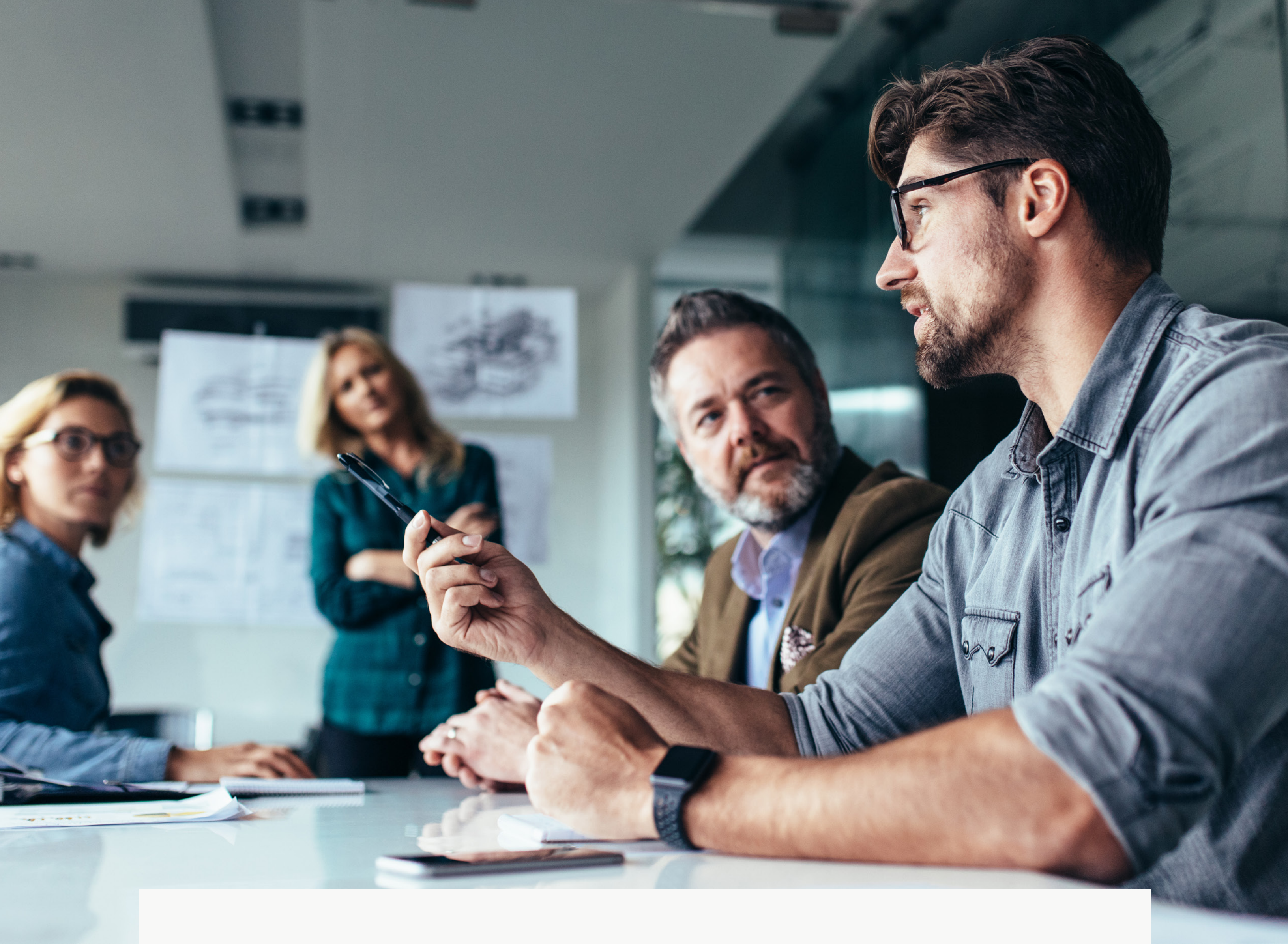
MY BENEFIT ADVISOR

Strategic Considerations for 2023 Benefit Planning

WITH GUIDANCE FROM MBA SPECIALISTS



Overview

Although business owners have only recently completed their 2023 plan year open enrollments and are just now flipping the calendar to embark on the new year, the specialists at MBA have already begun analyzing new employee benefit developments to determine any potential strategic modifications that clients may want to consider in order to assure adherence to their previously established benefit objectives.

