



# 2021 Workforce Trends Report People & Organizational Wellbeing Strategy

For TPA HR Workgroup | February 16, 2022

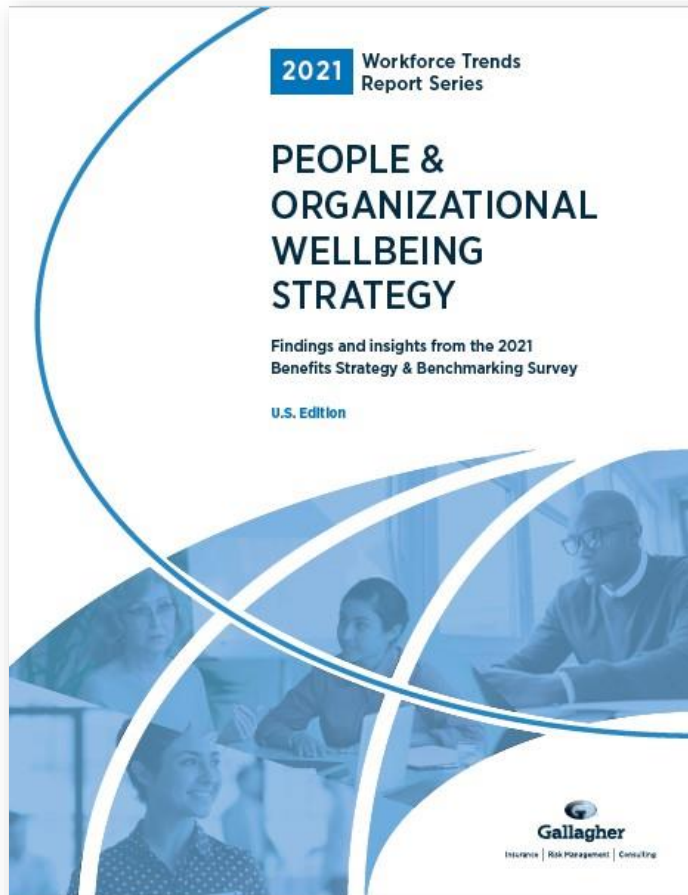


**Gallagher**

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# 2021 Workforce Trends Report Series

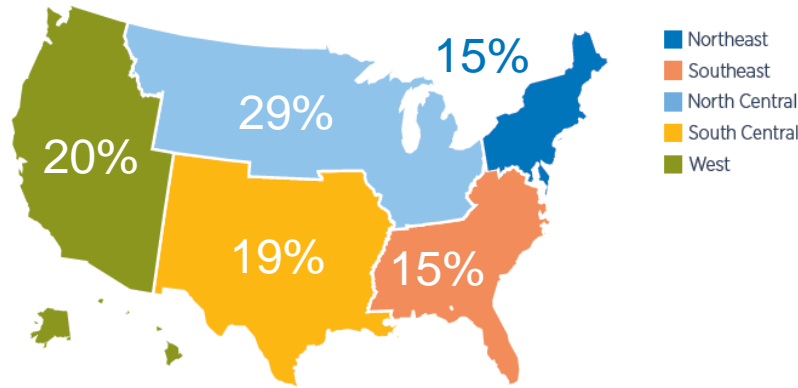
## People & Organizational Wellbeing Strategy



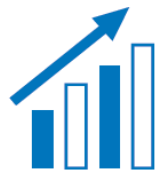
- Findings and insights from the 2021 Benefits Strategy & Benchmarking Survey
- Conducted December 2020 to March 2021
- 3,996 participating organizations
- More than 300 questions covering the total compensation spectrum
- The first report in the 2021 series

