



WorkForces Report

# Workplace benefits trends

## THE STATE OF WORKPLACE BENEFITS AND ENROLLMENT

2022-2023

## **Unstable conditions and the rising cost of health care have changed the way employers approach benefits selection**

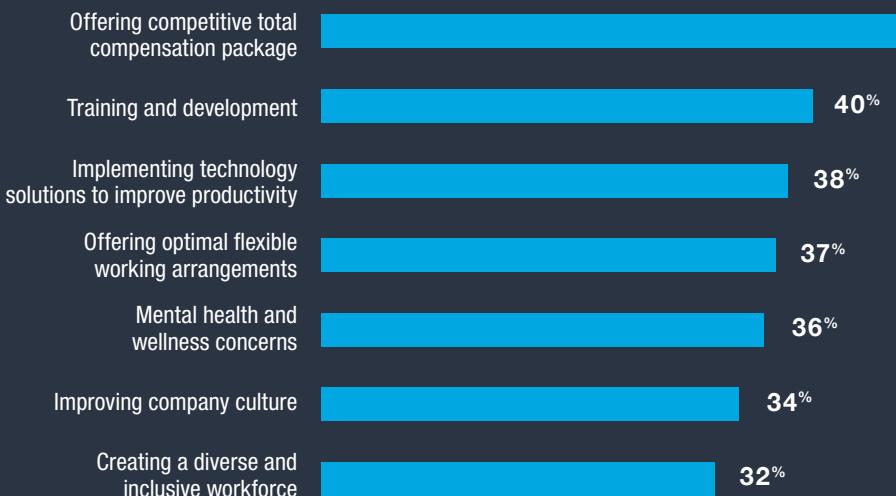
Employers faced many challenges this year as they worked to deliver top-quality benefits to their employees. Rising costs and the remnants of the pandemic continued to exacerbate already challenging conditions. For their part, employees sought both a deeper understanding of their benefits as well as more comprehensive benefits packages that specifically addressed their evolving needs.

The top challenge employers faced in 2022 was maintaining a competitive total compensation package with benefits as a core component. Meeting this challenge was more difficult, as benefits costs and claims continued to rise. Nearly 3 in 4 employers indicated their benefits costs went up in the last year, primarily blaming increased costs of prescription drugs and increased need for mental health care and medical care appointments, likely due to delayed visits during the COVID-19 pandemic. Small businesses were particularly hard-hit by rising benefits costs — 76% of small businesses reported cost increases, compared to just 67% of large businesses — making cost one of the main factors decision-makers consider when choosing a benefits provider.



**Nearly half (47%) of all employers state that remaining competitive with their total compensation package is one of their biggest challenges — a sentiment that is shared across organizations of all sizes.**

**Question:** When it comes to employee engagement and satisfaction, what are your organization's biggest challenges?



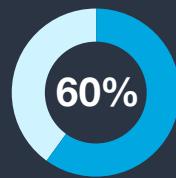
Percent struggling with offering competitive compensation:



**Most employers indicate that benefits costs have increased in the last year, a significant uptick from 2021.**

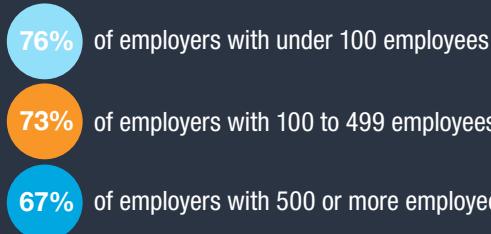


72% of employers in 2022 state that their benefits costs increased in the past year ...



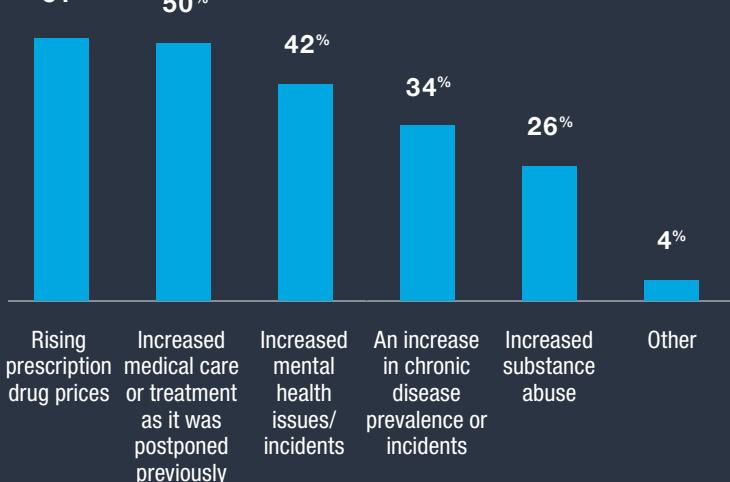
compared to only 60% who said the same in 2021.

