

The Guardian  
Workplace  
Benefits Study<sup>SM</sup>  
4th Annual

Guardian<sup>®</sup>

in  
sync

Market  
Insights

# A Crack in The Foundation

Working Americans Rely Heavily on Their Employee Benefits for Financial Security, but Higher Out-of-Pocket Medical Costs are Taking a Toll



The Guardian Workplace Benefits Study<sup>SM</sup>: Fourth Annual, 2016  
The Guardian Life Insurance Company of America® (Guardian), 7 Hanover Square, New York, NY 10004.  
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# Introduction

A majority of working Americans in the U.S. are satisfied with their employee benefits package and continue to rely on the workplace as the foundation of their household's financial security.

**EMPLOYEE  
BENEFITS  
SATISFACTION**  
**Perceived Value  
of Benefits Has  
Declined Over the  
Past Two Years**



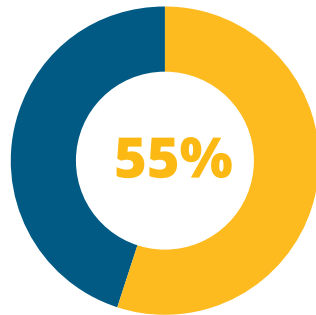
Yet, despite the critical role benefits play for many working Americans, attitudes toward the value of benefits have declined over the past two years. Salaries have remained virtually flat while workers are bearing a greater share of benefits costs — particularly for the cost of health insurance — and many are feeling the financial pinch.

As employers increasingly turn to consumer driven health plans (CDHPs) to help rein in their escalating medical costs, the sharp rise in out-of-pocket costs for workers entering into high deductible health plans (HDHPs) appears to be negatively impacting healthcare behaviors and financial wellness. Generation X and middle-income workers (i.e., \$50,000-\$100,000 annual household income) seem to have been affected the most — with each of these groups showing significant declines in benefits satisfaction and perceived benefits value since 2014.

## Employee benefits remain an integral part of working Americans' financial security

Americans rely heavily on the benefits they receive at the workplace. More than half depend on their insurance and retirement benefits for a large share of their financial preparedness (56%) and believe they would face financial hardship without their workplace benefits (55%).

### Working Americans Who Would Face Hardship Without Benefits

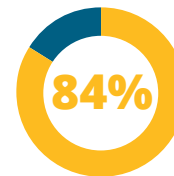


2 in 3 workers remain highly satisfied with their benefits package overall (65%) and nearly as many — 3 in 5 — say their benefits positively contribute to their overall financial security (59%).



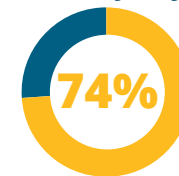
Furthermore, a strong link remains among workers' attitudes toward employee benefits, their overall job satisfaction, and loyalty to their employer. Employers understand this and more than 3 in 4 cite "improving employee overall satisfaction with our benefits program" as a highly important objective for their company.

### Benefits Satisfaction = Job Satisfaction



of employees with high benefits satisfaction report high job satisfaction

### Benefits Satisfaction = Job Loyalty



of employees with high benefits satisfaction want to stay with their current employer for 5+ years

## Working Americans' perceived value of employee benefits has declined in 2016

The Guardian Benefits Value Index (BVI) score — an annual measure of the perceived value of employee benefits among working Americans — declined from 7.1 in 2014 to 6.7 now, in 2016.

### Guardian Benefits Value Index (BVI) (Scale 1-10)



The BVI is an annual measure of the perceived value of benefits among working Americans

In addition:

- Fewer workers say they value their benefits more than they did five years ago
- Fewer feel their benefits are generous relative to those of their peers. Only 1 in 10 anticipates their benefits package will be more generous in the next few years

“My current benefits package is of greater value compared to 5 years ago”



“My benefits are more generous compared to those of other people I know”



“My employer’s benefits package will be more generous in the next 2 years”



High satisfaction with overall benefits package



This decline may reflect a delayed reaction to significant changes in the way employee benefits are paid for and delivered, including:

- Implementation of the Affordable Care Act
- Introduction of healthcare exchanges
- Further cost-sharing via consumer driven health plans (CDHPs) and high deductible health plans (HDHPs) — which have increased employees’ out-of-pocket costs

## Working Americans continue to rely on financial products and services through the workplace

A greater proportion of workers in 2016 report having the following benefits through their employer: dental insurance, a retirement savings plan, vision insurance, and disability insurance. Among 14 products studied, only auto insurance and annuities are more likely to be owned outside the workplace.

