2021 National Benefit Trends Survey

June 2021

Contents

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About Our Survey:

The inaugural McGriff National Benefit Trends Survey (2021) was sent to employers across the country in early 2021 to better understand which benefit trends in the marketplace are of greatest importance and how the pandemic is shaping their benefit decisions. A total of 756 responses were collected from employers and represent all major industries and geographies. 19% of respondents have 500 or more employees, and 42% of respondents are self-funded.

Key Findings

1

Recruiting and retaining employees are top priorities for all employers (74% listed this among their top 3 priorities for 2021), but recruiting is more important for larger employers. Even the rising cost of benefits was viewed as a lesser concern than recruitment and retention. Now more than ever, it's important for employers to solidify their value proposition to current and prospective employees.

2

The primary concern for employers related to the COVID-19 pandemic is employee well-being. 77% of employers believe there will be a lasting negative impact, yet only 25% of employers have increased or plan on increasing emotional health or well-being programs as a direct result of the pandemic.

3

The vast majority of employers (90%) are maintaining current benefit levels, while 7% of employers have increased or are planning to increase the medical benefits offered to their employees. Employers clearly view benefits as a key component of their value proposition for employees.

4

Most employers are clear that employee well-being, workplace stress and mental health are important workplace issues, but seem less sure about what to do about these issues. Most employers already have an Employee Assistance Program (EAP), but those who do not are not planning to add one. Digital solutions are gaining traction with larger employers (health coaching, well-being mobile apps), but they are not widely considered as viable long-term wellness solutions.

5

The work-from-home model will continue to be prevalent, even as restrictions are lifted. Across all employers, on average, 10% of the pre-pandemic workforce worked remotely. At the height of the pandemic, this percentage rose to 38% of the workforce for employers who responded to the survey. Employers estimate that 23% of the overall workforce will continue to work remotely post-pandemic. This represents a 130% increase from previous levels.

6

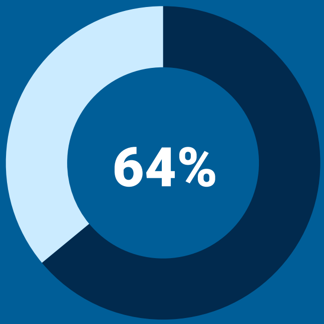
Rising pharmacy costs are not yet seen as a higher priority than medical costs - but the gap is narrowing. 76% of employers are concerned about the increasing cost of pharmacy benefits compared with 80% of employers who are concerned about the rising cost of medical benefits.

7

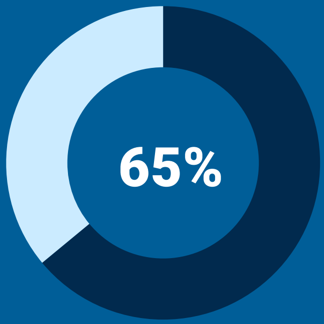
Expect telemedicine to be one of the lasting impacts of the pandemic. 21% of employers have already increased telemedicine benefits or are planning to do so as a result of the pandemic. Two out of every three employers use telemedicine as an extension of primary care, with one in four also providing specialty services through telemedicine.

COVID-19:
Impact Beyond 2020

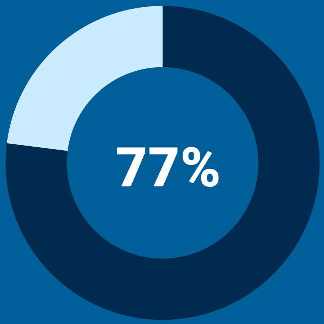
It’s clear that employers will continue to cope with the impact of the COVID-19 pandemic long after 2020. Two out of every three employers believe the pandemic will have a negative impact on their business results and worker productivity over the next 24 months. But employers say the most significant impact will be on employee well-being. The larger the employer, the more likely they are to recognize the mental health burden on employees, with 81% of large employers (500+ employees) saying COVID-19 will have either a somewhat or extremely negative impact on the well-being of their employees. 70% of employers with fewer than 100 lives feel the same.



Employers believe COVID-19 will have a continued negative impact on their business



Employers believe COVID-19 will have a continued negative impact on workforce productivity



Employers believe COVID-19 will have a continued negative impact on employee well-being

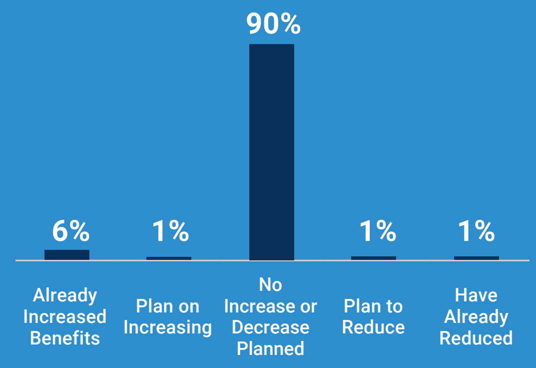
COVID-19 Impact on Employee Benefits Offerings

Has your organization already made changes, or are you planning to make changes to benefit offerings in 2021 as a result of the pandemic?

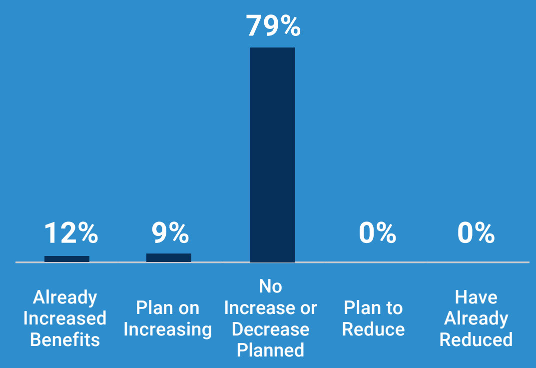
While the majority of companies (90%) are maintaining current benefit levels, 7% of employers are increasing medical benefits. 16% of employers with more than 500 lives have either already increased or are planning to increase their medical benefit offerings. This suggests that employers are largely holding the line on the employee benefits budget, and that benefits spending will survive the business decline caused by the pandemic.

> More than **20%** of employers are increasing or planning to increase voluntary benefits.