Percent saying benefits costs have increased:



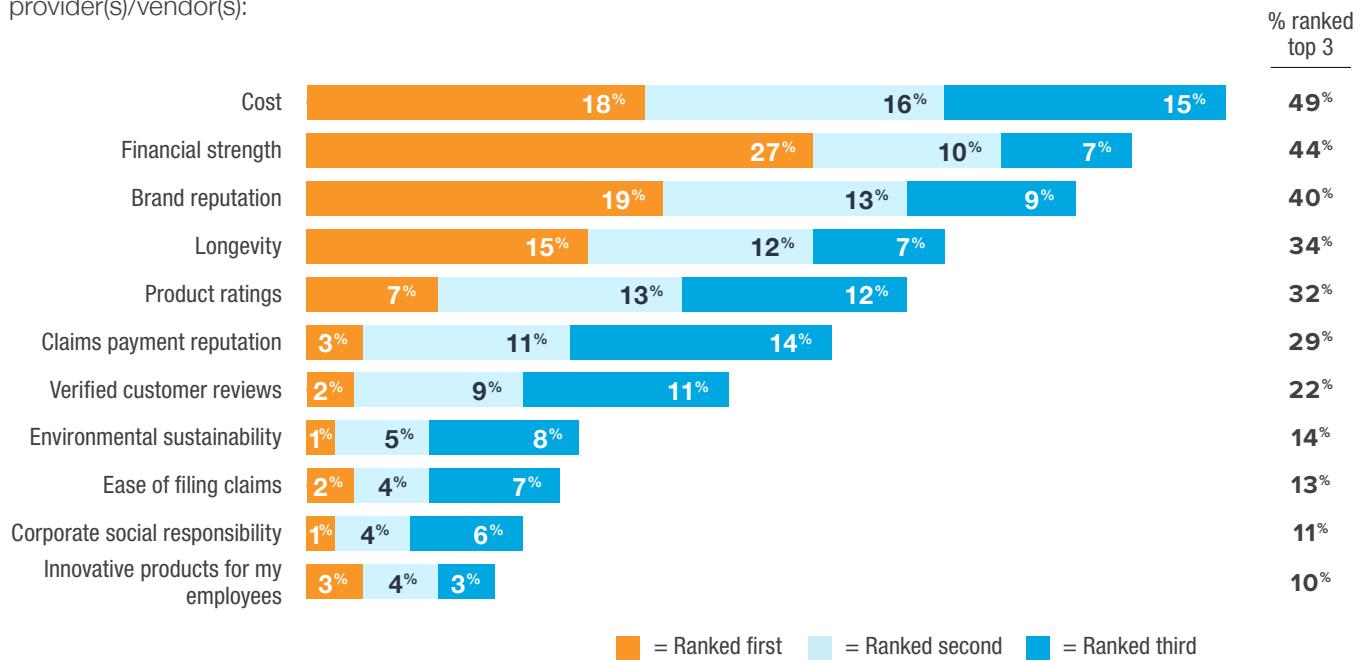
**Rising costs for prescription drugs and the impact of delayed medical care are the main culprits, along with an increase in mental health care incidents.**

**Question:** You mentioned that your organization's benefits costs or claims increased in the last year. Which, if any, of the following best describes why?



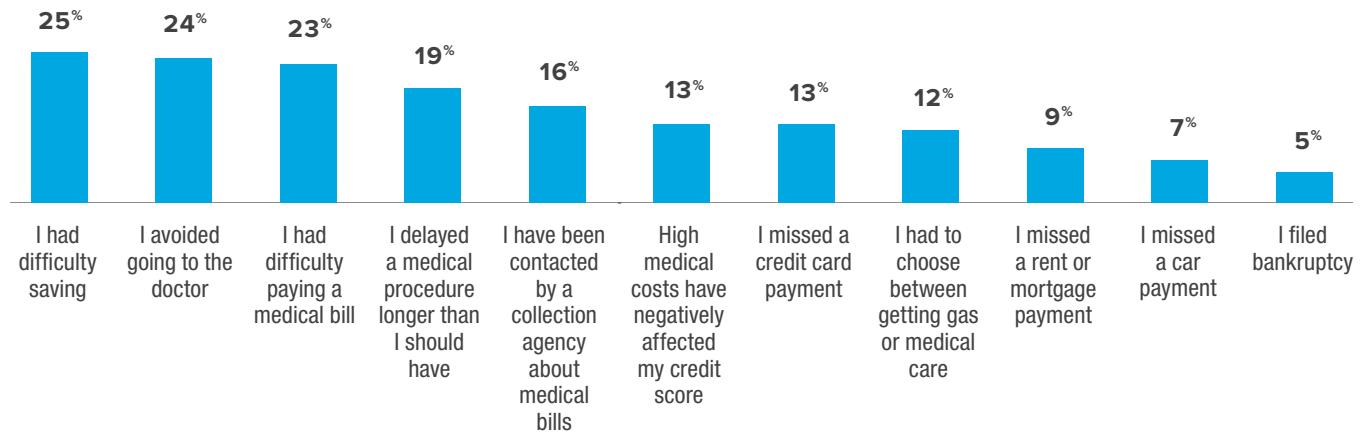
**Nearly half (49%) of decision-makers indicate that cost is in their top three considerations when choosing benefits providers. However, they are also seeking stability, indicating they are highly likely to choose a benefits provider based on financial strength.**

