



EMPLOYEE BENEFITS BAROMETER 2018:

New Research Reveals the Business Value of Strategic Benefits Planning

HUB International's annual research study reveals the top priorities of today's HR professionals, and why a multi-year plan is crucial to navigating the challenges and opportunities of our changing benefits landscape.

It's a challenge familiar to benefits professionals across industries: How to best provide employee benefits that promote a healthy, productive, and dedicated workforce, all while staying within tight budget constraints. Human resources executives often have to address this challenge while juggling other constraints, from changing regulatory environments and expanding workloads to shifting talent acquisition and retention trends. As a result of these pressures, HR executives often turn to short-term solutions instead of the longer-term, more strategic approaches that may better serve their organization and its employees.

HUB International recently commissioned SourceMedia Research and *Employee Benefit News* to explore current practices around benefits decision-making. The findings indicate that while many human resources professionals understand the benefits of adopting a long-term planning approach to employee benefits, few actually do so. Those long-term plans may help firms:

- prioritize cost management strategies
- offer employees tailored benefit plans and communications
- invest in HR and benefits administration technology

Executive Summary

The most important survey findings show that for American companies with 50 to 1,000 employees:

- **HR executives still aren't embracing multi-year benefits planning:** 66% of respondents have a short-term planning cycle when it comes to making major changes to benefits, funding and contribution strategies.
- **Costs and employee guidance remain top priorities:** 66% of respondents selected managing costs as one of their three primary benefits priorities; 40% list helping workers make better benefits decisions.
- **Cost management is a priority, but isn't reflected in many HR executives' short-term plans:** While two-thirds of companies say one of their goals is to better manage health benefits costs, 49% do not plan to implement any new cost management programs in the next 12 to 18 months. What's more, 54% say they've done all they can reasonably do to control rising medical costs.
- **Few prioritize addressing the diverse benefit needs of a multi-generational workforce:** Even though millennials are playing an increasingly important role in the workforce, just 20% of respondents identified this objective as a top priority, down from 28% last year.
- **Technology investments face C-suite skepticism:** 46% say technology upgrades would reduce their workload, but 34% report challenges convincing CEOs and CFOs to make such investments.
- **Wellness can provide a morale boost:** 51% say improved employee morale was the biggest benefit of newly implemented wellness programs.

Methodology

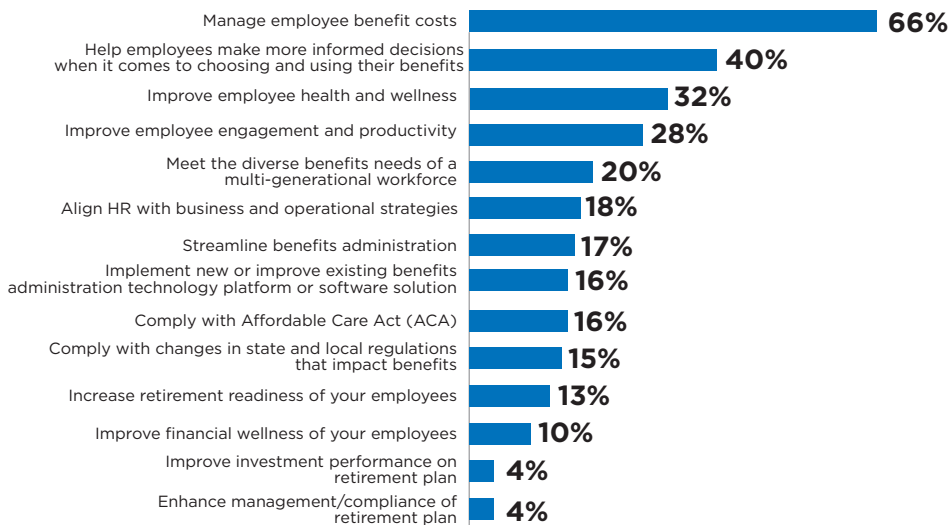
In December 2017, SourceMedia Research conducted an online survey among 337 employee benefits professionals from organizations with 50 to 1,000 employees, drawn from *Employee Benefit News*' opt-in subscriber base.

