

# The MyChoice™ Recommendation Engine Benefits Insights Report

What employees are telling us about their health, wealth and benefits knowledge... and what we need to do about it.





## The Current Landscape

**In an economy where organizations and individuals increasingly seek stability, employee benefits are more important than ever.**

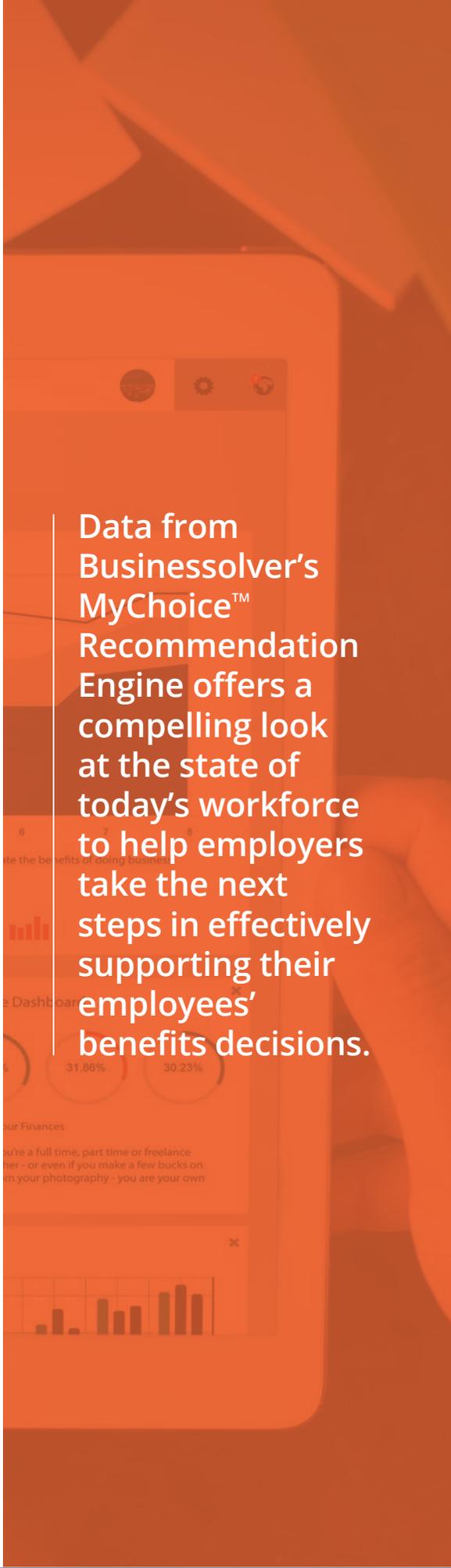
While they continue to be a pivotal factor in attracting and retaining talent, their value in both good times and bad cannot be underestimated. Once thought of as “nice perks,” employee benefits are a demonstration of employer empathy and an embodiment of the inextricable link between organizations and their employees’ quality of life and sense of security.

While the case for benefits in a dynamic economy is simple, the benefits themselves are not. With four active generations in the workforce, the increasing popularity of gig work and the evolving demographics of the labor pool, one size doesn’t fit all. Employees’ needs for benefits are nearly as unique as the employees themselves.

Also, employees’ evolving life stages and their shifting risk tolerance practically ensure that their appetite for certain benefits today may be completely different from what they need a year or two from now. Thus, employers find themselves in the tricky position of creating just the right approach—providing just the right mix of benefits—for a workforce that is as dynamic as the economy in which we must all operate.

**One challenge is ensuring employees understand what benefits they have available to them, the value of those benefits, and how to use them effectively.** People need to have the knowledge, or at very least the support, to make appropriate choices that meet their physical, emotional and financial well-being, and that help them appreciate their benefits.

Creating a meaningful and impactful approach to benefits engagement and delivery requires having a clear understanding of where employees are starting from.

A vertical smartphone is shown on the right side of the page, displaying a dashboard with various charts and data. The phone is set against a background of overlapping orange and white geometric shapes. The text is overlaid on the right side of the phone's screen.

Data from Businessolver’s MyChoice™ Recommendation Engine offers a compelling look at the state of today’s workforce to help employers take the next steps in effectively supporting their employees’ benefits decisions.

# The MyChoice Story: The One and the Many

The MyChoice™ Recommendation Engine is an optional product organizations can leverage to support employees as they make benefits elections in our Benefitsolver® platform.