### Products Owned Via the Workplace

Product	2014	2016
Dental Insurance	66%	70% ↑
Retirement Savings Plan	64%	69% ↑
Vision Insurance	51%	56% ↑
Disability Insurance	45%	52% ↑

Workers generally want more choice and greater access to such products via the workplace. In fact, BVI scores are considerably higher among those who strongly agree that their employer offers a wide array of employee benefits (BVI of 7.2).

**44%** 

**of employers say adding voluntary benefits to their offerings is a highly important objective for their company — up from 37% in 2014**

Yet, while employers continue to expand their voluntary benefit offerings and other services, fewer are offering a medical plan in 2016 — contributing to working Americans' concerns about higher out-of-pocket costs. Workers in smaller firms (fewer than 50 employees) are the most likely to no longer receive medical benefits through their employers in the past two years.

### Small Employers Offering a Medical Plan

**2014**

**90%**

**2016**

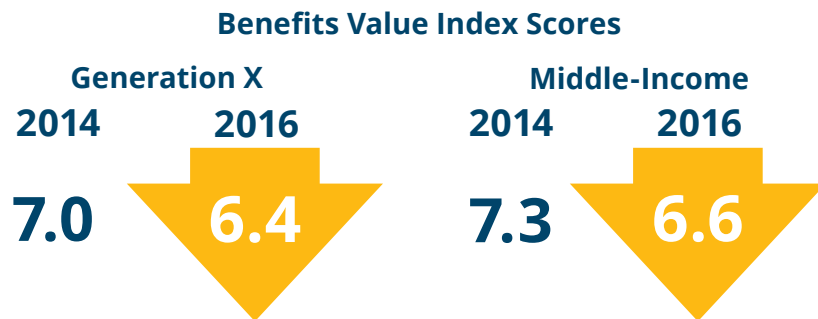
**86%**

## Attitudes of Generation X and middle-income working Americans are driving the decline in perceived benefits value

Two groups who represent a sizable proportion of the working population in the U.S. — Generation X and middle-income workers — place less value on their workplace benefits than in prior years.

Now in the prime of their careers, Generation X workers (ages 36 to 50) have a BVI score that has fallen from 7.0 in 2014 to 6.4 this year.

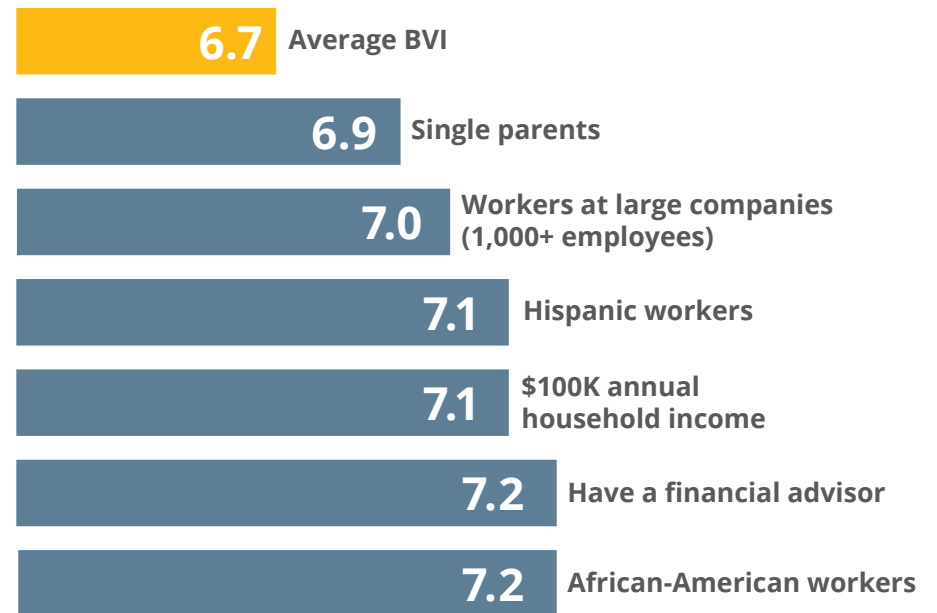
Similarly, BVI scores for middle- to upper-middle-income workers — those earning annual household income between \$50,000 and \$100,000 — have declined sharply since 2014.



In 2016, with greater out-of-pocket benefits costs — especially from higher medical plan deductibles — middle-income workers feel their benefits are less valuable.

