



## Section 3

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# **Employee financial fragility + the value of supplemental insurance**



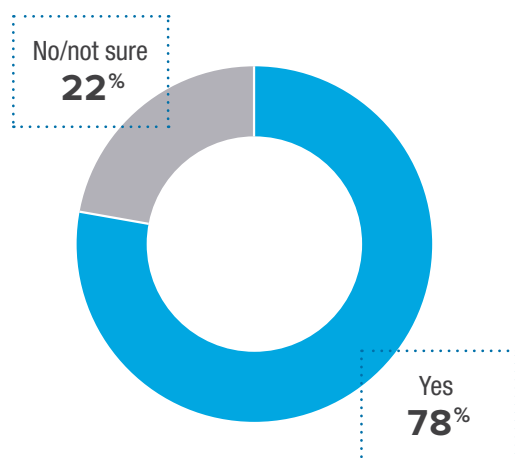
# Financial fragility: A persistent undercurrent in the workplace

Even as employers express confidence in their workforce's financial preparedness, many employees remain deeply vulnerable, especially when it comes to unexpected medical bills. This disconnect is compounded by declining understanding of health care costs and coverage, leaving workers under informed and under protected. Supplemental benefits can help close that gap, offering employees an added financial safety net and increased peace of mind. But as cost concerns mount and perceptions of security decline, organizations must take a more active role in improving benefits education and support, particularly for younger employees still finding their financial footing.

## Employers think their workers are financially stable, but the data says otherwise

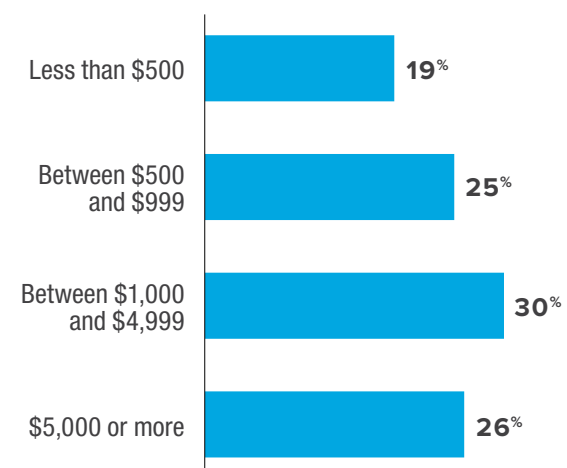
Employers continue to feel confident about their workforce's ability to manage unexpected medical expenses — but that optimism doesn't align with employees' reality. More than 2 in 5 (44%) employees say they couldn't pay \$1,000 in out-of-pocket (OOP) costs, though most employers (78%) believe their employees can meet their financial health care obligations. These aren't just abstract numbers. Rather, they reflect very real anxieties about navigating the cost of care. When employees feel unprepared, it can ripple across their work life, contributing to stress, delayed care and disengagement.

**More than three-quarters (78%) of all employers believe their employees can handle the financial burden of their health care expenses.**