The MyChoice Recommendation Engine connects employees to better benefits decisions by taking into account the whole person—their health, their finances and their emotional state.

When they use the Recommendation Engine, employees answer a uniquely designed set of questions that reflect their employer's programs and offerings along with their state of mind. This drives a personalized set of recommendations appropriate for that employee's unique situation, including both the best overall match and the lowest-cost option. At its core, the MyChoice Recommendation Engine is designed to empower individual choice-making.

When we aggregate the responses and demographic data from all users, we gain a unique snapshot into what's driving employees' benefits decisions today. We can connect the dots in terms of their physical and financial health, and what is behind their decision-making on a macro level.

**The data in this report reflects employees who engaged with the MyChoice Recommendation Engine during the 2019 annual enrollment period.**



# A Slice of the Workforce: Who's Using the MyChoice™ Recommendation Engine?

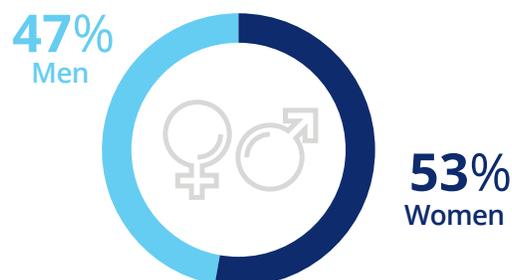
The data used in this report represents approximately half-million individuals who utilized the MyChoice Recommendation Engine during the 2019 annual enrollment period.

These employees are in various industries, and they represent a cross-section of American workers. Here are some key demographics.

GenXers were the largest group of users, representing over half the engaged population, followed by Millennials.



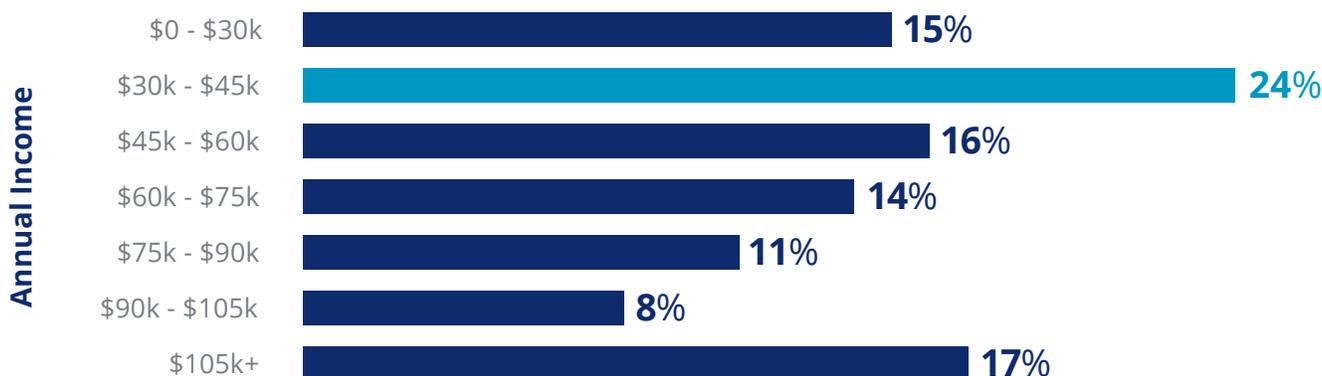
Slightly more women than men used the resource.



While GenX was the largest group of users, employees 30 to 35 years old were three times more likely to use the MyChoice Recommendation Engine than those between 35 and 60.

Almost a quarter of Recommendation Engine users earn between \$30,000 and \$44,999. A total of 69 percent of users earn less than \$75,000.

## Percentage of Users at Each Income Level



# Employees' State of Mind: What the MyChoice™ Recommendation Engine Reveals

The responses of MyChoice Recommendation Engine users reveal three connected concepts.



## Employees' benefits knowledge is still rudimentary.

People are predominately either outright confused by their benefits, or indicate they know only enough to get by. Very few see themselves as experts. Yet they skimp on decision-making, spending a mere 17 minutes<sup>1</sup> making choices that likely represent significant deductions from their paycheck and that will impact them for the next 12 months. Therefore, it's critical for employers to provide enhanced decision support and guidance during enrollment, as well as ongoing education.