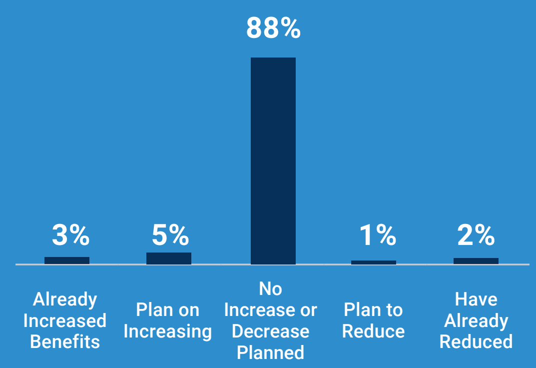
Medical Benefits



Voluntary Benefits



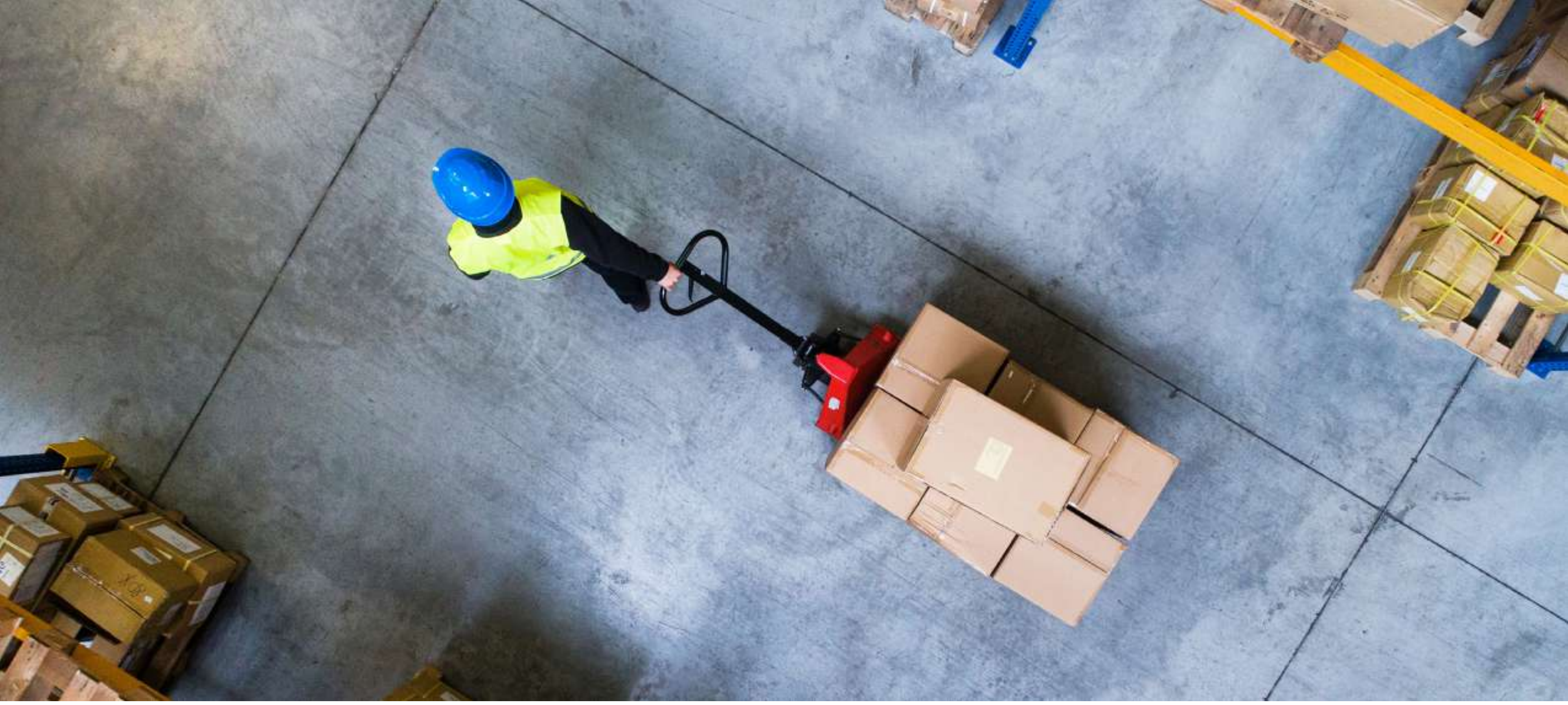
Retirement Benefits



With 77% of employers believing that the pandemic will have a lasting impact on employee well-being, it's no surprise that 25% of employers have either already added to their employee well-being offerings, or will do so soon. Furthermore, 38% of large employers plan to increase well-being programs. Increases in these programs even outpaced the widely reported increase in telehealth benefits (21%).

Surprisingly, child/elder care benefits were largely unchanged for employers. Only 5% of respondents had recently increased, or were soon planning to increase these benefit offerings.

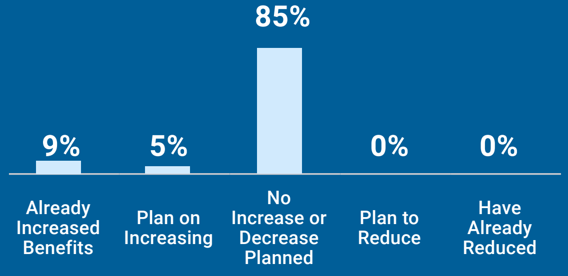
Benefits	Emotional Health or Well-Being Programs	Telemedicine	Childcare or Elder Care
Already Increased Benefits	6%	12%	2%
Plan on Increasing	18%	9%	3%
No Increase or Decrease Planned	75%	79%	95%
Plan to Reduce	0%	0%	0%
Have Already Reduced	0%	0%	0%



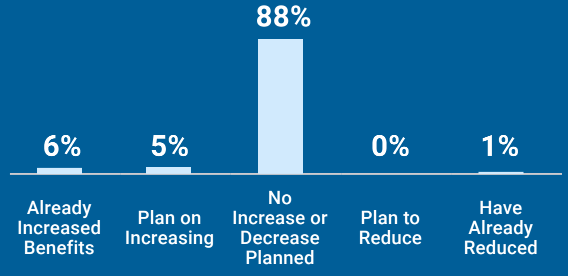
Some employers are increasing sick leave (15%) or PTO (11%) with healthcare (16%) and public sector (27%) employers being the most likely to do so. While the increases in these sectors are partially because of COVID-19 (i.e., need to offer a competitive advantage in order to incentivize individuals to work rather than collect enhanced unemployment payments), other increases in sick leave and PTO can be attributed to an overall recognition of employees' needs to attend to the health of their families and themselves.

> When the need to recruit and retain highly skilled and key employees is added to the equation, sick leave, vacation and PTO accruals can be a competitive advantage.

Sick Leave



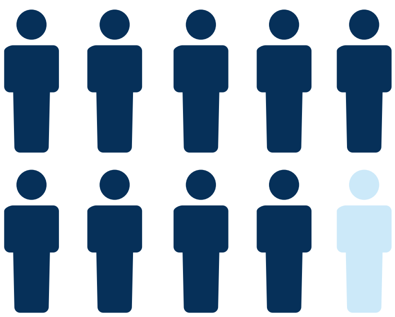
Vacation or Paid Time Off



What impact is the pandemic having on workplace stress level?

77%

Seventy-seven percent of employers believe the pandemic has had a significant (58%) or very significant (19%) impact on workplace stress. Employers in the healthcare, education, and hospitality industries were hit especially hard with increased workplace stress among their employees.



Large employers were more likely to report an increase in workplace stress – with **nine out of ten** reporting a significant or very significant impact.

How are employers planning to address these rising mental health concerns?

Most employers have made it clear that well-being, workplace stress and mental health are concerns that must be addressed, but they're not as clear about how they plan to respond.

- 64% of employers offer an Employee Assistance Program (EAP) and another 5% are planning to add one in the coming year
- Digital solutions are gaining traction with larger employers (e.g., health coaching, well-being apps)

The most commonly provided response was that employers plan to provide managers with additional training to help identify potential mental health issues in the workforce (8% have already implemented, 17% plan on adding, 4% are considering) - those percentages rise to 13%, 20% and 8% respectively for large employers.

The second most commonly provided response was digital health coaching for mental health conditions (20% have already implemented, 5% plan to, 4% are considering – those percentages rise to 33%, 7% and 5% respectively for large employers).

Working From Home

What strategies have you implemented or plan on implementing to address a larger work from home (WFH) population?

52%
say flexible work schedules

The next most popular strategy was to pay for workers to acquire home office equipment (10% overall – 12% large group).

7% of all employers indicated they would offer a new emotional well-being program, with that number increasing to 16% for large groups (still much lower than the 77% who said mental well-being is a problem).

What are employers doing to address childcare concerns during the pandemic?

Flexible Work Hours

57%

(same percentage across group sizes)

Policy Changes on Working From Home with Children

36%

(44% for large group)

More Sick Time

22%

(Family Sick Leave)

What communication challenges have employers had as a result of the pandemic?

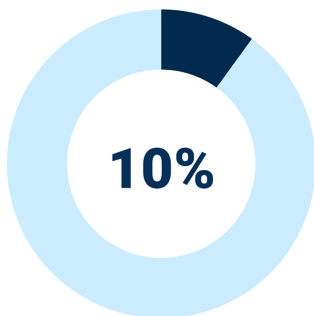
- 41% of all employers said they've faced challenges communicating with a virtual workforce
  - 46% of large employers reported communication challenges
- 27% of employers specifically cited benefit communication challenges
  - This number increased to 42% for large employers

Which of the following statements best describes your organization's telemedicine offerings?

