



# Employer report: Survey highlights challenges and opportunities among benefits professionals



# Key Findings:

1

**Economic concerns are limiting what benefits employers offer and may prevent some employees from enrolling.**

2

**Many employers struggle with communicating the value of benefits to employees.**

3

**Nonmedical wellness programs and voluntary benefits are trending upward, helping employers offer enticing benefits packages.**

4

**Retention is an important focus for employers navigating a shifting job market.**

5

**A majority of employers would like to use more third-party vendors to support their business.**

## INTRODUCTION

**2023 saw inflation driving a steady increase in healthcare costs. Employer health insurance costs increased 6% on average compared to 2022—and the rate is expected to increase to 6.4% in 2024. Meanwhile, employees experienced an overall cost increase of 3.3% in 2023, when considering premiums and out-of-pocket costs.<sup>1</sup>**

Employers, facing a tight yet shifting labor market, are taking steps to control costs and limit how much expense they pass on to workers. However, future cost increases for employees are likely.

How are employers grappling with rising costs and the need to offer comprehensive benefits that attract and retain employees? What benefits are employers prioritizing, and how are they winning employee buy-in? How are employers doing right by their employees, while managing their budgets?

To answer these questions, Optavise surveyed over 200 U.S. employers with 50+ employees about the challenges and barriers they face, their rewards packages, their ability to hire and retain employees and how they reach employees about benefits. Further, 93% of employers surveyed offer fully insured health insurance programs where the carrier that administers benefits, processes claims and assumes risk.

Under **fully insured plans**, employers pay a fixed premium to a third-party commercial insurance carrier that covers claims.

## ECONOMIC UNCERTAINTY: INFLATION IMPACTS BENEFITS PROGRAMS

Both employers and employees are feeling the impact of inflation, are concerned about a possible recession—and are weighing these worries as they make important decisions about benefits.

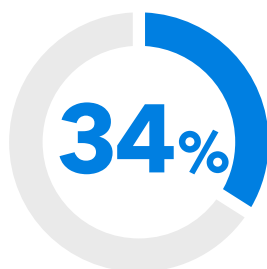
### Employers feel the weight of the economy

Many employers feel like they're performing a juggling act, striving to strike a balance between offering competitive, comprehensive benefits and maintaining a bottom line amid economic concerns.

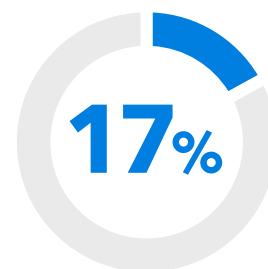
Many employers are bearing the brunt of rising group health insurance costs, leading **half (51%) of employers** to say that inflation affected what benefits they are able to offer in 2024.

Looking toward the future, many employers indicate that they're considering adding new benefits to their portfolios. However, many are finding **costs to be the biggest hurdle**. When asked what variables are the most challenging when considering adding benefits to their portfolios, 62% of employers said cost to the company, 46% reported out-of-pocket costs for employees and 46% indicated economic uncertainty.

**"Inflation has affected what benefits we are able to offer this year."**



Somewhat agree



Strongly agree



**75%**

of organizations with 50-499 employees say increased out-of-pocket costs for employees are a barrier to getting employees to enroll in a benefits program.

## Employees struggle to keep up with rising costs

With everything costing more, from groceries to utilities, many employees are concerned about the decreasing buying power of their take-home pay.

And inflation hasn't only affected consumer goods. Approximately two-thirds (66%) of employers say that increased out-of-pocket costs for employees is a barrier to getting employees to enroll in a benefits program, while **52%** of employers indicate that economic uncertainty among employees prevents them from enrolling in various benefit offerings.

Employees declining benefits to stretch their dollars can become problematic in several different ways. Not only can it put employees in a **precarious position** if they face a critical illness or injury without comprehensive benefits, but it can also **negatively impact** employee engagement and retention at the workplace.

