

# Developing A Strategic Benefits Approach That Matches The Dynamic Needs Of Every Employer

*Applying insights around corporate culture, growth and business goals to identify an optimal health care benefits offering.*

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## Introduction

The economic downturn during the last decade has created significant financial challenges for employers looking to offer health care benefits. It has also introduced uncertainty about the future, resulting in pay freezes, benefits cuts and layoffs. Many industries have been slow to recover in spite of economic growth indicators. At the same time, shifts in the demographic makeup of employee populations are also changing the landscape in which employers make health care benefits decisions. Meeting the coverage needs, budget and preferences of diverse employee populations can be especially difficult.

Employers are now facing more complicated decisions around offering health care benefits than ever before. This fact is partially due to the dramatic changes that are taking place within the health insurance industry itself. The Affordable Care Act (ACA) has driven much of this complexity as it mandates that employers offer specific types of benefits, plan designs and even affordability levels. Because of these requirements, more than half of employers feel that the ACA will have a negative impact on their ability to offer medical benefits in the near future.<sup>1</sup>

The good news is that leading health insurers and consultants are stepping up to this challenge and undertaking efforts to simplify the decision-making process around health care benefits for their customers. This white paper represents such an effort by Regence, a not-for-profit health care organization with 90 years of experience in serving innovative benefits packages to millions of members.

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<sup>1</sup>"Employee Benefits at a Crossroads", LIMRA, 2014.

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## Finding The Right Mix Of Value And Affordability For Every Workforce

Nine out of 10 employers feel they must offer medical insurance to attract quality workers.<sup>2</sup> Yet with all of the complex factors influencing health care benefits choices, the burden of selecting appropriate coverage cannot be in the hands of employers alone. It stands to reason that health insurers and benefits consultants must apply research and best practices to make the benefits selection process easier for employers. However, there are neither easy answers nor a one-size-fits-all approach—even if one were to segment employers by size, industry, population or other factor. That’s because in addition to these basic aspects, a decision-support model must also consider each employer’s belief system, corporate culture and business life cycle.

To begin building a foundation for this important process, Regence has created a robust model based on research collected by Pinpoint, a leading consulting firm. In late 2013, Pinpoint collected executive insights from a wide variety of employers, which were then used to develop innovative “employer archetypes.” These archetypes can help organizations more easily identify the ideal mix of benefits for their unique needs. (For information about Pinpoint’s study and the methodology used to gather these insights and develop the archetypes, please see the Appendix.)

## Insights about the market dynamics and business issues impacting benefits

The following general perspectives were shared by study participants, and reveal a wide range of current issues that both directly and indirectly impact benefits decisions.

### The impact of the economic recession

All of the executives agreed that the recent economic downturn has hit their businesses and industries hard. Many of their employees have had to share in the financial burdens via salary freezes and reductions in benefits. For example, the recession has prevented some employers from contributing significantly to health insurance premium costs for their employees.

However, now that the U.S. is emerging from the worst of this downturn, many of these thought leaders are cautiously optimistic about the near-term future. They are proud to be among the survivors in their respective industries. However, there is still an air of uncertainty about the future. Many executives feel that the recession was truly transformational and that corporate practices will not necessarily return to their previous state. The good news is that new technology is aiding in offsetting losses from the recession by boosting workforce productivity and efficiency.

### Workplace dynamics at play

Today’s workplace often comprises a highly diverse mix of young and old, professional and blue-collar, and healthy and at-risk employees. The same holds true for the diversity of benefits preferences. For example, millennials will make up half of the workforce by 2020. This generation is more ethnically and racially diverse than older adults and is also on track to become the most educated generation in American history.<sup>3</sup> These individuals are typically highly comfortable with technology and technology-enabled tools. They are young, generally healthy and have high expectations around convenience in purchasing experiences—whether these are related to retail products or health care benefits. The executives surveyed confirmed these beliefs and also shared their perceptions that millennials are more transient and less loyal. As a result, strategies to retain younger employees such as valuable benefits packages may be of critical importance for some employers.