**Question:** Rank the following attributes by importance when choosing your organization's benefits provider(s)/vendor(s):



**Most employees have experienced at least one negative financial impact due to high medical costs. Fully 1 in 3 (35%) have put off critical health care by avoiding the doctor or delaying a procedure, a behavior that is more common among younger generations than their older counterparts and can actually add to the costs of health care.**

**Question:** Which of the following have ever happened to you personally because of high medical costs?



Percent who have avoided or delayed medical treatment due to high costs:



## With costs rising alongside employees' demands for care, supplemental insurance remains an important part of a comprehensive benefits package for employers and employees alike

Supplemental insurance helps provide an additional layer of financial protection, helping employees cover not just the out-of-pocket medical costs associated with health care expenses not covered by major medical plans, but can also help with the associated everyday costs.



**About half (47%) of all American workers** view supplemental benefits as a core component of a comprehensive benefits program.



**9 in 10 employees** believe the need for supplemental insurance is increasing.



**More than half of employees** are interested in purchasing at least one supplemental insurance plan, with dental, hospital, mental health, accident and infectious disease as the most popular.



**Only 1 in 3 employers (34%)** indicate they offer supplemental insurance options to their employees.



The most common supplemental benefits selected by employees are **dental, life and vision insurance**.



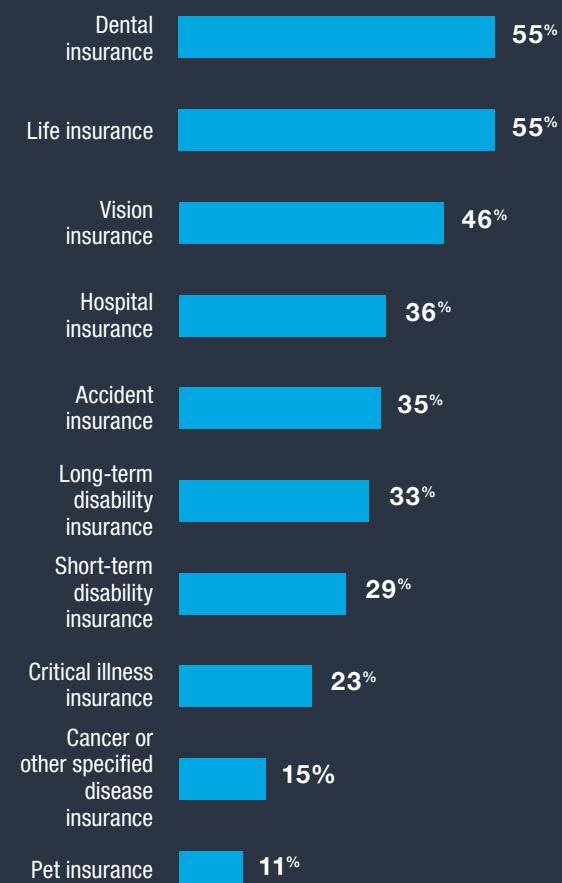
**Over three-quarters of employers (77%)** who offer supplemental insurance believe these benefits help with employee recruitment, and 80% say it helps with employee retention.



**Pro tip:** Employers should provide education on — and access to — benefits offerings to help ease their employees' financial stress when benefits plans don't have everything the employees need. Adding supplemental insurance can help provide peace of mind that employees won't be hit by an unexpected medical cost they can't cover. Supplemental insurance also can help employers keep costs down since most plans are employee-funded.