# 2021 Benefits Strategy & Benchmarking Survey Participant Breakdown

## GEOGRAPHY



## OWNERSHIP STRUCTURE



**62%**

FOR PROFIT



**38%**

NONPROFIT

## WORKFORCE SIZE — FULL-TIME EQUIVALENTS (FTEs)

Small employer — under 100 FTEs

**31%**

Lower midsize employer — 100 to 499 FTEs

**40%**

Upper midsize employer — 500 to 999 FTEs

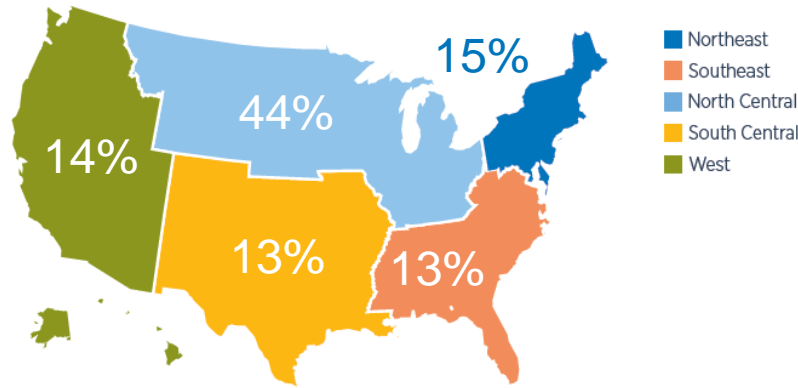
**12%**

Large employer — 1,000 or more FTEs

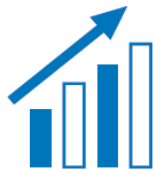
**17%**

# 2021/2022 Salary Planning Survey Participant Breakdown

## GEOGRAPHY



## OWNERSHIP STRUCTURE



**51%**

FOR PROFIT



**50%**

NONPROFIT

## WORKFORCE SIZE—FTEs

Small employer—  
under 100 FTEs

**34%**

Lower midsize  
employer—  
100 to 499 FTEs

**37%**

Upper midsize  
employer—  
500 to 999 FTEs

**10%**

Large  
employer—1,000  
or more FTEs

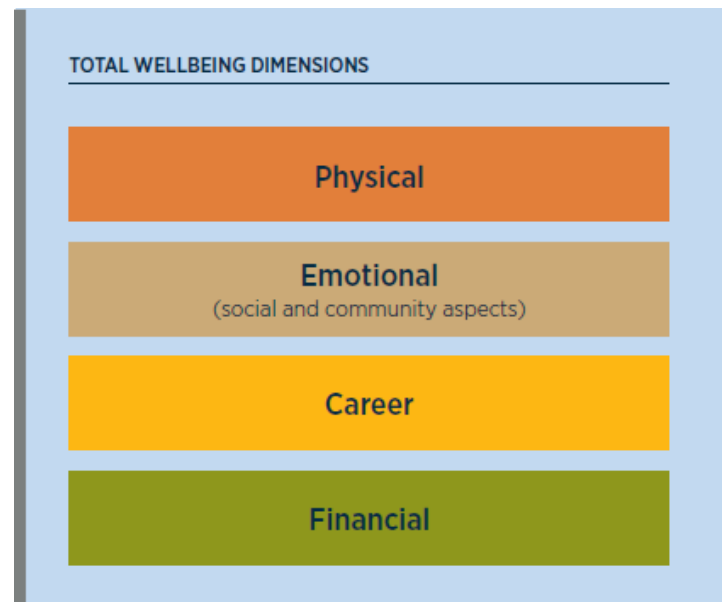
**20%**

# Gallagher's approach



# Employee Wellbeing

A strategic approach to promoting the wellbeing of employees.



## HR Leaders: Then & Now

The work Gallagher does with our clients makes the most of their talent investments and drives business growth

### HR Priorities: Pre-COVID

- 1 Attract & Retain A Competitive Workforce  
78% Of Respondents
- 2 Control Employee Benefit Costs  
47% Of Respondents
- 3 Create A Strong Culture  
38% Of Respondents