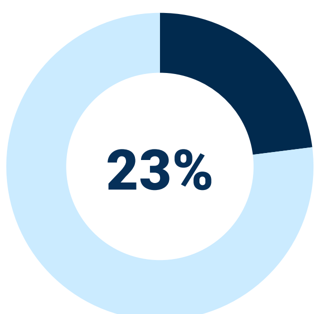
2 out of 3 large employers use telemedicine only as an extension of primary care, but 1 in 4 do have specialty services included. 3 out of 10 small employers said they don't yet have a telemedicine offering.

Return to Work

What percentage of your workforce is comprised of remote workers?



Pre-Pandemic



Post-Pandemic

The percentages vary widely based on industry as one might expect. Some are gearing up to go remote long term (Tech: 77% during pandemic, 44% after), while others will look to return to pre-pandemic office strategies.

Return to Work – Employer Strategies

- Many employers are planning a phased approach (30%) or a hybrid strategy (33%), especially large employers (42% and 36% respectively).
- 1 in 5 employers are looking to bring back employees all at once or as quickly as possible.

Vaccine – How it will affect return to work

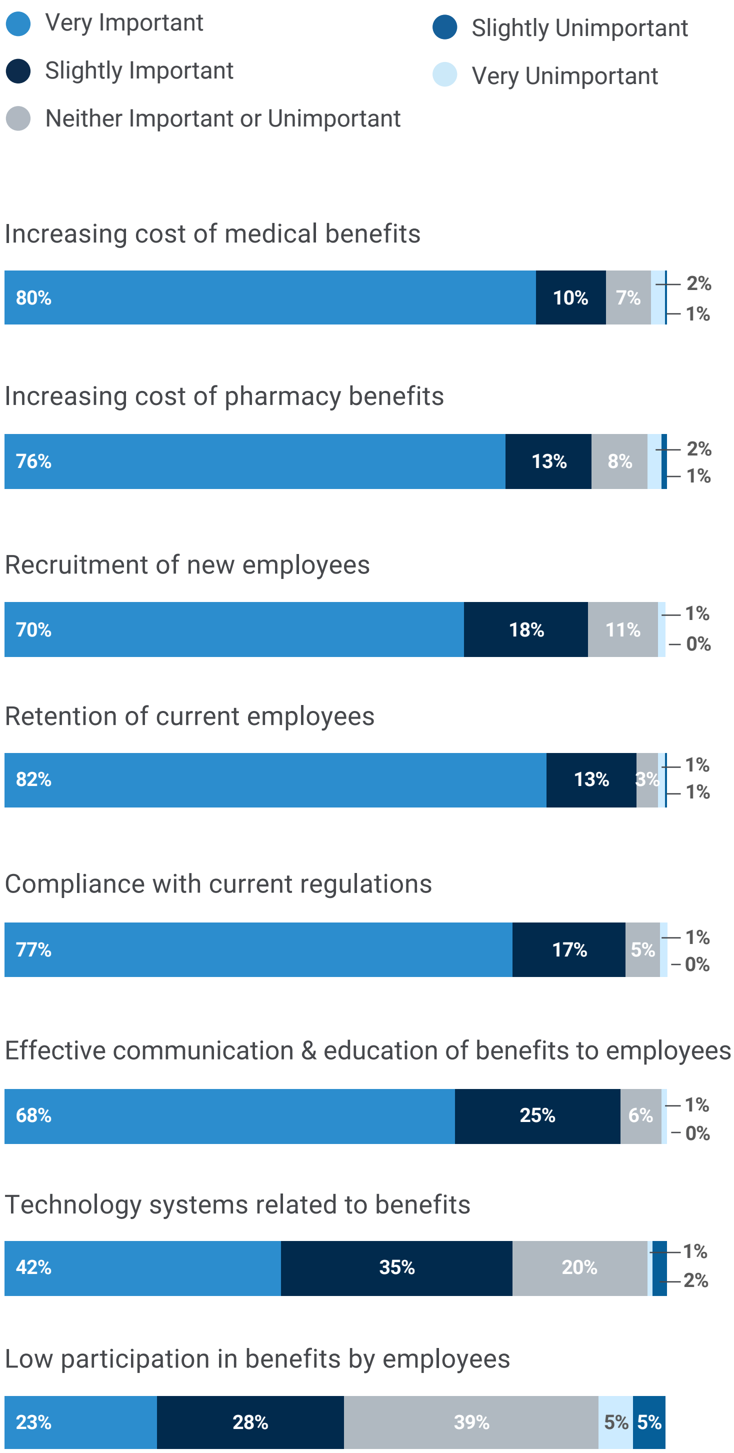
- When surveyed in late January, most employers were not waiting on vaccine distribution to execute a return-to-work plan, with 52% saying they are not waiting, and 7% saying their return-to-work plan will begin as soon as the vaccine is widely available. More than 1 in 3 are undecided (46% of large employers are undecided).
- Only 3% of employers are sure they will require vaccination to return to work - 31% are undecided. Employer views on vaccination protocols and requirements continues to rapidly evolve as time goes by.

> Overall, employers say the number of employees working remotely will be **twice as high** as it was prior to the pandemic.

Strategic Considerations

How important are the following items to your organization?

Employee retention, medical benefit costs, and prescription drug costs are the top issues for employers.



McGriff uses a proprietary program to create metrics to better quantify benefit plan performance. **McGriff MORE Insights™** is designed to transform a company's employee benefits program from a corporate expense to a competitive advantage by improving selection, design, management and engagement.

What are the most important HR initiatives or concerns for your organization over the next 24 months?

Top Three

Recruitment and Retention

(74%)

Employee Engagement

(52%)

Leadership Development

(45%)

Other Areas of Focus: Employee Learning and Development (40%), Succession Planning (26%), Compensation Benchmarking (26%), Absence/Leave Management (22%), Remote Worker Engagement (14%)

While remote worker engagement may not be a top priority over the next year, there are still concerns regarding employee morale and engagement. Employers should focus on how changes will affect the entire workforce, including those who continue to work remotely.

Ultimately, all of these HR initiatives are interrelated. Recruitment is enhanced when retention is high and retention is high when engagement is a corporate priority. A focus on leadership development is a great retention and engagement tool because it demonstrates to employees that the organization is interested in their professional growth and advancement.

As a part of Truist Financial Corporation, McGriff customers have access to the **Truist Leadership Institute**. The Truist Leadership Institute combines expert insight with lessons learned throughout its 60-year history of leadership development. Beginning with each client's specific goals and challenges, consultants identify the best approaches to address your company's needs and tailor offerings to individual executives, teams, or both. By focusing on how to be an effective leader, they help increase employee retention and improve the bottom line. Personalized, post-program support is provided to encourage sustained behavioral changes with downstream impact. To learn more, visit **www.truistleadershipinstitute.com**.

Workplace Financial Wellness

It's no surprise that as recruiting and retaining employees are top of mind for the majority of employers, many are recognizing the value of offering their employees a workplace financial wellness program. However, only 20% of employers currently have such a plan in place. Even among smaller employers, it's clear that this represents an opportunity to provide additional support to employees.

As part of Truist Financial Corporation, McGriff clients have access to an industry leading financial wellness program - **Truist Momentum**. Truist Momentum is designed to benefit your employees and your business. It's an approach to financial wellness that starts with your employees' personal values, so that every step they take toward financial confidence is a step toward living a life well spent. To find out more about the program and how it may be available to your organization, visit www.truistmomentum.com.

Do you have or have you considered offering a workplace financial wellness program to your employees?

