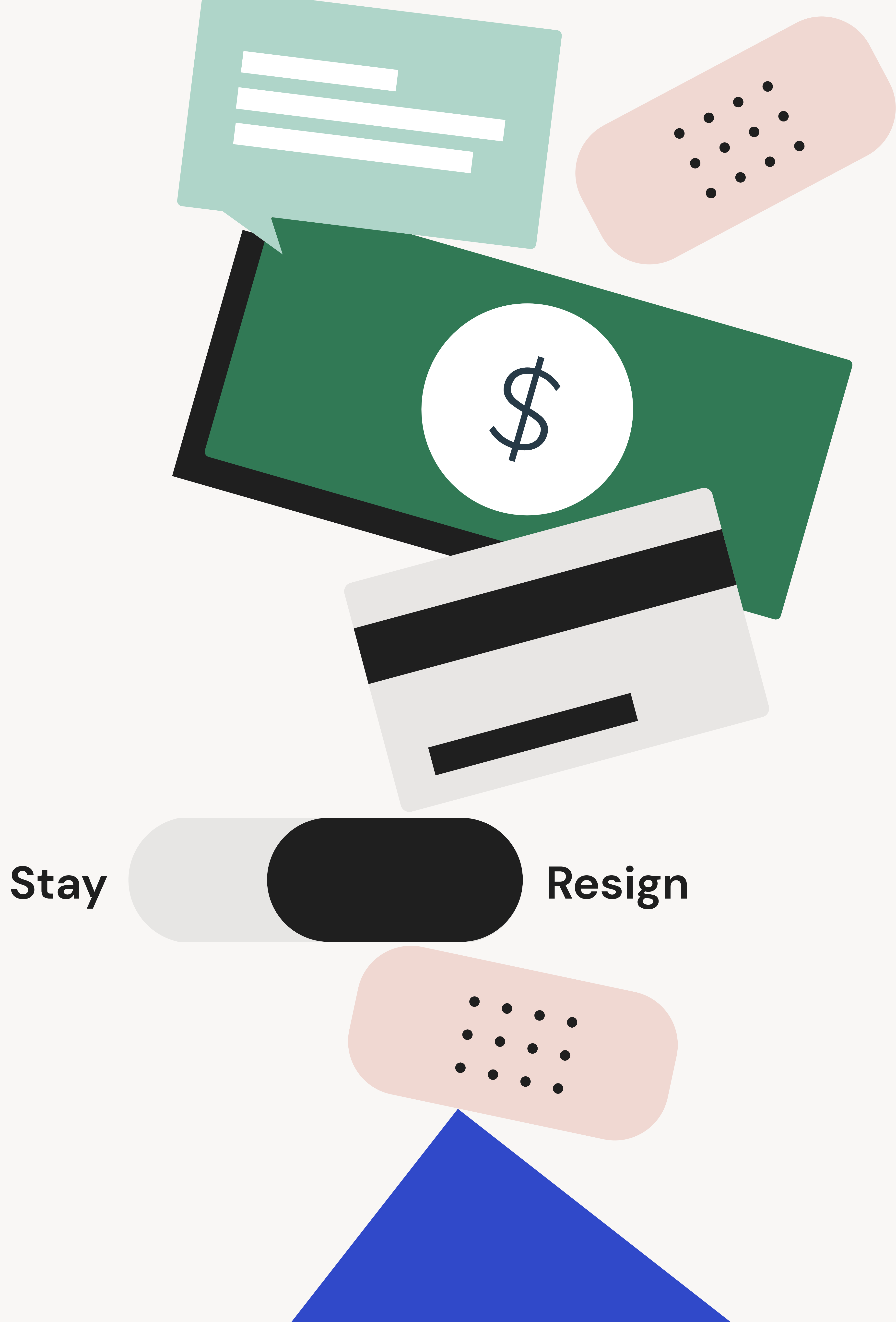
Benefits and the Great Resignation

Lively's third annual Wellness and Wealth Report



Introduction

As Americans contend with rising inflation, continued economic volatility, and the ongoing impact of the COVID-19 pandemic, rising healthcare costs are a major concern. Healthcare costs are preventing Americans from achieving their financial goals, including buying a house, saving for retirement, paying down debt, or going on vacation. In addition, Americans are quitting their jobs in record numbers and looking for work that is more fulfilling and supportive of their lives: According to the U.S. Bureau of Labor Statistics, **30 million people quit in the second half of 2021, about 10% of the US population.**[1] **In this environment, workplace benefits are more important than ever.**

In addition to rising costs, mental health has been a focus for employers and benefits providers since the uncertainty, grief, and social disruption caused or exacerbated by the pandemic has brought it into the spotlight. However, many Americans do not access mental health services: **Only 40% have utilized mental health services in 2022, though 58% say they would if it were covered by their insurance.**

70%

of Americans rank healthcare coverage as the most important benefit, above salary, when thinking of switching jobs.

40%

of Americans have not saved any money for mental health services, and older Americans are the least likely to save.

[1] U.S. Bureau of Labor Statistics, "Table 4. Quits levels and rates by industry and region, seasonally adjusted," https://www.bls.gov/news.release/jolts.t04.htm, accessed on May 20, 2022.

39%

of Americans don't understand FSAs, and 37% don't understand HSAs

54% of Americans don't understand high-deductible health plans

While resources such as HSAs and FSAs can help Americans access the care they need, overall understanding of how these resources work and how to access them has declined since last year. While the majority of Americans understand 401(k)s, HMOs, and PPOs, 54% don't understand high-deductible health plans, 39% don't understand FSAs, and 37% don't understand HSAs.

In our third annual Wellness and Wealth Report, Lively looks at how Americans understand healthcare costs and benefits. Data was gathered in April, 2021, by CITE research on behalf of Lively. CITE conducted an online survey among 1,000 US adults who were screened on gender, age, ethnicity, region, and income to match the US general population.

The findings in this report will enable benefits brokers, consultants, and employers to better understand the needs of their clients and employees, and to help ensure their benefits offerings are in line with the actual needs and expectations of benefits consumers.

Key findings

Rising healthcare costs mean less savings, less care, and less leisure spending for the majority of Americans.

Rising healthcare costs are preventing the majority of Americans from achieving financial goals, including:

- Buying a house (80%)
- Saving for retirement (79%)
- Paying down debt or going on vacation (61%)
- Leisure activities (33%)

Despite the ongoing impact of COVID-19, more than half of Americans (52%) are skipping care due to costs, and this avoidance is especially pronounced among Gen Z and Millennials. It includes:

- Avoiding care (52%),
- Ignoring doctor recommendations (50%)
- Delaying or skipping medications (49%)

In addition, the majority of Americans do not have significant money saved in case of a medical emergency. 52% have between $0 and $250 saved, and those who make under $50,000 a year are 68% more likely to have only this amount saved.

70% rank healthcare coverage as the most important benefit when switching jobs, underlining the importance of healthcare and Health Savings Accounts as critical employee benefits during the ongoing “Great Resignation,” a volatile economy, and a remote-first work future.

Lively’s third annual Wellness and Wealth Report

70% rank healthcare coverage as the most important benefit they consider when switching jobs, but 31% of Americans do not have health coverage through their employer.

Employers and providers can improve access to and education about HSAs, high-deductible health plans, and FSAs to help employees better access the care they need — but currently 38% of Americans don’t have a Health Savings Account, and of those who do, 18% say their employers do not contribute.

Despite increased focus, there are wide gaps in access to mental health care.

40% of Americans do not have any money saved for mental health services, and older Americans are even less likely to have saved — 55% of people aged 55 to 64 and 62% of people over 65 have not set aside money for mental health care.

70% of Americans have not used their HSA or FSA money for mental health services, but 61% say they would if they knew that these funds were available to use for these services. There is also a wide generational gap: 45% of those under 45 have not used HSA or FSA dollars for mental health spending, compared to 85% of those over age 45.

Action items and next steps

Employers, benefits brokers, and consultants can use the findings in this report to take concrete action that will enable Americans to better navigate rising healthcare costs, and to boost their ability to save and prepare for both medical emergencies and routine healthcare expenses.

They can also use benefits packages that promote health and financial wellness to better position themselves to potential employees, and bolster employee retention as employees continue to leave their jobs in record numbers. Overall, these actions can lead to happier, more engaged employees, more robust benefits usage, and satisfied clients.

For employers

Offer a holistic financial wellness benefits package: As employees continue to navigate rising healthcare costs that prevent them from meeting their financial goals, bundle health insurance with a full range of financial wellness benefits, including an HSA or FSA, emergency savings accounts, tuition reimbursement, and student loan repayment.

Invest in benefits education: Work with your benefits providers to develop easy-to-understand educational materials that explain benefits offerings like high-deductible health plans, HSAs, and FSAs. Break down how different options help account holders meet their financial goals, and ensure these materials are easily accessed and folded into the product itself.

Offer employees options for accessing and paying for mental health care: Americans want to access mental health services, but are not setting aside money to pay for them. Ease access by ensuring mental health care is part of your insurance offerings, provide telehealth options for mental health care, and educate your employees about how HSA and FSA dollars can be used to support mental health.