In this paper we will share some initial observations on expected 2023 trends, industry developments and other healthcare related forces that might impact employee benefit programs, along with some appropriate guidance. Please keep in mind that the ideas and suggestions presented are broad-based and may need to be customized to fit the unique needs, circumstances and demographics of each client.

With any employee benefit program, the ability to achieve success depends on developing not just a customized strategy built on solid data, but one that provides the ability for any necessary modifications resulting from a changing environment.

Expect the Recent Cost Trend Increases to Continue

When planning ahead for changes to benefit programs over the next 12 months, there is sufficient evidence to cause employers and their benefit consultants to assume a continuation of cost increases in the medical field.

Although residual costs directly and indirectly related to the pandemic are expected to continue their downward trajectory from the height of COVID, they remain at an elevated level as coronavirus cases continue to ebb and fall. Additionally, the costs related to cancelled and deferred procedures are expected to continue into 2023. The combination of all these factors indicate that the challenges of coronavirus healthcare spending will remain with us in 2023.

More significantly, two additional factors will be the key drivers' of 2023 premiums:

Market Inflation Putting Upward Pressure on Healthcare Services

Accelerating trends in healthcare costs will be driven by factors including the general widespread rate of inflation, labor shortages, new technology, catastrophic claims and emerging gene therapies. Additional upward pressure is resulting from the consolidation of hospitals, physician practices and even insurers themselves. Although there is mounting evidence that overall inflation has peaked, it will still take time for the pressures on health care premiums to ease.

Utilization Trends for Healthcare Services

When insurance carriers look to determine premium levels for their various plans, one of the most significant factors they consider is utilization trends. Health care utilization has continued to rebound since its low point in 2020 during the early days of COVID. Notably impacting this trend are claims coming from individuals dealing with worsening severe chronic diseases and late-stage cancer due to missed or delayed care during the pandemic. Additionally, a large number of individuals who have recovered from COVID are experiencing cardiovascular and neurological diseases, further weighing on utilization.

Guidance

It is critical that clients understand the expectation of a continued increase in insurance related costs and volatility due to inflationary pressures and health care utilization trends. Depending on the demographics and financial circumstances of each client, it may be advisable to consider alternative funding strategies, adjustments in stop-loss levels and exploring more aggressive value-based care strategies. Many of these approaches have the potential to mitigate cost increases while improving overall quality of care.

In more traditional times, employers have focused on shifting increasing health care costs to employees through higher deductibles, co-insurance and payroll contributions. Although some employers are continuing to utilize this strategy, most employers are cautiously avoiding allowing the parameters of their benefit program to interfere with their efforts to recruit and retain talent due to the current labor market environment. As a result, your MBA team may suggest implementing a variety of different strategies to manage their healthcare costs while attempting to improve affordability for employees, including some of the following:

- Self-funding more of their costs with Health Reimbursement Arrangements
- Restructuring payroll contributions to reduce healthcare costs for employees
- Employing programs to combat fraud, waste, and abuse
- Increasing corporate healthcare plan budgets
- Contracting directly with high-quality, cost-competitive hospitals and physician networks, when feasible
- Requiring employees to use cost-effective medical centers or obtain preapproval for scheduled inpatient services
- Offering employees health care navigation and concierge support services
- Evaluating prescription drug costs, particularly for specialty drugs
- Expanding telemedicine and/or other virtual care services
- Implementing new benefit programs, such as wellness programs, or using vendors
- Expanding voluntary benefit offerings, such as supplemental health insurance for catastrophic events
- Supporting and effectively managing employees with chronic conditions, long-term illnesses, and complex diseases
- Seeking help from insurance brokers to detail organizational healthcare spending and educate employees on shopping for healthcare services

Rising healthcare costs are causing employers to reevaluate healthcare plan designs and offerings. By gathering data and using it to predict where and when increased costs may occur, employers can determine the best strategies to address growing healthcare costs.

