MERCER MARSH BENEFITS™

This Is Health | Point of View Series

03 The New Age of Digital Benefits

MARSH & McLENNAN COMPANIES
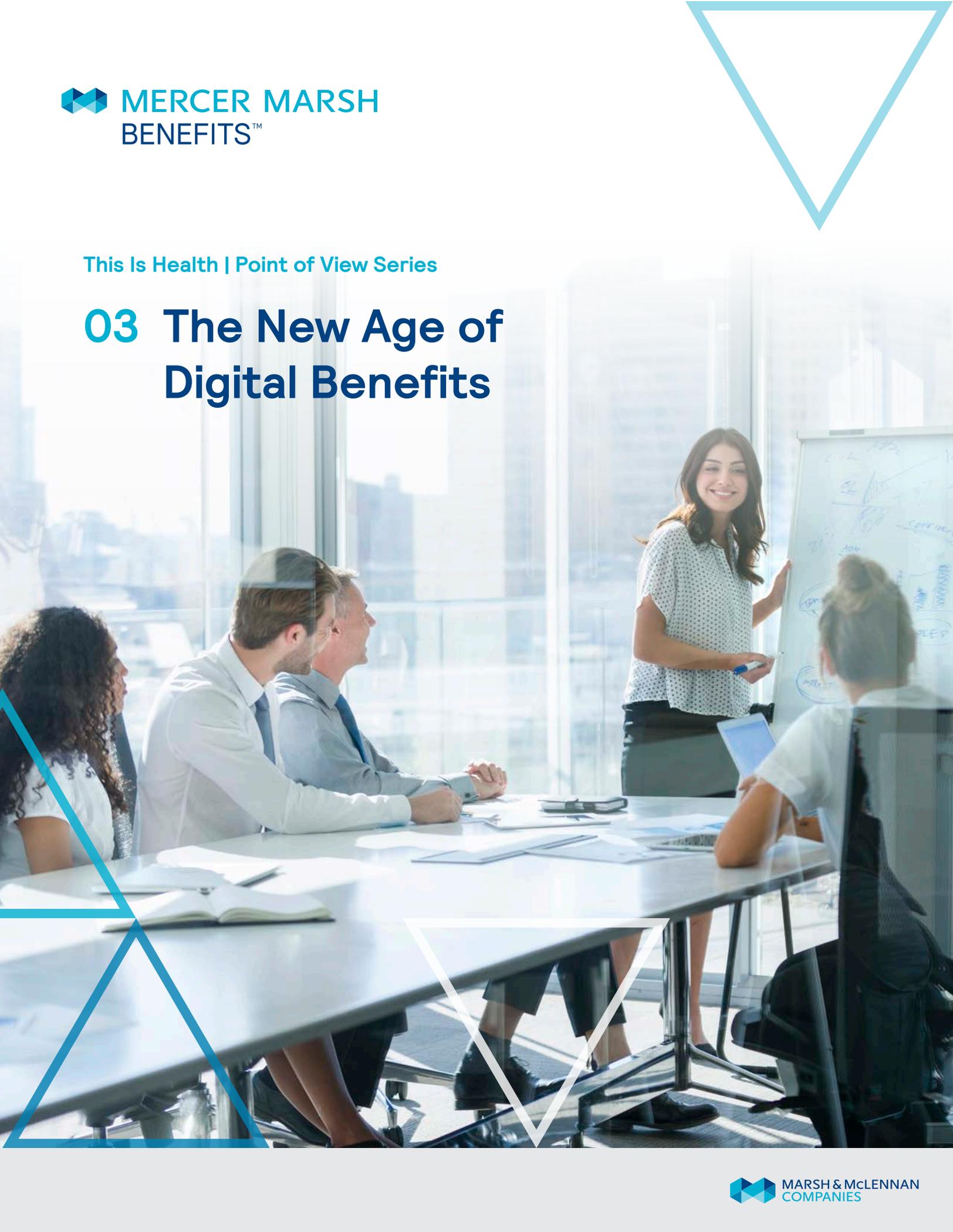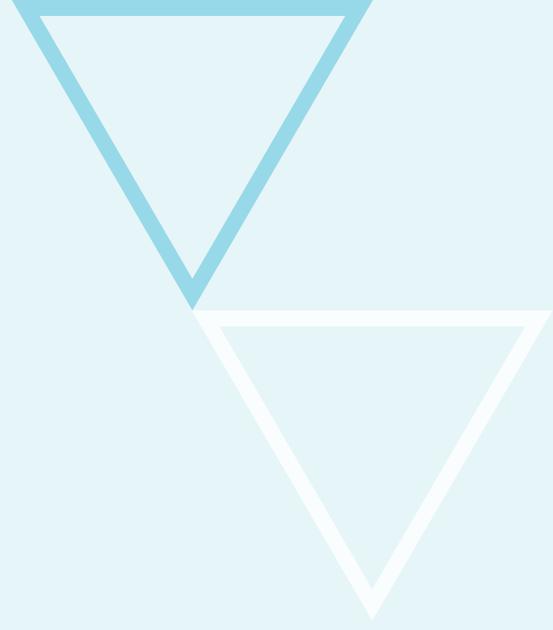
With the advent of the Fourth Industrial Revolution, our lives are increasingly taking place using digital means — from working and socializing to shopping and banking. When people can easily work with colleagues around the world, transfer money in seconds, watch movies recommended specifically for them and even order ice cream to be delivered in minutes, they expect to handle their employee benefits in the same way: with customized options based on their individual needs, and real-time accessibility at their fingertips.