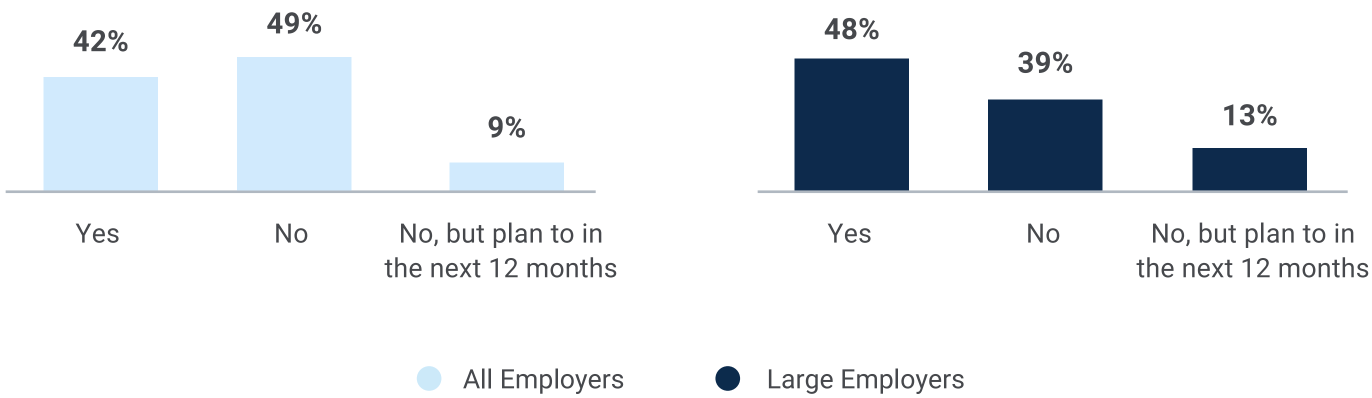
Enrollment and Communications

Open enrollment continues to shift to a digital experience, with 62% of all employers now using an online platform (83% of employers with over 500 employees).

Which of the following is the primary method used to manage your organization's open enrollment?

Industry	Online	Paper Forms	Onsite Enrollers	Traditional Meetings
Consulting	76%	15%	7%	2%
Financial	79%	21%	0%	0%
Tech	85%	6%	3%	6%
Construction	42%	47%	8%	3%
Manufacturing	51%	34%	9%	7%

Does your organization utilize a mobile application for benefits and/or employee communication?



Wellness and Well-Being

The National Benefit Trends survey was designed, in part, to dive deeper into the top strategies of large employers (500+ employees) and self-funded employers. Employers who are self-funded have greater flexibility in plan design and cost containment strategies.

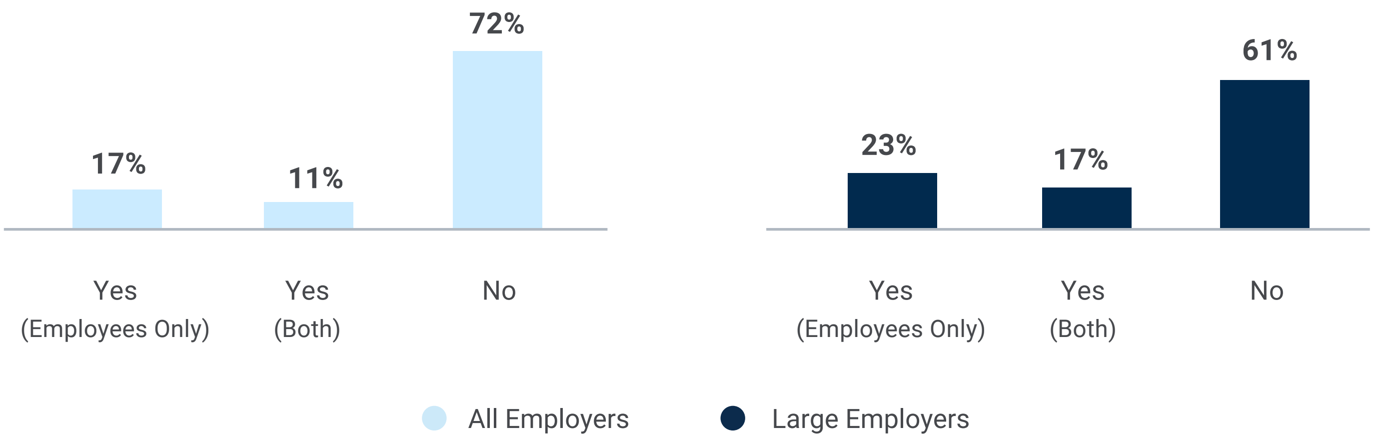
Pandemic Impact on Wellness Programs

86% of all employers say no impact

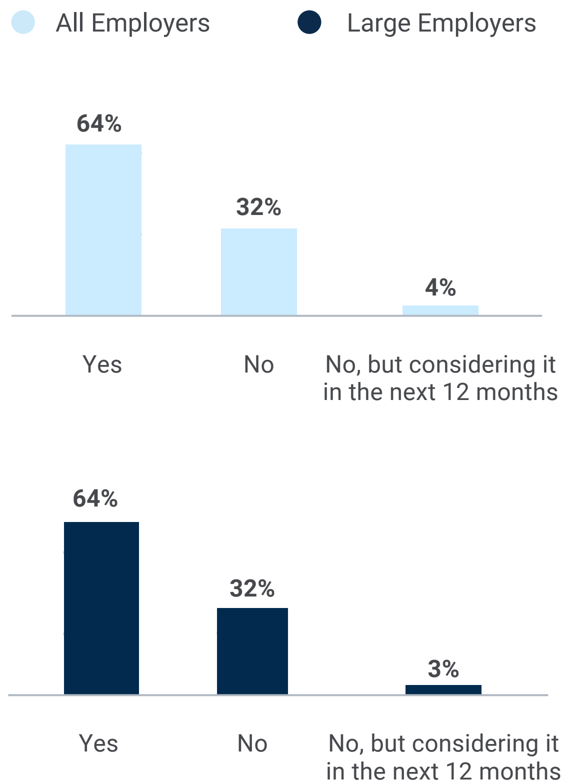
78% of large employers say no impact

Relatively few employers are making changes to their wellness plan offerings due to the pandemic. Of those that are, they're twice as likely to have increased wellness offerings instead of decreasing them.

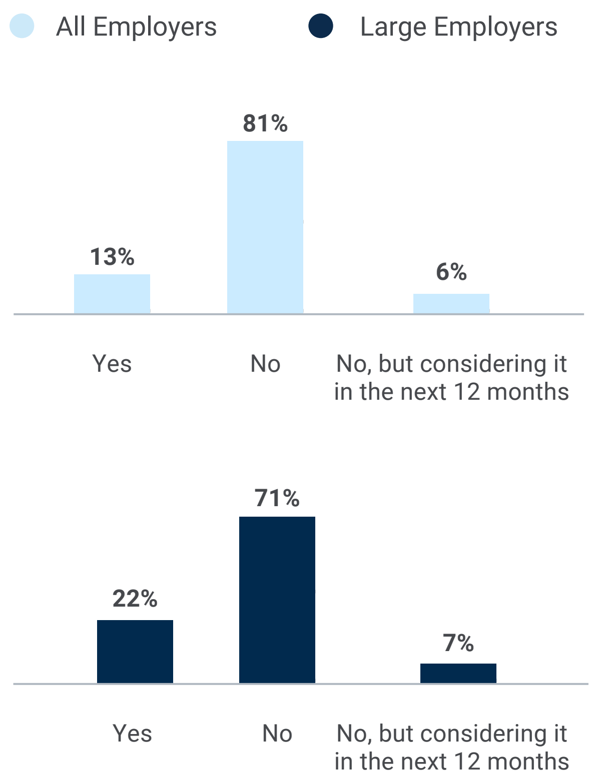
Does your organization incentivize employees and/or spouses to get an annual physical?



Does your organization have a tobacco-free workplace?



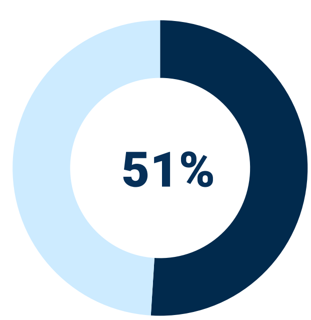
Does your organization have a tobacco surcharge for employees on the medical plan?