Employee Access to Care Will Be in Focus

Assuring that all employees have access to care will continue to be a focus for employers and human resource personnel. Not only whether benefits are affordable, but also whether they are accessible to all staff, regardless of age, gender, disability, race or ethnicity. (More information on health care inequities will follow in this paper.)

Employer-sponsored healthcare benefits account for a significant portion of a worker's compensation, yet they often go underutilized. Understanding the scope and details of benefits available to them is front and center for enabling employees better access to their benefit portfolio. Many barriers plague workers aside from lack of health insurance literacy however, including financial constraints and no access to reliable transportation. In order to fully support employees' healthcare needs, employers must consider social determinants of health — income, community, transportation, literacy, housing — as they think about improving access to healthcare.

Expanding Access to Care

Options for improving access to care, depending on group size, can include shared network or near-site employee health centers and virtual primary care that opens healthcare access for even remote employees in locations where employees might otherwise have difficulty accessing care. Each of these options provides regular, convenient access to care for employees in diverse industries and geographies.

By offering healthcare services at a free or reduced cost, employers remove a huge barrier to access, and benefit from a healthier, happier and more productive workforce. Many employers see a 1:1 return on their investment during the first year and a 2:1 return possible in subsequent years.

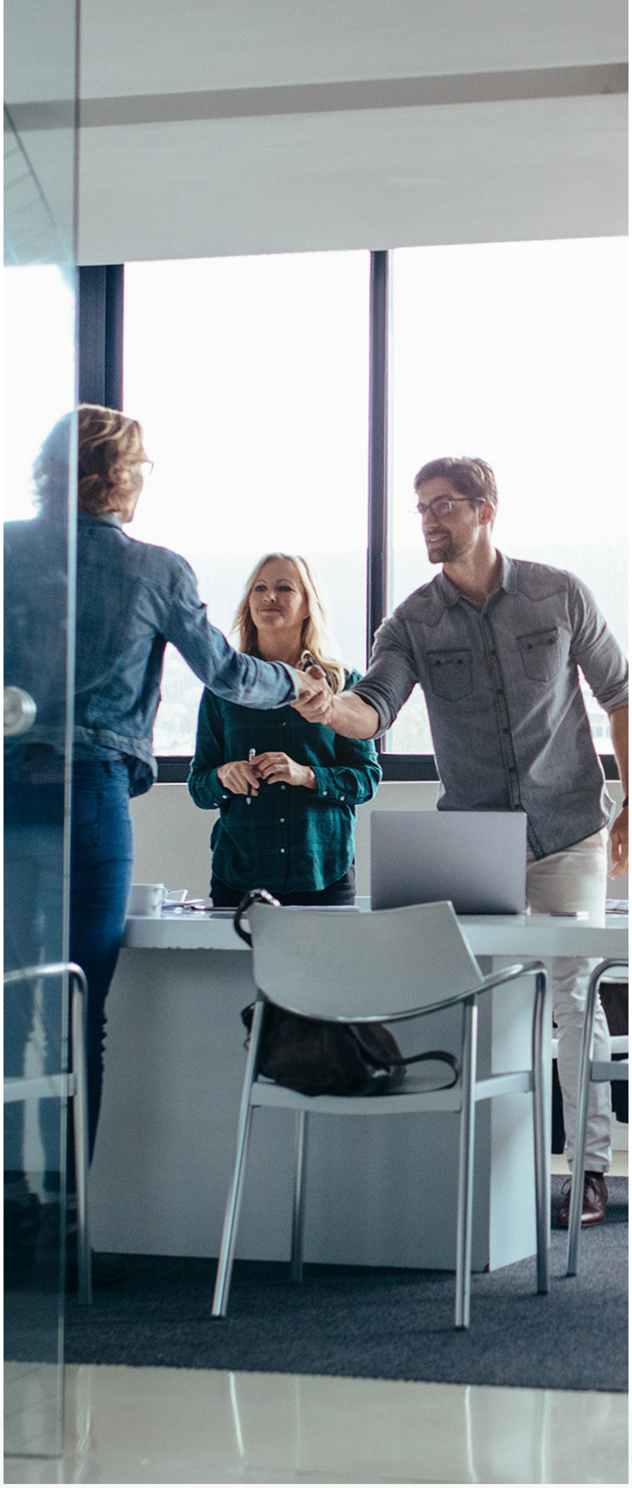
Education and Engagement

Of course, to get employees and their families to use onsite, near-site and virtual primary care services, employers must inform and engage workers on the options available to them. Friendly programming, like meet-and-greets, health fairs and testimonials, helps engage employees in healthcare offerings.

Removing Barriers to Care

When confronted with disease or other health care challenges, it shouldn't matter where the employee and their family live. They should have access to the best medical care or the best medical experts, not only in their local geographic area but anywhere in the country.

Additionally, patients with limited spare time or lack of transportation benefit from virtual care options. Employers may also consider offering employees paid breaks to visit health centers, which encourages them to attend to health needs. Some employers may find a benefit to bringing health services directly to their employees, whether it be flu shot clinics or biometric screenings.



EMPLOYEE ACCESS TO CARE WILL BE IN FOCUS