## State of mind matters.

Benefits not only need to fit one's health and financial situation, they also need to address that person's state of mind. The majority of employees don't see themselves as risk takers and wouldn't want to spend available savings on a health care bill, even when they have savings available. This irrational state of mind can influence decision-making, which is why guidance tools need to help individuals find the right balance of cost and coverage.



## Workers are feeling pain...in their wallets.

Just making ends meet is a challenge for many. Employees are concerned about their monthly budget, and only a small percentage of employees spend less than they earn and regularly make deposits into savings accounts for emergencies. Over-insuring can exacerbate this issue. Both short- and long-term savings need to be addressed and supported during benefits enrollment.

These findings suggest that a continued lack of benefits literacy coupled with risk adversity has the potential to drive over-insurance, further contributing to employees' significant financial stress.

<sup>1</sup>Benefitsolver usage data.

The goal is to ensure that both employers and employees are receiving the maximum return on their benefits investments.

# Employees' benefits knowledge is still rudimentary.

**When employees don't understand benefits, they can't fully appreciate them, which represents a return-on-investment shortfall for employers, especially when benefits can account for a sizeable chunk of compensation costs.**

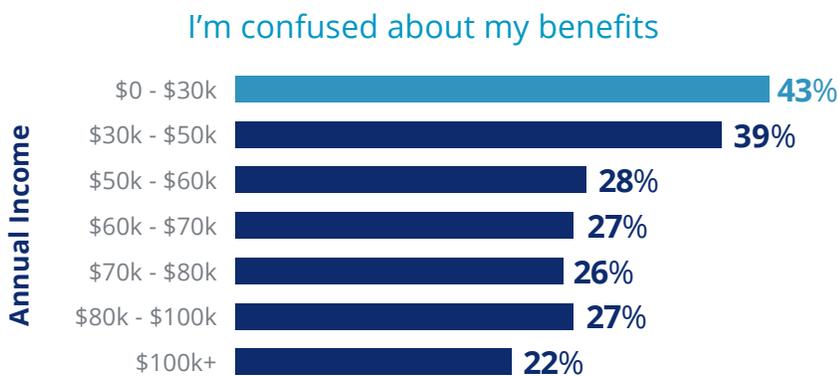
Benefits literacy continues to be a significant issue. In a survey by Policygenius, only 4 percent of Americans could correctly define deductible, coinsurance, copay and out-of-pocket maximum.

This finding is validated by our MyChoice™ Recommendation Engine results. Less than 1 out of 5 users characterized themselves as experts about their own benefits. The bulk of respondents effectively indicated they knew the bare minimum, while a full 30% stated they were confused.

**That means that 80% of employees are likely not knowledgeable enough to fully appreciate their benefits or maximize their benefits choices or use.**

Millennials, the group with the least time in the workforce and therefore the least overall exposure to benefits, was the most confused. GenXers were not far behind.

Employees making over \$100k were half as likely to find benefits confusing as those earning less than \$30k. However, more than 20% of the highest earners were still confused.

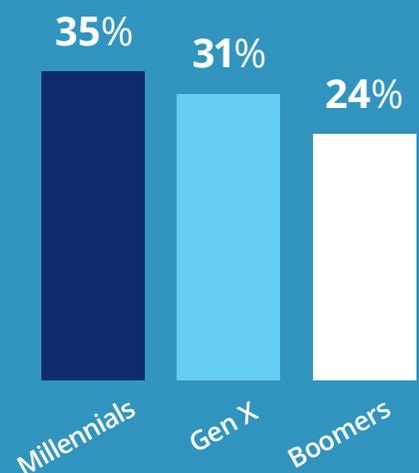


On average, 86% of employees are confused about benefits, does this describe you?



- 51%** I know where my ID card is
- 30%** Yep! That's me
- 19%** I'm a pro

Who's confused about their benefits?



# State of mind matters.

In addition to lack of knowledge, **risk aversion can factor significantly into a person's benefits choices, especially without appropriate decision support.** Some employees may prefer the perceived predictability of a higher-cost PPO rather than an HDHP with a lower upfront premium contribution, even when the numbers don't add up.

Generally, employees don't see themselves as big risk takers. When asked how they would characterize their tendencies, the majority identified with activities associated with risk adversity.

Again, when people are risk-averse, they may tend to choose what they perceive as the safest option that provides the most protection. Cost may seem to be less important than a safety net.