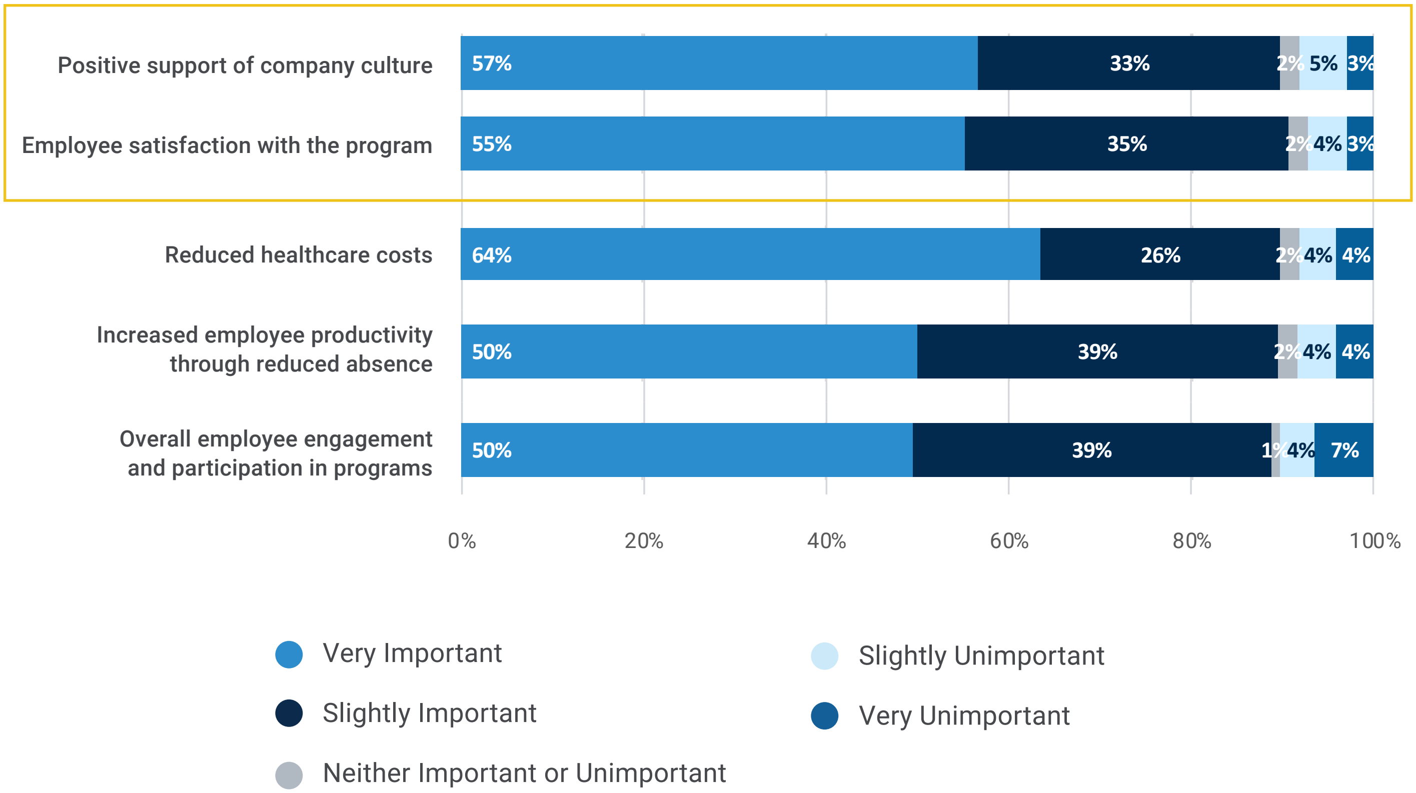
Employers largely see the value in encouraging smoking cessation in the workforce, but evidence suggests they have adopted less punitive measures to help employees accomplish this goal.

Does your organization sponsor a wellness plan?

51% of employers say yes. Of those that don't, 30% cite a lack of human capital resources to administer the program as the reason for not offering a plan instead of a concern about the actual costs associated with the program.



Wellness plans can offer a great value proposition for employees to actively engage in their health and well-being while also promoting a healthier and happier employee. While there are many ways to define program success, experts agree that the key is making sure that goals are well-defined ahead of time. Of the employers we surveyed, the most common measurement of success was, not surprisingly, reduced healthcare costs. But, following closely behind was positive support for the company culture and employee satisfaction with the program.



How are employees incentivized to participate in your organization’s wellness plan?

46%

Gift Cards or Cash Incentives

34%

Medical Contribution Incentive
(reduced employee payroll contributions)

19%

No Incentives Provided

13%

Health Savings Account (HSA) Contribution

2%

Health Reimbursement Account (HRA) Contribution

What are the key components of wellness plans?

Top Three

Seminars, Classes or Other Education
(59%)

Health Risk Assessments (HRAs)
(55%)

Health Coaching
(45%)

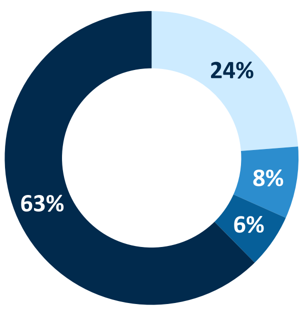
The results of this survey show that employers are adopting varying strategies to support their wellness initiatives. There is no one-size-fits-all approach, but it's clear that wellness program adoption and success hinges on ease of implementation, ongoing support, and measurable results tied to employer goals.

Cost Containment

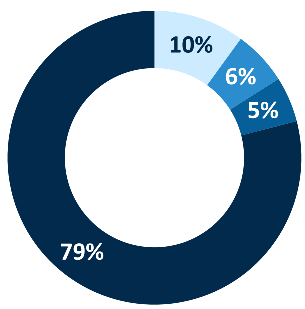
The most prevalent 2021 cost containment strategies are related to pharmacy benefit programs. 37% of employers have either already implemented plan design changes to reduce costs and more are planning to do so in the next 24 months. Other strategies include the increased use of Centers of Excellence, adoption of narrow networks and targeted primary care strategies. Adoption of these practices is currently more prevalent for large employers, but these same tactics are gaining interest among employers of all sizes.

Is your organization considering any of the following cost containment strategies in the next 24 months?

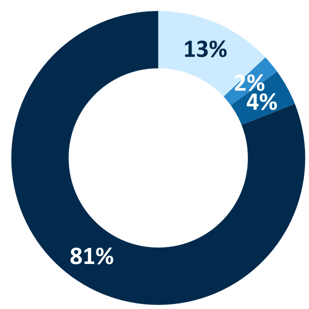
Already in place · Planning to add in 2021/2022 · Considering for 2023 · Not Currently Considering



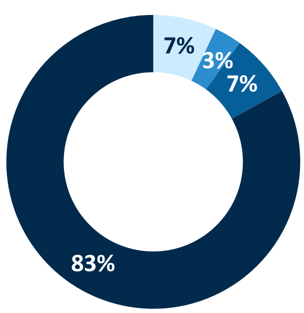
Implementing additional strategies to manage pharmacy costs
(ex: specialty Rx carve out, medication coaching programs, direct manufacturer contracts, etc.)



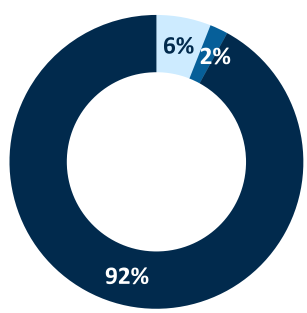
Implementing or promoting Centers of Excellence (COE) to promote improved cost and quality of care



Implementing advanced primary care solutions
(direct contracting, on-site or near-site clinics, etc.)