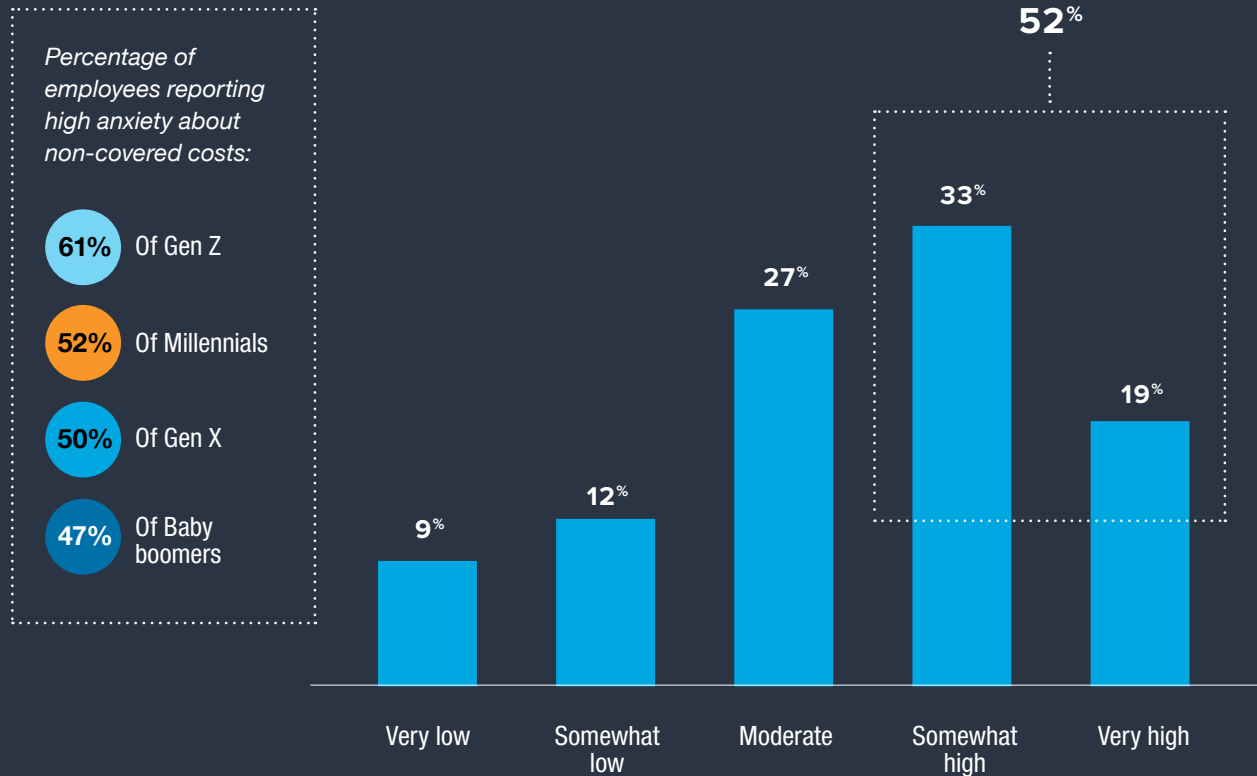
*Question: Do you believe your organization's employees have enough options readily available to help them meet their health care financial obligations (funded HSAs, adequate personal savings)?*

**However, 44% of workers say they couldn't cover \$1,000 in unexpected medical expenses. Nearly 1 in 5 (19%) couldn't even afford \$500 in health care costs.**



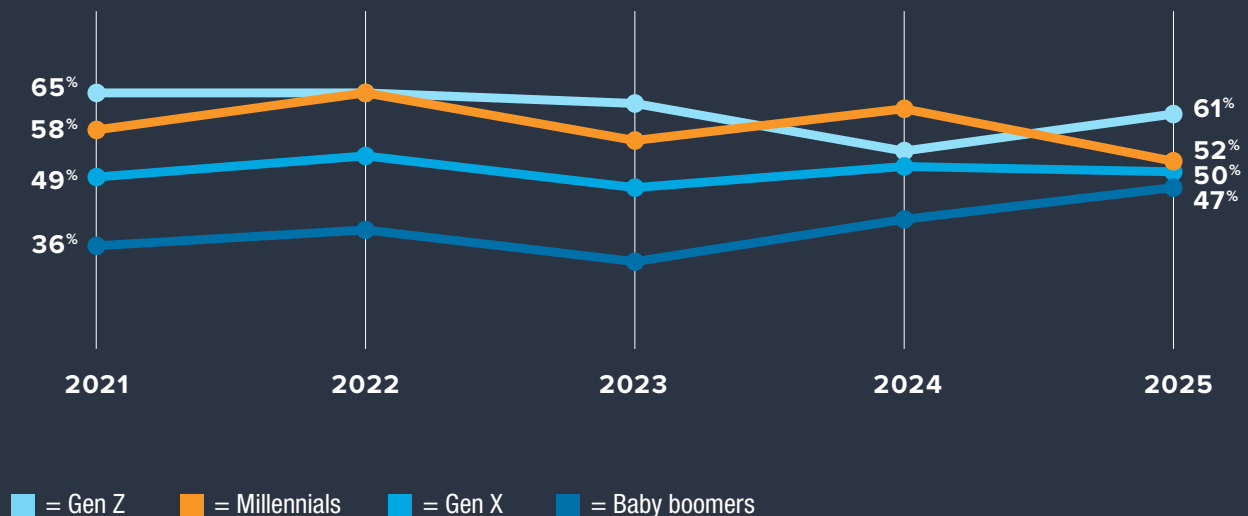
*Question: How much would you be able to pay for out-of-pocket expenses if an unexpected serious illness or accident occurred today?*

More than half of all employees worry about health care costs that are not covered by insurance, and younger employees feel this most strongly.