Top Priorities Benefit From Multi-Year Planning

When asked to select their top three employee benefits priorities in 2018, respondents rank most highly managing employee benefit costs (66%), helping employees make more informed benefits decisions (44%) and improving employee wellness and productivity (32%). In recent years, complying with changing regulations at the federal, state and local levels — once top priorities — has garnered lower rankings. For example, last year 26% of respondents listed complying with the ACA as a top priority, but this year just 16% rank it highly, a reflection of the continued uncertainty regarding the future of the Act.

FIGURE 1. Top Benefit Priorities

Survey question: Which of the following are the top three employee benefits priorities for your company in 2018? (% rated action as a Top 3 priority (combined; totals will be more than 100))



Source: HUB International Employee Benefits Barometer 2018 Study, SourceMedia Research/*Employee Benefit News*, December 2017

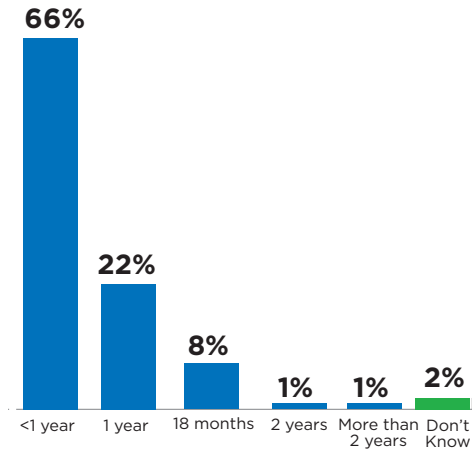
“My company is experiencing rapid growth. We struggle to support the growth administratively and we don’t have time for proper planning and strategy.” —Survey Respondent Verbatim

“Leadership tends to wait until the last minute and takes a long time to make decisions.” —Survey Respondent Verbatim

Just 2% of employers plan benefits (including plan options, funding and contribution strategies) two years or more in advance, and 66% have a planning time horizon of less than a year.

FIGURE 2. Benefit Plan Decision Time Horizon

Survey question: How far in advance do you plan benefits, including making changes to plan options, funding and contributions?



Source: HUB International Employee Benefits Barometer 2018 Study, SourceMedia Research/*Employee Benefit News*, December 2017

These results suggest that most benefits professionals tend to be more reactive in their approach, adopting a short-term approach to addressing benefits planning. That short-term view can dampen the ability of these individuals to operate as strategic advisors to upper management. Indeed, the complexity of managing benefits requires HR to be strategic advisors to the executive suite. HR can best provide that essential support by developing a long-term plan that anticipates and addresses future risks and opportunities.

New Strategies to Manage Costs

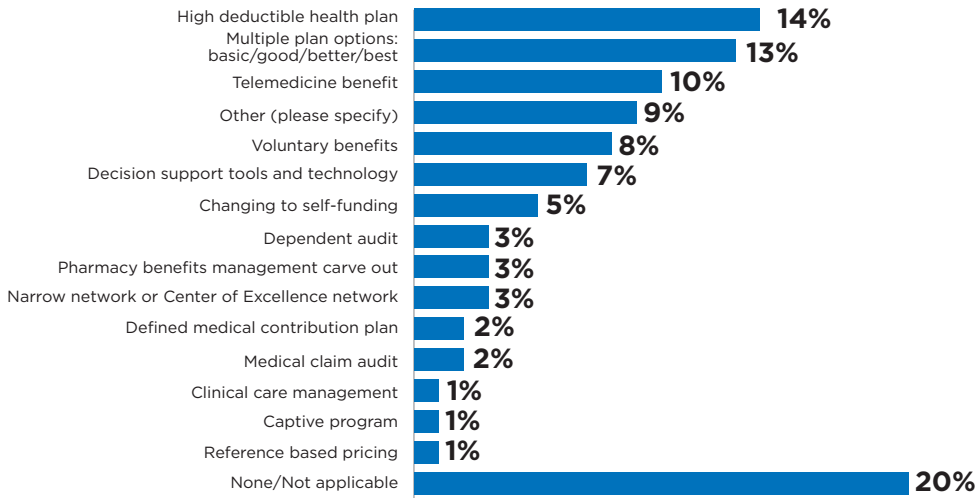
In 2018, the most popular cost management strategies being implemented for the first time are voluntary benefits, high deductible health plans and telemedicine. Each of these strategies supports the continued trend of offering employees more choice in benefits. For example, telemedicine reduces costs and improves access for employees, and high deductible health plans can yield considerable savings to employers (and to healthy employees).

