct primary care is a membership-based healthcare delivery model where an employer or

[2] Elise Reuter. "Grand Rounds Strikes Merger with Doctor on Demand," MedCityNews, 2021; https://medcitynews.com/2021/03/grand-rounds-strikes-merger-with-doctor-on-demand/?rf=1.

[3] "Master Guide to Telehealth Statistics in 2020," Virtual Care Blog for Companies, Wheel, 2020; https://www.wheel.com/companies-blog/master-guide-to-telehealth-statistics-in-2020.

individual pays a flat, fixed fee on a monthly basis. The monthly fee covers unlimited appointments and direct access to doctors via in office, phone, text, email or telemedicine. According to the Direct Primary Care Coalition, there are 1,200 direct primary care practices in 48 states providing care to over 300,000 American patients. According to the Society of Actuaries Milliman study on direct primary care, enrollment in direct primary care is associated with a reduction in overall member demand for healthcare services, outside primary care. Direct primary care members:

- Had 19.9% lower claim costs for employers on an unadjusted basis and 12.64% lower claim costs on a risk-adjusted basis during the two-year study period
- Experienced 40.51% fewer ER visits that those in traditional plans
- Experienced a 53.6% reduction in ER claim costs
- Experienced 25.5% lower hospital admissions[4]

What do you see as the key factors for enhancing healthcare delivery in the near term?

I think it's important to make sure that enhancing healthcare delivery isn't viewed as a zero sum game. There are opportunities to enhance care, lower costs and elevate the experience where all stakeholders win. It requires listening, trying new things, learning and refining along the way.

As we move forward, it's important to avoid absolutes. Some may believe that telehealth should work for everyone — it doesn't. But telehealth has proven to be an essential component of any offering.

Some try to minimize the value of office based primary care practices — which have higher costs compared to telemedicine but manage more complex and chronic diseases than telemedicine. But the reality is that there will always be people who want to connect with their providers in person, build face-to-face relationships and work together to address issues and improve health.

Some dismiss the importance of continuity, or place too much importance on it. You have to recognize that continuity with a physician is critical in almost all scenarios, but not all. It makes sense that someone wants continuity in their primary care provider with chronic diseases and prevention. But is continuity important when your child has pinkeye and you just need some advice or a prescription?

[4] Fritz Busch, Dustin Grzeskowiak, Erik Huth. *Direct Primary Care: Evaluating a New Model of Delivery and Financing, Society of Actuaries*, 2020, pp. 7, 32; https://www.soa.org/globalassets/assets/files/resources/research-report/2020/direct-primary-care-eval-model.pdf.

Stakeholders have different needs and they can be **better addressed** with complementary – not competing – options.

I think it's important to ensure that components complement each other. An integrated solution should recognize that stakeholders have different needs and they are better addressed with complementary – not competing – options. One example I see a lot is how in-person visits are important to establishing relationships but that virtual interactions often work just fine once the connection is made.

What opportunities do you see as particularly beneficial for employers?

I don't think we'll ever run out of opportunities to be better. Change comes faster, technology evolves almost overnight, costs are skyrocketing and patient needs are becoming even more dynamic.

In terms of specifics, I think we'll see a big push to expand services like telemedicine, direct primary care models, and on site clinics in support of chronic disease management and acute care avoidance. If some patients and providers are comfortable managing their diabetes virtually, there needs to be an option for them. And employers can partner with leaders in the space to meet the need, facilitate a more efficient delivery of care and enhance the well-being of their employees.

Taking this a step further, I think we'll see more sophistication in telehealth capabilities in general. Behavioral health, musculoskeletal care and dermatology are some areas where I would expect to see more offerings and more adoption. This is new territory so it's important for employers to work with their advisor and their plan to navigate the offerings and work toward the right fit.

I think there is still an education gap among employees. Most still don't understand what they can access, when they should access what, and what it all costs. Employers that invest in improving communication and education position themselves to elevate the return on their benefits spend. Too often, employers put so much into developing a plan and then fall short on education, assuming employees will just figure it out. Those who make education a priority, and seek professional guidance and support if needed, see improvements that benefit everyone involved.

Finally, we all need to work together to empower better behaviors and inform better choices. We continue to underestimate the impact prevention has on cost containment and patient well-being. We've come a long way, but there is still a meaningful opportunity for providers, employers and patients to utilize new technologies to drive better behavior, increase accountability and prevent issues, all of which is better for everyone.

About the Experts

Kim Bell

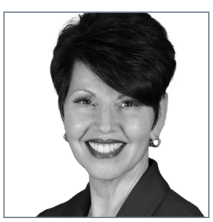
Kim is executive vice president, head of Health & Benefits at NFP, where she directs the overall strategy and operations for NFP's national employee benefits practice. With more than 30 years of experience in the employee benefits industry, Kim is an influential thought leader in the corporate benefits space. She graduated from Indiana University's Kelley School of Business with a Bachelor of Science in finance and has a Master of Science degree in management from Indiana Wesleyan University. Kim also holds the Certified Employee Benefits Specialist® (CEBS) designation from the International Foundation of Employee Benefit Plans.