Question: How much anxiety do you feel about health care costs beyond what is covered by your health insurance?

Medical cost anxiety remains high for Gen Z and has been steadily rising among baby boomers.

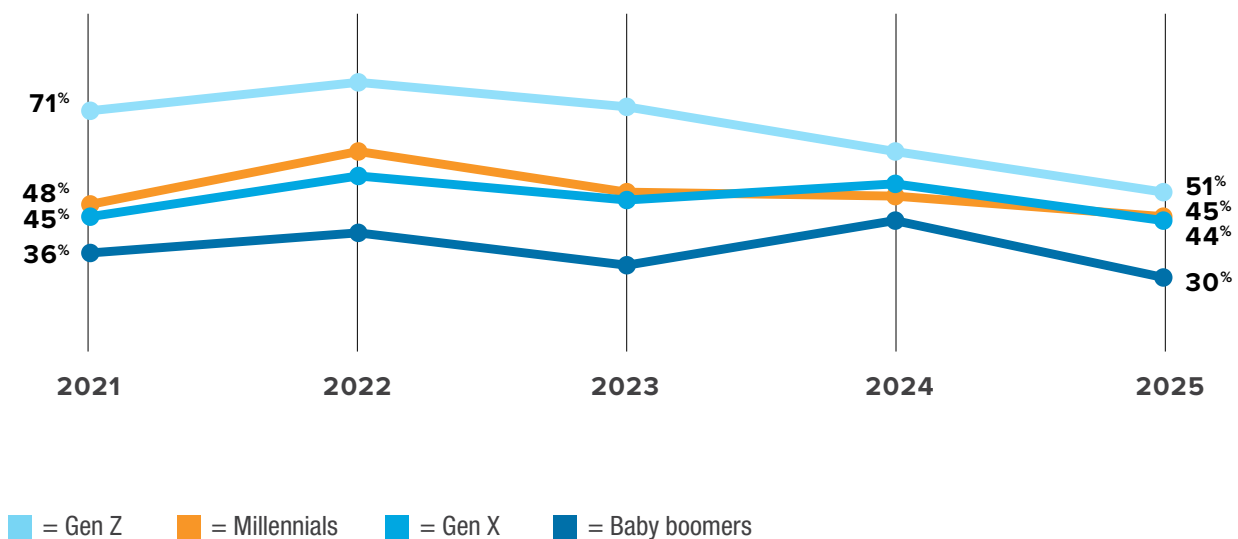


Question: How much anxiety do you feel about health care costs beyond what is covered by your health insurance? // % Somewhat/Very high

## Younger workers remain at risk — fortunately, their financial outlook is improving

Gen Z workers are still the most financially vulnerable, but there are signs of progress. In 2021, 71% said they couldn't afford a \$1,000 out-of-pocket expense. By 2025, that number has dropped to 51%. While encouraging, this still means that half of all Gen Z employees remain exposed to financial hardship from a single medical event. Employers should treat this as a call to action, not a sign to ease up. Younger employees need tools that help them plan, save and feel secure — not just today, but for years to come.

**About half (51%) of all Gen Z workers stated that they would not be able to cover a \$1,000 unexpected OOP expense. This is a significant improvement over time.**



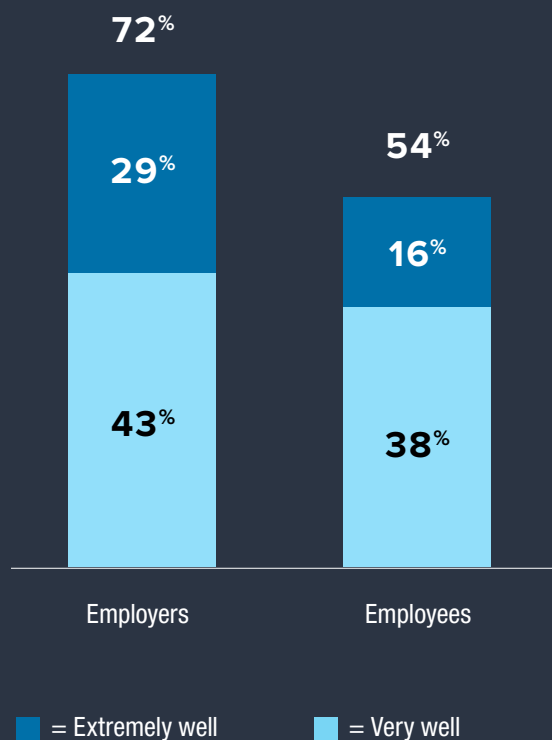
Question: How much would you be able to pay for out-of-pocket expenses if an unexpected serious illness or accident occurred today? // Less than \$1,000 [NET]