Assisting with Patient Navigation

Healthcare advocacy works on the relationship between provider and patient, using methods such as appreciative inquiry to engage patients in the physical, emotional and environmental factors that define their health. Because providers work outside of the fee-for-service model, they have time to engage patients in conversations about their health and wellbeing in the larger context of their life. Providers then use their learnings to provide patient advocacy and navigation across the entire spectrum of available services, whether that be:

- Providing referral coordinators who help patients find the best specialty providers and services; scheduling appointments; and ensuring patient follow-through via appointment confirmations.
- Utilizing price transparency tools to help patients make value-based decisions.
- Addressing social determinants of health issues that may be impacting patients.
- Connecting patients to other resources (support groups, fitness opportunities, stress management, etc.).

Guidance

A review of each company's benefit portfolio and any geographic challenges presenting to employees is necessary in order to address any potential areas that may present barriers to accessibility of care. Specifically, changes may be required to eligibility requirements, plan contribution schedules, coverage plans and perhaps most importantly, specific benefit provisions, such as virtual benefits and/or patient navigation.

Employee access to care remedies can often times be as simple as providing broad-based virtual care benefits, both for general health conditions and mental health care concerns. To gain more in-depth effectiveness, proper communication and targeted access enhancing tools and services can be implemented. In all cases, it is important for management to interact with employees to learn of their specific concerns and needs, in order to craft the most accurate fix.

Behavioral Health Care Needs Will Persist

Individuals have struggled with mental health and substance abuse challenges long before the onset of COVID-19, but the pandemic served to heighten awareness of the problem, with many employers expanding their company's mental health and well-being benefits in 2020 through 2022. Business owners can expect this trend to continue through 2023.

Ongoing emotional and physical well-being needs are making it necessary for employers to re-examine their benefit portfolios to assure that employees not only have access to a sufficient level of care but are also aware of the benefits being offered and how to use them. Blindly adding benefits without a clear strategy for improving access to care does little for ROI. And for proper scope of coverage, employers need to look beyond the employee to assure that the employee's family is also both covered adequately and aware of the benefits available to them.