Gallagher's 2019 Benefits Strategy & Benchmarking Survey

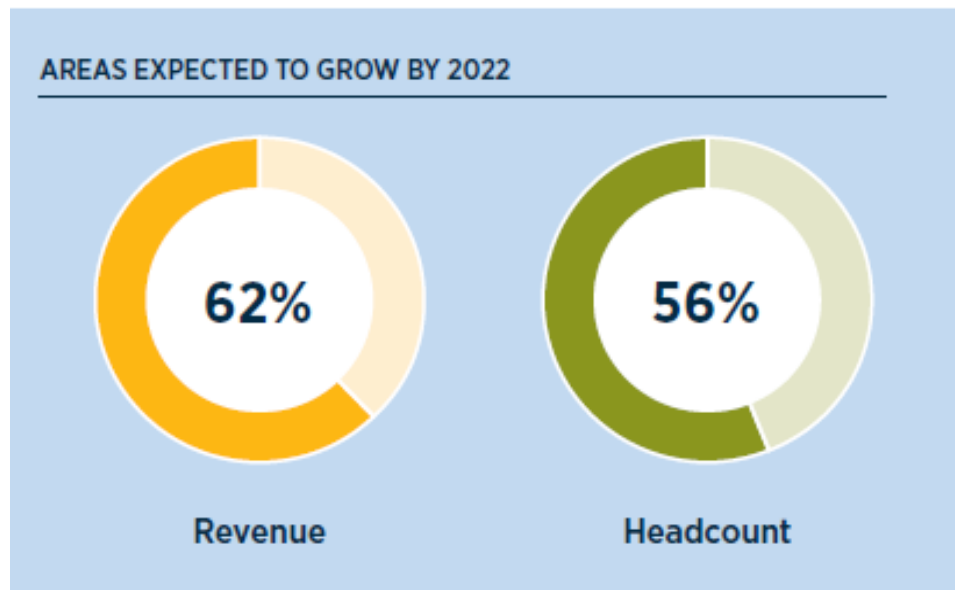
### HR Priorities: Now

- 1 Health & Safety Of Employees  
95% Of Respondents
- 2 Business Continuity  
74% Of Respondents
- 3 Recovery Plan  
43% Of Respondents

Gallagher's 2022 Benefits Strategy & Benchmarking Survey

# Economic Forecast

Signs of economic recovery are prompting optimistic forecasts for revenue and headcount increases.



Areas expected to grow by 2022



Headcount

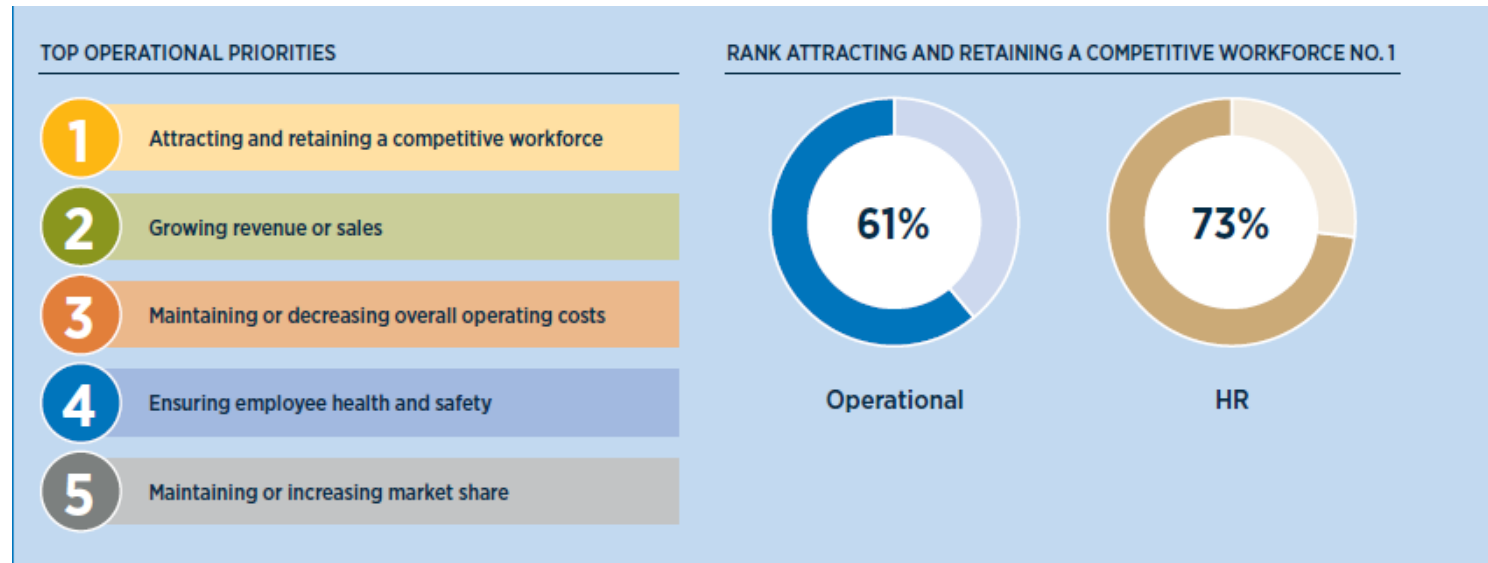


Revenue




# Top Operational Priorities

Most employers continue to prioritize attracting and retaining a competitive workforce.