**One executive remarked:  
“Twenty years ago,  
we’d hire a mechanic  
at entry level and they  
are still with us today.  
Today, that same new  
hire will jump ship  
for a \$2 per hour pay  
increase.”**

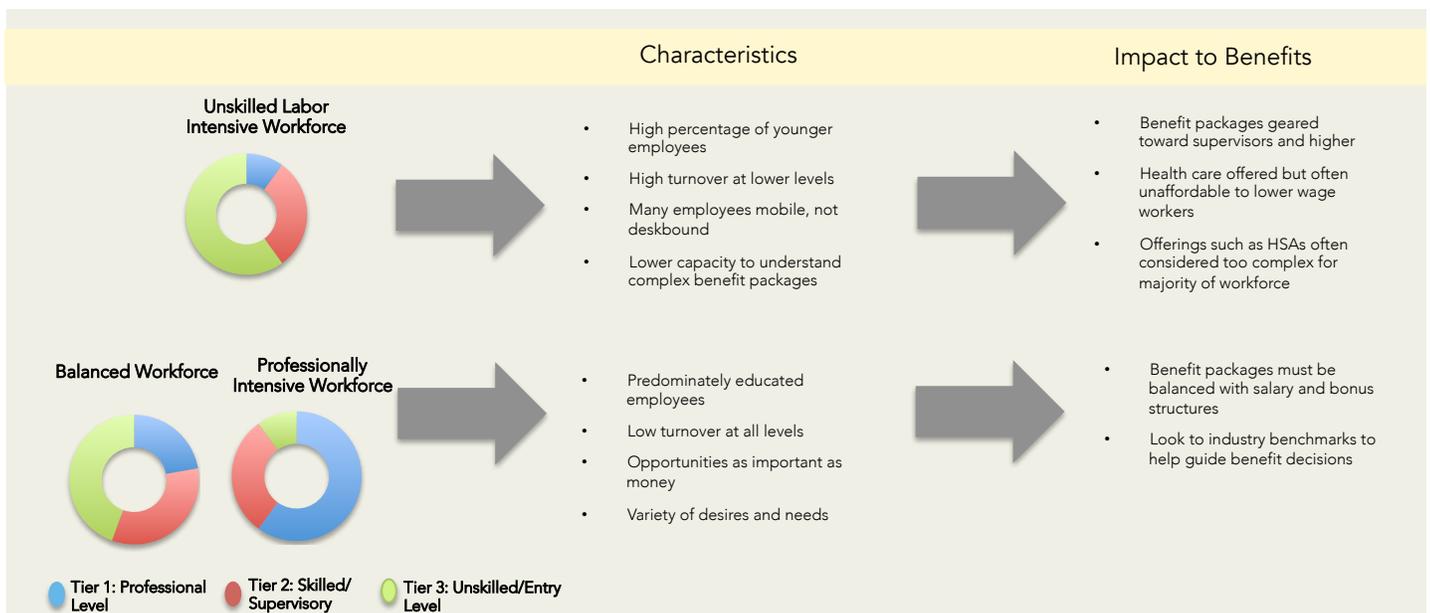
Thanks to the economic downturn, many baby boomers have delayed retirement, making them an important segment for most employee populations. This generation is heavily focused on health improvement, but is more accustomed to receiving extensive guidance from employers about their health care benefits decisions. Increases in chronic conditions within this population—including diabetes and heart disease—can make wellness and disease management efforts an important component of health plan offerings. Declining satisfaction with benefits is also an emerging issue with baby boomers. Overall satisfaction with employer-sponsored coverage has dropped 10% over the past six years and it is most pronounced among older workers and those in poor health, according to one leading health care research firm.<sup>4</sup>

### Workforce structure and its impact on strategic benefits decisions

Most executives included in this study cited that their benefits packages are primarily tailored to the needs of upper tiers of employees. These efforts are typically a direct result of the company's recruitment and retention goals to influence the most skilled,

in-demand workers. However, this approach may become increasingly difficult in the future as the ACA mandates that all eligible full-time workers (even lower-wage, hourly employees) receive the same coverage as these higher-level workers. Strict, new rules about benefits discrimination will prevent employers from offering certain health care benefits to certain employees that aren't offered to other classes of workers. (The Affordable Care Act has extended a non-discrimination provision—which previously applied only to self-funded insurance plans—to cover fully insured health plans as well, which are more likely to be offered by small and mid-sized employers.<sup>5</sup>) Another ACA rule contributing to this issue sets a threshold of premium affordability. Employee contribution cannot exceed 9% of a worker's income, which means that lower-wage workers can't simply be offered higher-level benefits with high contributions and be priced out of these benefits as they may have been in the past.