Yet too many employers have not started their journey to digitizing their health and financial benefits, with some still requiring manual paperwork. According to a global survey by Thomsons Online Benefits, only 38% of companies provide employees with access to benefits from mobile devices, and 18% are not even at the point of considering this option.[1] On the other end of the spectrum, providers leading the way in offering digital benefits are developing sophisticated tools such as voice-controlled virtual assistants that can answer employees' benefits questions and support their individual wellness efforts.

No matter where you are on the digitization journey, irrespective of the size of your company, there is work to be done. As the labor market tightens and tech-savvy younger workers take the helm, companies must prioritize digital technology in the design and delivery of benefits to attract and retain the best employees in the future.

At Mercer Marsh Benefits, we are taking a closer look at the rewards that come from digital benefits and delving into the issues that executives and human resource (HR) professionals need to consider as they move in this direction.

1   Thomsons Online Benefits. *Global Employee Benefits Watch 2018/19*, available at https://www.thomsons.com/resources/whitepapers/global-employee-benefits-watch-201819.

THE PROMISE OF DIGITAL

The move to digital opens up new possibilities for benefits. Online platforms make it easier for companies to manage and deliver benefits, as well as to communicate and engage with employees around how they use them. Not only that, the digital environment is sparking the creation of brand new benefits programs and tools by providers. The results of both of these digital advances are leading to greater efficiency from more productive, healthier and satisfied employees.

IMPROVING ACCESSIBILITY, COMMUNICATION AND ENGAGEMENT

One of the first advantages of digitization for companies is the centralization of benefits and the related administration. For many companies, especially those with a geographically dispersed workforce or a history of acquisitions, the move to digital benefits offers the chance to consolidate and reorganize disparate benefits programs and streamline administration. While this first digital overhaul can be a huge undertaking, the resulting efficiencies and ease of use for employees are worth it. About 90% of employers surveyed by Thomsons Online Benefits noted that automating administrative processes and achieving global governance of benefits were key initiatives in their global benefits strategies.[2] After accomplishing these efforts, HR departments can shift their strategies to focus on how digital benefits technology can optimize costs and increase employee engagement.

The transformation to digital also allows HR professionals to connect with their workforce in new ways. In the past, HR frequently communicated benefits information by email alone, with varying success, and employees often underutilized their benefits because they did not know what was available, or they were overwhelmed by too much information that was unclear or irrelevant. Now HR teams can employ a diverse mix of digital methods to interact with employees about benefits — from personalized texts and social media posts to online competitions and targeted website banners. With more ways to connect (and at an individual level), companies have more engagement opportunities to tout available benefits and make those offerings more personalized. This will encourage employees to use their benefits more frequently and has an additional advantage for the employer in providing richer data about how benefits are being used — not to mention employees valuing their benefits more.

