



# COVID 19: Next Steps for HR and Benefits Leaders

How to control costs and support employee total wellbeing  
as the full impact of COVID-19 becomes clear.

**Benefitfocus**<sup>®</sup>



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## The Repercussions of COVID-19 Continue

COVID-19 made 2020 a year we'll never forget. Amongst a host of other challenges and changes, the pandemic had a huge impact in the world of HR, and especially in the benefits landscape. While the pandemic is starting to subside, its effects – both positive and negative – are far from over, and it's likely that many aspects of benefits and health care will never return to their pre-pandemic state.

HR and benefit leaders can expect to be 'working with COVID-19' for some time. To do this effectively, they must replace the short-term emergency decision making that was essential during 2020 with longer term strategic planning in order to move forward.

## The COVID-19 'Long Haul'

One of the most obvious continuing aspects of the pandemic is the new term "COVID-19 long haulers" to describe individuals who developed chronic conditions or long-term illness as a result of the pandemic. Autoimmune and respiratory issues are common in people who contracted COVID-19, and there are also individuals whose conditions have worsened due to deferred care during the pandemic. Many of these individuals will now need additional health care support. Additionally, the toll the pandemic took on mental health, and financial wellness in some cases, could result in stress-induced health issues.

This will undoubtedly lead to a rise in health care costs for all parties, and employers will be expected to provide a comprehensive benefits program to support these new needs.

## The Inevitable Cost and Claims Surge

Employers initially worried the pandemic would cause an immediate surge in claims and costs, which didn't actually come to fruition as much of this was offset by deferred care. Yet, as the country reopens, health claims are expected to rise substantially, leading to huge cost spikes for employers.



**Analysts predict health care costs will rise up to 10% during 2021**

The decision to cover the costs for COVID-19 testing and vaccinations helped many employers and individuals in 2020. However, health plans will now aim to recoup some these costs through higher premiums during their renewal negotiations. Analysts predict health care costs will rise up to 10 percent during 2021, which would make it the highest single year of inflation since 2007. At the point of renewal, it's likely employers will be hit with a double blow of health care inflation and a surge in health claims experience.<sup>1</sup>



## Working with the Ripple Effects of COVID-19

Even when we feel the pandemic is completely over, things won't return to the way they were before. Some of the key trends that are likely to continue include:

**Employees asking more questions.** We've learned that people are looking beyond the government, national campaigns, or even their doctors to tell them how to best care for themselves and their families. They're now expecting employers to play a vital role in providing information, guidance, and a flexible and diverse benefits program.

**Legislation changes.** Mid-year changes were made to cover vaccinations, telehealth and more during the pandemic. While some of this was clearly for emergency purposes, other components are likely to remain in place even once the pandemic is fully over.

**Increased uptake of virtual care and telehealth.** Forward-thinking employers have been pushing telehealth for years due to its strong health outcomes and low cost. Now, employees with mental health and musculoskeletal conditions in particular have seen how telehealth can aid their conditions while reducing costs, and are expected to continue to use these options after the pandemic. Telehealth also reduces care avoidance and the need for expensive emergency room visits, leading to improved health outcomes and lower costs across the board. So it should be no surprise that 43 percent of employers with a wellness program now offer telemedicine, up from 29 percent in 2019.<sup>2</sup>

**Flexible working and benefits.** During the pandemic, employers recognized that employees don't need to be in the office to be productive. The rise in flexible working will undoubtedly continue beyond the pandemic, and employees will expect more flexible benefits programs to support their new work and lifestyles. Employer provision of voluntary benefits across a range of categories has risen consistently since 2018, while employee participation rose across almost every category during the pandemic.<sup>3</sup>

**Greater employee participation.** 2020 saw an improvement in employee participation in their benefits across all age groups. In particular, individuals are now more likely to plan for the future. Even Generation Z employees are investing in HSAs, which is a huge forward step. The Benefitfocus State of Employee Benefits™ 2021 report found participation rose across all plan types for millennials and Generation Z.<sup>3</sup>



## Trends for the Future

This ebook will cover the four main steps employers can take to minimize the effects of COVID-19 and capitalize on positive changes:

- ✓ Identify and mitigate cost drivers
- ✓ Promote mental and financial health
- ✓ Prioritize flexible and diverse benefits
- ✓ Double down on benefits education

Within these steps, there are two core themes that will support forward movement:

**Data-driven insights.** Historically, employers have often relied on external parties to provide analysis to guide their decision making. To move forward, employers will need direct access to a broad range of data and insights to inform proactive, real-time changes and decisions. In addition to health claims data, employers should support decisions with people-oriented information from employee surveys, polls, roundtables and other discussion channels.