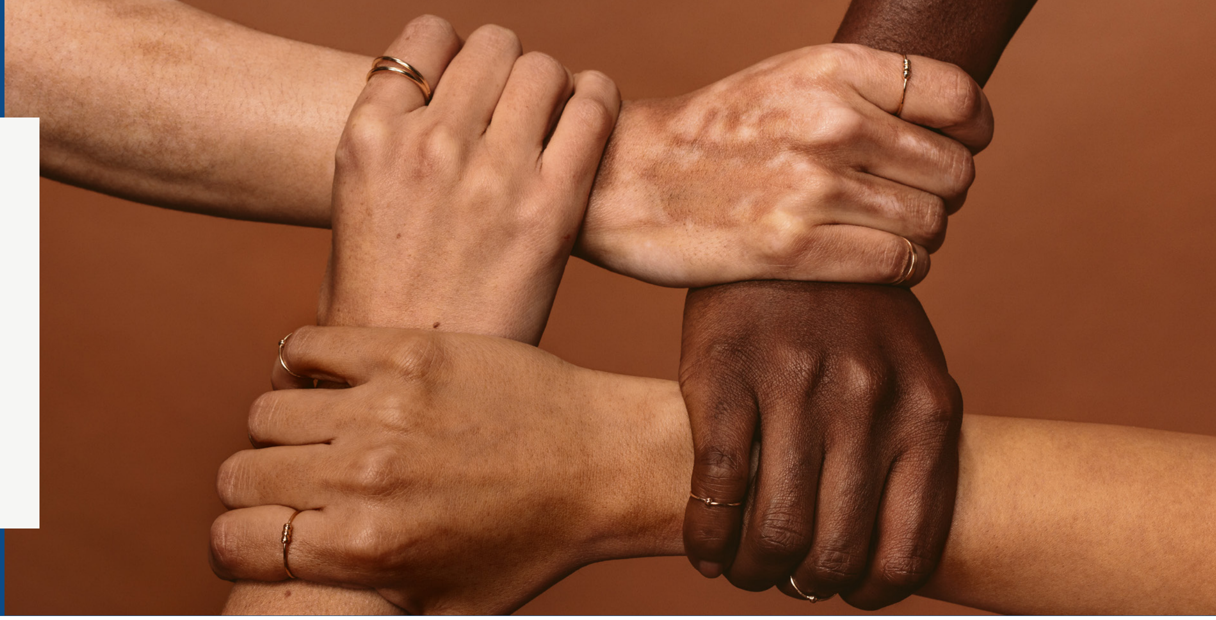
Another area of focus, virtual care, which has now become firmly established for general health care in most employee benefit programs, is also proving to be highly effective as a means for employees to access behavioral care as well. Virtual appointments give patients more options while also reducing costs to the practitioners, which lowers utilization costs for the employer. Racial and ethnic minorities, many of whom suffer from poor mental health outcomes due to the cultural stigma and lack of access to mental health care services, will benefit substantially from sound virtual care programs.

Offering online services and providing manager training to help recognize mental health issues should be among employers' top strategies for addressing mental health and well-being issues in 2023.

Guidance

An analysis of each company's behavioral and well-being health care strategy may determine if there are any areas of weakness that may need to be addressed. In addition to specific benefit details, our team will review and may recommend adding or bolstering existing:

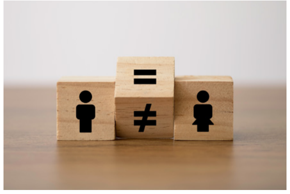
- Employee Assistance Programs
- Online behavioral healthcare resource apps, classes and/or articles
- Management training, designed to assist management in recognizing employee behavioral health issues and how they can better steer employees to utilize the proper resources
- Conducting an anti-stigma communications campaign targeting behavioral health issues
- Employee training, designed to recognize peer behavioral health issues and guiding them to appropriate resources



Push to Address Health Disparities Among Workers is Expected to Accelerate

For a large number of employees and their families, even those covered under a health plan, a confluence of factors impede their ability to attain good health and proper well-being. These impacts, also known as the social determinants of health, include such factors as economic status, level of education, language barriers, home and neighborhood environment, safety concerns, access to healthy foods, a strong circle of family and friends, and access to quality health care and they all present obstacles in the quest to attain quality of life, well-being and longevity.