For brokers and consultants

Demonstrate to your clients how offering a holistic health and financial wellness benefits package can help them achieve their goals for hiring and retention: Health insurance is the most important benefit that employees are looking for when considering whether to take or stay at a job. Ensure that your clients are not only offering insurance that meets employee needs, but packaging it with offerings like HSAs, FSAs, emergency savings accounts, tuition reimbursement, and student loan repayment, to ensure the benefits they offer support their employees' overall financial well-being.

Evaluate benefits platforms based on education and ease of use: Benefits platforms that are easy for both employees and benefits administrators to access and use lead to greater benefits utilization and more satisfied clients. Look for those that include education and tips for savings within the platform itself, which will save clients time when it comes to educating their employees.

Ensure that your benefits offering includes mental health services: The majority of Americans would access mental health services if they were covered. Brokers and consultants can play a key role in recommending insurance plans that include robust mental health coverage, including telehealth options, and pair those plans with an HSA or FSA to help account holders pay for the care they need.

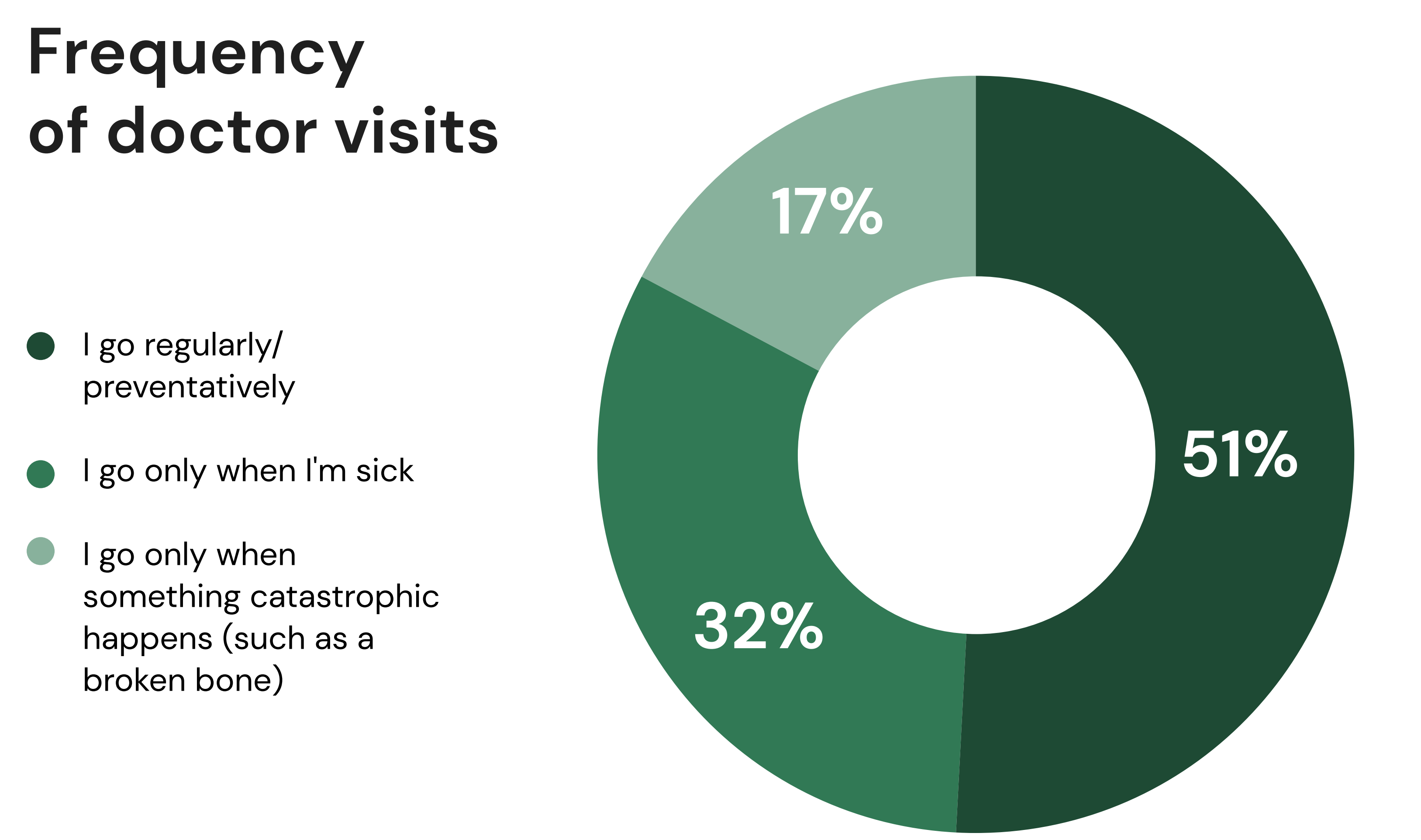
Data insights and analysis

Insight #1

Rising healthcare costs are preventing people from achieving financial goals and saving for the future, leading half to avoid going to the doctor or to skip medications due to cost.

	Strongly Disagree	Somewhat Disagree	Somewhat Agree	Strongly Agree	% Agree
I have delayed or skipped medication due to cost	32%	21%	26%	20%	46%
I have avoided a doctor's recommendation because of the cost	27%	23%	29%	21%	50%
I have avoided going to the doctor because of the cost	28%	20%	26%	25%	51%
I am usually surprised by how high my medical bills are	14%	18%	35%	33%	68%
Rising healthcare costs make it difficult to save for retirement	9%	12%	40%	38%	78%
Rising healthcare costs prevent people from achieving financial goals such as buying a house or going to college	8%	12%	42%	38%	80%

While all Americans are experiencing the pain of higher prices, younger generations and lower-income Americans are especially impacted. Gen Z and Millennials aged 18 to 34 are more likely than their older counterparts to avoid doctors' recommendations, avoid going to the doctor, and/or delay or skip medication due to cost. Those making less than $100,000 annually are more likely to delay care than those making over that amount as well.



While half of people surveyed go to the doctor for preventative care, this is less common for younger adults. Gen Z adults are more likely to go only when something catastrophic happens (36%), while those over 65 go more regularly (70%).

Analysis and employer action items

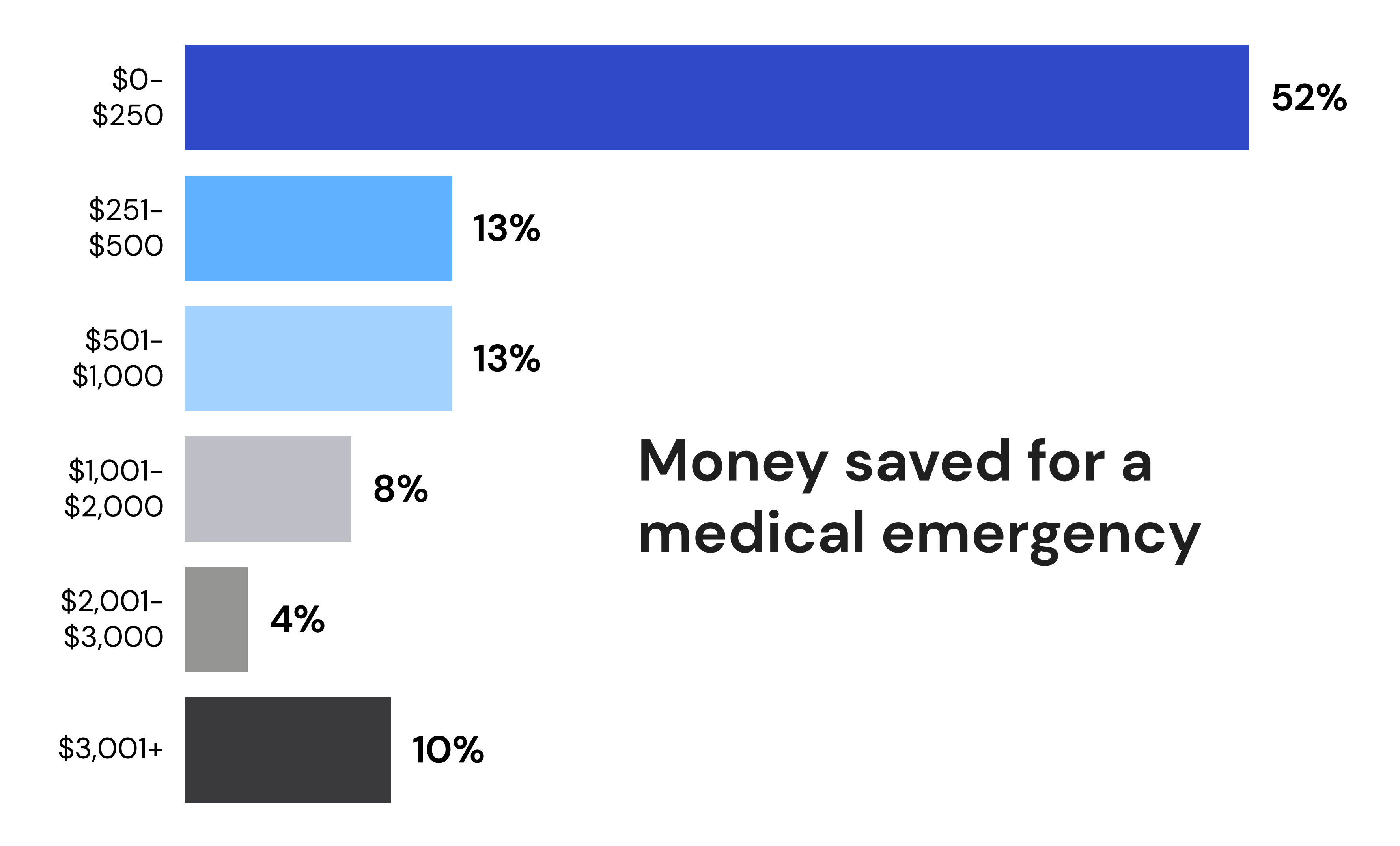
Employers must look beyond simply providing benefits, and think about how benefits offer their employees holistic support that enables them to stay healthy, engaged, and productive. As younger generations are more likely to skip getting care or doctors' recommendations, as well as more likely to make a lower salary, employers must ensure their benefits platforms and benefits education is attuned to their needs.