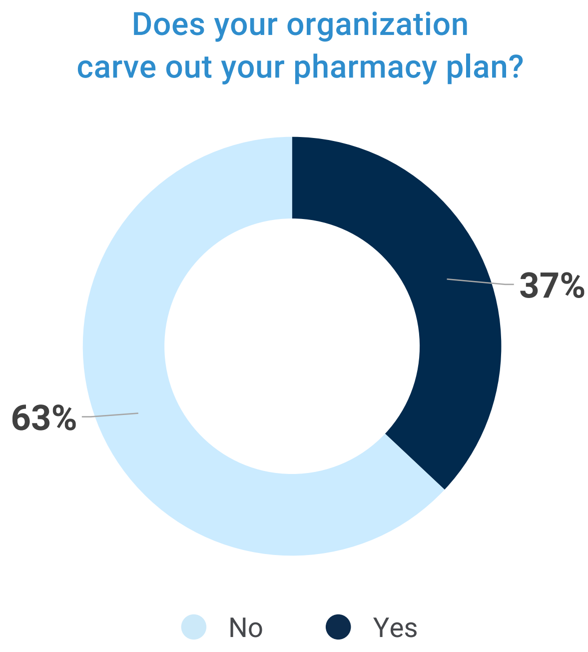
Adding a high performance / narrow network



Medical or pharmacy tourism
(obtaining care or pharmaceuticals outside of the US, or outside of your geographic location)

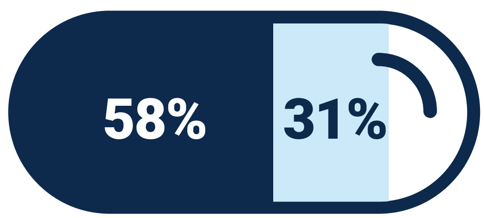
Pharmacy

There has been an intense focus on drug spend over the past several years. The Centers for Medicare and Medicaid Services projects that spending for prescription drugs will be the fastest growing healthcare expense over the next decade, outpacing other healthcare spending. It is estimated that approximately 17% of every dollar spent on healthcare in the US is for drug therapy.



90% of employers are not part of a pharmacy coalition.

While a coalition might be an appropriate solution for some employers, there are many factors to consider. Some of these considerations include an organization's current drug spend, drug mix, current financial model and contract, costs, and ease of access to data feeds.



58% say they are happy with their PBM and understand drug discounts/rebate guarantees; **31% are not sure**.

Only 46% agreed that their PBM managed their formulary to promote lowest net cost for prescription drugs instead of managing with a greater focus on rebates. 38% of employers surveyed have or are considering implementing additional strategies to manage pharmacy costs.

Which of the following methods is your organization currently using to manage specialty pharmaceuticals? (check all that apply)*

All Employers	
Prior authorization for specialty medications billed under the pharmacy benefit	50%
Carved out specialty pharmacy program	45%
Case management or medication coaching programs	42%
Prior authorization for specialty medications billed under the medical benefit	34%
Approval for only a limited supply	25%
Excluding specialty drugs from your formulary	17%
Lower cost tier for biosimilars	17%
Requiring a biosimilar to be attempted first when it is available	15%
Site of care management	11%
International procurement strategies	10%
Direct contracting with manufacturers	3%

*Out of the 37% of employers who have implemented or are considering additional strategies to manage pharmacy costs

> For large employers, specialty drug exclusion is becoming more common, with almost **1 in 4** making these types of formulary changes.

Primary Care

Does your organization utilize any of the following advanced primary care solutions or do you plan to in the next 24 months?*

On-site/Near Site Clinics
(66%)

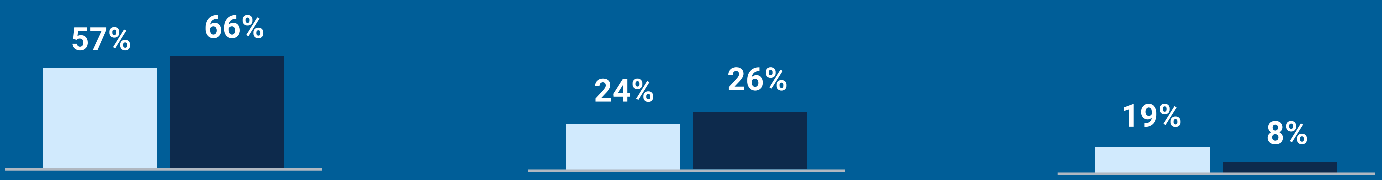
Virtual Primary Care
(79%)

Narrow Network for Primary Care
(36%)

Direct Provider Contracting
(43%)

*Out of the 19% of employers who said they have implemented or are considering advanced primary care solutions

Telemedicine has become increasingly important as a large portion of the country's workforce experienced state lockdown restrictions. Employers have responded with increasing access to digital health solutions for both primary/acute care and specialty services.



Our telemedicine program is only for primary care or minor, acute services

In addition to primary care, our telemedicine program includes some specialty services*

Our organization does not offer telemedicine

All Employers | Large Employers

*ex: Cardiac Care, Physical Therapy, Dermatology, Sleep Management, etc.

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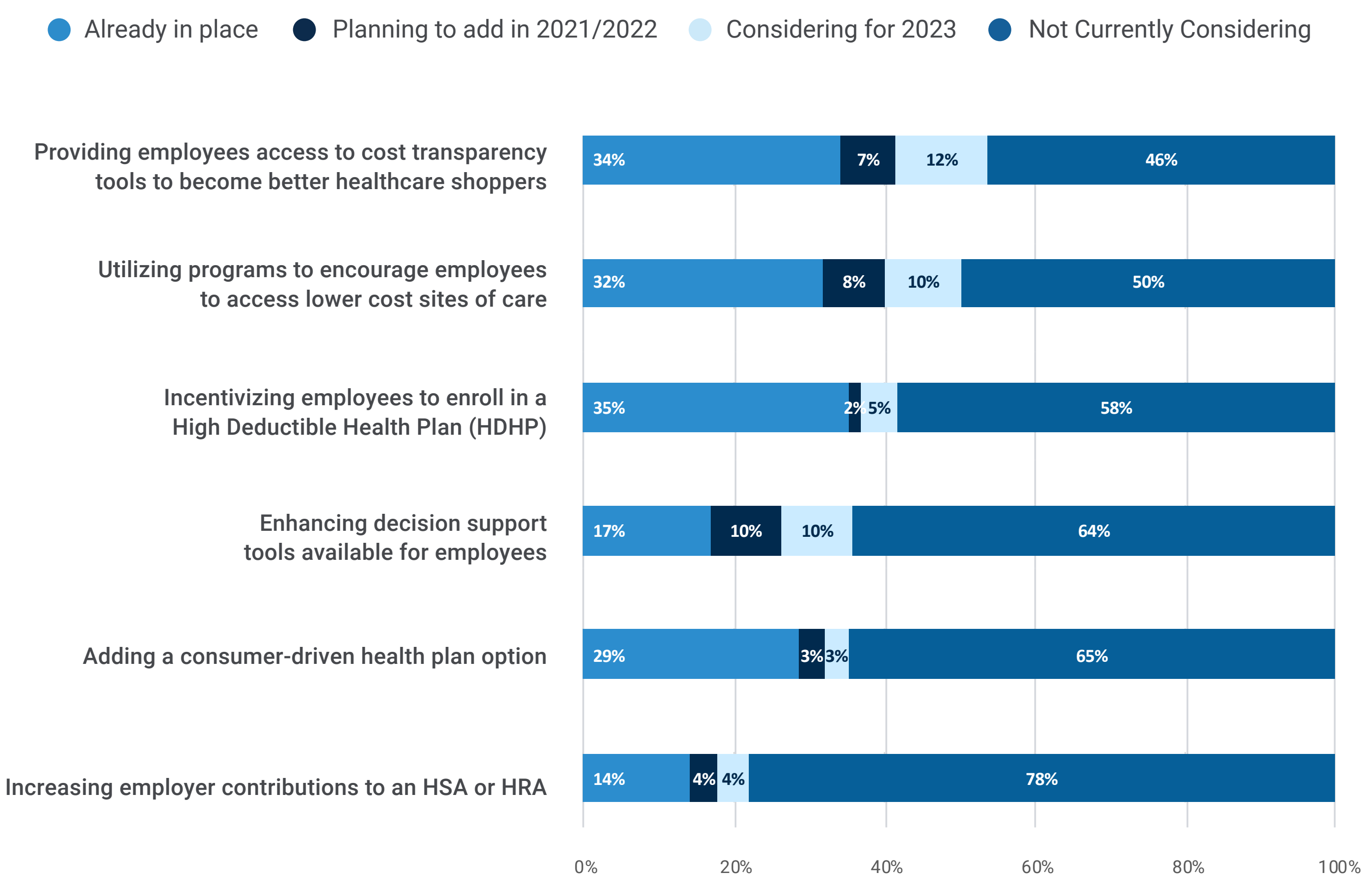
Consumerism and Funding

Consumerism has long been an employee benefits strategy to help address cost containment. But instead of focusing on only a limited number of consumerism approaches, such as the enrollment experience and plan design offerings, more employers are considering data-driven tools to empower members to make better health decisions.