## Understanding your plan is just the first step, and many aren't there yet

Benefits only work when employees understand them. Yet, this year, fewer workers said they fully understand either their health plan or their total out-of-pocket costs. That knowledge gap can be costly and have long-term consequences. When employees don't understand how their coverage works, they're more likely to delay care, overpay or opt out of important coverage. And with rising medical costs, that uncertainty is becoming riskier than ever.

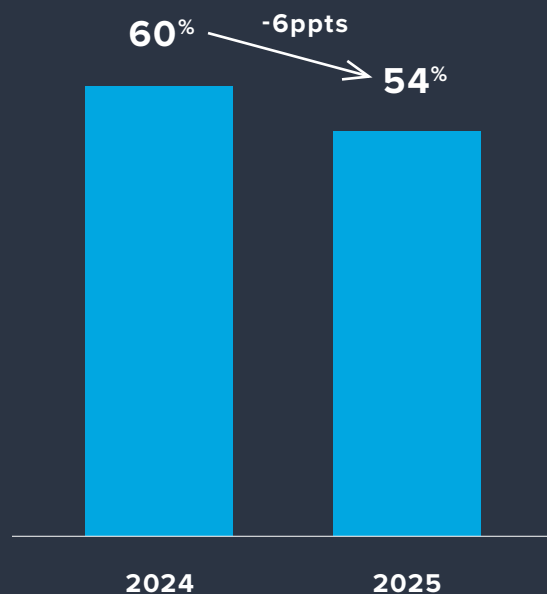
Employers believe that employees have a better understanding of their total out-of-pocket health care costs than they actually do (72% vs. 54%).



*Employer Question: Thinking about health care related expenses, how well do you think your employees understand their total annual costs for health care? // Top 2 Box = Very/Extremely well*

*Employee Question: Thinking about all of your health care related expenses for you and your family, how well do you understand your total annual costs for health care? // Top 2 Box = Very/Extremely well*

Alongside a year-over-year decline in understanding their health care policies (7ppts as illustrated on chart on pg. 14), we see a corresponding decline in employees' understanding of their health care costs.



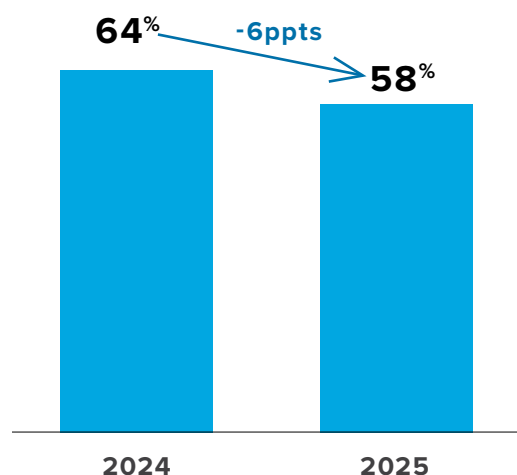
*Question: Thinking about all of your health care related expenses for you and your family, how well do you understand your total annual costs for health care?*



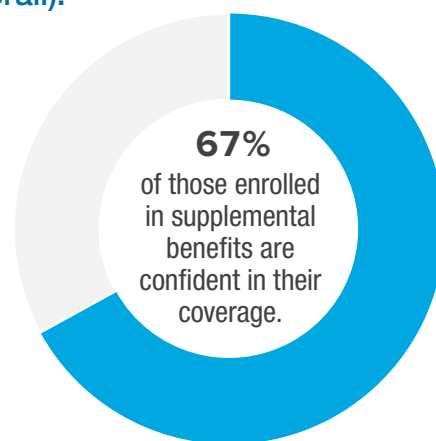
## Supplemental insurance strengthens both coverage and confidence