To support employees' financial wellness and encourage employee retention, employers can:

- Ensure employees have easy access to paid time off to go to the doctor
- Offer and contribute to an FSA, HSA, or HRA for employees, which can also boost employers' payroll tax savings
- Ensure benefits are easy to access, and understand and offer options for mobile apps and telehealth
- Consider offering a broader range of financial wellness benefits, such as emergency savings accounts, tuition reimbursement, and student loan payoff programs, to better support employees achieving their financial goals

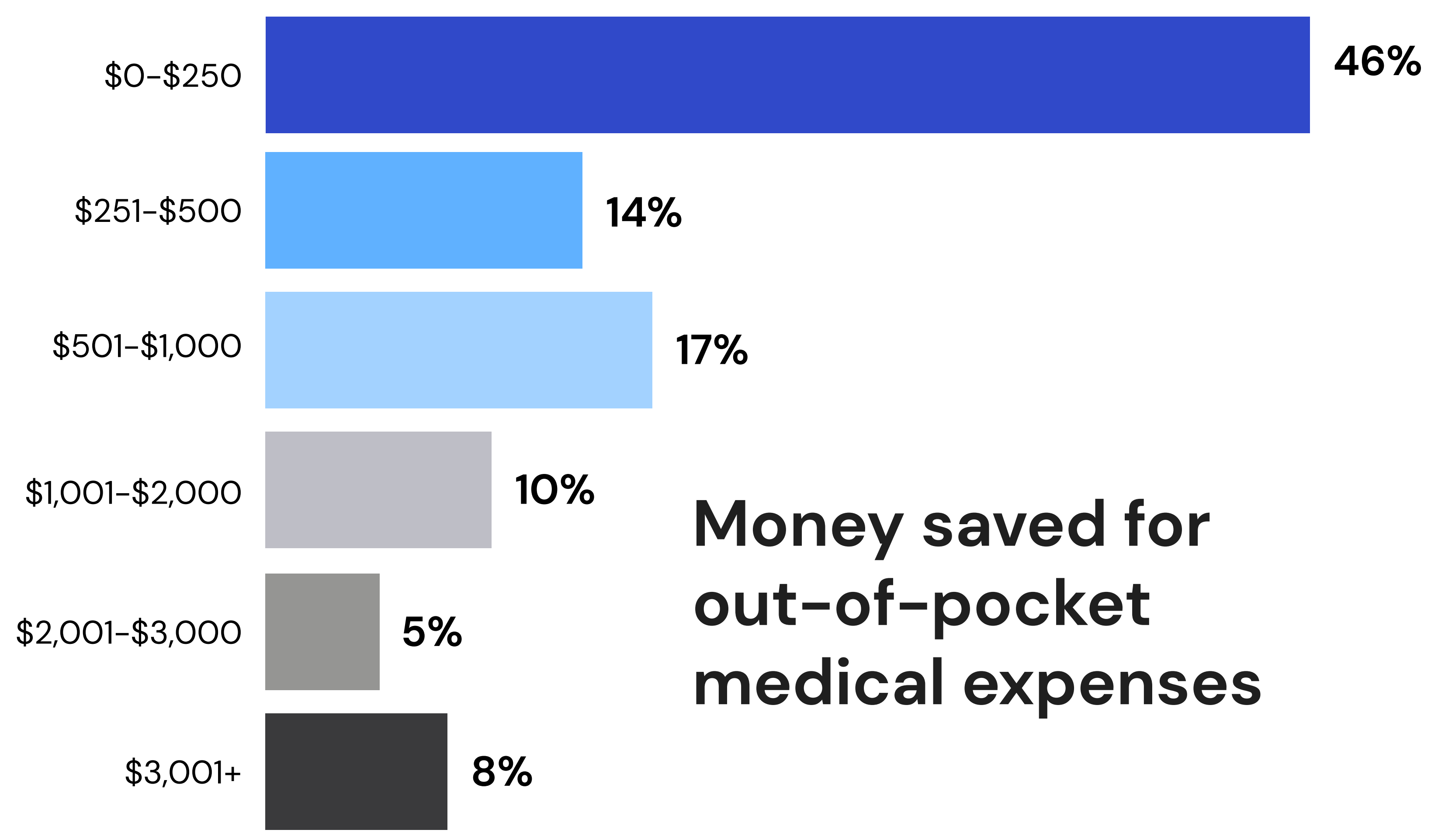
Insight #2

Overall, Americans are not saving for medical emergencies or routine out-of-pocket costs, and nearly half have only $250 or less set aside.



Most Americans are falling severely short on saving for a medical emergency or even budgeting for routine out-of-pocket costs: Over 50% of Americans have only $250 or less saved for an emergency, and 68% of people who make less than $50,000 annually have only this much saved. Even among Americans 65 and over, only 18% have more than $3,000 saved for an emergency.

Overall, Americans are not prepared for even routine out-of-pocket medical expenses: Only 54% have more than $250 saved, and 62% of lower-income Americans who make less than $50,000 annually have less than $250 saved. Similar to budgeting for emergencies, savings doesn't necessarily increase with age: Those 45 and over are 49% likely to have saved only $250 or less.



Analysis and employer action items

Overall, Americans are not prepared for medical emergencies or routine out-of-pocket medical costs, which cost an average family with insurance $1,400 a year.[2] To cover medical expenses, some are taking early withdrawals from their retirement accounts. According to Bankrate, 51% of Americans have taken an early withdrawal, including 20% during the pandemic, a further indication of the precarity of Americans' finances.[3]

Even if they have insurance, Americans may be surprised by their medical bills. The "No Surprises Act," which went into effect in early 2022, should make hospital and insurance billing more transparent for those with insurance. However, according to a study by the Kaiser Family Foundation, 56% of American adults know "nothing at all" about the legislation.[4]

Employers should provide their employees with resources to help them understand the true cost of healthcare, such as expense calculators and spending breakdowns for each insurance plan they offer. In addition, employers can help boost their employees' preparation and ability to save through tax-advantaged accounts, such as HSAs and FSAs, and emergency savings accounts, which enable employees to put aside money for unexpected expenses.

[2] Kaiser Family Foundation, "Household Health Spending Calculator," based on average family, average insurance, average income. https://www.healthsystemtracker.org/household-health-spending-calculator/ Accessed May 19, 2022. [3] James Royal, "Survey: More than half of American workers say they're behind on retirement savings," Bankrate, November 17, 2021. https://www.bankrate.com/retirement/retirement-savings-survey-november-2021/#4 [4] Ashley Kirzinger et al., "KFF Health Tracking Poll – March 2022: Economic Concerns and Health Policy, the ACA, and Views of Long-term Care Facilities," published March 31, 2022. Available at: https://www.kff.org/health-costs/poll-finding/kff-health-tracking-poll-march-2022/