When it comes to their healthcare spending, a significant percent of workers say they would be challenged if faced with a large emergency room bill (44%). However, almost a quarter indicate they're prepared for the possibility, and more than a third say it wouldn't be a huge deal. So, more than half of employees actually have resources on hand to cover an expected healthcare cost.



Describe your risk tendencies.

-  **28%:** Lounger
-  **37%:** Golfer
-  **32%:** Biker
-  **3%:** Rock climber

Would your rainy day fund cover a large Emergency Room bill?



- 44%** I'd get soaked
- 32%** A light sprinkle
- 24%** I've got an umbrella

Risk adversity extends to how people feel about shelling out for an ER bill. Almost 60% of employees indicated that their rainy day fund could cover a large ER bill. However, when asked about how they'd *feel* about paying that bill, less than 1 in 10 indicated it wouldn't bother them.

This negative reaction to the thought of a large bill, even if they could afford it, was evident across the board. While the highest earners presumably have the most resources to save for a high-cost ER bill, more than a quarter of them still responded that they would be panicked.

## How do you feel about facing a large ER Bill?

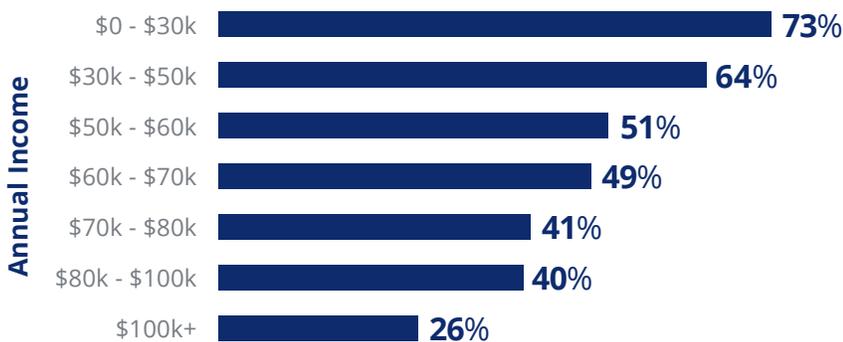


**50%** I'd feel panicked

**41%** I could do it, but I prefer not to

**9%** No worries, I'm fully prepared

### I'd feel panicked by a large ER bill



# Workers are feeling pain... in their wallets.

According to research conducted by PwC, employees continue to be stressed about their finances, and they are looking to their employers for help.

## Many American workers are struggling to make ends meet.

Despite a strong economy and low unemployment, wages have been stagnant while other costs, including healthcare, are rising. Almost a quarter of workers say that high healthcare costs are holding them back from achieving their financial goals.

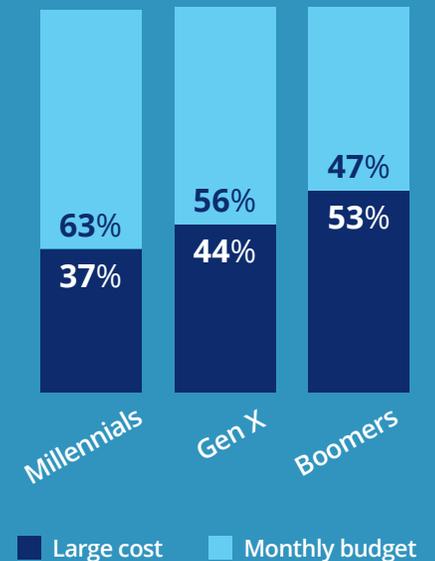
Just under half of working adults consistently carry a credit card balance and of those, 41% find it difficult to make timely minimum payments each month.

And, these are not luxury purchases. A third are using their credit card to pay for monthly necessities they wouldn't otherwise be able to afford. Among Millennials, the number rises to 44%.

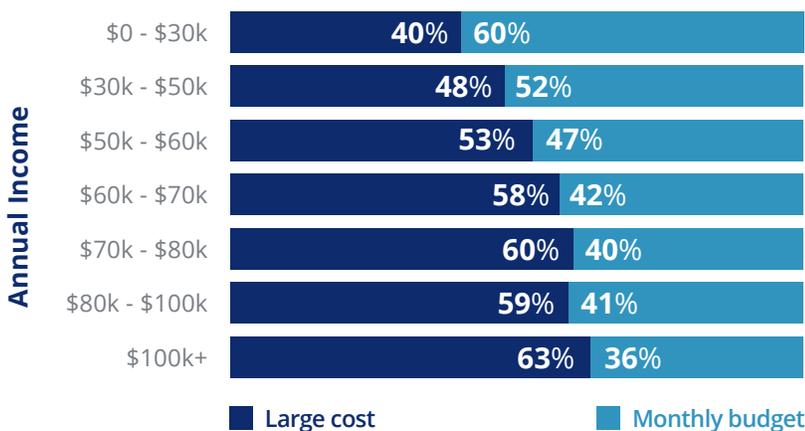
In this context, it's not surprising that workers report their primary focus is their monthly budget. Only Boomers are more concerned with large costs.