## EMPLOYEE BENEFITS: COMMUNICATING VALUE AND CONSIDERING NONMEDICAL

Employers offer benefits to attract and retain top talent and to boost employee engagement and productivity. However, benefits are only a variable if employees understand how to use them. Let's dig into data that explores the importance of effective benefits communication, plus the untapped value of nonmedical benefits.

## Employers struggle to communicate the value of employee benefits

Economic uncertainty is a barrier to employees enrolling in benefits, but that doesn't tell the whole story.

**More than half (53%) of employers** report that **employees' lack of understanding of the value of benefits** is an obstacle to getting employees to enroll in benefits offerings.

Benefits can be complex and confusing to employees, and the majority don't have the time or know how to research information. Most employees rely on their employers to provide benefits education, but many organizations struggle with providing employees these resources. Some employees, therefore, turn to friends or the internet to get their information. Our survey found that more than a quarter of employers say that lack of resources to effectively roll out and communicate offerings (27%) and lack of one-on-one benefits counseling (25%) are barriers to getting employees to enroll in a benefits program.

Still, even among employers that strive to educate employees about benefits programs, there are discrepancies between the resources employers say they provide to help employees understand their benefits versus those that employees say their employers provide. For example, 61% of employers report offering presentations/group sessions with HR, while only 30% of employees say they were offered this. Similarly, 26% of employers report sending text messages about benefits, but only 7% of employees say they received the texts.

There are a couple interpretations of these discrepancies. It could be that employees are unaware of the resources available to them, indicating a lapse in communication. Or perhaps these resources aren't resonating with employees, making them simply forgettable. **Both explanations highlight the importance of finding the most effective and useful ways to reach employees about benefits.** Employers wanting to overcome these issues may look to invest in year-round communications, or a formal benefits strategy, even if that means bringing in outside resources or a third-party vendor.

### **Nonmedical benefits are on the rise**

Let's now shift focus to a benefit trend we expect to see in 2024 and beyond: **the rise of nonmedical benefits.**

When asked how important nonmedical benefits are to their workforces, **87% of all employers** say that these benefits are extremely, very, or moderately important. Employers in blue-collar industries, such as agriculture, forestry, mining, construction, manufacturing, transportation, warehousing, and wholesale, report the strongest results, with **98% of respondents** in this category indicating nonmedical benefits are at least moderately important to their workforces.



We asked employers what nonmedical benefits they added in the past three years, and the most common additions included: wellness programs such as mental health programs or services (53%), flexible or work-from-home arrangements (52%), flexible workday hours/requirements (50%), and physical wellness incentives (43%). In addition, employers report that life insurance (44%), accident insurance (43%), and short-term disability (42%) were the most-added voluntary benefits over the past three years.

**Nonmedical benefits** help improve the overall mental, physical, and financial health and work-life balance of employees and can include wellness programs and voluntary benefits.

**Looking ahead to the next one to two years, around one-third of employers say they’re considering adding financial wellness:**

<b>Employers are considering adding these new benefits over the next 1-2 years</b>	
<b>Total reward package</b>	
Financial wellness program	34%
Physical wellness incentives	32%
Caregiving benefits or programs	31%
Enhanced bereavement policy	30%
Mental health programs or service	30%
<b>Voluntary benefits</b>	
Annuities	28%
Cancer insurance	27%
Critical Illness insurance	26%
Stroke insurance	25%

**Wellness programs and voluntary benefits that go beyond medical can help give organizations a competitive advantage.**

They can help boost employee happiness and engagement, increase employee productivity, and help organizations stand out as an employer of choice. Plus, they tend to be cost effective with affordable premiums that can be paid by the employer, employee, or a combination of both, depending on the type of benefit.

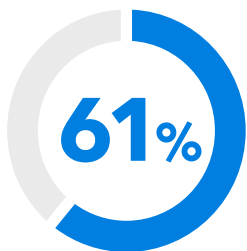
## TALENT: RETAINING AND ATTRACTING EMPLOYEES

The Great Resignation may be over, but so are the days of employees working for the same company from the start to the finish of their careers. Job-hopping is more accepted than ever, but that doesn't make it ideal for employers. Let's explore employers' thoughts on retaining and attracting employees.