Insight #3

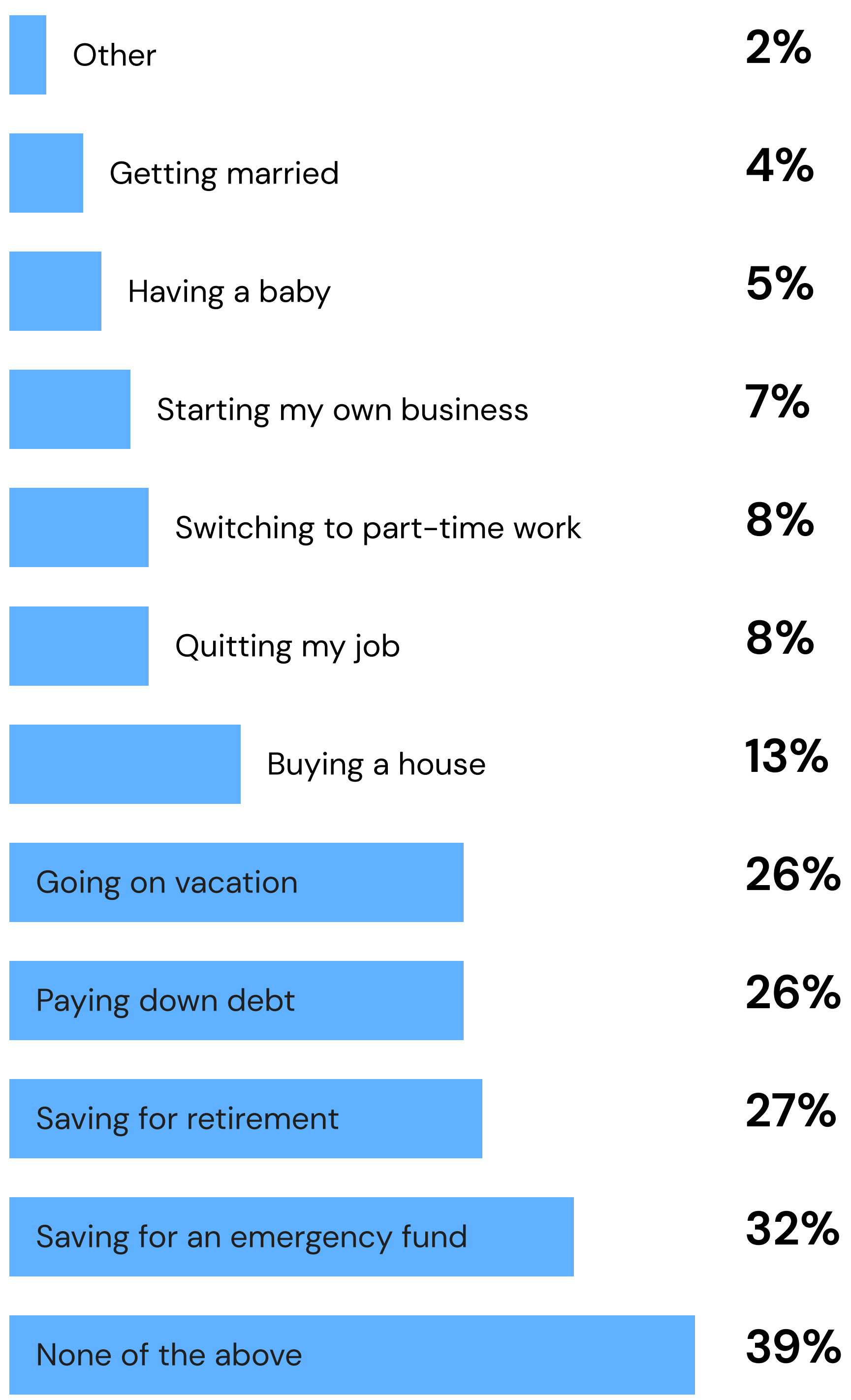
Six in 10 have delayed actions such as saving, paying down debt, or going on vacation as a result of healthcare costs, and one third have decreased spending on fun activities.

61% of Americans have had life events impacted by healthcare costs, but younger people have been especially affected:

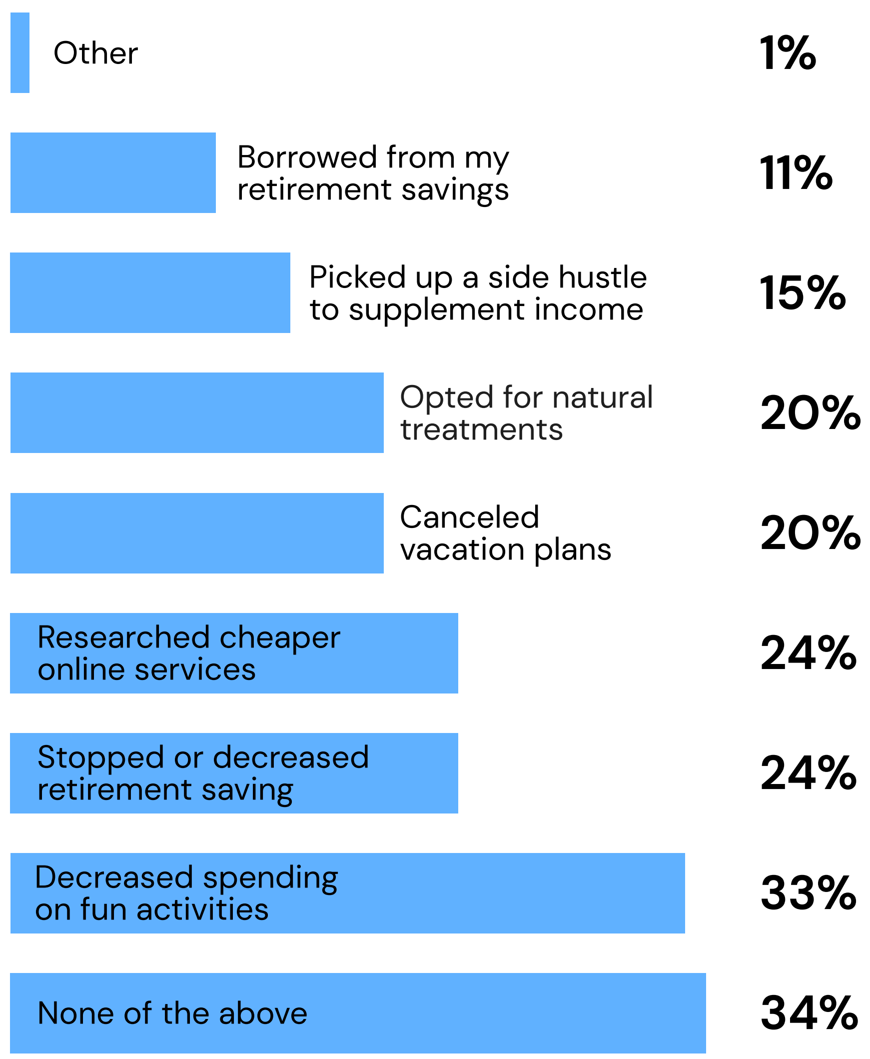
- **28% of 25-to-34-year-olds have been prevented from buying a house, more than other age groups**
- **18% of 18-to-24-year-olds have been prevented from quitting their job**
- **34% of 25-to-34-year-olds and 31% of 35-to-44-year olds are more likely to have engaged online services, such as telehealth, to try to reduce costs**

By contrast, 51% of those over 45 are less likely to have delayed any actions. Delays are similar across income levels, with the exception of paying down debt, which lower-income Americans are more likely to have delayed due to healthcare costs.

Actions prevented or delayed due to healthcare costs



Actions taken as a result of healthcare costs



Analysis and employer action items

The bottom line is that Americans are financially stressed, especially with rising prices and decreased buying power due to inflation, increased fuel prices, and a skyrocketing housing market. While the average couple will need over $315,000 for medical expenses in retirement,[5] people are less able to save for the long term and to build long-term wealth through buying real estate. Younger Americans especially are forced to make tradeoffs: Embrace their life now or save for the future, and many are forgoing one for the other.[6] Overall, this opens up Americans to greater vulnerability in the long term, and it is more likely that a health emergency will cause a major financial setback.

Employers can help their employees navigate rising costs and incentivize financial planning and long-term savings by:

- Offering or increasing their 401(k) match
- Including access to a financial planner or counselor as part of a holistic financial wellness benefits package
- Ensure employees are empowered and incentivized to take time off in order to rest and reset — consider offering company-wide days off, such as one Friday a month during the summer

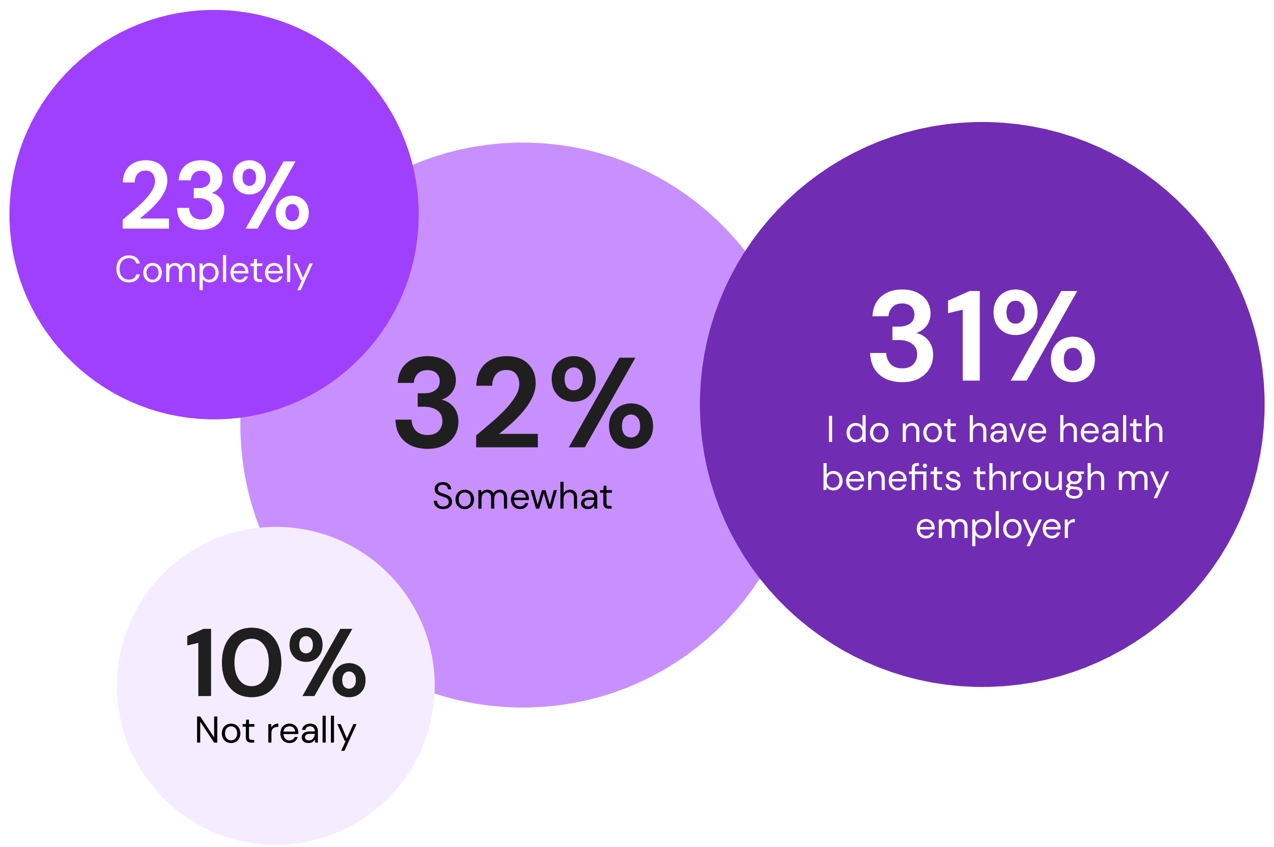
[5] Lauren Hargrave, “Retiring? Here’s How Much You’ll Need for Healthcare Costs.” Lively Blog, May 20, 2022. https://livelyme.com/blog/retiring-how-much-you-will-actually-need-healthcare/ [6] Anna P. Kambhampaty, “The World’s a Mess So They’ve Stopped Saving for Tomorrow,” The New York Times, May 13, 2022. https://www.nytimes.com/2022/05/13/style/saving-less-money.html