The focus shifts as you move up the earnings ladder. Once workers earn over \$50k, they seem to have their budgets under better control and are more concerned about being faced with a large cost.

Are you more concerned with your monthly budget or protecting yourself from large unexpected costs?



## Financial concerns



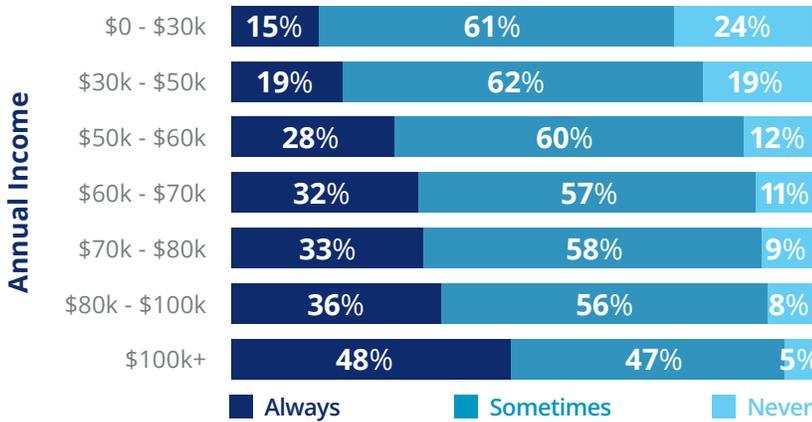
## All Respondents



Most employees report they are sometimes able to live within their means and save for an emergency. However, a significant number indicate this is not within their reach.

Not surprisingly, the more workers earn, the more likely they are to be able to save regularly. However, among all workers except the highest earners, more than half only save part of the time. Presumably, even with additional disposable income, people are finding a way to spend rather than save.

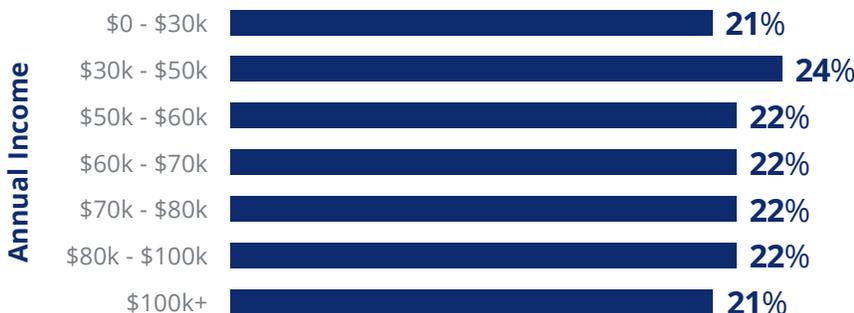
### Ability to save regularly



More than half of employees say they've got cash on hand to cover an unexpected large expense. However, more than 20% would need to go into debt to meet the cost, while a similar number don't have a plan.

Of those with a plan, more than 20% of all workers earning less than \$100k say they would need to go into debt to cover a large expense.

### Would go into debt to cover a large expense



And again, even those who have accumulated savings don't want to spend those savings on unexpected healthcare costs, like an ER visit.

I spend less than I earn and regularly make deposits into savings accounts for emergencies (not including retirement accounts).



**57%** Sometimes  
**17%** Never  
**26%** Always

If you had an unexpected large expense, how would you pay for it?



**19%** I don't know  
**21%** Go into debt  
**58%** Cash savings  
**2%** Retirement fund

# Putting These Insights to Work

As employers and benefits experts, what does this mean for us? If employees are not effectively putting the pieces together, how can we move the needle to help them better understand their options and make more educated decisions?

## **First, we need to effectively address the benefits literacy crisis.**

As benefits have become more complicated, we haven't innovated in how we communicate. Many organizations continue to issue volumes of information around annual enrollment and little else the rest of the year. A personalized, year-round engagement and education approach that appropriately uses technology to give employees small, manageable and meaningful bites of information can go a long way to increasing both their knowledge and understanding of benefits.