Traditional health plans rarely offer the full protection employees need, especially when serious illness strikes. In fact, employee confidence in their coverage has declined over the past year, with fewer workers feeling assured they would be well protected if faced with a major health event. That drop in confidence is particularly troubling given how many employees are already just one unexpected expense away from financial strain. This is where supplemental benefits shine. These plans can help fill the financial void that can be left by high deductibles, copays or other unexpected medical expenses. For employees enrolled in supplemental plans, the difference can be tangible: They feel more secure, more confident and more equipped to handle what life throws at them. For employers, promoting and demystifying these benefits represents a meaningful step toward financial wellness, employee trust and a more resilient workforce.

**Employees are less confident (58%) than they were a year ago that they will be well-covered (64%) in the event of a serious illness.**



**Supplemental benefits increase confidence. Two-thirds (67%) of those enrolled in supplemental benefits are confident in their coverage (compared to 58% of employees overall).**



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

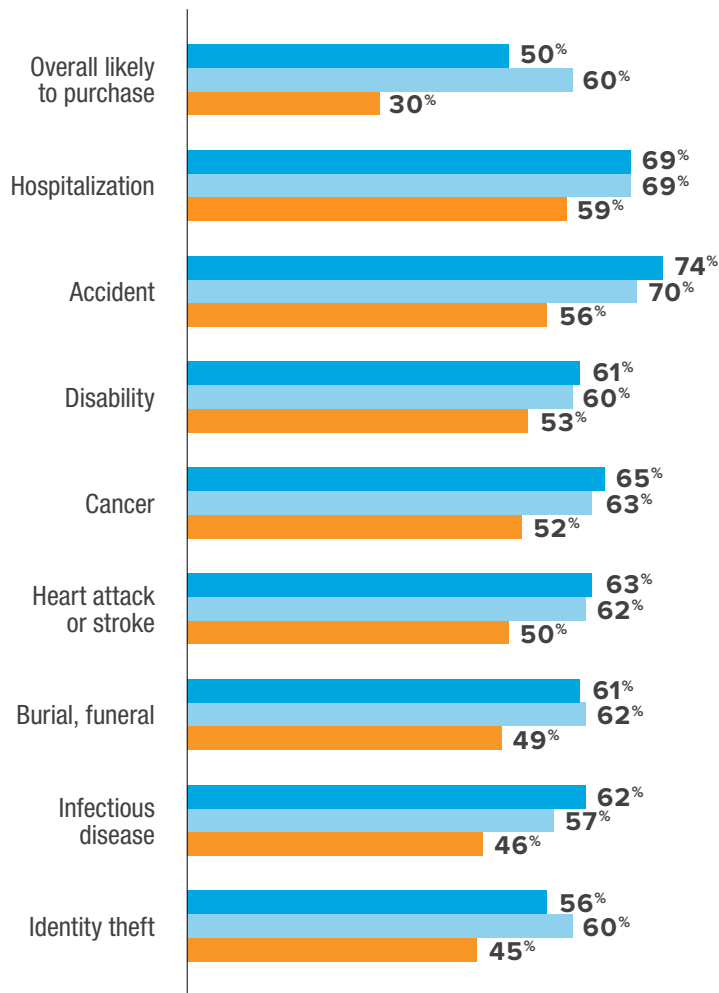


Benefits play a central role in how Hispanic and African American employees — especially those under 40 — experience the workplace. They expect robust, flexible and comprehensive coverage, and they are more likely to take advantage of offerings like telemedicine, Employee Assistance Programs and voluntary benefits. When employers invest in benefits that reflect these priorities, they lay the groundwork for stronger trust, higher engagement and deeper loyalty among a critical and growing segment of the workforce.