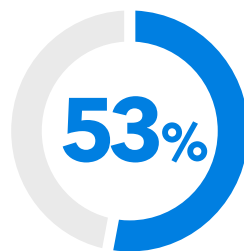
### Employers are focused on retention, but there's room for improvement

Cost reduction, improved culture and morale, better employee experience, increased productivity, and training efficacy are just a few advantages of employee retention. **Unsurprisingly, retention is a major focus of employers,** with 84% saying they have made changes to keep employees.

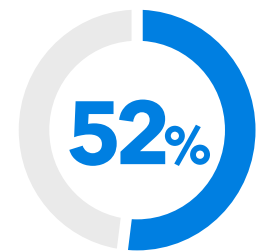
While many employers have made changes to keep talent, most recognize areas where their organizations can improve and indicate that the following variables moderately or largely impact their ability to retain employees:



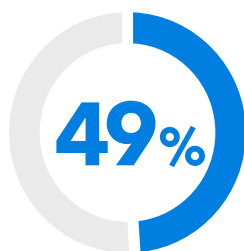
Competitive  
market



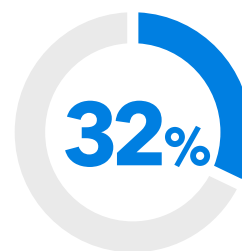
Interest in flexible  
work arrangements



Employee expectations of  
compensation package



Ability to work  
remotely



Lack of formal orientation  
program for new hires

Many employers have a desire to tackle these retention concerns, but face challenges that prevent them from taking action. Most notably, 33% of employers say that costs associated with enhancements prevent them from acting. Another 19% say other needs take priority, while 12% report they don't know how to improve retention.

## Employee happiness + flexible work arrangements

One significant influence on retention is employee happiness. Happy employees tend to feel energized by their work, while unhappy employees feel drained. Our study found that overall, 79% of HR professionals somewhat or strongly agree that they feel energized by their work, with HR professionals reporting the highest levels of energy. HR professionals also benefit from flexible work arrangements—with 76% reporting that flexible work arrangements have positively affected their well-being.

On the other end of the spectrum, public sector and service industry professionals are least likely to be energized by their roles and are less likely to have flexible work arrangements.

### Advantages of flexible work arrangements

#### For employees

- ▷ Increased work-life balance
- ▷ Less stress
- ▷ Better health
- ▷ More options for dependent care

#### For employers

- ▷ Higher productivity
- ▷ Decreased turnover
- ▷ Reduced absenteeism
- ▷ Increased engagement and retention
- ▷ Broader talent pool

### These results highlight the importance of flex work among employees.

Some industries allow more flexible work options than others, but it's important for all employers to consider what they can do to give their employees flex options.



Companies with workers that are traditionally tied onsite to set shifts are introducing greater flexibility with strategies such as: on-demand schedules, shortened workweeks, new shift permutations, new shift times, cross-training to provide workers more agency, and job-sharing arrangements. **With no one-size-fits-all solution, the right answer for employers depends on employees' wants and needs, as well as the realities and constraints of individual businesses.**

## Organizations navigate a shifting job market:

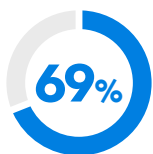
Retaining employees is important—but so is attracting new, quality candidates.

Employers have been navigating a job seekers' market for quite some time. However, a shift in 2023 has left companies more confident in their ability to hire quality workers for open positions compared, to previous years.

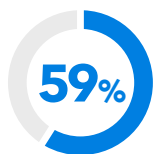
Still, **59%** of employers say that a competitive job market is negatively impacting their ability to hire new employees, while **69%** indicate that they struggle with finding quality candidates.