**Question:** Which of the following supplemental benefits are you enrolled in through your employer?



## Employers have an opportunity to meet employees where they are by providing additional guidance and support during the benefits enrollment process

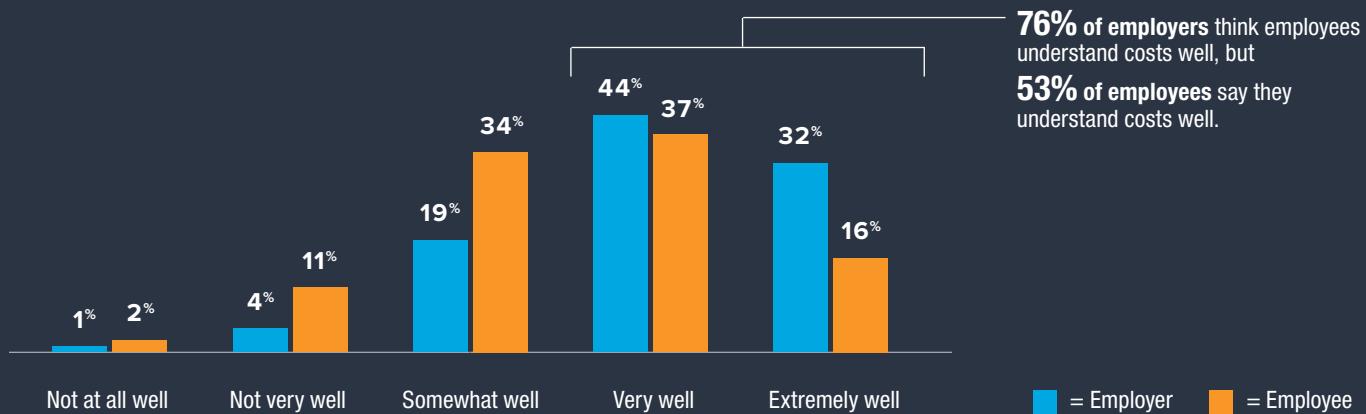
This year, a disconnect continued to exist between employers' and employees' understanding of health care costs: 76% of employers thought their employees understood their costs, while just 52% of employees agreed. As health care grew to be more complicated, employee understanding of costs fell, and the knowledge gap between employers and employees grew. In 2022, employees were significantly less likely to state they understood their health care costs well (52%) versus last year (59%).



### Employers believe employees have a better understanding of their health care costs than they actually do.

**Employer Question:** Thinking about health care-related expenses, how well do you think your employees understand their total annual costs for health care?

**Employee Question:** Thinking about all your health care-related expenses for you and your family, how well do you understand your total annual costs for health care?

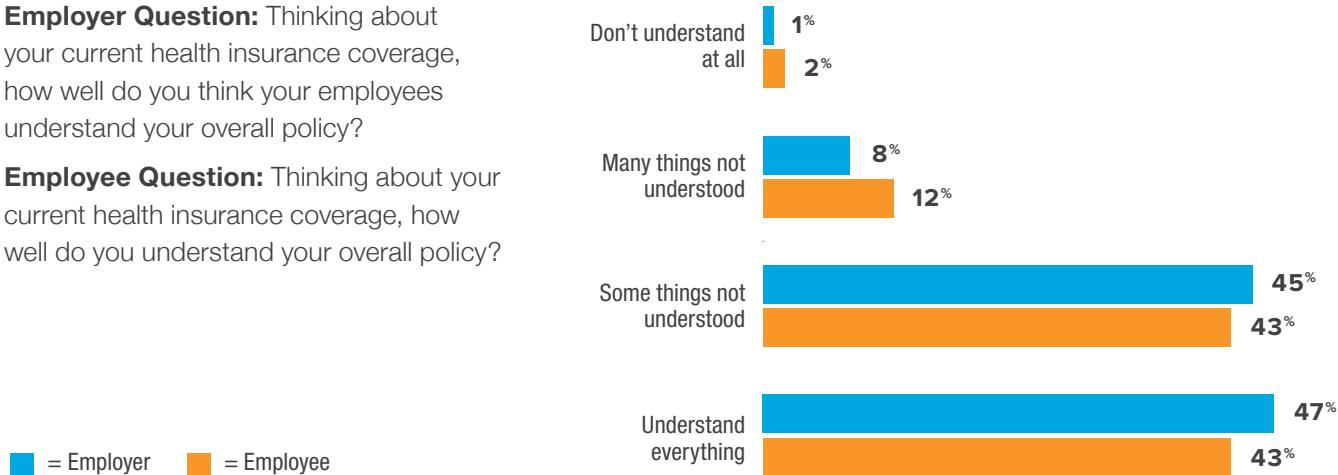


There is a clear opportunity to better educate employees by arming them with the information they need to make informed health care and benefits decisions. In 2022, less than half of all employees were confident they understood everything about their health insurance policies. The biggest challenge could lie in changing employees' tendency to leave their benefits decisions on autopilot. The overwhelming majority of employees reported they tended to choose the same benefits year after year.

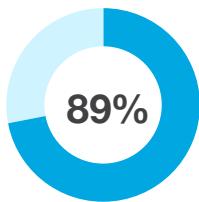
## Only 43% of employees are confident that they understand everything about their insurance policies.