The following chart illustrates how workforce structure has traditionally acted as a key factor influencing benefit design.



<sup>2</sup> Ibid

<sup>3</sup>Millennial: A Portrait of Generation Next," Pew Research Center, February 2010.

<sup>4</sup>Towers Watson. "More Workers Satisfied with Retirement Benefits. Fewer Happy with Health Benefits, Towers Watson Survey Finds," Towers Watson, May 6, 2014.

<sup>5</sup>Karen E. Klein, "What Obamacare Means for Employers That Give Extra Benefits," BloombergBusinessweek, July 5, 2013.

<sup>6</sup>Source: www.adizes.com

## Leveraging employer insights and mapping them to business lifecycle

To better understand and apply the qualitative insights collected from this study, it is important to consider where each participant's company exists on the business life cycle.

A business life cycle illustrates how organizations naturally move along a continuum of growth based on whether they are establishing, expanding or maintaining their business models.<sup>6</sup> The following attributes represent key business characteristics in each one of these three phases:

### Establish

These companies are experiencing dramatic rates of change, as they are often working to establish strong foundations for their businesses. Their success is heavily contingent on recruiting and retaining top talent, keeping a strong competitive foothold in the market, and establishing organizational best practices and processes. In many cases, the corporate culture for businesses in this stage is still being defined. In addition, because many employees are new to the organization, establishing initial benefits packages is often of critical importance.

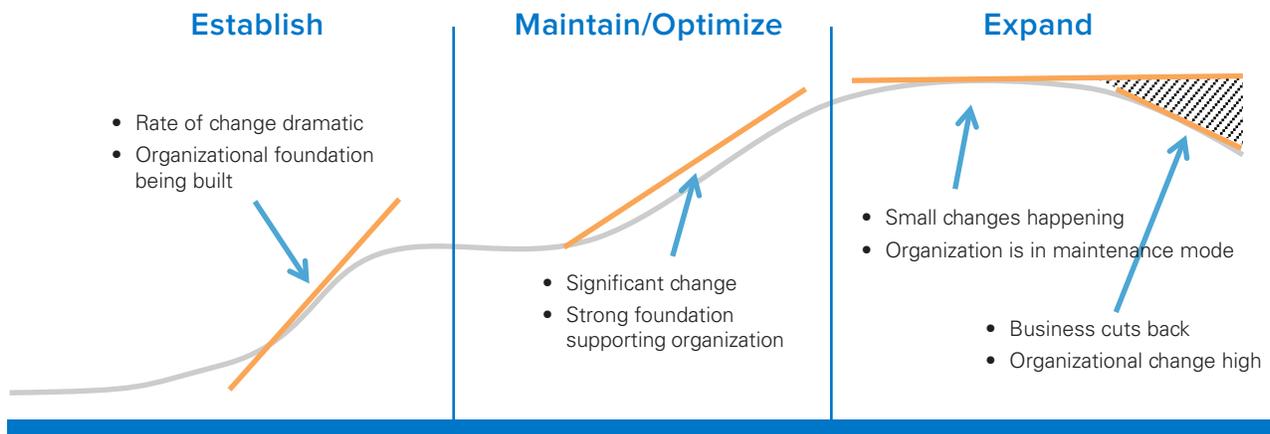
### Expand

Companies in the "expand" phase are still experiencing significant change, even though they have already developed strong organizational foundations. They are increasingly focused on improving their existing operations and business processes. Cost control during this phase is essential to maintaining profitability, while many organizations are also looking to expand into new markets during this part of their lifecycle. While their corporate culture is well established, these organizations need to maintain these principles during times of marked growth. On the human resources (HR) front, benefits packages may also need to be expanded or changed based on dynamic workforce requirements.

### Maintain/Optimize

Businesses that are in this well-established phase of their life cycle are either making small changes or maintaining their existing operations. However, there may be transition plans taking place for a next generation of leadership, which will impact the rate of change. Organizations at this stage will also need to periodically revisit their business models to ensure that they are current, and redefine existing roles and responsibilities. Their corporate cultures are deeply entrenched by this point, with many long-term employees. While these are typically positive attributes, these factors can make organizational change more difficult when it is required. From an HR standpoint, businesses in "maintain/optimize" mode are usually in the process of protecting their existing health care benefits.