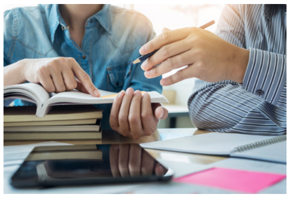
For employers, this presents a serious challenge. The classic "one size fits all" approach is not effective at eliminating the state of health inequity that may exist within their business. Instead, it would be beneficial for decision makers to perform a re-assessment of corporate benefit and wellness strategies with consideration of the real-life societal, financial and environmental challenges their employees encounter on a day in, day out basis. Their goal in doing so is to achieve health equity within their company, where no employee or family member is disadvantaged from achieving their full health potential.



Gender Inequality

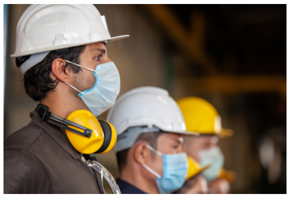
Systemic Racism

Unconscious Bias



Literacy Levels

Economic Status



Safety Concerns

Circle of Friends

Stress Levels

In 2023, many employers will continue to address benefit gaps and disparities through their diversity, equity and inclusion initiatives, targeting some of the following areas of concern:

Racial and Ethnic Benefit Gaps

As employers gain new insights into the degree of health disparities that might exist within their company, they are beginning to correct the problem and help close these gaps. Some methods that can be employed might include specialized behavioral health care support, communication programs targeting specific gaps and disparities, assuring all forms of communication are available in any employee-spoken languages beyond English, search functionality for identification of acceptable providers and other programs designed to reach the needs of specific racial or ethnic groups.

LBGTQ+ Benefit Gaps

Employers have begun and will continue their efforts addressing LBGTQ+ health disparities through an expansion of benefits by offering specialized support for mental health and the addition of fertility treatment coverage, adoption and surrogacy benefits.

Gaps For Those with Disabilities

Unfortunately, employers may find it easy to overlook the needs, disparities and coverage gaps for workers with disabilities. As a result, employers should consider the addition of coverage for things like hearing tests, hearing aid and cochlear implants, body support devices, enhanced speech, and occupational and physical therapy benefits.

Guidance

By raising awareness through consultation and education, our staff has been helping employers address health equity. We communicate to employers that on average, racial and ethnic minorities are in poorer health, suffer worse health outcomes and have higher morbidity and mortality rates than their white counterparts. We also emphasize that many employee benefit programs leave gaps in coverage for the LBGTQ+ and employees with disabilities.

By assisting employers in addressing these inequities through careful review of current benefit programs and an identification of potential gaps in care, we can help employers affect remedies that will provide better access to care among all employees and improve the likelihood for more positive health outcomes among these minority groups.

Employers Will Look to Offer Employees Improved Work/Life Balance

Employers will move from a more traditional view of ROI (return on investment) representing cost savings to one more focused on an investment in their employees emotional, social, physical and financial well-being. By offering programs, services and benefits that encourage workers to engage in rewarding and sustainable work behaviors, employers can improve the overall balance between work life and personal life and building employee morale, loyalty and productivity as a bonus.

As a result, employers are looking to add programs and services that demonstrably support the concerns of their employees. Specifically, they are looking to add or bolster their offerings in the following areas:

Flexible Work Schedules and PTO

Work from home options, implemented during the pandemic, will continue to exist, although with some modifications moving forward. Flexible work schedules (such as flex time during the day or a 4-day work week), initiated by some employers previously, are expected to see a more widespread rate of adoption in 2023. Many business owners have responded to employee requests and have begun offering paid time off to volunteer services and sabbaticals (after a specified length of service).