2 *Ibid.*

INTRODUCING BRAND NEW BENEFITS

In addition to improving access to tried-and-true benefits, digitization is creating entirely new benefits that offer big potential for improving employees' health and financial wellness. For example, online programs are helping people improve health-related behaviors, including sleep management, nutrition coaching and smoking cessation. These programs utilize individual coaching via text messaging, digital wearable devices that track things like exercise metrics, and platforms that set appointments with healthcare providers.

Digital offerings are both convenient for employees and well suited to the kind of frequent, small interactions that help people incrementally change health behaviors over time. Digital wearable devices, for instance, monitor health metrics and track data that can be shared with employees regularly to drive healthier behaviors. For even more motivation and accountability, this information can be plugged into social networks where people can encourage one another. These benefits can help users adopt healthier habits and consequently prevent or delay illness and disease over the long term. They also contribute to employees appreciating their benefits more, as they are using them on a regular basis.

PROVIDING DIGITAL CARE TO EMPLOYEES

For employees who already struggle with health problems, new digital benefits are emerging to help people manage disease and ease the burden on healthcare providers, which can lead to significant cost savings as well. Our *Medical Trends Around the World 2018* report showed that 2018 costs for employer-sponsored medical care were expected by insurers to rise 9.1% for the countries reviewed.[3] Healthcare is ripe for disruption!

A significant share of rising healthcare costs is tied to chronic health conditions, including cardiovascular disease, diabetes, depression, cancer, hypertension and obesity, which account for more than half of the global burden of disease. In fact, one in three adults worldwide has more than one of these health issues, compounding the cost of treatment.[4] Companies are looking to innovative and value-added solutions that integrate digital tools with support from healthcare professionals to help employees with these conditions before they worsen.

One such solution is a digital diabetes management program that facilitates early treatment interventions to prevent serious health problems, from blindness to heart failure, which can occur when the disease is poorly managed. An employee who has diabetes uses a connected glucose monitor

3 Mercer Marsh Benefits. *Medical Trends Around the World 2018*, available at
   https://www.mercer.com/our-thinking/health/mercer-marsh-benefits-medical-trends-survey-2018.html.
4 Adler-Waxman A. "This Is the Biggest Challenge to Our Health," World Economic Forum, 2017, available at
   https://www.weforum.org/agenda/2017/12/healthcare-future-multiple-chronic-disease-ncd.

that sends results to a secure online account; the data are then continuously assessed using predictive analytics, and any issues are flagged. At this point, a healthcare provider can step in to offer appropriate assistance, including further disease education, nutrition coaching or scheduling a physician visit to develop a new treatment plan informed by the collected data.

Teleconsultation is another way that technology is lowering medical costs while improving health outcomes. In China, where there are few medical providers relative to the population, especially in rural areas, the government and private companies have invested in teleconsultation platforms that allow patients to make online doctor appointments via mobile devices, communicate with health providers by texts and phone calls, and request second opinions from doctors in other countries. Additionally, in several Asian countries, patients are beginning to pick up medications directly from pharmacies following teleconsultations.

New uses of artificial intelligence (AI) in medical care can further support overburdened physicians, ease operational bottlenecks and better match patients with suitable, high-quality health providers.

These kinds of digital benefits will increasingly support healthcare professionals in diagnosing and treating diseases in the future. By continuously capturing and interpreting data, digital programs can put this valuable information into the hands of physicians, nurses and other healthcare professionals, who can then better target interventions, prevent acute care events and improve overall health outcomes.

The earlier we can identify disease markers and implement effective treatment options, the better for everyone — for employees, who can enjoy better overall health and wellness; for the healthcare providers delivering care; and for companies, which can better support their workforce while keeping expenses under control.

FOCUS ON FINANCIAL BENEFITS

The Issue: In the area of financial benefits, our global research shows that only 26% of employees are confident they can save enough for retirement, while 79% of workers trust their employers to give sound, independent advice on planning, saving and investing, and 85% want secure, easy-to-use, jargon-free online tools to help manage their finances.[5] This represents a major opportunity for companies whose digital benefits programs empower employees to determine their individual financial goals and then deliver the accessible, personalized tools to achieve them.

Building Better Benefits: Faced with a crowded marketplace full of new digital offerings, HR departments must curate the right mix of investment portfolios, financial wellness programs and digital tools tailored to the needs of their particular workforce.