Insight #4

Due to rising costs, healthcare coverage is the most important benefit employers can offer, but one third do not have benefits through their employer.

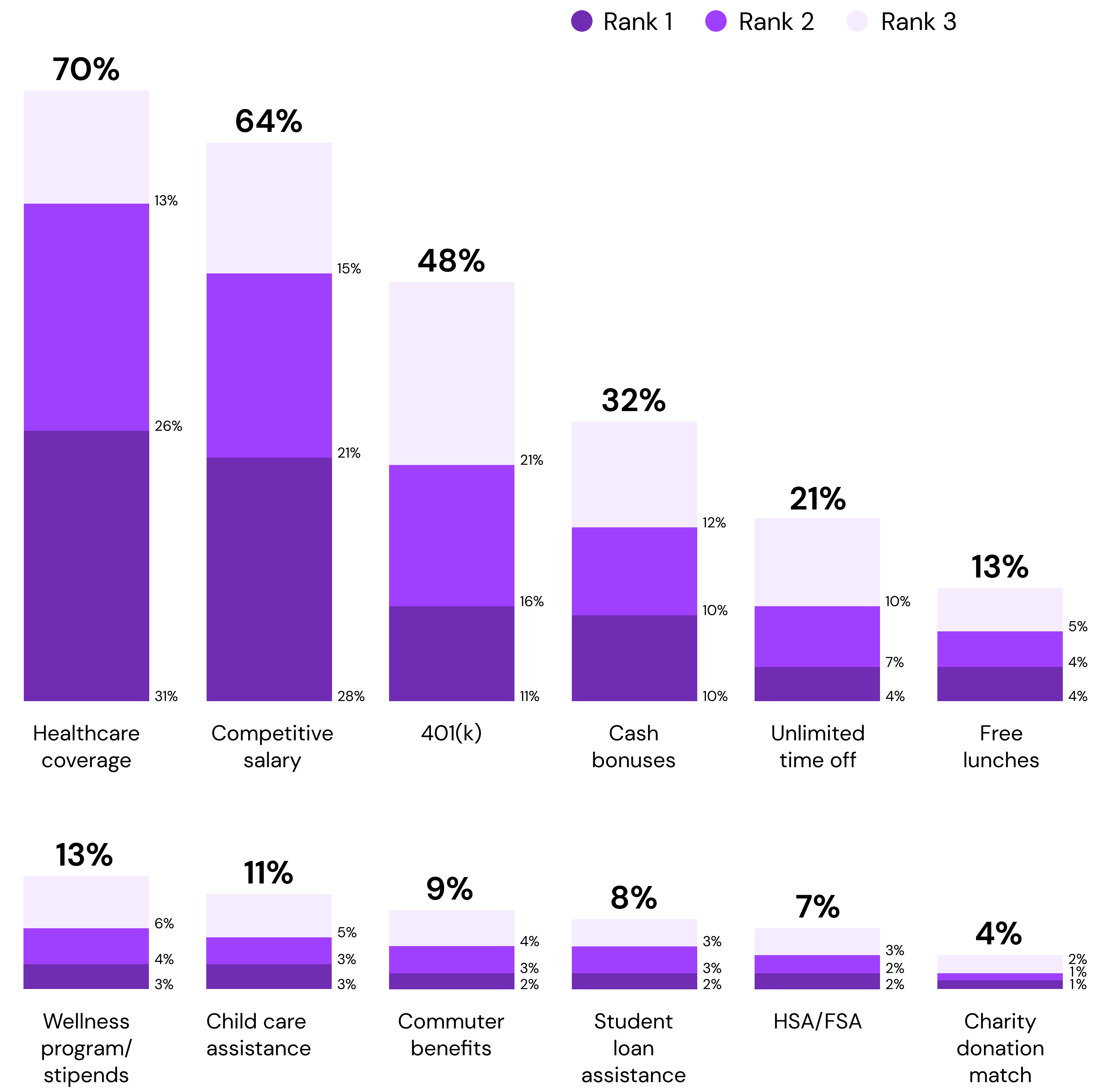
Healthcare coverage is most often ranked as the #1 benefit when Americans consider switching jobs or staying at a job; it is also a top three benefit for seven in 10. Competitive salary is a close second; and as a whole, other benefits are not nearly as influential. However, there is a slight exception for 25-to-34-year-olds, 20% of whom rank competitive salary as the #1 benefit, compared to 19% who rate healthcare as the #1 benefit. This group is generally healthier and at the start of their careers, and may be focused on increasing their earning power and potential.

Employer provided enough resources during open enrollment



Despite the importance of healthcare, a shocking 31% of people surveyed do not have health benefits through their employer. Of those who do have healthcare, most feel their employer provided sufficient resources during open enrollment – but as we will report later, there is room to increase engagement and education about our increasingly complex healthcare system.

Most important employee benefits



Analysis and employer action items

While year-over-year we have seen healthcare ranked as the #1 benefit, the Great Resignation and remote and hybrid work environments have put healthcare, and employer-offered benefits overall, into sharper focus. Employees are evaluating jobs holistically, beyond salary, and looking at the total benefits package and working environment their employers are offering. Generally, employees are savvier about how to evaluate their overall benefits package. They increasingly understand that if they have to pay more for healthcare, it can eat into their higher earnings.

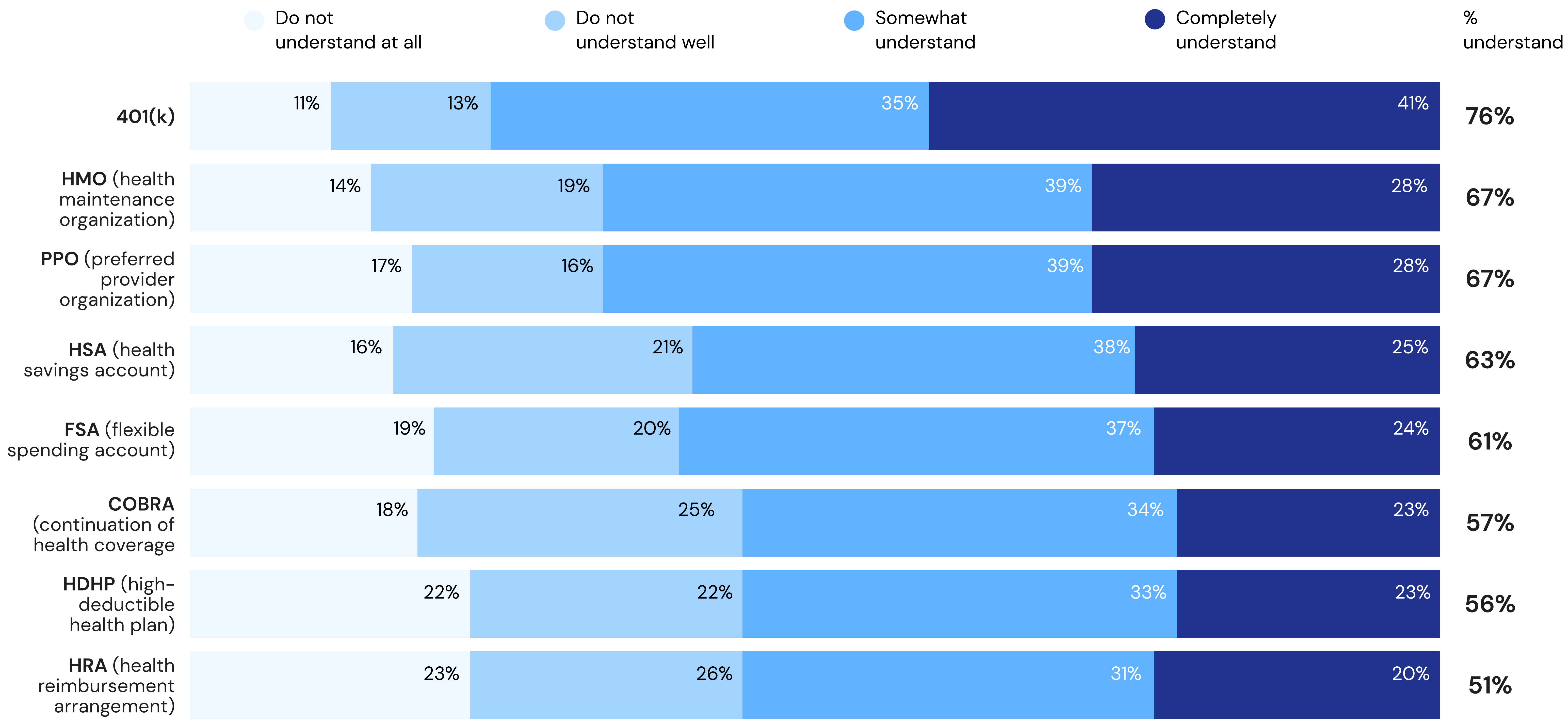
In order to attract and retain employees, healthcare is the most important benefit that employers can offer. In industries where employer-provided health insurance is not standard, offering this benefit can be a huge selling point for attracting employees in a competitive hiring environment. Overall, employers must not get complacent about the healthcare benefits they offer — employee expectations are increasing, and employers must continuously evaluate their benefits packages to ensure they are meeting employees' needs.