However, not every firm is optimistic about cutting costs: Nearly half of all respondents do not expect to implement new cost management programs in the next 12 to 18 months. Even with the majority of respondents stating that cost management is their top priority, only 54% of respondents report that they are doing all they can reasonably do to control medical costs.

“Cost is always the biggest concern and how can we take on increased costs without having to significantly increase the employee cost share.”
—Survey Respondent Verbatim

FIGURE 3. Successful Cost Reduction Strategies in 2017

Survey question: Which has been the most successful in terms of achieving a measurable reduction in your benefits costs? Select one.

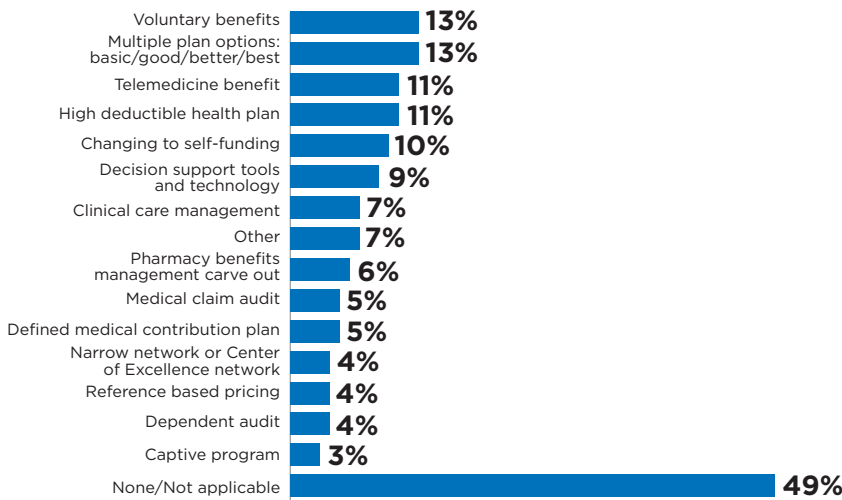


Source: HUB International Employee Benefits Barometer 2018 Study, SourceMedia Research/*Employee Benefit News*, December 2017

“Our biggest challenge in planning or implementing benefits has been our funding source. Is it the right time for the firm to go self-funded vs a fully funded plan?”
—Survey Respondent Verbatim

FIGURE 4. Future First-Time Cost Strategies

Survey question: Which cost management strategies are you implementing for the first time in the next 12-18 months?



Source: HUB International Employee Benefits Barometer 2018 Study, SourceMedia Research/*Employee Benefit News*, December 2017



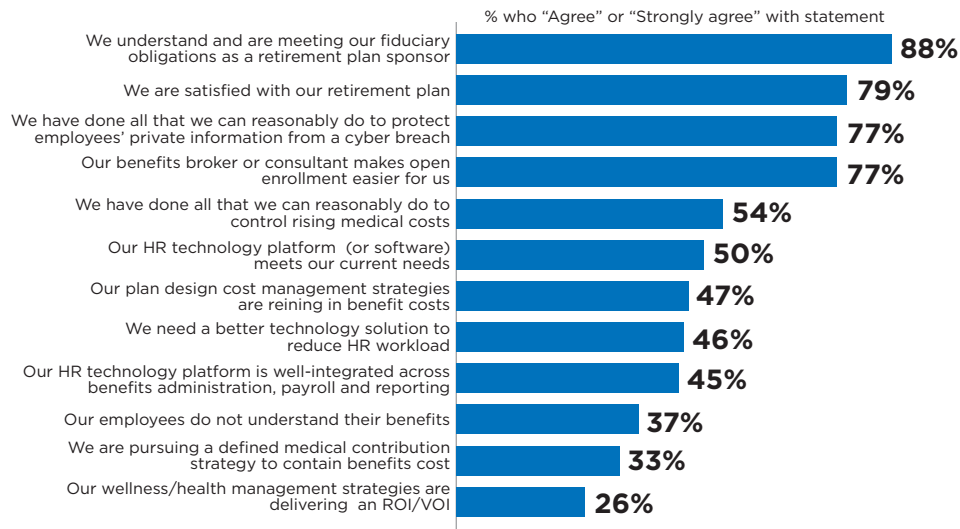
“Looking at whether we need an advisor for our 401(k) plan - for fiduciary reasons.”
—Survey Respondent Verbatim