## **Second, support effective decision-making.**

We know that one size doesn't fit everyone, but there's more to addressing diverse needs than simply adding more options—no matter how valuable those options may be. People at different life stages and those with various earning levels have diverse perspectives and ways of thinking about and using their benefits, and their well-being includes not only their physical health but also their mental and financial health. Understanding how employees in different demographics and at multiple earning points are feeling about their individual situations and their benefits can help inform plan design, communication and delivery, and it can increase the likelihood that people will choose wisely.

## **Third, ensure you are taking care of the “whole person” by helping employees with meaningful financial wellness offerings.**

Often, financial education initiatives are focused on empowering employees to save for retirement, and many do. However, programs that address immediate financial challenges, such as creating an emergency fund, need to be implemented so people can more effectively balance their current financial reality with their future goals. Employees only have one paycheck that funds all their expenses, and this helps employees more effectively spend the money in their “one wallet” in the face of competing needs.

**Benefits are an important part of an employer's compensation offering. They can help recruit and retain vital talent, and they often serve as an outward expression of the culture of an organization. Employees value them highly and use them as a proof point to stay with an employer.**

# Based on findings from what employees told us in the MyChoice™ Recommendation Engine, here are some specific actions and recommendations for employers.



## Help employees with the basics throughout the year.

People are confused about their benefits, and they are telling us they don't know how to use them well. It's time to think critically about how you promote your benefits program. Benefits communication is often focused on choosing benefits; what's missing is content around how to use them. Supporting employees with relevant and digestible educational information about their benefits outside of the enrollment period can help them become better consumers and also benefits ambassadors.



## Leverage data to personalize your approach.

People at different life stages and at varying earning points have different needs. Communications and nudges should take those differences into account. Use your demographic and administrative data to target communications so they are relevant and meaningful. For example, it doesn't make sense to send a reminder about catch-up HSA contributions to someone under 55. When we consistently send people messages that don't apply to them, we effectively teach them that what we have to share has no value. Don't get caught in that trap.



## Guide employees to better decisions.

People are often risk averse, and that comes into play when they make benefits decisions. As a result, how plans are designed, how they are communicated, what things are called, and how they are explained all contribute to what employees choose. This is especially true when they don't really have a strong understanding of deductibles, coinsurance and out-of-pocket maximum or appropriate decision guidance. They look at a few proof points like their premium and deductible and may end up spending more (or less) than is appropriate for their situation. Providing employees with easy-to-use decision guidance helps them overcome both risk adversity and lack of benefits expertise.

Using information from tools like MyChoice helps us better understand where people are coming from.



## Make enrollment and access easy, intuitive and ongoing.

A negative enrollment experience can make already complex decisions seem more painful. Intuitive platforms that offer tools that guide appropriate decision-making offer the richest experience and best outcome. Best practice is a simple, self-paced enrollment, either online or on a mobile device. Help should be just a chat or a phone call away, so people with questions can get real-time answers, 24/7.

Ideally, your solution offers the same easy, intuitive access throughout the year, to enable employees to easily use their benefits. Bonus points for apps that solve for everyday access pain points like ID cards or checking an HSA balance.



## Address financial well-being.

Many American workers are struggling to make ends meet, and it's affecting their benefits decisions. Financial education and wellness efforts need to expand beyond their traditional focus on retirement to helping people address their near-term needs, such as saving for a home or paying off student loan or credit card debt. It should also practically support creating and funding emergency savings to help protect employees from the emotional and financial impact of an unexpected large expense.

Financial stress can be damaging to employees' health and state of mind, and it can undermine their productivity and engagement.

As benefits continue to evolve and grow in complexity, we need to close the gap between what's offered and what employees want, need and understand. People are telling us clearly that they are confused and that they need more guidance to make better informed choices, especially in light of financial concerns.

The goal is to ensure that both employers and employees are receiving the maximum return on their benefits investments by helping employees choose the right benefits, in the right place, at the right time.

**HR is in a unique position to address the needs of today's workforce by focusing on where people are in their knowledge curve, life stage and financial situation. While it may seem daunting to address the complex benefits needs of a dynamic, multi-generational workforce, the good news is that technology exists to help HR teams deliver the right return on their benefits investment to their organization and their employees.**





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