Employees appreciate digital solutions that sort through an overwhelming amount of information to clearly explain the advantages and drawbacks of the available investment and retirement saving plans. The best digital tools make it possible for employees to calculate estimated retirement savings for different points in the future, understand the projected impact of specific investment decisions and even run scenarios to see how career changes can affect financial outcomes in retirement. Moreover, with digital platforms in place, HR departments can identify and personally engage employees who may not be fully utilizing their financial benefits.

5 Mercer. *Healthy, Wealthy and Work-Wise: The New Imperatives for Financial Security*, 2018, available at https://www.mercer.com/our-thinking/healthy-wealthy-and-work-wise.html.

EMPLOYER CONSIDERATIONS
A Strong Foundation: Keys to Success in Building Your Digital Benefits Strategy

We urge employers to look at ways to embed proven digital components into their benefit plan in order to improve health affordability, accessibility and quality.

As companies invest in digital benefits projects, executives and HR leaders must ask probing questions throughout the process, from the planning stages through ongoing improvements, based on feedback. What kind of experiences do employees want when using their benefits? How do employers develop quality care through digital health solutions? What factors are critical to success in the transformation to digital? What are the challenges, and how can employers best respond? We have identified four key areas that employers should consider in designing and implementing a digital benefits strategy.

1. TRULY DIGITAL MEANS PERSONALIZED, HOLISTIC AND INTERACTIVE

For many HR departments, the drive to digital began with automating processes and making sure materials — often in PDF format — were available to employees online. While these efforts have introduced new efficiencies, they were only the first phase of digitization. Benefits administration will soon be invisible, and the ultimate goal is to deliver a consumer-grade experience that is personalized, holistic and interactive for employees.

A big challenge in realizing this goal is the complicated nature of benefits, which are often difficult to understand, especially at a global level when managing multiple legislation rules. Employees are accustomed to contacting HR or benefits providers for assistance even when they have access to benefits materials online, yet most would be willing to turn to online-based tools and support models — as long as these tools are easy to use and secure.

A solid digital strategy must incorporate technology that allows employees to quickly receive answers to their questions, whether they are more general in scope (how do I submit a claim?) or more specific to their individual needs (do my benefits cover a certain health procedure?). There is huge scope for developing AI-powered chatbots or voice-activated tools, but they MUST be intelligent and sophisticated — not serve merely as a gimmick to attract buyers into thinking they are getting the latest tech. HR professionals need to carefully consider the kinds of questions typically asked by their employees and what information could help employees more

effectively use their benefits before thinking how the answers may be served via these tools.

Employees expect a consumer-like experience, so digital benefits must be seamless. Companies striving to support their employees' overall health may end up providing programs from a number of vendors — for example, one for nutrition, another for fitness and yet another for managing chronic conditions. In a survey of HR professionals, 60% said their companies use three or more separate reward and employee benefits technology platforms that have different log-ins.[6] This feels disjointed for employees and may prove to be a headache for administrators when it comes to collecting and using data from several programs. A single sign-on is the first step to creating a cohesive experience, and companies must consider how different programs interconnect so they work well together.

2. USE DATA ANALYTICS TO GUIDE BENEFITS SELECTION

Research indicates that nearly 60% of benefits professionals believe that AI, data mining and statistics are game changers for the industry.[7] More variables and data points are leading to increasingly sophisticated algorithms, which translate into higher levels of customization for employees. One day, data analytics will allow us to provide customized benefits based on a person's habits, genetic makeup, budget and lifestyle choices.

For now, the use of data analytics is only beginning to gain traction in HR departments. In our 2018 Global Talent Trends survey, 91% of HR leaders pointed to several roadblocks preventing the effective use of data analytics, including a lack of management experience and disparate data from various systems.[8] Overcoming these obstacles can lead to significant gains in understanding workforce profiles, assessing risks and planning for the future.

Drawing on a variety of data sources, including claims history, sick leave records, demographic information, employee health screening results and current population trends, HR professionals can apply data analytics and develop a risk management approach to their benefits programming. For example, companies should analyze aggregated anonymized data regarding the prevalence of diseases and the top diagnoses in countries where they have employees. They should examine the root causes of claims histories and select benefits providers and programs that are aligned with the needs of their employee populations and their biggest risk areas.