**Employer Question:** Thinking about your current health insurance coverage, how well do you think your employees understand your overall policy?

**Employee Question:** Thinking about your current health insurance coverage, how well do you understand your overall policy?



**Most employees choose the same benefits each year. This behavior is consistent across age groups, despite Gen Z and millennials being the most likely to experience life changes that might require a change to benefits (marriage, birth of a child, etc.).**



**Most employees (89%)** in 2022 stated that they tend to choose the same benefits each year.

Percent saying they choose the same benefits each year:



90% of millennials



89% of Gen Z



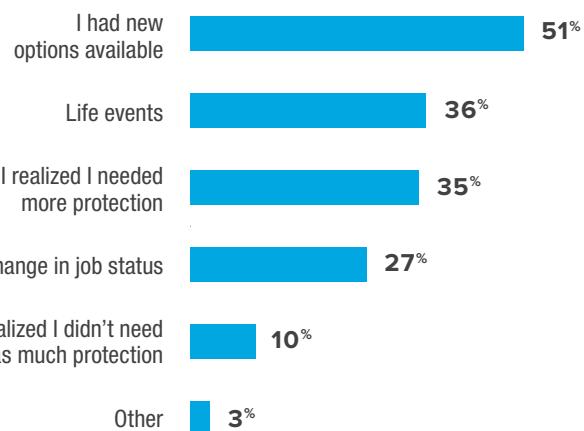
89% of Gen X



86% of baby boomers

**Among the small group of employees who do make changes to their benefits, the top reason is the availability of new options. Highlighting newly available options can help employees select the coverage that's right for them.**

**Question:** What events caused you to make a change to your benefits selections?

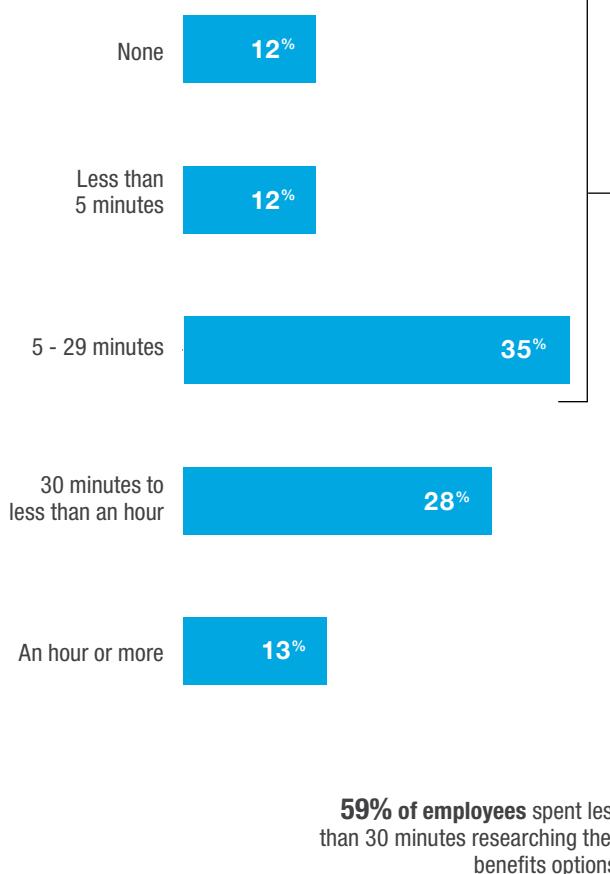


Because they tend to leave coverage decisions on autopilot, employees do not spend much time researching their benefits during open enrollment. In fact, most spend less than 30 minutes exploring their options, yet they want more guidance than they are currently getting: Nearly two-thirds state it is very important to have access to a benefits advisor during the enrollment period, a significant increase since 2021. In addition, most (81%) employers state that working with their brokers has improved their benefits package.

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### Nearly 3 in 5 employees spend less than 30 minutes researching their benefits.

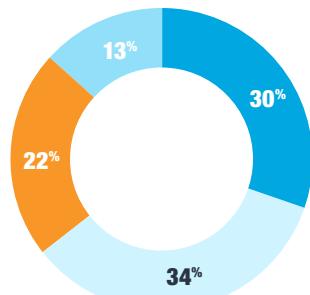
**Question:** How much time did you spend researching your benefits options during your last open enrollment?



**The majority believe it is important to have the option to work with a benefits consultant, a significant increase from last year.**

**Question:** How important is it that you have access to a benefits advisor when making your benefits selections?

- [Blue square] = Extremely important
- [Light blue square] = Very important
- [Orange square] = Somewhat important
- [Light blue square] = Not important



Millennials are the most likely to want to work with an advisor, because this group is the most likely to be going through major life changes — such as marriage, having a child, and/or going through a divorce — that could impact their benefits decisions.