## PHASES



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## The result: strategic employer archetypes that showcase a continuum of benefits needs

Based on the research and analysis conducted within this study, Pinpoint and Regence have developed five strategic archetypes that can support employers in their benefits decisions. These include:



### Family Business



### Employee-Centered Business



### Rising Star



### High-Touch Professional Firm



### Customer Experience Guru



## Family Business: a culture of caring

Family businesses believe in providing a safety net for their employees. Their primary HR and cultural needs often focus on transitioning business leadership to future generations and providing affordable health care to their workers. Their levels of technology and adoption and rates of change are in the medium range. The importance of benefits packages is also in the medium to high range.

Key business issues and workforce priorities for companies in this archetype might include:

- Expanding into new markets
- Tightening operations or billing processes
- Introducing new technology to improve operations/efficiency
- Controlling health care costs
- Finding and hiring entry-level crew members
- Transitioning and securing business relationships for senior managers nearing retirement
- Extending soft perks and support within benefits

### Benefits offerings for the Family Business

Based on this criteria, a company that fits the Family Business profile will want to select a health care benefits platform that offers a high level of flexibility, perhaps offering between two and four plan options with different levels of deductibles and out-of-pocket costs. PPO plan options are preferable, although some employers may also consider offering a Health Savings Account (HSA) option paired with a higher deductible health plan. This is most appropriate if employees are savvy enough to make informed health care decisions. These employers will also want to identify a health insurance partner that offers simple administration and enrollment.

## A company that matches the Employee-Centered Business archetype:

Skocjan Industries was founded based on a core belief that innovative design and manufacturing processes could lead to superior products. The company has distinguished itself in the market for spelunking helmets (used by professional cavers) by designing extremely shock-resistant, lightweight and breathable materials. The company employs 200 people, with an equal mix of engineering/design and assembly line workers. Skocjan's leadership believes that the business has reached its optimal size and as such, it is in the "maintain/optimize" phase of its lifestyle. At this point, one of the CEO's primary focuses is on providing employees a fun, stable and rewarding work environment. The company's executives also believe in instilling strong business values, personal accountability and promoting good work/life balance.



## Employee-Centered Business: driving innovation across the organization

Employee-Centered Businesses believe in developing jobs around employee strengths. They are willing to provide training and life skills to entry-level employees and offer engaging projects to challenge and inspire seasoned employees. As one would expect, the importance of benefits packages is high among this segment, as is the incidence of technology adoption, driven by high rates of change.

Key business issues and workforce priorities for companies in this archetype might include:

- Promoting business continuity
- Finding new market segments
- Retaining key senior employees
- Hiring and retaining employees that fit with the company culture
- Providing life-skills training to lower-wage workers

### Benefits offerings for the Employee-Centered Business

Based on this criteria, a company that fits the Employee-Centered Business archetype will likely want to select a traditional health plan option with fairly rich benefits. This could include a PPO plan offering low out-of-pocket costs for the most commonly used health care services.



## Rising Star: continuing rapid growth requires top talent

The Rising Star archetype includes businesses that are at the forefront of innovation and undergoing rapid rates of growth. Technology adoption is extremely high and many are maintaining an aggressive product development roadmap. Leadership in these organizations understands that they must keep an eye on the competition and attract the very best employees to maintain their leading market position. As such, employee benefits packages are of the utmost importance for these employers.

Key business issues and workforce priorities for a company that fits this archetype might include:

- Meeting an aggressive product development timeline
- Avoiding commoditization
- Expanding investment in research and development
- Finding world-class talent
- Implementing productivity tools to help workers be more efficient

### Benefits offerings for the Rising Star

Given the difficulties around attracting and retaining talent in very competitive fields, companies that fit this profile will need to offer the richest health care benefits, including plans with low deductibles and value-added extras. These could include population health and wellness programs that provide outreach and support for nutrition, stress management and health promotion activities. On-site biometric screenings and health coaching might also help address the sedentary nature of job requirements in a highly professional workforce. Companies that have a high level of technology adoption such as those in this archetype may also want to consider adding a telemedicine component to their benefits packages, allowing employees to virtually consult with physicians at home or in the office.