Mercer Marsh Benefits continues to be on a forefront of digital analytics innovation. Our BenefitMAP[9] app, live in 11 countries and expanding to 25 this year, enables employers to compare their unique employee census data with our portfolio and make informed decisions.

BenefitMAP enables employers to have a dynamic conversation about their benefits budgeting options, so they can make strategic business decisions.

6 Clarke R. "AI and Big Data Analytics to Transform the Rewards and Benefits Industry," *HR Review*, December 4, 2017, available at http://www.hrreview.co.uk/hr-news/ai-big-data-analytics-transform-rewards-benefits-industry/109269.
7 *Ibid*.
8 Mercer. *Global Talent Trends Study: Unlocking Growth in the Human Age*, 2018, available at https://www.mercer.com/our-thinking/career/global-talent-hr-trends.html.
9 BenefitMAP 2018, available at https://www.mercermarshbenefits.com/en/our-services/benefitmap.html.

BENEFITMAP — DECISION-MAKING WITH ANALYTICS

Mercer Marsh Benefits' BenefitMAP is a comprehensive digital analytics platform that lets employers analyze risk in two primary areas — historical and future projections — enabling employers to make strategic decisions, put capital to optimal use and unlock opportunities to grow their business.

The global platform's Historical Dashboard leverages a deep pool of claims and exposure data across industries, companies of differing size and geographies to deliver a clear, informed view of a company's benefits program performance compared to each country's market benchmark. This part of the platform allows for:

- Comparison of an employer's own experience with market benchmarks
- Observation of the employer's population distribution to explain variance in claims experience
- Use of dynamic, country-specific filters to analyze specific portions of an employer's member base
- Demonstration of an employer's claims experience, and year-on-year changes
- Insight into how particular claim types impact overall experience
- Breakdown of claims utilization experience into frequency, per capita cost and average cost

The Historical Dashboard allows for a dynamic comparison between a particular employer and the Mercer Marsh Benefits Portfolio to gain valuable insights when designing an optimized employee health and benefits strategy.

In the Future Projections component of the app, BenefitMAP stimulates a range of potential outcomes, including modeling the impact of medical inflation, budgetary decisions, as well as demographic and other changes to employee health and benefit costs now and into the future.

It also simulates a range of possible solutions to cost increases by quantifying the impact of various plan design feature changes, and implementing cost mitigation initiatives relating to levels of contribution, health management and carrier negotiations, among others.
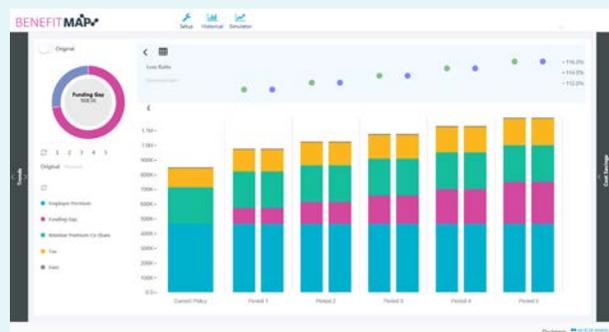
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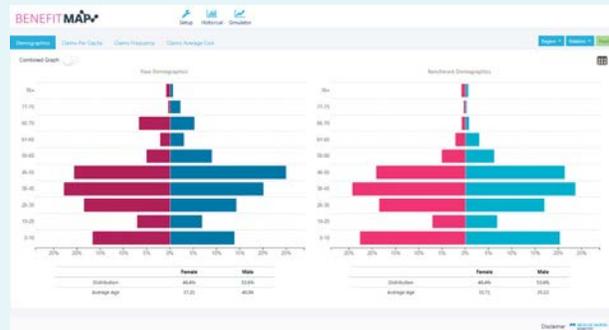
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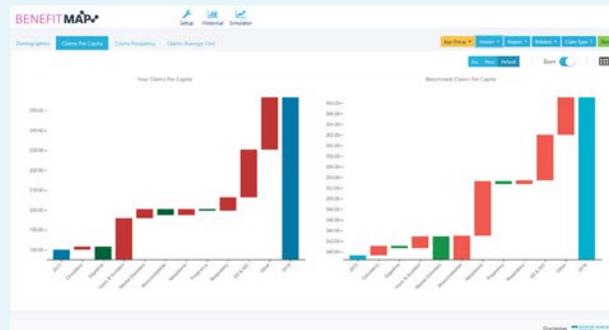
Five-Year Cost Projection, With Trends and Proprietary Cost-Savings Algorithms