Insight #5

Americans do not fully understand the healthcare landscape and options available to them, including HSAs and HRAs.

While the majority of Americans understand 401(k)s, HMOs, and PPOs, they are divided on understanding of high-deductible health plans (HDHPs), healthcare reimbursement arrangements (HRAs), and health savings accounts (HSAs). While men and higher-income Americans are more likely to understand the various terms, overall understanding of these terms has fallen since last year's report.

Understanding of benefits / terms

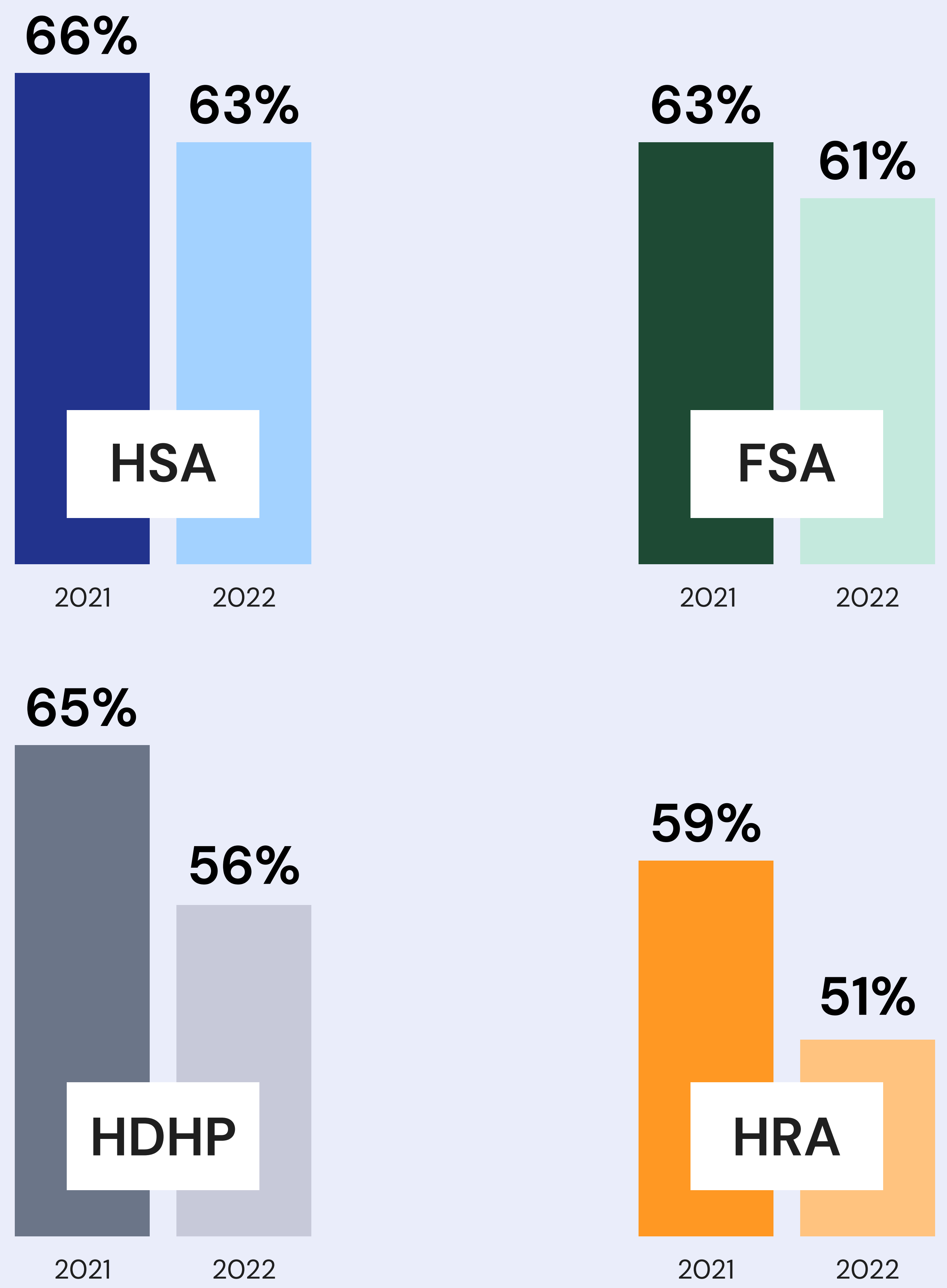


Analysis and employer action items

The healthcare and financial landscape is becoming increasingly complex and consumer-driven, and Americans are often left to their own devices to understand it. In addition, Americans are under increased stress due to a combination of factors, including the ongoing pandemic and rising prices.

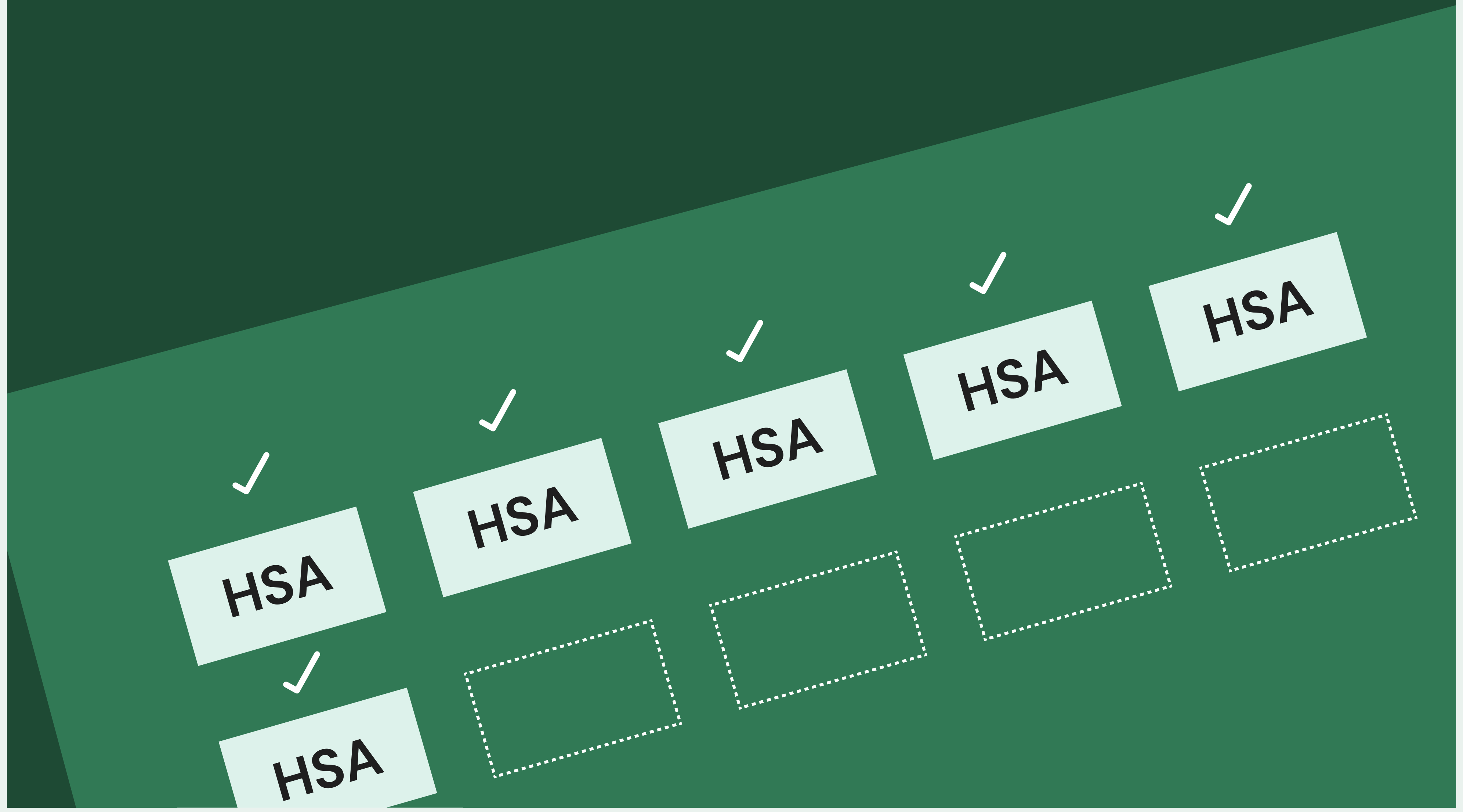
Americans need benefits that match their lives: easy to access, with robust mobile applications; and they need easy-to-understand, on-demand benefits education. As more people are working remotely, employers need to ensure their employees have access to resources that help them understand their different benefits options, including calculators that help them break down the costs and savings offered by different plans.