# Full-time Employee Turnover

- Nearly 4 in 10 employers experienced turnover of 15% or more in 2020
- Actual turnover defied early expectations, with 13% instead of 4% of employers experiencing a rate of 30% or more
- An additional 26% had turnover of 15%–29%
- Retirement of key leaders was another pandemic consequence



# Pent-up turnover concerns increasing the focus on engagement.

- 35% of employers consider increasing workforce engagement a top HR priority
- 35% of employers consider training and developing employees a top HR priority
- 73% of employers consider attracting and retaining a competitive workforce a top HR priority

A woman with long dark hair, wearing a white blazer, is sitting at a desk and working on a laptop. She is smiling slightly and looking at the screen. The image is partially covered by a blue overlay on the left side, which contains text. The background is a bright, clean office space with a potted plant visible on the left.

## Using an employee wellbeing strategy likely promotes a stronger work culture.

Size influences the tendency of an organization to prioritize a whole- health employee benefits program:

- 11% of small
- 24% of lower midsize
- 35% of upper midsize
- 43% of large employers



Elevated support for emotional wellbeing and mental health is a top focus.

**Differentiators — more unique ways of promoting emotional wellbeing — include:**

- Adoption assistance (14%)
- Onsite meditation rooms (13%)
- Affinity groups (8%)
- Large employers more frequently offer these benefits at respective rates of 31%, 21% and 16%



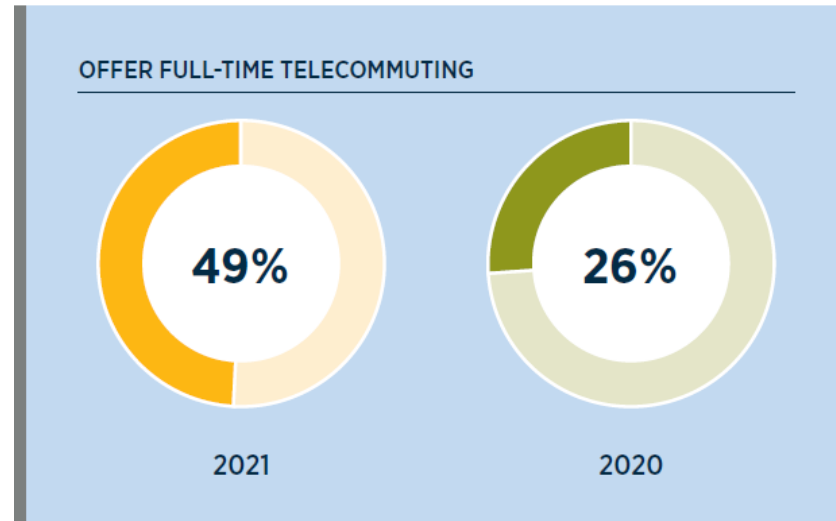


## All aspects of wellbeing have become more important to at least a third of employers.

- One or more aspects of employee wellbeing gained importance for employers from 2019 to 2021
- An 11-point increase to 64% for the social aspects of emotional wellbeing, in the past year alone, stands out as a significant shift driven largely by pandemic stressors
- Within the same two-year time span, physical wellbeing received more emphasis for 55% of employers and financial wellbeing for 51%
- The importance of the community aspects of emotional wellbeing (37%) and career wellbeing (36%) also rose

# Employee Wellbeing

People expect better of their employers, and flexibility is increasingly offered to support work-life balance.





# Investing in Total Rewards

**Enhanced compensation and medical benefits are the most common total rewards boosters.**

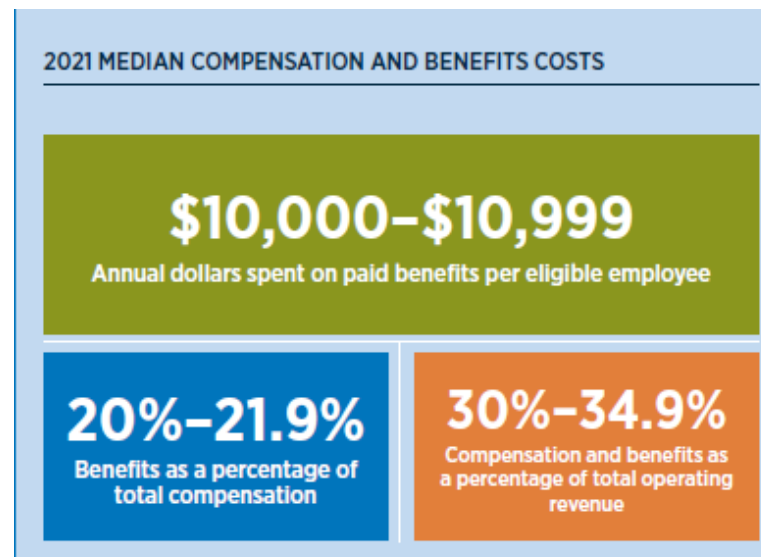
- Medical is the top benefits category for enhancement, targeted by 55% of employers
- 43% of employers have upgraded leave policies