3. LAY THE GROUNDWORK FOR CONTINUOUS IMPROVEMENT

In the past, companies have compared their benefits offerings with those of peer companies to ensure they were keeping pace with the competition. Alongside this type of peer benchmarking, companies can now use their own data to reveal more about their employees' use of benefits and make ongoing changes and updates on an as-needed basis.

At a granular level, available data may include employee engagement scores and participation rates for various health initiatives. By tracking benefits usage and applying data analytics, companies can understand which benefits employees use most frequently and get a better sense of what is valuable to them; conversely, they can identify which benefits go unused and discontinue those. Feedback from employees from external job review and other social sites can supplement the data. Employee engagement data related to benefits can also help HR professionals continually refine their benefits offerings.

One area of concern when it comes to HR departments and data analytics is privacy and data security. Some employees may worry that their personal information could be shared or compromised or that legislation like GDPR could be contravened. To address this concern, HR professionals must consider how their systems or vendors ensure that analysis is verifiable for accuracy's sake, while making the data anonymous and taking other measures to protect the use, privacy and confidentiality of individual employees.

FOCUS ON WHAT'S IMPORTANT TO EMPLOYEES

According to our recent research 61% of employees rate health as a bigger concern than wealth or career, and one in two would like a greater focus on well-being at work.[10] Although only 14% of employers have made health and well-being a talent management priority, it's important to align the employer and employee interests, as these value-added benefits enhance employees' work experience, strengthen their connection to an organization and drive engagement. Moreover, they are a tangible demonstration that a company cares for its employees.

We have seen an explosion of digital solutions focused on well-being, from health trackers to lifestyle change and incentive management schemes. Traditional approaches, such as questionnaire-based health risk assessments, are in need of modernization. The newer generations of internet users — especially millennials and generation Z — are likely to define health quite differently and be more responsive to different incentives. They live in a more personalized world, where genetic testing is widely available and the internet anticipates their every need. These users are not as likely to view a tool that tells them to eat their fruits and vegetables as a positive experience. Health comes to them socially, in digital bites and on demand. Progressive employers will need to vet, curate and embrace new players with more modern approaches.

10 Mercer. *Global Talent Trends Study: Unlocking Growth in the Human Age*, 2018, available at https://www.mercer.com/our-thinking/career/global-talent-hr-trends.html.

4. MAKE THE CASE FOR CONTINUED INVESTMENT IN DIGITAL BENEFITS

Although it may be difficult to determine ROI for an exercise or mindfulness program offered to employees, it's precisely these kinds of benefits that may attract and engage outstanding, dedicated employees. Mercer research shows that 81% of employees want opportunities to grow personally and professionally, and these kinds of benefits can help people pursue this kind of growth.[11]

Thomsons Online Benefits' research shows that only 64% of companies are measuring take-up levels of their benefits programs, and just 66% measure their employees' levels of satisfaction with benefits. Furthermore, 53% do not measure how their benefits programs impact employee retention or recruitment, and 46% do not measure how benefits relate to employee engagement.[12] It is critical to capture data on how benefits impact employee engagement, whether through surveys or participation rates, to make the business case for additional investment.

11 Mercer. *Global Talent Trends Study: Unlocking Growth in the Human Age*, 2018.
12 Thomsons Online Benefits. *Global Employee Benefits Watch 2018/19*.