Percent who think it is very or extremely important to be able to access a benefits advisor:



**Pro tip:** Keep it simple. To help employees select the right benefits and get the most out of them on a year-round basis, employers can do three simple things: 1) offer comprehensive year-round education to help employees understand their benefits; 2) make benefits advisors available for one-on-one consultations with employees on a regular basis; 3) create robust, intuitive digital training kits employees can easily reference.



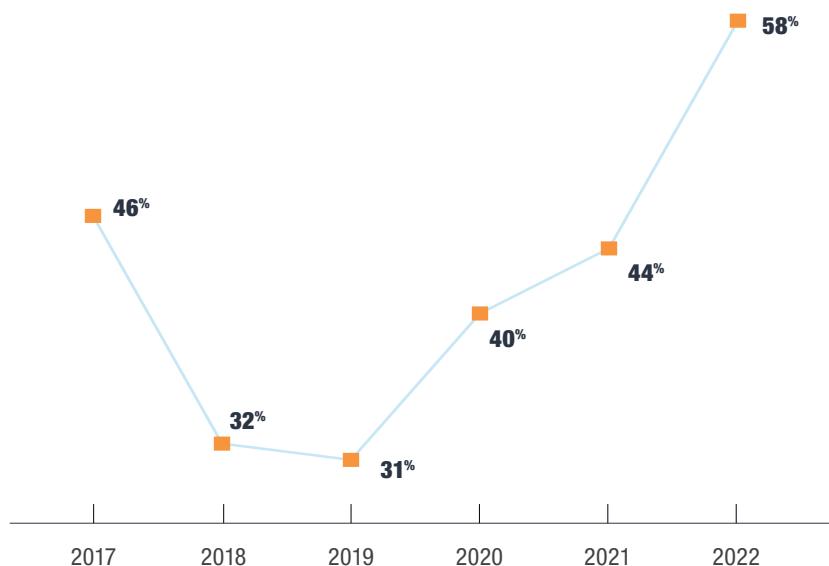


## Employees and employers continue to differ in their perceptions of the quality of the benefits offered

Employers are concerned about turnover because the cost of benefits they offer are at an all-time high, almost doubling since before the COVID-19 pandemic (31% in 2019; 58% in 2022). Yet, they remain surprisingly confident their benefits packages are delivering what their employees want. This report finds that this confidence may be misplaced. Employers have a more positive view of their employees' satisfaction with their benefits packages than what employees actually report. In fact, there is a 22% gap between employers' perceptions of employee satisfaction and employees' self-reported satisfaction. This gap has widened significantly in the last year, up from a 14% difference in 2021.

**More than ever before, employers are anxious about their employees trading off salary for more robust benefits.**

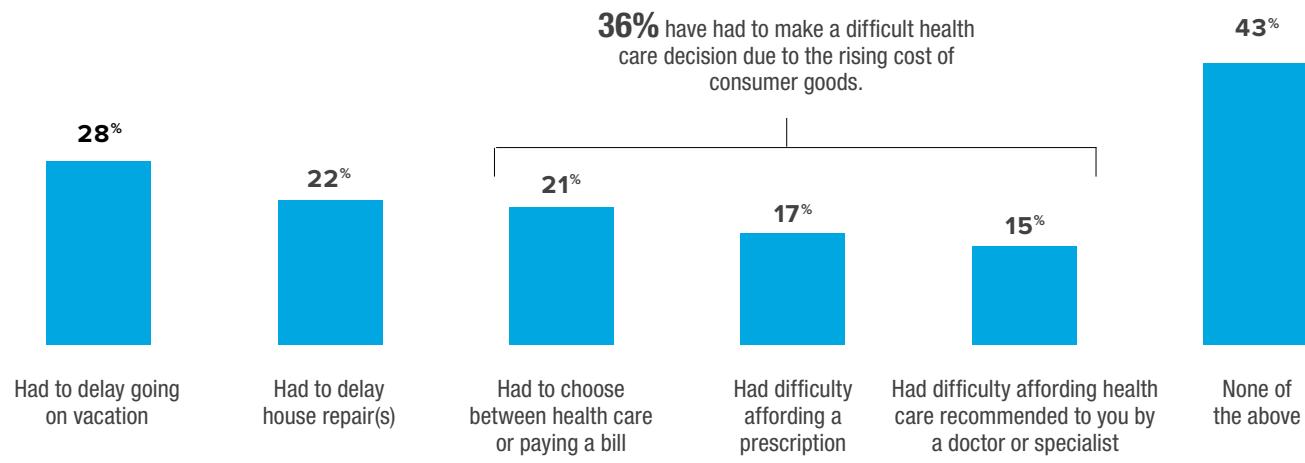
**Question:** How likely do you think your employees would be to take a job with lower pay but more robust benefits?