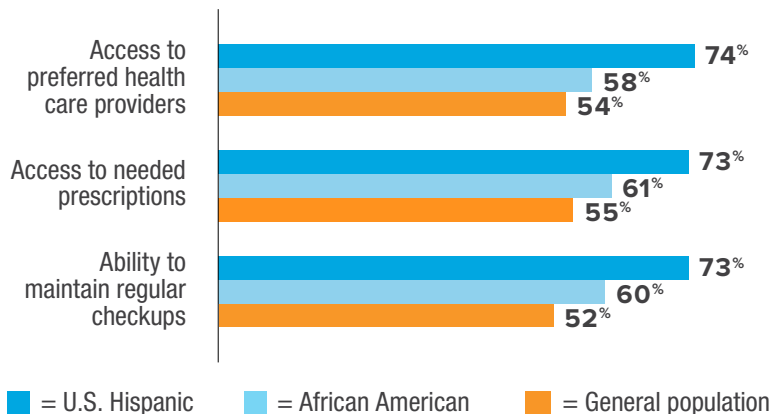
**Hispanic and African American workers are significantly more interested in voluntary benefits overall and demonstrate higher levels of interest in a wide variety of supplemental insurance benefits that help offset financial costs of health care.**

*Question: If your employer offered voluntary insurance benefits, how likely would you be to purchase them? // % Very/Extremely likely*

*Question: How interested are you in purchasing supplemental benefits and/or other insurance plans to help offset financial costs related to ... // % Very/Extremely interested*



**Hispanic and African American workers are also particularly concerned about the impact that any reductions in benefits packages would have on their access to preferred health care providers, prescriptions and regular checkups.**



*Question: You indicated that you expect your employer to change your benefits so they are less generous. How concerned are you about this change on ... // % Very/Extremely concerned*



Well over half (54%) of all American workers view supplemental benefits as a core component of a comprehensive benefits program.



The overwhelming majority (87%) of enrolled employees said they would recommend that a friend or family member should enroll in supplemental benefits and that their supplemental benefits help their financial security (89%).



Nine in 10 (90%) employees believe the need for supplemental insurance is increasing.



Nearly three-quarters (72%) of all employees enrolled in supplemental insurance have used it in the past year.



Yet, only a third (34%) of all employers indicate that they offer supplemental insurance options to their employees.

*“I used the dental insurance benefit this year, which helped cover my child’s orthodontic treatment and routine checkups for my family. It saved us money and gave us peace of mind knowing we could afford necessary care.”*

*— 33-year-old male, New York*

**Pro tip:** Position supplemental benefits as essential components, not only extras. Employees enrolled in supplemental benefits reported higher levels of financial confidence and are highly likely to recommend their plans to others. These offerings help bridge the gap between what major medical covers and what employees need help with, especially when it comes to out-of-pocket expenses. To increase impact, present supplemental benefits not only as optional add-ons, but as core components of a modern benefits package.