**Over 70% expect to enhance base salaries**



# Compensation and Benefits Planning Horizon

Longer-term compensation and benefits planning can bring cost efficiencies and other advantages.



Undecided about addressing delays in preventive care with their employees

# Healthcare Costs

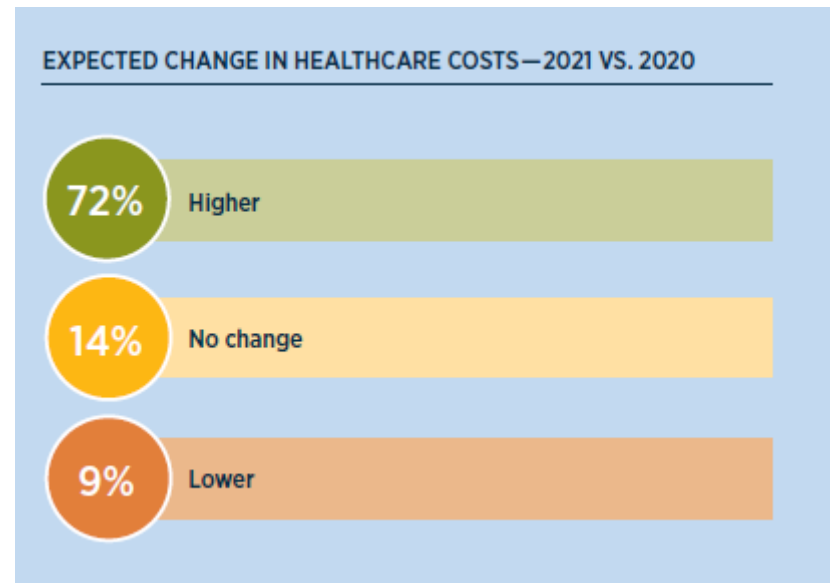
- Median benefits spending is about a fifth of total compensation
- Annual benefits spending remains stable compared to 2020
- Lower healthcare utilization and spending reduced cost pressures in 2020

## Change in Benefit Costs since 2019 (percentage of Total Compensation)

- Increased (35%)
- Stayed the same (49%)
- Decreased (4%)

# Healthcare Cost Challenges

Most employers expect moderate healthcare cost increases in 2021.



By encouraging and enabling employees to manage their wellbeing better, healthcare costs are mitigated.

# Top Healthcare Cost-Management Challenges:

1. High cost of medical services
2. High cost of specialty drugs
3. Unhealthy covered population (employees and dependents)

Benefit strategies, offerings and cost-management tactics remain largely unchanged in 2021.

Gallagher, "Benefits Strategy & Benchmarking Survey," March 2021

# Healthcare Cost-Control Measures

Telemedicine’s pandemic-accelerated growth has more firmly anchored its top spot among cost-control measures.

**USE OF STANDARD COST CONTROLS—LARGE VS. SMALL EMPLOYERS**

METHOD	LARGE	SMALL
Telemedicine	85%	43%
Disease management programs	65%	9%
Increased employee cost share through plan design changes	52%	25%
Healthcare decision support	42%	21%
Audits of plan eligibility	37%	5%

**USE OF VALUE-BASED COST CONTROLS—LARGE VS. SMALL EMPLOYERS**

METHOD	LARGE	SMALL
Designated centers of excellence	30%	2%
Narrow provider networks	24%	10%
Integrated health and disability management programs	18%	3%
Second-opinion services	18%	3%
Care coordination model	17%	1%

# Cost-Management Tactics

Adoption of cost-management tactics is expected to pick up over the next two years.