**Due to rising costs of consumer goods, more than a third of all American workers have had to make a difficult health care decision in the past year — whether being able to afford a treatment or prescription, or choosing between paying medical or other bills.**

**Question:** In the past 12 months, have you experienced any of the following due to rising costs (groceries, gasoline, etc.)?



Gen Z and millennials are particularly hard-hit by inflation, with nearly half indicating that rising costs have affected their ability to afford treatment or forced them to choose between paying medical or other bills.

Percent who have had to make a difficult health care decision due to the rising cost of consumer goods:

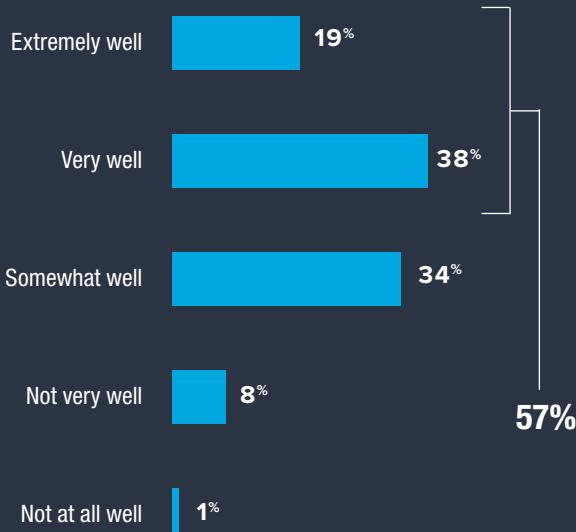


Furthermore, employees have concerns about their benefits. Not only do they experience significant anxiety about high medical costs, but fewer than 3 in 5 (57%) are confident they will be very well covered in the event of a serious illness. Even more concerning, only 1 in 5 believe they will be covered extremely well.

Although benefits are critically important to employees' overall physical, financial and emotional health, most employees experience substantial pain points when navigating health care and their benefits. Negotiating medical billing is particularly stressful for many employees (57%), which could be one reason why more than a quarter (28%) overpaid for health care in the past 12 months. More than half (55%) of all employees also experience stress when trying to understand what insurance or benefits they need, which further highlights the importance of providing educational support and one-on-one access to a benefits consultant during the enrollment period.

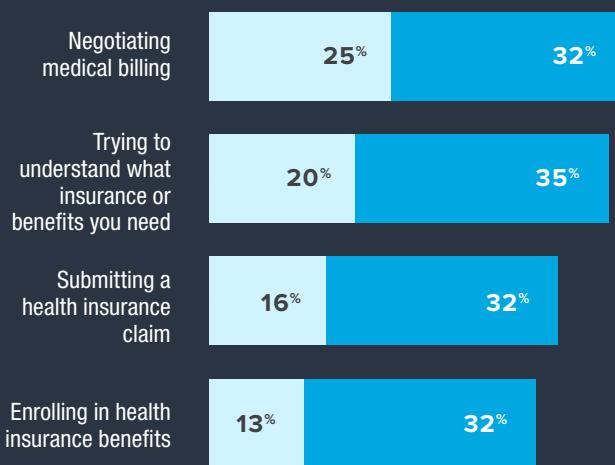
**Employees express some degree of skepticism they would be well covered in the event of a serious illness or other major medical event.**

**Question:** How well do your benefits cover you and your family if you were to come down with a serious illness?



**The majority of employees believe it is important to have the option to work with a benefits advisor, a significant increase from last year.**

**Question:** How stressful is ...



■ = Very stressful

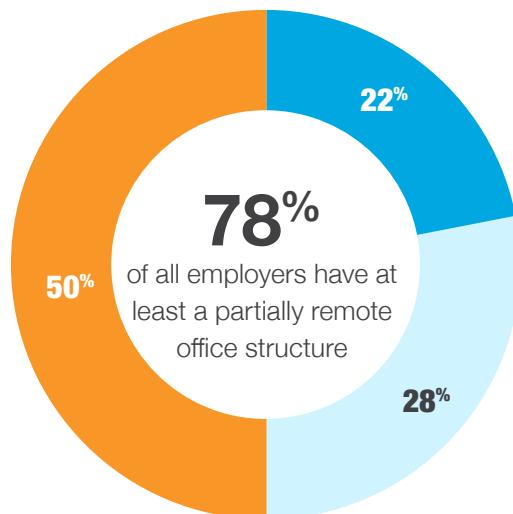
■ = Somewhat stressful

**A key way employers can help meet employees' growing health care demands is to offer a seamless digital experience to understand, enroll in and manage their benefits**

Remote and hybrid work have become more entrenched in American work culture. The adoption of these new work environments has surpassed employer expectations from the prior year. This year, more than 3 in 4 employers report they have had at least a partially remote work structure in the past year. As remote work becomes the norm rather than the exception, a robust digital experience and year-round support are more important than ever before. In fact, 40% of all employees enrolled in their 2022 benefits from home — a number that we expect to increase in the coming years, as fully remote workers are the most likely to report they enrolled from home.