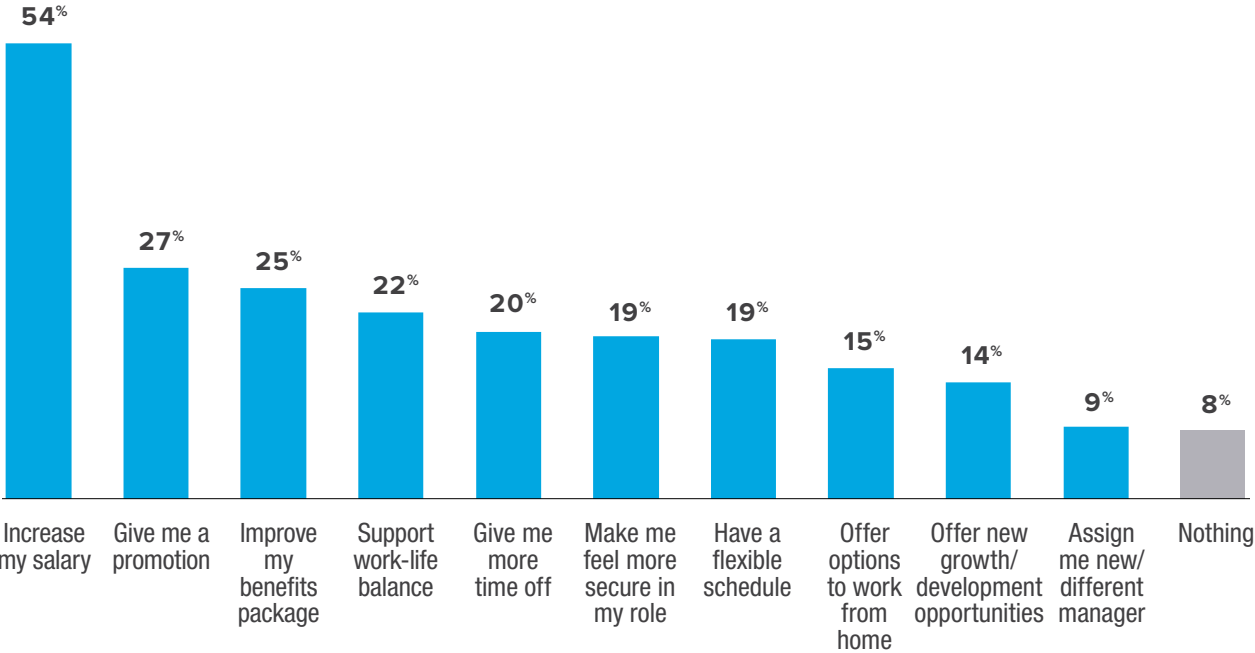




### Salary drives decisions, but benefits help cultivate peace of mind

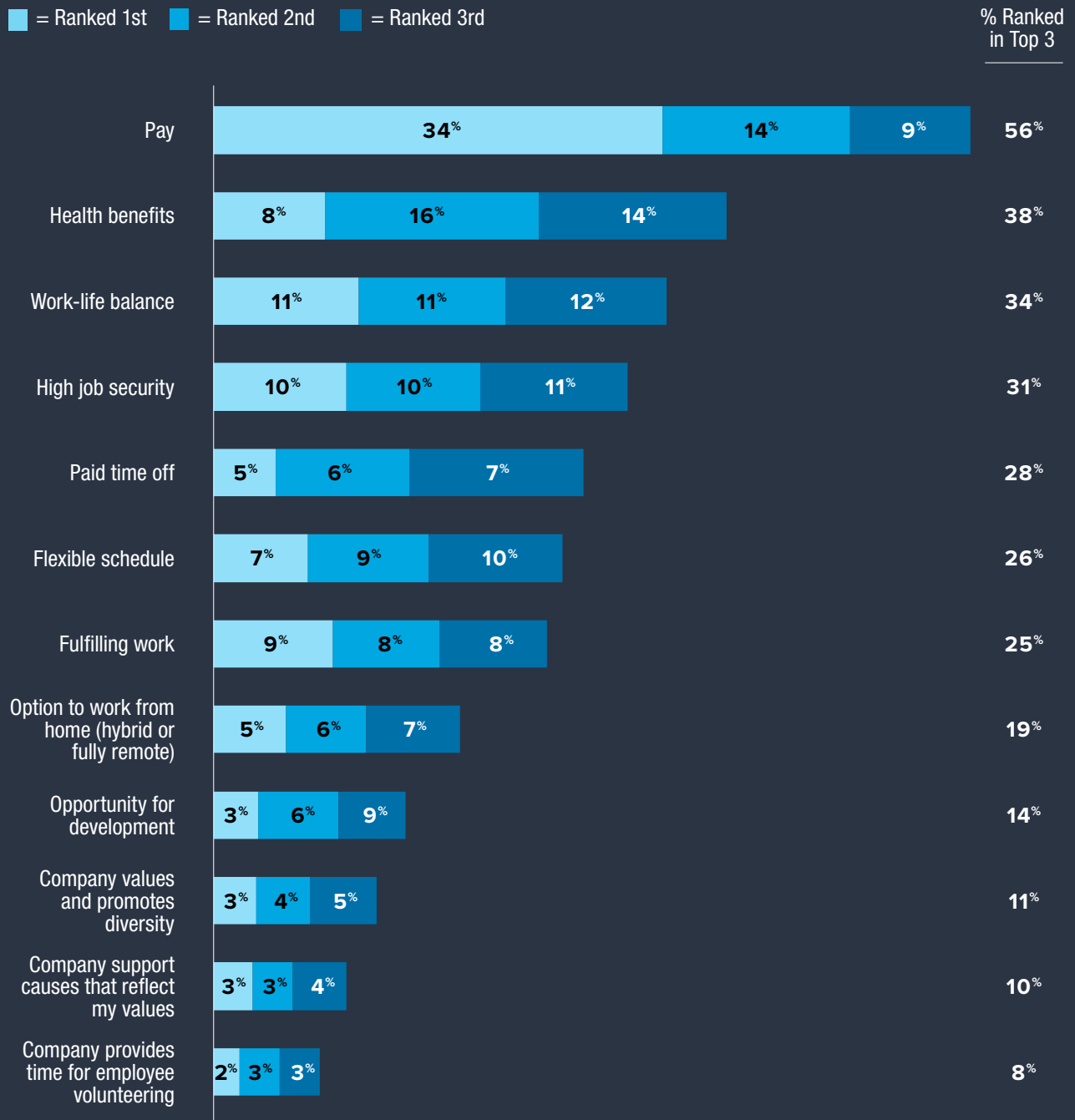
It's no surprise that pay remains the primary motivator when it comes to staying at or leaving a job. But benefits still play a crucial supporting role, especially when they help reduce financial stress. Employees who feel protected and informed are more likely to stay loyal. The takeaway? Compensation strategies must be comprehensive. **A strong benefits package can't replace a competitive paycheck but can reinforce it.**