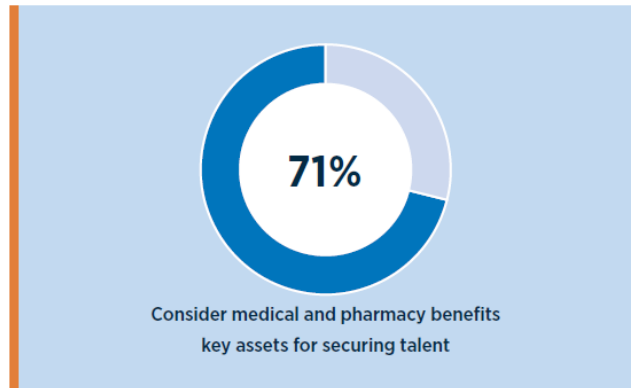
19% of employers plan to increase employee contributions to the cost of premiums





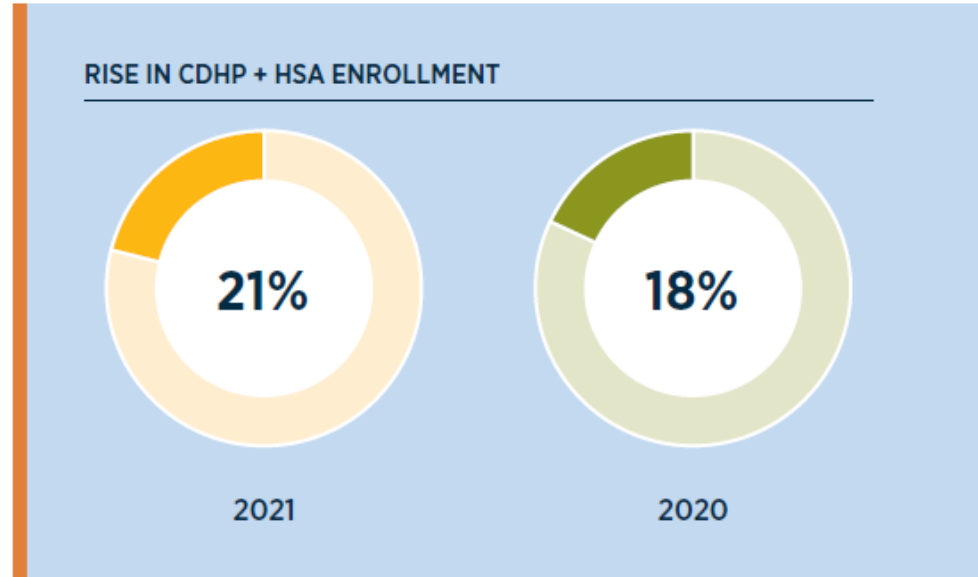
# Medical Benefits Planning

COVID-19 sharpened awareness about the value of adequate medical and pharmacy coverage.



# Types of Employer-paid Coverage Offered

Consumer-directed health plans (CDHPs) are making gains in the PPO-dominated market as cost pressures persist.





## 43% of employers have a self-insured health plan

- 15% of small employers are self-funded
- 87% of large employers have selected this option
- Only 4% of employers have chosen level-funded plans

Gallagher, "2021 Benefits Strategy & Benchmarking Survey," March 2021




# Cost Trends

- SHRM – Group Health plan premium increases 4.7% - 5.2%
- Willis Towers Watson – (378) 5.2% premium increases 2022
- Mercer – (1502) – 4.7% Per Employee increases for 2022
- Segal – (80 carriers, TPA's & PBM's) 7.3% on PPOs/POS
- Aon – (700) 5% increase “large self funded”
- Aon – U.S. medical cost trend 6.5%
- <https://www.shrm.org/resourcesandtools/hr-topics/benefits/pages/health-plan-cost-increases-return-to-pre-pandemic-levels.aspx>



# 2022 Medical Renewals

- When do you get your renewal? Are you properly prepared?
- Small, Mid, Large
- Trend – medical + pharma
- Covid Impact \* pent up demand , Tests
- Even for groups running well on a fully insured basis don't be surprised at around a 9-10% ask “out the door”

A man with glasses is looking out a window. The image is overlaid with a blue tint. The text is white and centered on the left side of the image.

For retaining and attracting new talent, proactively managing constant change is about keeping pace with the present—by evolving the employee value proposition through an integrated approach to total rewards, workplace culture and employee wellbeing.

Sensibly, many employers stepped back from making significant changes to medical benefits design in early 2021, but they're poised for action as pandemic management and economic recovery progresses.

Preserving a competitive healthcare package by improving value—and creating cost efficiencies—is the charge going forward.



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A year of giving back, **112,000+** volunteer & service hours in 2019



10 Consecutive years, **only** Insurance Broker



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