50%

Programs encouraging use of lower cost site of care

(62% for large employers)

54%

Transparency tools

(68% for large employers)

Alternative Funding

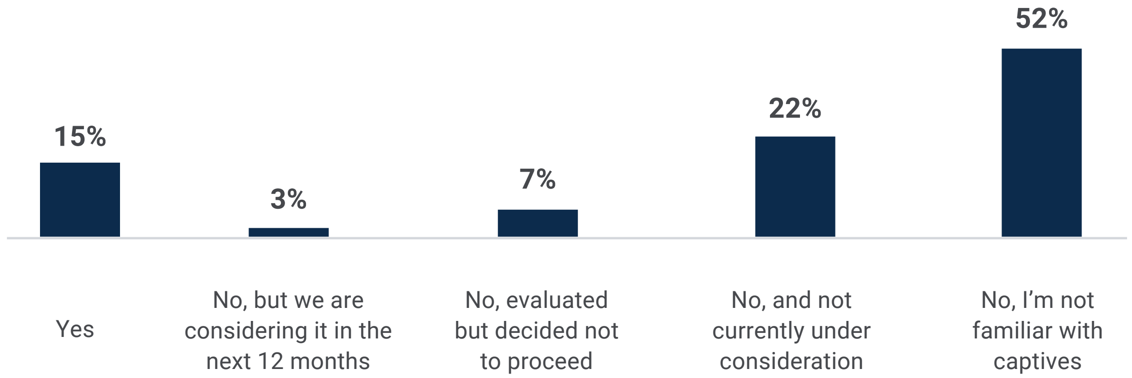
Stop Loss and Captive Options for Employee Benefits

Stop-Loss reinsurance policies are a key component of the funding strategy for self-insured employers. In addition, there are other funding mechanisms available to manage risk including group health captives. However, our survey shows that while most self-funded employers purchase stop loss insurance, few groups are considering captives.

74%

are either not familiar or are not currently considering such a strategy

Have you ever considered participating in a captive for your organization's medical plan?



Reference-Based Pricing

The most common reference-based pricing strategies employ a network-based cost control approach where reimbursement limits are set on certain "shoppable" procedures or services. Proponents of the strategy tout the potential for lower healthcare expenses and higher employee engagement in health care decisions. Detractors refer to the complexity of administration, provider disruption, and employee balance billing as things to take into account when evaluating a program.

Responses show that this strategy hasn't gained traction with most employers, with a little less than 10% currently utilizing a reference-based pricing program. Another 13% have evaluated a reference-based pricing program but decided not to proceed.

Have you ever evaluated a reference-based pricing program?

8%

Yes, we are currently in one or we are implementing one in the next 12 months

13%

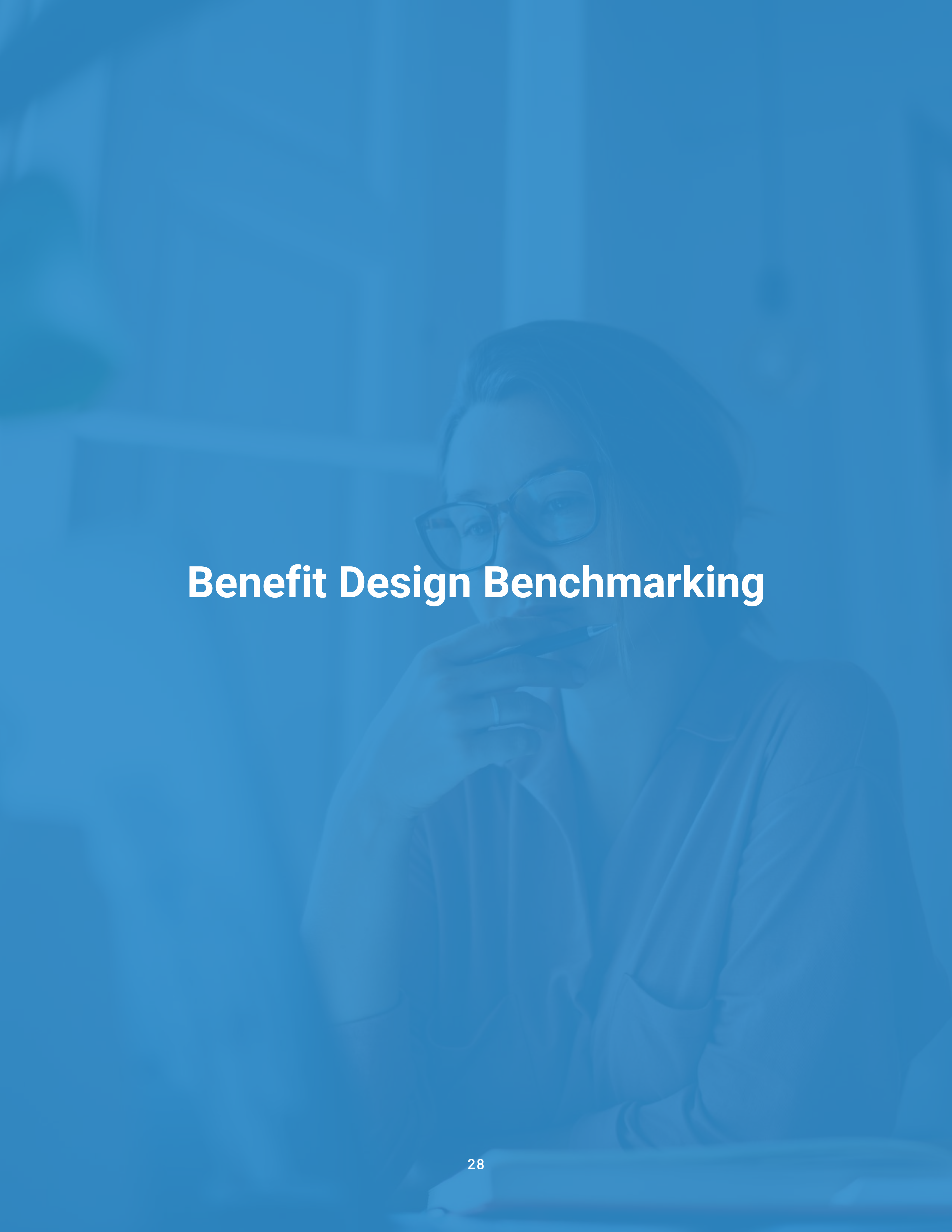
Yes, evaluated but decided not to proceed

2%

Yes, we implemented in the past but no longer use it

78%

No



Benefit Design Benchmarking

Plan Design Benchmarking

Comparing your organization's benefit offerings to a benchmark can help you determine the competitiveness of your benefit plans in the marketplace. Competitive benefit plans are a key component to recruit and retain talented employees, and the employer value proposition. The results of our benchmarking study include employers in different industries, regions of the country, and group sizes. The following data is organized to show the median plan benefits for all employer groups in our study with at least 25 full-time employees, and represent benefit plan offerings for plan years ending in 2021.