Assessing the Success of Current Benefits Strategies

By contrast, benefits professionals have a high degree of confidence that they are meeting their fiduciary obligations as retirement plan sponsors, with 88% saying they agree or strongly agree with that statement. They also perceive that they are in a better position in the fight against cyber threats: 77% of respondents say they have done all they reasonably can to protect employees’ private information.

FIGURE 5. Perceptions of Current Strategies/Needs

Survey question: Please indicate how much you agree or disagree with each of the following statements.



Source: HUB International Employee Benefits Barometer 2018 Study, SourceMedia Research/*Employee Benefit News*, December 2017

Benefits professionals also are widely embracing the potential for better technology solutions to reduce HR workload. Interestingly, smaller organizations seem to be focusing less on technology than their larger peers. Among small companies, just 4% say they need better technology to reduce their HR workloads. That compares to 18% for mid-size companies (100-499 employees) and 27% for large companies (500+ employees).

Are Companies Focusing on Millennials?

When asked about their companies' top three employee benefits priorities in 2018, only 20% of respondents select "Meet the diverse benefits needs of a multi-generational workforce." Despite the growing importance that millennials play in today's workforce, it is not a prime focus for most respondents — even though several candid responses highlight the challenge for employers:

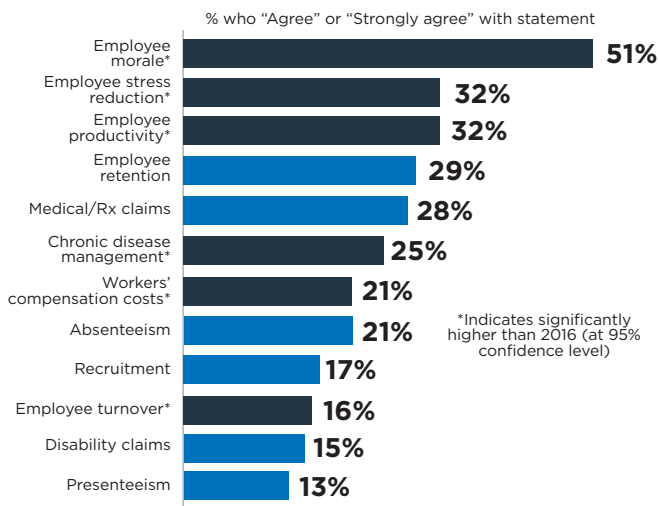
- "With such a diverse workforce in age, demographics, and skill levels, coming up with benefits and explaining benefits can be challenging."
- "Young employees who often do not value medical coverage."
- "Our challenge is managing employee expectations for an organization of our size with some of the hyped benefits you hear of at much larger organizations."
- "We have a very young population who have limited knowledge of and/or exposure to benefits so trying to educate and engage them presents a challenge."

Wellness Initiatives Boost Employee Morale

Nearly a third of respondents say improving employee health and financial wellness is a top-three benefit priority in 2018. For many companies, investments in these programs result in higher morale among employees. In fact, more than half of employers who have a wellness program rank employee morale as their most improved metric from implementing wellness initiatives, with smaller improvements in stress reduction and employee productivity. And in the same group, one in four indicates that their wellness or health management strategies are delivering a return on investment.

FIGURE 6. Top Improvements from Implementing a Wellness Program

Survey question: Below are items that HR departments typically measure. Which 3 have you seen the most improvement in after implementing a wellness or health and performance program for your employees?



Source: HUB International Employee Benefits Barometer 2018 Study, SourceMedia Research/*Employee Benefit News*, December 2017

“We have a very young population who have limited knowledge of and/or exposure to benefits so trying to educate and engage them presents a challenge.”