TRANSFORMING THE BENEFITS EXPERIENCE

Offered by Thomsons Online Benefits, Darwin is the world's top digital benefits management and engagement platform, accessible to employees from any device, anytime, anywhere in the world. Companies that use Darwin — including eight of the world's top 10 tech companies, five leading banks and four pharmaceutical giants — are leveraging the platform's capabilities to maximize employee engagement with, and appreciation of, their benefits.
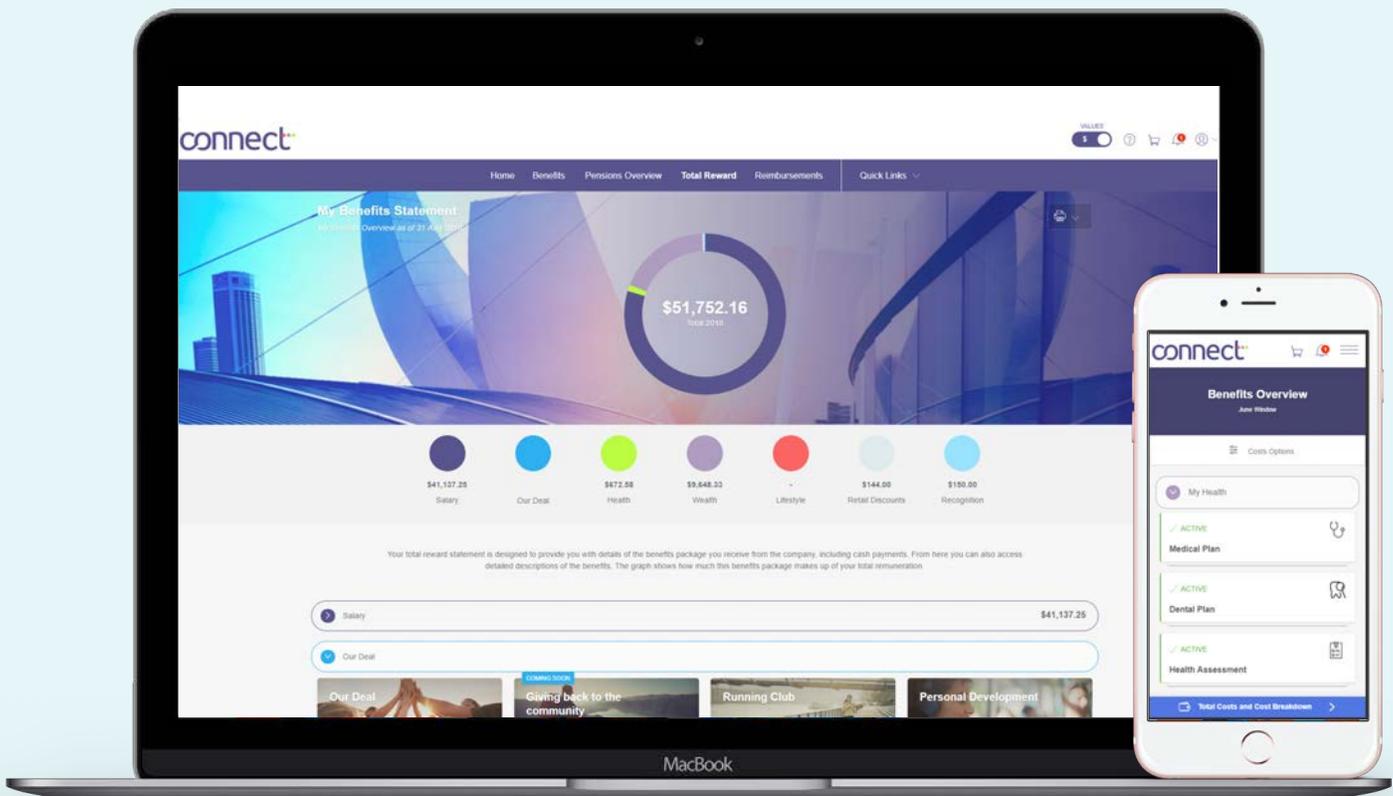
AUTOMATED ADMINISTRATION

HR professionals use Darwin to relieve a significant burden of benefits administration. One large global employer used the platform to transform an antiquated paper-based system with different programs in various countries into a single digital benefits home. Darwin centralized and automated more than 300 benefits and pension plans, streamlined 170 processes and now delivers benefits to the company's employees in 40 countries and in 14 languages. On the back end, HR professionals are able to see and control both global and local benefit program budgets.

DATA ANALYSIS

Darwin's ability to pull together different benefits programs all over the world into a single platform means the data from these various offerings is centralized. HR professionals can put these data to work and run reports to analyze benefits use by demographic group, business unit, location and more. By shining a light on benefit program performance, often for the very first time, HR teams are able to maximize return on benefits investment.