National Norms - All Employers			
Plan Type	**PPO/POS**	**HDHP** (HSA Eligible)	**HMO**
% of Employers Offering	71%	65%	17%
In-Network Benefits			
Deductible (Individual/Family)	$1,250 / $3,000	$3,000 / $6,000	$1,500 / $3,000
Coinsurance	80%	80%	100%
Maximum Out-of-Pocket (Individual/Family)	$5,000 / $10,000	$6,000 / $12,000	$4,125 / $8,000
PCP Visit	$25	Deductible + Coinsurance	$25
Specialist Visit	$50	Deductible + Coinsurance	$50
Emergency Room	$250	Deductible + Coinsurance	$200
Urgent Care	$50	Deductible + Coinsurance	$40
Prescription Drug Coverage			
Tier 1 (Generic)		$10	
Tier 2 (Preferred Brand)		$40	
Tier 3 (Non-Preferred Brand)		$65	
Tier 4 (Specialty)		$250	
Mail Order		2.5x Retail	

40% of employees elect dependent coverage

56% of employers who sponsor an HSA-eligible HDHP contribute to the HSAs of their employees.

Among those that do contribute, the median amounts are $500 for Employee Only, and $1,000 for Family.

Average Total Health Plan Costs Per Employee Per Year*	
Plan Cost	
PPO/POS	$10,984
HDHP (HSA-eligible)	$9,025
HMO	$9,885

*Based on reported plan premiums and enrollment in 2021

The cost-sharing percentage paid by an employer is a significant factor in employee enrollment levels, plan offerings, and overall employee satisfaction with a benefit program. Below are the average monthly contribution amounts for a typical 4-tier contribution structure by plan type.

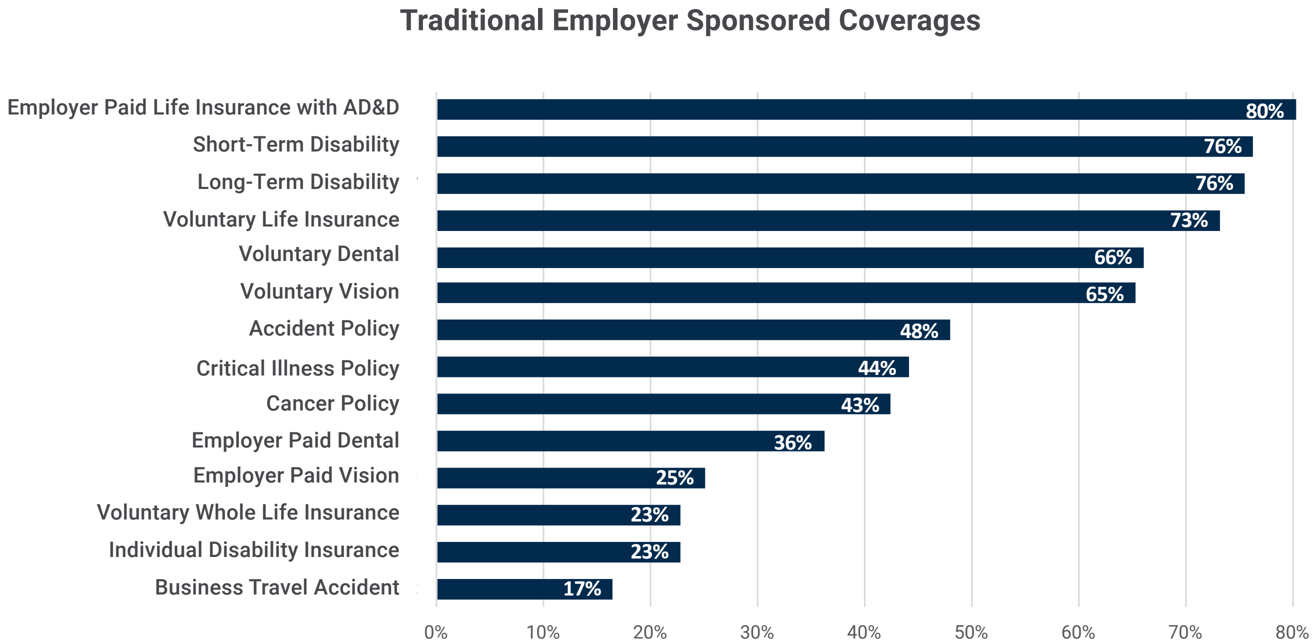
Monthly Employee Contributions

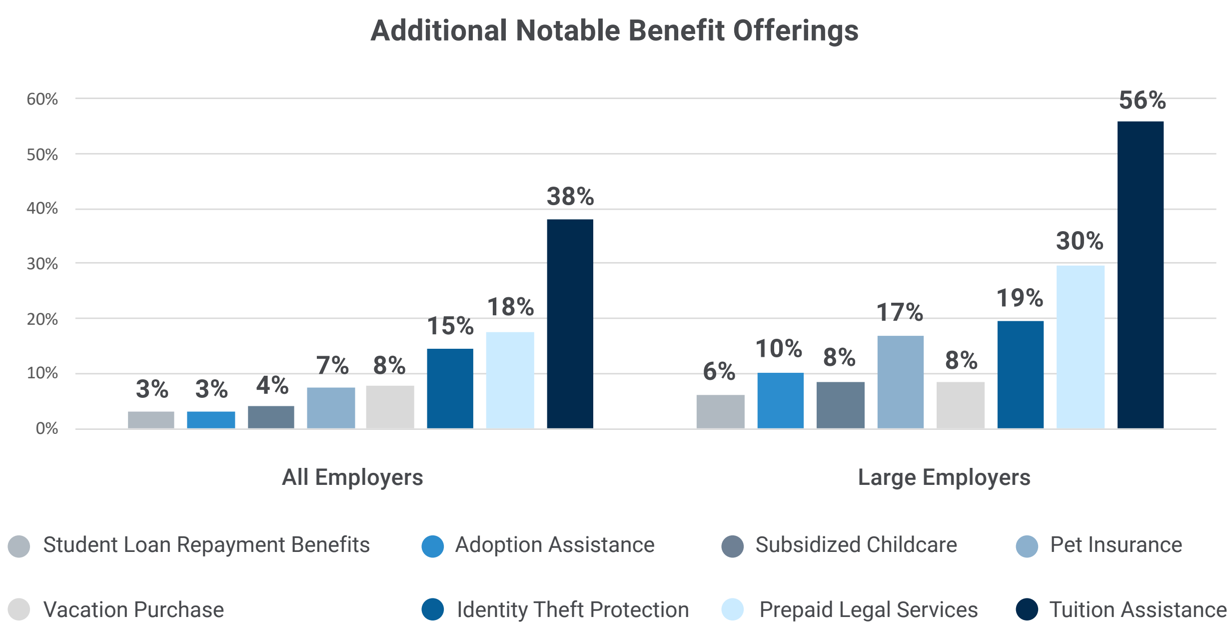
National Employee Contribution Level - All Employers			
Plan Type	**PPO/POS**	**HDHP** (HSA-eligible)	**HMO**
Employee Only	$187	$144	$171
Employee + Spouse	$617	$556	$577
Employee + Children	$519	$458	$492
Employee + Family	$908	$851	$868

Percentage of Premium

National Employee Contribution Level - All Employers			
Plan Type	**PPO/POS**	**HDHP** (HSA-eligible)	**HMO**
Employee Only	30%	27%	29%
Employee + Spouse	46%	48%	45%
Employee + Children	45%	45%	45%
Employee + Family	48%	53%	49%

Prevalence of Other Benefit Offerings





It's important to align benefit strategy with your organizational goals, yet each organization's goals may be different. Some may want to offer a basic benefits package, others want to ensure their benefits are consistent with competitors, while others want a market leading benefits program. Regardless of your organizational objectives, benefits benchmarking is a helpful tool to ensure your benefits program is aligned with your organizational goals.

For more details on the results of this survey and to find out how McGriff can assist your organization, please contact your local McGriff representative or visit **www.mcgriff.com**.

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