**A year ago, 68% of employers believed they would have a remote or hybrid work structure in the coming year, yet remote and hybrid work has become much more common.**

**Question:** Which of the following best describes your organization's working arrangement over the last 12 months?



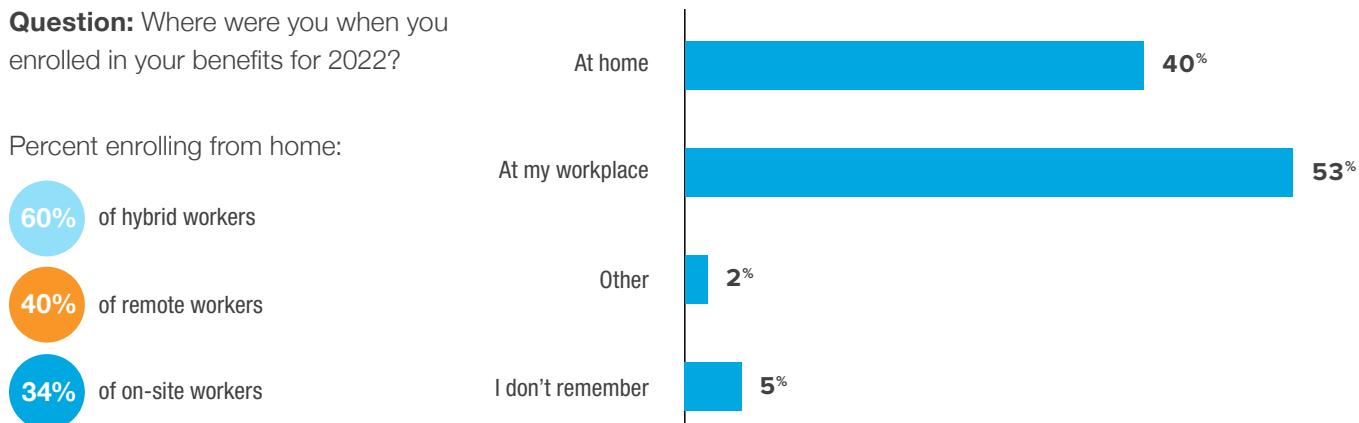
■ = Fully in-person workforce

■ = Fully remote workforce

■ = Partially remote or hybrid workforce

**During last open enrollment, more than a third (40%) of all employees enrolled in their benefits from home.**

**Question:** Where were you when you enrolled in your benefits for 2022?



Most employers agreed it is important that their benefits provider be a leader in digital technology, and a similar proportion of employees indicated it is very important that they be able to manage their benefits online. While digital-as-default is clearly the preferred method for benefits enrollment for employees, more than 1 in 3 employers do not offer it.



**8 in 10 employees** state that it is very important for their benefits provider to innovate by leading in digital technology.



**Most employees (82%)** stress the importance of being able to manage benefits online.



**More than one-third of employers (37%)** do not offer the ability to enroll in benefits online.

Although employees clearly gravitate online for benefits enrollment and management, they continue to prefer to work with benefits advisors one-on-one, in person. With a growing remote workforce and an increasing need for employees to work with benefits advisors to understand the benefits plans that will best meet their needs, employers will have to be flexible. This will allow employers to provide employees with access to these advisors — not just making advisors available via multiple platforms, but also helping employees grow confident in working with advisors remotely.

**Pro tip:** Interacting with benefits digitally should be as seamless as online shopping. Employees demand the same digital experience from their health care benefits application today as they get when they shop online or check email. Insurers are increasingly taking their digital offerings to the level of other complex industries such as finance, education and real estate, whose flagship applications deliver seamless, intuitive customer interfaces that consumers have come to expect.





## About the study

The 2022-2023 Aflac WorkForces Report is the 12th annual Aflac employee study examining benefits trends and attitudes. Conducted by Kantar on behalf of Aflac, the employee survey took place online between Aug. 31, 2022, and Sept. 20, 2022, and the employer survey took place online between Sept. 7, 2022, and Sept. 22, 2022. Throughout this report, some percentages may not add up to 100% due to rounding. The surveys captured responses from 1,200 employers and 2,001 employees across the United States.

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