2021 vs. 2022 understanding comparisons



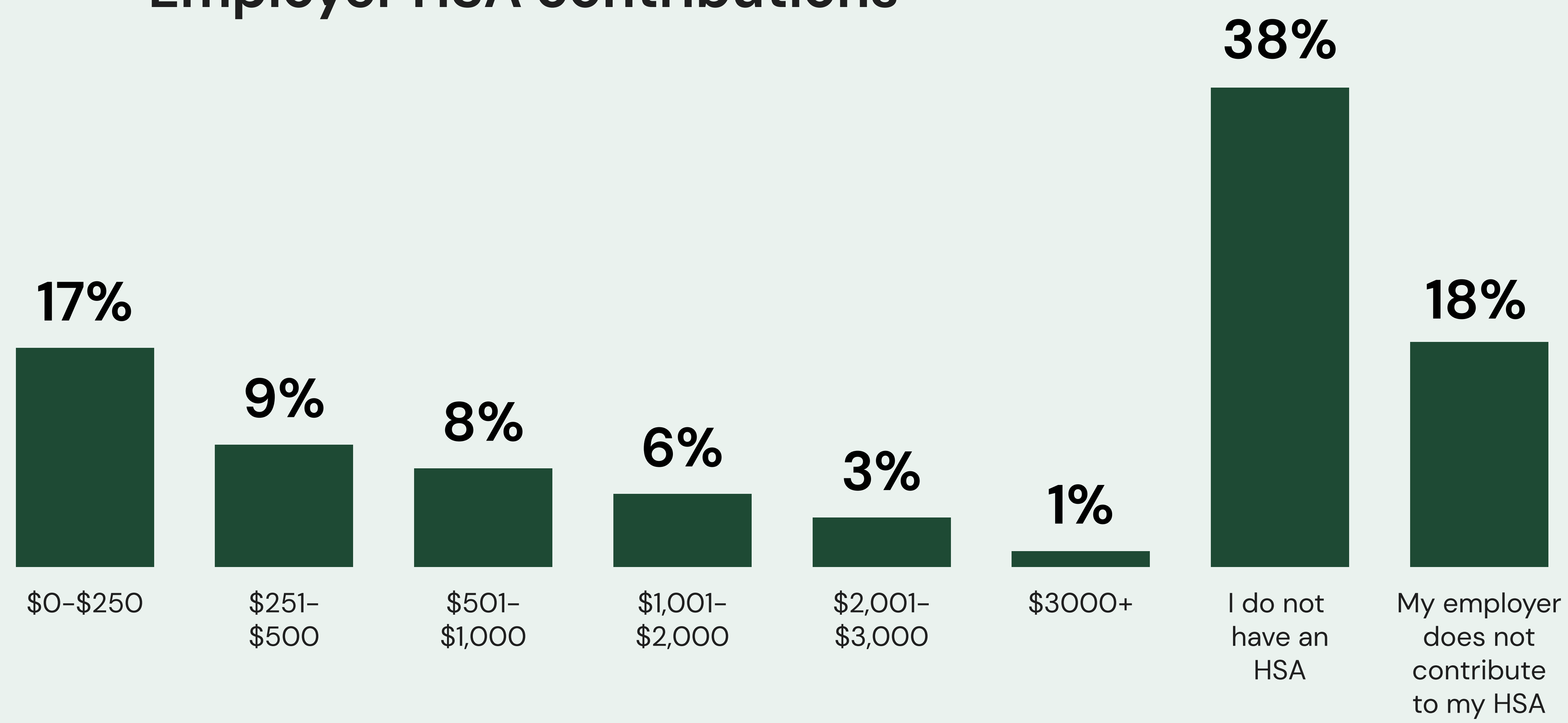
Insight #6

Four in 10 Americans do not have an HSA



Health savings accounts are an important tool for Americans to combat the rising costs of healthcare, prepare for future unexpected expenses, and save for retirement. However, the majority of those who have HSAs say their employer contributes just $0-$250 annually, 18% do not have employer contributions, and 38% do not have an HSA. Adults over 55 are more likely to not have an HSA or not have employer contributions.

Employer HSA contributions



Analysis and employer action items

Offering an HSA, or increasing employer contributions to an HSA, can be a way to build a more robust benefits package to attract and retain employees during the "Great Resignation." An HSA can also support employees in their savings for the future, and help them navigate rising costs.

Employers who offer and contribute to HSAs can also enjoy the benefit of payroll tax savings: Both employer and employee HSA contributions made from payroll are FICA tax-exempt, so employers benefit from tax savings for every contribution.

HSAs are not all created equal. In order to drive usage, platforms must make saving, spending, and investing effortless for account holders, and fold in automated education that helps users understand how to derive the most benefit from their account. On the employer side, HSAs must offer streamlined integration and easy administration, so as not to overburden benefits administrators. When deciding to offer an HSA, evaluate platforms for ease of use, integration, account holder access, and education.

Insight #7

Access to mental health services is low, but likelihood to access them if covered by health insurance is high.

While more than half of Americans (58%) say they are very or somewhat likely to seek mental health services if their healthcare benefits cover them, 14% of people with health insurance do not have mental health coverage. Despite the interest and need for mental health services, only 40% have accessed mental health services this year, indicating there is a gap between coverage and needs.

There is also a generational divide when it comes to seeking mental health support: 69% of younger Americans under 45 are more or somewhat likely to seek services. Similarly, 43% of people aged 18 to 44 are more likely to have accessed mental services this year, compared to only 21% of those over 45.

Access to mental health service this year

16%
I have used telemedicine to see a therapist/counselor/psychiatrist/support group

18%
I have gone in-person to see a therapist/counselor/psychiatrist/support group

60%
I have not accessed mental health services this year

6%
I have done a hybrid of online and in-person to see a therapist counselor/psychiatrist/support group

Likelihood to seek mental health services

30%	28%	28%	14%
Very likely	Somewhat likely	Not likely	Not likely

Analysis and employer action items

Despite an increased focus in the media over the course of the pandemic, there is still a need to de-stigmatize mental health care and make it easier to access, especially for middle-aged and older Americans.

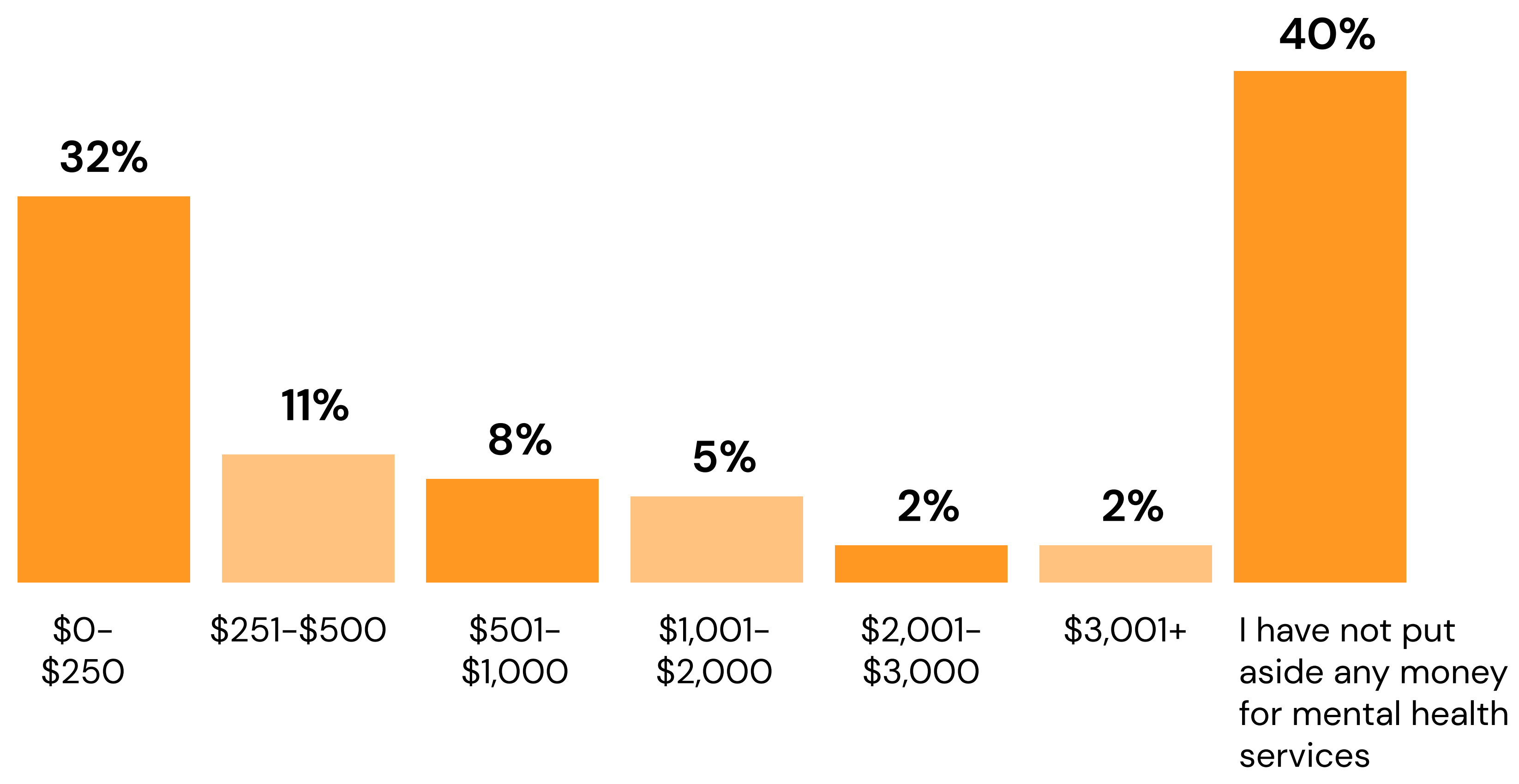
Employers can:

- Ensure their health insurance plans offer robust coverage for mental health — this is something employees may be specifically looking for and expecting in the "Great Resignation."
- Make mental health care easier to access — add telehealth options for mental health care, which is especially important in a remote-first and hybrid work environment, and makes care easier and less intimidating to access.
- Offer flexible schedules so employees don't feel stigmatized taking time to meet with a mental health professional.

Insight #8

40% of Americans have not saved any money for mental health services.

Money Saved for Mental Health Services



In addition to saving very little for out-of-pocket and emergency medical expenses, Americans are not saving for mental health services. Older Americans are even less likely to save — 59% of 55-to-64-year olds and 62% of people older than 65 do not have any money set aside for mental health care.

59% of 55-to-64-year olds and 62% of people older than 65 do not have any money set aside for mental health care.

Analysis and employer action items

Despite over half of Americans saying they are likely to seek mental health services, the majority are not setting aside sufficient money to pay for them. Employers can take action by providing education on what mental health services are covered in health insurance plans, and by offering savings options such as HSAs, FSAs, or an emergency savings account benefit.

Insight #9

Seven in 10 have not used HSA or FSA dollars for mental health services, but two-thirds would be likely to do so if they had that access.

Overall, 70% have not used their HSA or FSA dollars to access any mental health services. However, there is a wide generational divide yet again:

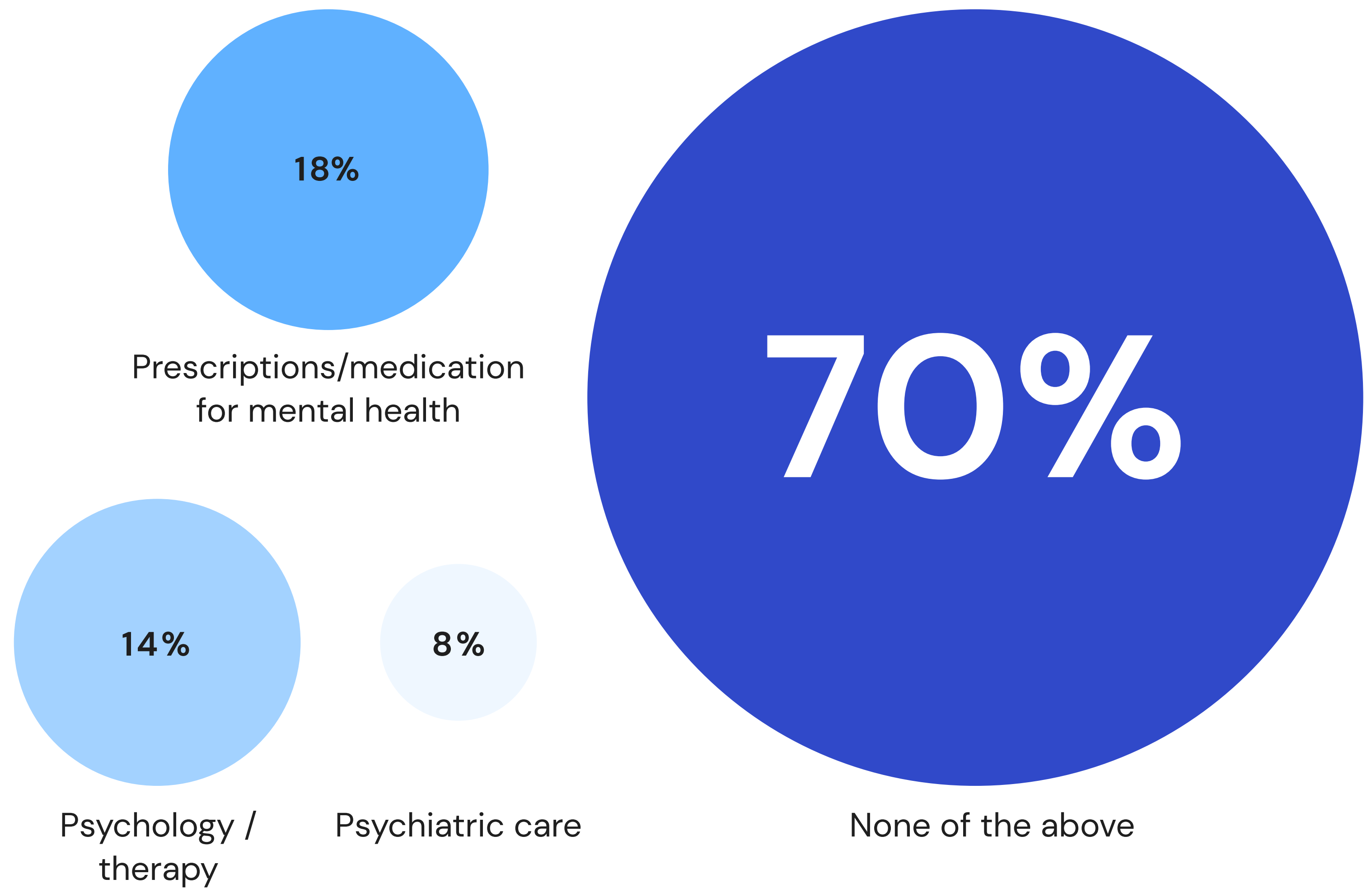
- 55% of those under 45 have not used HSA or FSA dollars for mental health services
- 85% of 45+ have not used HSA or FSA dollars for mental health services

The divide continues with likelihood to HSA or FSA funds. Overall, 61% of those with an HSA or FSA are very or somewhat likely to use their account dollars to pay for mental health services if they knew those services were a qualified expense. However, 76% of those under 45 would be likely to spend their HSA or FSA on mental health services, compared to only 45% of those over 45. In addition, 74% of women are more likely to have not spent their HSA or FSA on mental health care.

Analysis and employer action items

HSA and FSA education is critical. Even when employers offer an HSA or FSA, many account holders do not understand the wide range of healthcare services and products they can use their savings for. Employers can take action by providing resources on what mental health services are covered with HSA and FSA dollars. They should look for HSA and FSA providers that offer account holders automated education within the product itself in order to take the guesswork out of HSA and FSA spending. Employers should also evaluate HSA and FSA providers on the basis of whether they offer easy-to-understand education resources that empower account holders to take full advantage of their savings.

HSA or FSA use for mental health services



Likelihood to use HSA or FSA dollars for mental health services

27%	34%	39%
Very likely	Somewhat likely	Not likely

Conclusion

Rising healthcare costs are preventing Americans from achieving their financial goals, including saving for retirement, going to college, and paying down debt. In order to accommodate higher costs, Americans are spending less on leisure and delaying important financial milestones, such as buying a house. They are also quitting their jobs in record numbers and seeking work that is more rewarding, both financially and from a lifestyle standpoint. In this environment, healthcare is one of the most important benefits employers can offer that supports employees navigating rising costs and a volatile economy.

The bottom line is that Americans are stressed both emotionally and financially. In order to help combat this stress and support employee retention and productivity, employers, brokers, and benefits consultants must take a holistic approach to employee benefits. Adding an HSA to a benefits offering can empower employees to set aside money tax-free for medical expenses, and enable them to build those savings year-over-year, since HSA funds never expire. In addition, they enable employers to offer cost-saving, high-deductible health plans and save on payroll taxes. In this volatile economy and challenging hiring environment, employers and benefits providers must work together to offer benefits that make it easy for employees to plan for the future, and to get the most out of the present moment.

Lively

Lively is the benefits solutions provider that gets it right. We designed our solutions to take the guesswork out of managing benefits. And our innovative features are built to simplify benefits administration and evolve with your business. That's why our experience is optimized to put you in control at every step. Managing your wellness and wealth takes more than a series of transactions. By combining robust features with unparalleled service, we make benefits administration effortless, even when your time and energy are limited. Experience benefits administration as it should be with Lively.

To learn more about how our HSA and FSA offerings can help you achieve your goals, visit **livelyme.com** or reach out at **sales@livelyme.com.**