— Survey Respondent Verbatim

“We need benefits to attract a younger workforce. We have an older workforce; they need more Medicare training/planning.”

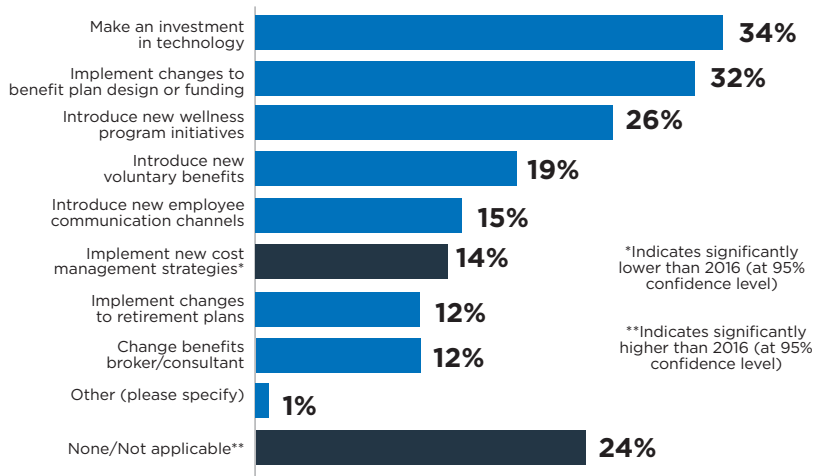
— Survey Respondent Verbatim

Working Effectively With Management to Evolve Benefits

More than a third of benefits administrators say they struggle to convince executives such as CEOs and CFOs to implement changes to both technology and benefits plan design.

FIGURE 7. Challenges with Upper Management

Survey question: Where do you struggle the most to convince your CEO/CFO and/or Upper Management to change any of the following aspects of your benefits program?



Source: HUB International Employee Benefits Barometer 2018 Study, SourceMedia Research/*Employee Benefit News*, December 2017

Changes to Healthcare Policy: Smaller Than Might Be Expected

The regulatory environment for health care is in such a state of flux that employers are not currently focusing on it as they were in previous years. Last year, more than 25% of benefits administrators said ACA compliance was a top benefit priority; this year, just 16% are prioritizing ACA compliance.

Benefits administrators would like to see changes to the ACA: While just 17% favor a total repeal, more than half say they want certain provisions abolished, particularly reporting requirements (“The ACA has created more work for the HR department; the reporting needs to be reviewed if it is necessary”).

Also, 52% of respondents say they would retain key terminology and provisions of their current benefits package even if the legal mandates for those provisions were repealed. While the legislative health of the ACA is undecided, company executives and benefits administrators still can take action to position their companies in a changing regulatory environment.

“Sometimes change is hard with top management, so you have to show them results or sell them on making some improvements for employees.”

— Survey Respondent Verbatim

“Current platforms upon which we communicate our benefits are out of date. However our leadership is difficult to convince to make the necessary investment to streamline this process for our employees.”

— Survey Respondent Verbatim

The Benefit of a Strategic Approach

It's not just employee benefits that human resources professionals are responsible for providing. They also are tasked with delivering those benefits efficiently and thoughtfully, with a minimum of disruption to employees and the organization as a whole. What's more, HR professionals must contend with a changing benefits landscape, as the marketplace, benefits programs, organizations, government policies and worker demographics continue to shift and evolve.

Adopting a strategic planning process can help benefits administrators navigate that changing environment in the short and long term. What's more, HR executives are encouraged to look beyond the cycle of short-term, reactive changes that can have adverse impacts on both employees and the organization as a whole. While developing and implementing a longer-term vision can be challenging, the results are likely to be worth the effort — and will reinforce the value that human resources and benefits can bring to an organization.

Recommended Reading

Visit hubemployeebenefits.com to learn more:

What Employers Are Saving With HUB

Interactive infographic on cost management strategies

Making the Case for HR Benefits Technology

How to build a compelling case for an investment in technology

2018 Workplace Wellness Trends

Interactive eBook on five key forces impacting employee health and productivity

For More Information

Contact a HUB employee benefits advisor to learn how a multi-year strategic benefits plan can increase employee engagement, reduce costs, and streamline administration.

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