**The rise in (and need for) health care consumerism.** Ultimately, all business objectives rely on a healthy, engaged workforce. Not having employees actively engaged with their health and benefits leads to higher costs for everyone and worse outcomes for the individual. The pandemic boosted employee engagement, and employers must continue educating their employees year-round to drive smarter decisions about their health and financial wellness.

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## Step 1: Identify and Mitigate Cost Drivers

With the full impact of COVID-19 still uncertain, the potential for an imminent surge in health claims is a concern for employers. The most likely surge areas include:

- ✓ Mental health claims
- ✓ Chronic illness
- ✓ Prescription drug needs
- ✓ Delayed surgical procedures

Naturally, a significant increase in claims will have a substantial cost implication for employers and employees. At the same time, health care costs are expected to keep rising, and the long-term effects of COVID-19 on employer-sponsored health plans are still unknown.

### Focus on Preventive Care

Preventive care has always been one of the best possible solutions for employers and employees to help minimize costs and ensure strong health outcomes for individuals. As employers come to terms with the lasting effects of COVID-19, preventive care will only become more critical. Many health care providers saw a lull in business during the pandemic's stay-at-home orders that led to many people delaying their care. As a result, one trend for employers to watch out for is health care providers recommending elective surgeries earlier than usual to recoup these losses.

Employers can help employees avoid unnecessary procedures and costs by connecting them with services that provide a second opinion. For example, musculoskeletal

surgeries may be avoidable through physiotherapy and virtual solutions for exercise therapy. This support can help avoid up to two thirds of elective surgeries, reduce costs, and save employees from the challenges and potential adverse side effects of recovering from unnecessary surgeries.<sup>4</sup>

Rather than develop these capabilities in-house, employers can partner with vendors to provide these services, helping to reduce the upcoming surge in claims while supporting employees with an enhanced benefits package.

### Tackle Cost Drivers with On-Demand Visibility

Employers need ready access to data insights to help make informed, proactive decisions to address challenges arising in the pandemic's wake. In particular, visibility into health care claims is essential to identify and mitigate cost-drivers and design effective benefits programs. Identifying and tracking trends in health care claims in real time will help employers gather information on the effectiveness of their benefits strategy and employee health plan utilization. This visibility will enable employers to make adjustments throughout the year to support emerging employee needs and maximize employee engagement in their benefits.

With on-demand reporting and analytics, employers can more easily identify what's driving their costs, understand potential risks and coverage gaps, and develop smarter plans and programs to build and support a happier, healthier workforce.

## Step 2: Prioritize Flexible and Diverse Benefits

Today's workforce consists of five generations, all with unique needs and expectations. Following the pandemic, 63 percent of employees reported expecting at least one expanded benefit, including supplemental insurance or telemedicine options.<sup>5</sup> To support this, employers will need to develop and maintain diverse benefit programs that go well beyond pure health care coverage.

However, employers shouldn't view this as a cost center. Diverse benefit programs boost employee engagement, improve uptake of preventive care and ultimately reduce costs for everyone. Beyond this, nearly 50 percent of employers agree supplemental insurance improves employee recruitment, while just under 60 percent say it improves retention.<sup>6</sup>

### Structure Your Benefits Program to Support Total Wellbeing

Understanding employees' specific needs and demands are key for employers to curate a comprehensive benefits package that enables employees to build health and resiliency. To maximize the impact of a benefits program, employers must think holistically about the entire individual, including their physical health, mental and emotional health, financial health, and social wellbeing.

After a year of huge personal and professional challenges, now is the time to focus on providing options to support employees' unique needs, especially those exacerbated by the COVID-19 pandemic. Some strong options could include additional income protection options, telemedicine, mental health benefits and more.

However, employers need to be strategic in structuring a voluntary benefits package. That starts with data. Demographic data should always be considered along with actual feedback from employees through surveys. Additionally, on-demand access to health care claims data can provide insight into emerging employee needs and chronic conditions, such as diabetes, cardiovascular disease or obesity.



**63% of employees reported expecting at least one expanded benefit**

### Streamline Benefits Administration and Delivery

Access to data analytics and complementary consulting helps employers identify new benefits to address employees' evolving needs, but the rollout and administration of these benefits can be a challenge without the right technology.

By investing in a benefits management platform that has established integrations with voluntary benefit providers and analytics, employers can easily introduce new benefits during open enrollment or throughout the year without the burden of implementation. In addition, managing voluntary benefits on the same platform as medical coverage makes administration seamless while also enabling employers to track participation in programs and assess their impact on employee behavior. Value-added services from vendor partners can help to further drive behavior change and improve employees' holistic wellbeing.

## Step 3: Support Mental and Financial Health

While physical health has always been the main focus of benefit programs, there are other areas of total wellbeing that should also be taken into consideration. For some years now, employers have understood that mental and financial health also significantly impact employee wellbeing and need to be considered when building and administering an effective benefits program.