These numbers show that although workers may be losing leverage in the job market, **it's crucial to continue to make strong offers with enticing benefits packages and cultures that meet employees' needs.**

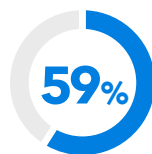
*These variables have a moderate or large **negative impact** on employers' **ability to hire new employees:***



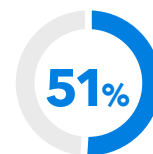
Quality of candidates



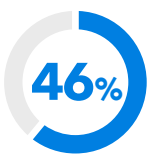
Competitive job market



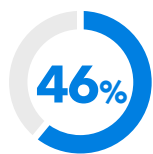
Candidate expectations of salary



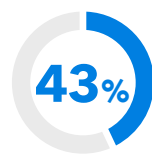
Interest in flexible work arrangements



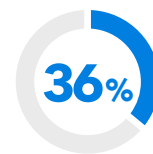
Interest in remote work options



Overall benefits package not competitive



Expectation of speed to make an offer



Lack of resources to identify & screen qualified candidates

## SOLUTIONS: HELP FROM BENEFITS PARTNERS AND THIRD-PARTY VENDORS

Managing employee benefits is an enormous undertaking, especially for small and midsize businesses that may not have the workforces to support robust benefits programs. However, there are resources available to assist employers.

### Employers face challenges adding benefits

When asked what variables are the most challenging when it comes to adding new benefits to their portfolios, **about a quarter of employers face barriers** related to benefits administration (25%), time (25%), lack of resources (23%), and lack of knowledge (22%). Additionally, 13% of employers report technology limitations, with the public sector industry struggling the most, with more than a quarter (27%) of respondents reporting technology limitations.

### Benefits partners and third-party vendors offer helpful solutions

A good benefits partner can help employers identify ways to overcome some of the challenges faced when adding benefits to their portfolios.

#### A benefits broker, for example, can connect employers to solutions that may address benefits hang-ups such as:

- ▶ **Assistance with sourcing** the best products and programs for employer and employee needs and budgets.
- ▶ **Administration technology** systems that help manage, communicate and enroll employees in the benefits process.
- ▶ **Communication strategies** that get employees to review elections, enroll in benefits and take action.
- ▶ **Comprehensive compliance** support keeping employers current and compliant.
- ▶ **Education** helping employees understand benefits and make smarter decisions.
- ▶ **Ongoing advocacy** supporting employee healthcare and benefits needs.

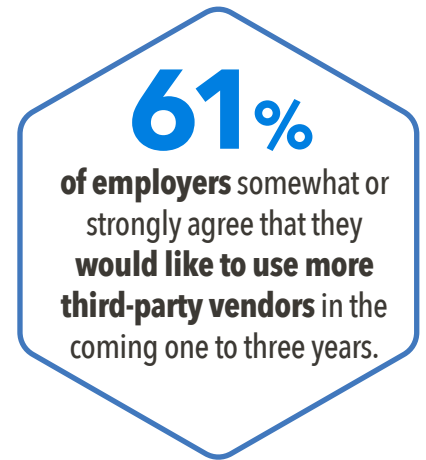
With benefits continuously becoming more complex and requiring more dedicated expertise, **we expect the use of benefits partners and third-party vendors to grow in the coming years.**

## CONCLUSION

Many employers are dealing with a mixed bag of challenges and barriers—but are still working toward improving their benefits packages with enticing new rewards.

External economic concerns will persist, and employers and employees will continue to navigate the resulting rising healthcare costs. However, employers who add nonmedical wellness programs and voluntary benefits can help relieve the sting of high health insurance costs, as these benefits help support employees' overall wellbeing and provide an additional level of financial security in the event of unforeseen circumstances.

Partnering with quality benefits partners and third-party vendors can help employers overcome benefits challenges. With expertise and resources on their side, employers can be confident that their benefits will be well-received among employees, while improving their ability to attract and retain top talent.



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<sup>1</sup>CNN, Health care costs at work set to rise steeply in 2024, <https://www.cnn.com/2023/10/31/politics/health-care-costs-job/index.html>, October 2023. Unless otherwise noted, all data derived from Optavise employer survey conducted October 26 to November 28, 2023.