**Salary is the top driver of employee loyalty, but benefits remain an important piece of the equation. One-quarter of employees said improvements to a benefits package could keep them in their job.**



Question: Which of the following, if any, could your employer do to keep you in your job?

Pay also leads job search considerations, but health benefits are critical as well, ranking second in overall importance (38%) when employees evaluate a new job opportunity.



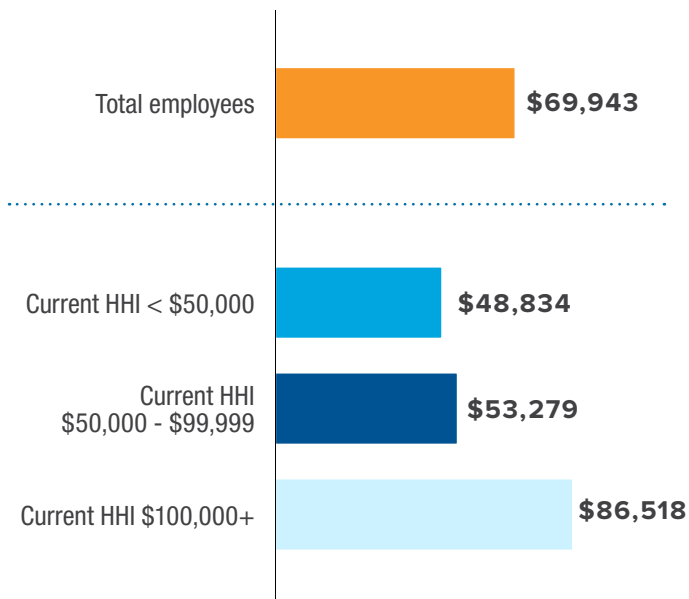
Question: Please rank the following in terms of their importance to you when looking for a job ...

## Perceptions of income are as emotional as they are economic

When asked how much more they'd need to earn to feel financially secure, employees across income levels reported substantial gaps. But here's the twist: Those earning \$100,000 reported the largest desired increase, suggesting that financial stress isn't always tied to income. Expectations rise with salary, and financial security becomes as much about confidence and lifestyle as it is about the numbers. That's why it's critical for employers to offer benefits that help create stability, not just compensation.

**On average, employees said they'd need to earn nearly \$70,000 more per year in order to feel financially secure, and even high earners aren't exempt. In fact, desired income increases as current earnings increase, with high earners looking for \$87,000 more annually. This suggests that financial stress is universal, not limited to lower-income workers.**

**Average difference between current and desired salary to feel financially secure**



*Question: Thinking about your current expenses and future goals, what would your ideal annual salary be to feel financially secure not wealthy, but comfortable and stable? Gap between current income and desired income. Proxy estimate of current individual income is based on household income (HHI) and relationship status (HHI divided by 1.75 for partnered respondents).*



**Pro tip: Reassess your assumptions — and ask employees directly. Many employers believe their workforces are financially secure, but survey results reveal a significant disconnect between perception and reality. Don't rely solely on internal assumptions or anecdotal feedback from senior staff. Instead, gather input directly from employees through anonymous surveys, listening sessions or benefit utilization data to get a clearer picture of where financial vulnerabilities exist and how your benefits strategy can better support those needs.**