As employers work with the continued effects of the COVID-19 pandemic, supporting employees' mental and financial health will be an essential consideration.

### Tackle Mental Health Challenges

As always, employee mental health is a tough nut to crack. There is still a stigma surrounding mental health, and many people still aren't comfortable coming to terms with the idea that they're suffering from a mental health condition, much less feeling comfortable about talking about it.

Stress and anxiety can be debilitating and lead to negative effects that further damage the employee's health and ability to live and work effectively. COVID-19 has only increased the incidence of these types of mental health conditions. In a mid-2020 poll by Lyra Health, 80 percent of US employees reported the pandemic had negatively impacted their mental health, while 65 percent said it had affected their ability to work.<sup>7</sup>

Naturally, employers are looking for ways to help employees manage these conditions.

One solution for employers is to implement an employee assistance program to help employees access the support services needed to develop skills that reduce stress and manage anxiety and depression. These types of programs can be implemented and administered easily using a modern benefits platform.

### Provide Financial Health Solutions

Financial security is a major concern for Americans, and health care costs are a strong contributing factor. According to recent survey, 48 percent of US workers couldn't pay \$1,000 or more for out-of-pocket expenses in the event of a severe illness or accident without relying on credit or incurring debt. Unsurprisingly, 92 percent said they were surprised by at least one health care cost related to a severe illness or accident in the last year.<sup>8</sup>

While these challenges are far from new, they're another example of an area that the pandemic has exacerbated. Strong health benefits are essential to support financial wellness, but it doesn't stop there.

- ✓ Access to earned wages
- ✓ Financial coaching
- ✓ Short-term loan assistance
- ✓ Student loan refinancing

These types of voluntary benefits can help employees cope with short-term financial distress while planning for a financially stable future.



## Step 4: Double Down on Benefits Education

For years now, HR and benefits leaders have recognized that people struggle to understand their benefits options or fully utilize their benefits. COVID-19 has put this issue front and center for most Americans, and HR and benefits leaders must find ways to support employees.

Education is essential to promote a healthy workforce. Complete understanding of benefits enables individuals to make better decisions and avoid simple mistakes, substantially reducing costs for employees and employers and improving health outcomes.

Following the pandemic, more employees than ever before are looking to employers for guidance to help them make better decisions and maximize the value of their benefit options. According to a recent survey, 66 percent of employees want their employer to help them understand their benefits in 2021.<sup>9</sup>

### Communicate to Educate

The need to educate employees goes beyond basic health literacy to help employees optimize their benefits investment. This starts with choosing the right medical plan and supplemental coverage and includes assisting employees in making good, proactive decisions throughout the year, emphasizing preventive care.

HR and benefits leaders must develop purposeful communication campaigns that help employees understand and engage with their benefits before and after open enrollment. Decision support tools are essential to help employees choose the right benefits for their

needs, while other tools can help them make good decisions at the point of care or during a moment that matters.

It's also essential to educate employees about voluntary benefits, as these can address the specific needs of individuals and help them navigate challenging life moments. As we've already discussed, mental and financial wellbeing will be fundamental in the coming months, and many voluntary benefits can help in this area.

### Opt-in to Year-Round Engagement

Engaging employees throughout the year and offering a diverse benefits program helps to reduce costs for everyone and improve individuals' health outcomes. However, even with heightened interest resulting from the pandemic, it's common for individuals not to think about benefits until something goes wrong. To combat this, HR and benefits leaders must work hard to engage employees in their benefits beyond open enrollment.

To achieve this, employers need a system that enables thoughtful year-round communication that is relevant and timely. This requires a platform that allows HR and benefits leaders to monitor employee activity and personalize communications based on specific moments in time.

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The cornerstones of an effective communication program include:

- ✔ Maintaining a regular cadence and format to communications all year round
- ✔ Using a variety of channels to engage different employee demographics
- ✔ Providing personalized information and recommendations
- ✔ Highlighting unused benefits
- ✔ Raising awareness of preventive care options
- ✔ Promoting voluntary benefits to support changing employee needs

A powerful benefits platform supports each of these cornerstones and makes it easy to target messages to employees based on their plan selection and usage.



Visit our **[resource center](#)** to get more tips and best practices to optimize your employee benefits program and communication strategies.

## About Benefitfocus

Benefitfocus (NASDAQ: BNFT) unifies the entire benefits industry through innovative technology solutions that bring efficiency, cost savings and simplicity to employee benefits administration. Our powerful cloud-based software, data-driven insights and thoughtfully designed services help employers, insurance brokers, health plans and suppliers address the complexity of benefits enrollment and engagement, while bringing easier access to health, wealth and lifestyle products through a world-class benefits experience.

Our mission is simple: to improve lives with benefits. Learn more at [www.benefitfocus.com](http://www.benefitfocus.com).



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