Mark Rieder

As senior vice president and head of Innovation at NFP, Mark serves as a leader in developing ideas for new technologies, products, services and practices. He works to drive adoption and manage high-quality execution across organizational lines while enhancing business outcomes by establishing processes that allow for cross-company collaboration, customer feedback and marketplace intelligence. Mark has a bachelor's in finance, with an emphasis on economics, from Pennsylvania State University.

Chase Cannon

Chase is senior vice president, deputy chief compliance officer at NFP. He currently works with firms, employers and brokers to help solve their employee benefits-related compliance, regulatory and legal issues. Chase holds a Bachelor of Science in political science from the University of Utah, a Juris Doctor from the University of San Diego School of Law and a Master of Laws in Taxation from Georgetown University Law Center. He is a member of the State Bar of Maryland.



Maria M. Trapenasso

Maria is the vice president of HR Solutions for NFP. Maria provides guidance on HR-related topics such as employee relations, policies, procedures and processes. She has expertise in HR audits and compliance, and assists clients in identifying and creating strategic HR solutions. Maria holds a Senior Certified Professional designation from the Society of Human Resources Management (SHRM). She has been a professional member of SHRM and the National Association of Female Executives since 1998. Maria also holds a New York State Insurance license for Health, Life and Accident Insurance.

Kim Heald

As vice president and NFP's Voluntary Benefits practice leader, Kim is developing NFP's Voluntary Benefits Center of Excellence. In addition, she is improving organizational procedures and creating scalable and repeatable processes that help NFP's employer clients understand how supplemental health and lifestyle benefits can be a strategic and integral part of their total benefits portfolio. With over 15 years of experience, Kim has helped brokers and employers build comprehensive and competitive supplemental health programs with a disciplined focus on technology platforms and enrollment best practices designed to enhance the employee's experience and overall level of understanding. Kim holds a bachelor's degree in sociology from the University of California, Los Angeles.

Deb Smolensky

Deb is senior vice president and NFP's Well-Being and Engagement practice leader. In addition, Deb serves as a subject matter expert for the insurtech, fintech and digital health verticals of NFP Ventures. She consults with a variety of clients, including numerous Fortune 500 companies, to develop programs and practices that empower employees and leaders to lead healthy, productive lifestyles through innovative and highly engaging solutions. Deb holds a bachelor's degree in accounting from Illinois State University as well as a multitude of certifications and designations in organizational health and productivity.

Nelly Rose

As vice president of Clinical Pharmacy, Nelly supports NFP Rx Solutions with clinical insights and new initiatives while also providing strategic analysis for drug trends and utilization. She works directly with members to support and educate on clinical programs and drug interventions. Nelly received her Doctor of Pharmacy degree from St. Louis College of Pharmacy.

Mark Tomasulo

As national medical director, Dr. Tomasulo provides insights, guidance and risk mitigation expertise to NFP clients seeking to reduce costs and improve employee well-being and productivity. Performing a thorough analysis of population health and claims data, he identifies cost drivers and health risks and makes recommendations regarding appropriate lifestyle and medical management programs and strategies. Dr. Tomasulo is also the creator and founder of PeakMed Direct Primary Care, a doctor-centered and patient-focused platform that allows doctors and patients to communicate, collaborate and manage individualized care plans. He earned his Doctorate of Osteopathic Medicine from Nova Southeastern University and completed his medical training through the US Army, serving eight years as one of the top officers in his field and as part of small unit deployments in support of Operation Iraqi Freedom.

Contributors

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Joel is an assistant vice president of Health & Benefits at NFP, where he coordinates the portfolio of proprietary and third-party technology offerings for group benefits advisors. Joel facilitates market research to identify optimal technology solutions to improve efficiency and optimization of services provided to NFP's benefits clients. Joel holds a Bachelor of Arts in economics from Indiana University.

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Eddie Yoon is the founder of EddieWouldGrow, LLC, a think tank and advisory firm on growth strategy, and a co-creator of Category Pirates. Previously he was one of the senior partners at The Cambridge Group, a strategy consulting firm. Eddie is one of the world's leading experts on finding and monetizing superconsumers to grow and create new categories. He is the author of the book *Superconsumers: A Simple, Speedy and Sustainable Path to Superior Growth* (Harvard Business School Press, 2016), which was named as one of the Best Business Books of 2017 by *Strategy & Business*. He is also the author of over 100 articles in *Harvard Business Review*, has appeared on CNBC and MSNBC and been quoted in *The Wall Street Journal, The Economist* and *Forbes*, and has been a keynote speaker in the US, Canada, Kenya, Australia, New Zealand, Denmark, the UK and Japan.

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