However, there are some worker sub-groups who depend on employee benefits even more and place greater value on them. These workers have higher than average BVI scores.

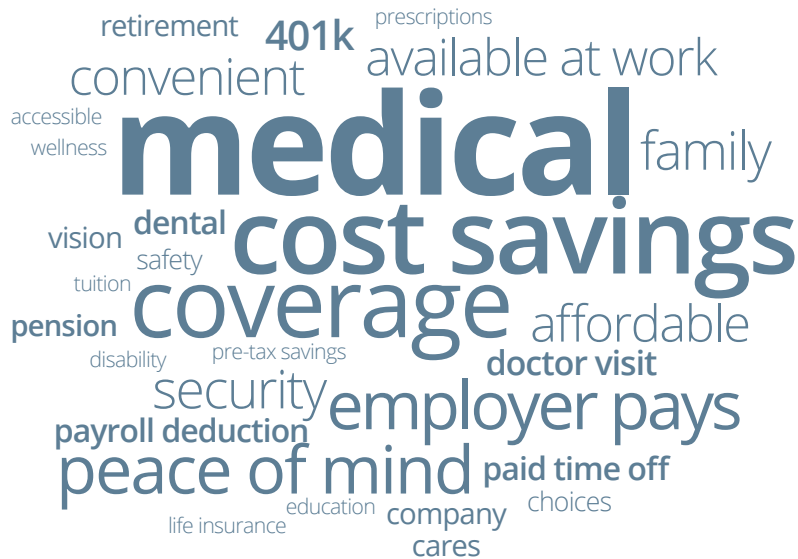
### Worker Sub-Groups With High BVI Scores



## Medical insurance costs are contributing to how working Americans feel about the value of their benefits

Prior Guardian Workplace Benefits Studies, and certainly other industry research, consistently show that medical insurance is, by far, the most valued employee benefit among working Americans. In this year's Workplace Benefits Study, those surveyed told us that their medical plan is what they value most about their entire employee benefits package.

### What Working Americans Value Most About Their Benefits Package



Yet, workers continue to shoulder a larger share of the cost of health insurance. An increasing number of employers say they are making plan design changes (67%, up from 62% in 2014), increasing cost-sharing (49%, up from 43%), and moving more toward high deductible health plans to help control their benefits costs (54%, up from 48%).

### Employer Strategies to Control Benefits Costs

#### Plan design changes



#### Implementing HDHPs



#### Increased cost-sharing



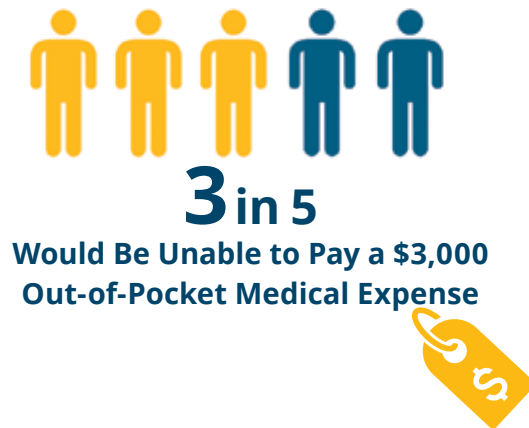
The considerable out-of-pocket costs — in the form of higher premiums, copayments, and deductibles — are causing financial and emotional stress on many households. Especially since more than half of workers agree that **cost is the single biggest driver** of their benefits satisfaction and decision-making (54%).

More importantly, higher medical plan costs are negatively influencing not only the perceived value of benefits but also the health behaviors and financial security of working Americans and their families.

## Exposure to higher out-of-pocket costs threaten working Americans' financial wellness

In this year's survey, 3 in 5 workers with medical coverage report their deductible is over \$1,200, including a quarter who say it's \$3,000 or more.

Yet, 3 in 5 workers indicate they would not have the funds available to pay for a \$3,000 medical expense. Faced with such an expense, more than a third say they would have to put the bill on a credit card (34%) or make a deal with the provider to pay over time (37%). 1 in 20 would try to take a bank loan or a loan against their retirement plan (6% each). Only 2 in 5 could simply pay the bill from a checking or savings account.



## Ways Working Americans Would Pay For a **\$3,000** Medical Bill

From a checking/savings account	44%
Make a deal to pay over time	37%
Put it on credit card	34%
Work more to pay	11%
Loan from friends/family	9%
Loan from the bank	6%
Loan from retirement plan	6%
From savings for children's education	3%

Increased out-of-pocket medical costs are causing stress for a growing number of workers. Those with HDHPs versus those with more traditional plans are less likely to feel their benefits are affordable (56% vs. 70%) and are less likely to say their benefits contribute positively to their overall financial security (58% vs. 66%).