## High-Touch Professional Firm: maintaining a high-performing culture

Businesses within the High-Touch Professional Firm archetype have a distinct need to incent and reward high-performing workers, while grooming new employees to fit within this distinct culture. These skilled workers leverage insight and intelligence to help organizations like these adapt to a changing business climate. To attract and retain such high-quality workers, organizations must balance salary with benefits to meet diverse needs and make a strong effort to maintain a culture of innovation across their enterprises. While the rates of change are moderate within these companies as they are well established, their technology adoption and the importance placed on competitive benefit packages are both high.

Key business issues and workforce priorities for companies in this archetype might include:

- Transitioning strategy to the next generation of leaders
- Optimizing and evolving a business model
- Extending more opportunity to younger employees
- Improving diversity within an employee base
- Securing strategic projects to keep top talent engaged

### Benefits offerings for the High-Touch Professional Firm

Employer groups that fit in this archetype are typically strong candidates for innovative benefits packages, including health savings accounts and compatible high-deductible health plans. This is because a highly educated workforce is more likely to both value the flexibility of these plans and understands how to best utilize them as informed health care consumers.



## Customer Experience Guru: high-quality service meets operational efficiency

Employers that fit the Customer Experience Guru archetype place a high value on offering a stellar customer experience within every aspect of their operations. Many are focused on instilling a strong work ethic in their workforce—which primarily consists of younger employees, even recent graduates. The rates of change within these organizations are extremely high, as they may still be in the expansion phase of their lifecycles. Technology adoption is also mid-range to high. Career development opportunities and training are highly prized by workers in these firms. However, given that lower-wage, younger workers may not value benefits packages as highly, these perks are often perceived as less important.

Key business issues and workforce priorities for a company that matches this archetype might include:

- Focusing on operational efficiencies without sacrificing quality
- Staying relevant to customers
- Finding ways to recognize and reward employees for strong service
- Engaging staff in corporate strategy and business performance

### **Benefits offerings for the Customer Experience Guru**

Based on these criteria, a company that fits the Customer Experience Guru archetype may want to consider offering employees access to health care benefits through a private exchange. Private exchanges offer a wide variety of health plan options to employees and allow employers to set a fixed contribution amount, regardless of which plan is chosen (also referred to as defined contribution). This approach is an ideal fit for companies with a diverse workforce or those with younger employees who may place less importance on benefits themselves and/or guidance from their employers with regard to benefits decisions.

## Setting the stage for more informed decision-making around health care benefits

While the data collected from this study is qualitative and somewhat subjective in nature, it is still highly useful in driving a better understanding of the unique needs of businesses in specific stages of their life cycles and highly diverse workforce issues. As a result, the archetype models described here can be used as a strong starting point for employers looking to collaborate with health insurance carriers to develop optimal benefits packages.

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## Appendix

### An overview of the study design and approach

To gather insight from leadership across a broad range of industries, twenty executives from an array of companies were encouraged to share their successes, opportunities and challenges in the area of health care benefits offerings. They also discussed general business issues, workplace dynamics, company culture and partnerships. An analysis identified overarching themes and patterns that emerged from these conversations and led to early archetype models. These models can be leveraged by leading employers to identify a ideal benefits approaches that match both short and long-term corporate objectives.

The breakdown of industries and company sizes represented in this study are as follows:

| Industry                            | Company Size |         |      |
|-------------------------------------|--------------|---------|------|
|                                     | 50-99        | 100-500 | 500+ |
| Education and Health Services       |              | 1       | 1    |
| Financial Activities                |              | 1       |      |
| Good Producing                      | 1            | 3       |      |
| Leisure and Hospitality             |              | 1       | 1    |
| Professional and Business Services  | 1            | 3       | 2    |
| Trade, Transportation and Utilities | 1            | 2       | 2    |

### About Regence BlueCross BlueShield of Oregon

Regence BlueCross BlueShield of Oregon, headquartered in Portland, has been serving Oregonians since 1941 and now provides more than 750,000 members with comprehensive health insurance solutions. As a nonprofit independent licensee of the Blue Cross and Blue Shield Association, Regence is part of a family of companies dedicated to transforming health care by delivering innovative products and services that change the way consumers nationwide experience health care. For more information, please visit [regence.com](http://regence.com), [facebook.com/regencebluecrossblueshield](https://www.facebook.com/regencebluecrossblueshield), or [twitter.com/regenceoregon](https://twitter.com/regenceoregon).