Family Oriented Programs

Several options focusing on the employee's family will continue to be added to benefit packages in 2023, including paid parental leave, paid adoption and/or foster child leave and surrogacy leave. Onsite lactation rooms, programs providing elder-care assistance and child care assistance are also expected to become more widespread.

Emergency Savings Accounts

The ability to tap into liquid assets to cover unexpected expenses instead of drawing from their retirement savings is an important element of an individual's financial security, yet many people are unprepared and unable to build such a reserve. As we move further into 2023, expect more employees to focus on securing emergency savings. Employers can help by establishing an Emergency Savings Account (ESA), whereby funds are deducted from an employee's paycheck and placed into an account that the employee can tap to assist with any immediate financial emergencies.

Employee Assistance Programs

Due to mounting stressors from various health risks, supply chain issues, inflationary pressures and work challenges to name just a few, the national employee population remains at a heightened level of stress and anxiety. Without the resources and ability to resolve the burdens these employees face, office morale and productivity is often impacted. Employers can help by either implementing or expanding their existing EAPs. Companies can also provide resources for employees to access such as information regarding local therapists and counselors, psychiatrists, suicide hotlines and substance abuse programs, meditation classes and yoga studios.

Student Loan Repayment Programs

Increasingly, individuals comprising today's workforce are straddled with significant levels of student loan debt. At the same time, these workers are often conflicted as to whether they should focus on paying off their debt or set aside funds to pay for retirement. As an employer, adding a student loan repayment program to your employee benefit portfolio not only helps them address this dilemma, but also represents a tremendous opportunity to help attract and retain key talent.

Guidance

There are many methods that allow employers to demonstrate support for their employees in their efforts to build their family and nurture the needs of their dependents. The best programs will vary due to a variety of the unique logistical and demographic characteristics of each employer group and their general corporate objectives and philosophies. After in-depth consultation and several discussion sessions, and with access to our extensive and pre-screened third-party vendor relationships, our staff will work with each client to develop the most targeted, efficient ROI for the business.

Alternate Funding Model Options Will Continue to Expand

If you are an employer facing a large renewal rate increase you may not be aware that reducing benefit levels is not the only effective strategy to lower healthcare costs. Alternative funding models, once only available to large groups, have become an increasingly favorable method of controlling costs for companies of all sizes. Additionally, various funding models can improve benefit flexibility, allowing the program to be tailored to fit the needs of each company's diverse workforce.

With the annual increases in medical care persistently outpacing general inflation, there appears to be no end in sight to unsustainable annual premium rate hikes for employers. And with the cost of employee health care programs typically ranking in the top three expenditures of an organization's overall budget, it should come as no surprise that alternative funding solutions have become popular. With options ranging from fully insured to true self-funding, including minimum premium, level funding, partially self-funded arrangements, and other hybrid versions, there exists a rating method to fit the needs and individual characteristics of every employer.

But the determination of which arrangement works best for a company is complex, requiring thorough planning and a long-term benefit strategy (typically 3-5 years). Selecting a broker with in-depth knowledge, comprehensive experience and adequate resources is critical to the success of this endeavor, as the brokerage firm will play a key role in the development and ongoing management of the overall process.

Guidance

The spectrum of funding models available to businesses of all sizes has expanded greatly over the past several years. Our team will meet with company leaders to ascertain the level of readiness, provide an evaluation of options and create an action plan for transition to a new rating model that is right for the company. Possessing expertise in all aspects of alternative funding, including stop loss, cost containment, employee engagement and education activities, and developing data-driven wellness programs, we are optimally suited to provide detailed and comprehensive insights into all funding models. By compiling employee demographic information, discussing your company's risk tolerance and performing a thorough analysis of claim utilization data, a cost projection can be developed, allowing for a better understanding of the financial impacts and resultant savings that might be expected.

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