## In addition, higher medical deductibles are negatively influencing personal health behaviors

Workers with high deductible health plans have significantly lower BVI scores (6.5) than those with more traditional plans (7.1).

But beyond the value they place on their employee benefits, workers with HDHPs are taking risks with their health. 1 in 3 (33%) report they have ignored medical advice or neglected their own care, including 1 in 5 who have skipped doctors' appointments and about 1 in 7 who have delayed surgery or a recommended procedure.

Only about 2 in 5 (44%) believe they are doing a good job keeping up with routine doctors' appointments and checkups, significantly less than those with a traditional health plan (50%). Workers with HDHPs are less likely than those with more traditional plans to feel their medical insurance is enough to cover a major medical event (55% vs. 71%).

**44%** 

**Believe They Are Doing a Good Job Keeping Up With Routine Doctors' Appointments and Checkups**

And those with an HDHP are less likely to feel benefits contribute positively to their overall health and well-being.

Without taking additional steps, employers using HDHPs to help rein in medical costs may experience a bump in short-term savings, but potentially at the risk of higher catastrophic medical and disability claims in the long term, if workers continue to neglect their own healthcare.



## Greater use of HSAs and access to supplemental health benefits can help mitigate the impact of HDHPs

Most employers are striving to maintain the value of their employee benefits packages. More than 4 in 5 say offering affordable benefits is highly important to their company, and 3 in 4 aim to offer benefits that improve the health and wellness and financial security of their employees.

But as working Americans continue to bear a greater portion of their medical care costs, it is crucial that they have the necessary tools to effectively navigate and manage their benefits. These steps can better equip working Americans to take ownership of managing their personal healthcare costs and services.

### **Include a Health Savings Account (HSA) with an HDHP:**

Today, just 2 in 5 private employers with an HDHP also offer an HSA to help their employees pre-fund at least a portion of their medical expenses.



Only **2 in 5** Employers Offer an  
HSA With Their HDHP

**Help Workers Use HSAs:** Many workers who have access to HSAs don't understand them or how to best utilize them. They need more assistance when planning for and selecting their HSA options during open enrollment.

**Offer Supplemental Health Benefits:** A small minority of employers currently offer supplemental health products such as hospital indemnity, critical illness, or accident insurance. Those that do offer these employee benefits often do not adequately explain how these products can help employees offset out-of-pocket costs associated with HDHPs.

**10%**   
of Employers Offer Hospital Indemnity

**20%**   
of Employers Offer Critical Illness

And with more employers considering consumer driven health plans and HDHPs in the coming years, these additional actions will be important to reversing the negative impact on working Americans' personal health behaviors, financial wellness, and attitudes toward the value of their employee benefits.

# Appendix

## METHODOLOGY AND SAMPLE CHARACTERISTICS

The 4th Annual Guardian Workplace Benefits Study was fielded in the Spring of 2016 and consisted of two online surveys: One among benefits decision-makers (employers) and another among working Americans (employees), allowing us to examine benefits issues from both perspectives.

The study was conducted for Guardian by Greenwald & Associates, an independent market research firm located in Washington, D.C.



### Employer Survey Overview

Employer results are based on a national online survey of 1,204 employee benefits decision-makers. Respondents include business executives, business owners, human resource professionals, and financial management professionals. The survey covers all industries and is nationally representative of U.S. businesses with at least five full-time employees.

Data shown in this report are weighted to reflect the actual proportion of U.S. businesses by company size, industry, and region based on data from the U.S. Census Bureau. The margin of error at the 95% confidence level is +/- 2.9%.



### Employee Survey Overview

Employee results are based on a survey conducted among 1,439 employees age 22 or older, who work full time for a company with at least five employees.

This year's survey included a sample of 277 part-time permanent employees and contract, non-permanent workers. Results for part-time/contract workers are reported separately from the full-time employee data and are not reflected in the total 2016 results when comparing 2016 to prior years, unless otherwise noted.

The survey sample is nationally representative of U.S. workers at companies of at least five full-time employees. Data shown are weighted to reflect the actual proportion of U.S. workers by gender, region, race, ethnicity, education level, household income, age, and employer size based on data from the Bureau of Labor Statistics and the Census Bureau. The margin of error is +/- 2.4 at the 95% confidence level.