COMMUNICATION AND ENGAGEMENT

With Darwin, employers can personalize communication to help individuals use their benefits more effectively — which in turn leads to greater employee appreciation of the benefits on offer. The platform is also able to capture how people are using their benefits and turn that engagement data into valuable insights so HR can continually improve benefits offerings.

CONSUMER-GRADE EXPERIENCE

Finally, from the employees' perspective, Darwin provides a high-quality, seamless online benefits experience. Individuals can log on to the platform from any smart device or browser to manage their own benefits — handpick offerings that meet their needs, handle claims, book vacation days and more.
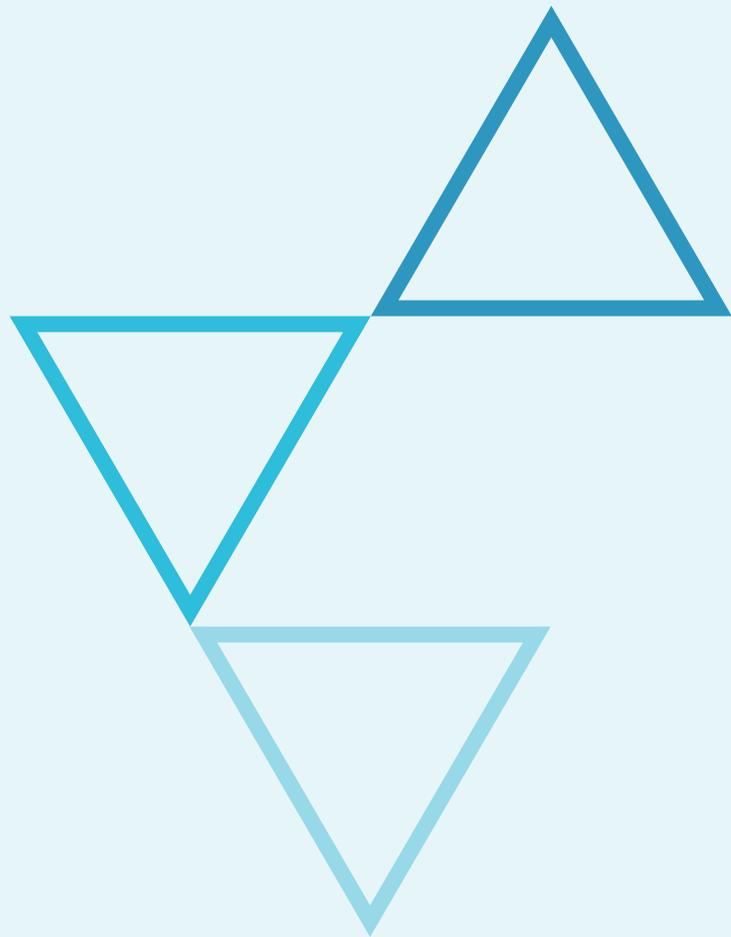
CONCLUSION

From automating processes to using AI to diagnose disease, digital technology is changing the landscape of employee benefits for companies of all sizes. We expect the future to bring more personalization for employees; innovative programs that help workers pursue health, wellness and financial security; and new ways to reduce costs. As we undergo this transformation, it's important to remember that digital technology alone isn't enough to meet the full range of employees' benefits needs. Human influence will continue to be necessary: Doctors and other practitioners will still work with patients, care managers will coordinate programs aimed at achieving holistic health, financial advisors will remain a valuable resource for retirement planning, and HR professionals will continue to bring the human element into developing relevant benefits programs that work well for their employees.

For further information, please contact your local Mercer Marsh Benefits office.

About Mercer Marsh Benefits

Mercer Marsh Benefits provides clients with a single source for managing the costs, people risks and complexities of employee benefits. The network is a combination of Mercer and Marsh local offices around the world, plus country correspondents who have been selected based on specific criteria. Our benefits professionals, located in 135 countries and servicing clients in more than 150 countries, are deeply knowledgeable about their local markets. Through our locally established businesses, we have a unique common platform that allows us to serve clients with global consistency and locally unique solutions.

Visit us at www.mercermarshbenefits.com or mercer.com