

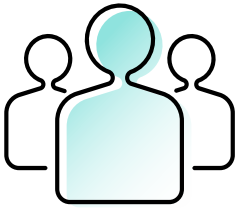
● Whitepaper

# Benefits and enrollment trends

March 2023



**alight**



Employers created their 2023 benefit strategy amidst a variety of challenges including economic uncertainty, political change and global events. With U.S. unemployment at 3.7%<sup>1</sup> and 10.7 million<sup>1</sup> job openings, organizations are challenged to attract and retain key talent. They are also faced with rising costs for total rewards, as health care costs are projected to increase from 5.6% to 6.6%<sup>2</sup> in 2023.

Meeting the needs of a diverse workforce is an additional challenge given the changing composition of U.S. households. Today's households increasingly consist of multiple generations, extended family members, same-sex couples, unmarried couples and single parents.

This report takes an in-depth look at some of the key benefits employers offered to their workforce for 2023 and how employees enrolled in those benefits during the fall 2022 annual enrollment season. The following findings are based on fall 2022 annual enrollment results for 2023 benefits from Alight's benefits administration clients in the United States. The report includes data from more than 450 organizations employing over 9.5 million employees.

Employers can use the insights provided by this report to refine their benefits strategy for 2024 and to increase awareness and engagement with benefits across their workforce throughout 2023.

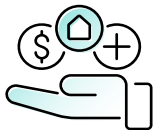
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## Report highlights



Employers continue to offer a variety of benefit options that are designed to appeal to the unique needs and preferences of their employees and families:

- 93% offer a choice of medical plan types (e.g., PPO, HDHP, HMO)
- 74% contribute to an HSA for employees who enroll in an HDHP
- Roughly half offering some type of supplemental health care benefit, such as accident, critical illness or hospital indemnity insurance



Employee income and age play a large role in medical benefit decisions. Plans such as the HDHP and HSA are more attractive to and benefit some employees more than others.

- Employees earning less than \$40,000 have the lowest enrollment rate for medical at 56%
- Medical enrollment has significantly declined year-over-year for employees earning less than \$60,000.
- Employees earning \$100,000 or more are most likely to enroll in a HDHP and participate in an HSA than employees of any other income level

These findings may have implications for employers as they evaluate how their benefit strategy supports their diversity, equity and inclusion goals.



Despite cost pressures, employers do not appear to be passing major cost increases to employees. However, they are likely making changes to medical plans including increased deductibles and formulary changes.

## Medical plans offered by employers

Employers are offering a variety of medical plan types to their employees. The most widely offered are the PPO (91%) and HDHP (86%).

### Employers offering each type of medical plan

	2021	2022	2023
PPO	91% <div><div></div></div>	92% <div><div></div></div>	91% <div><div></div></div>
HDHP	85% <div><div></div></div>	85% <div><div></div></div>	86% <div><div></div></div>
HMO	67% <div><div></div></div>	69% <div><div></div></div>	67% <div><div></div></div>
Other	65% <div><div></div></div>	66% <div><div></div></div>	67% <div><div></div></div>

#### Medical Plan Types:

High deductible health plan (HDHP) — HSA qualified HDHP

Preferred provider organization (PPO)

Health maintenance organization (HMO)

Other (e.g., indemnity plan, exclusive provider organization (EPO))

Most employers (93%) offer more than one type of medical plan, with almost half (47%) of employers offering four or more types of medical plans to their employees. Only 7% offer just one type of medical plan. Offering multiple medical plan types is just one benefits strategy employers use to meet the diverse needs of their workforce.

### Number of medical plan types offered

	2021	2022	2023
1 plan type	5% <div><div></div></div>	5% <div><div></div></div>	7% <div><div></div></div>
2 plan type	21% <div><div></div></div>	17% <div><div></div></div>	16% <div><div></div></div>
3 plan type	32% <div><div></div></div>	31% <div><div></div></div>	30% <div><div></div></div>
4 or more plan types	43% <div><div></div></div>	46% <div><div></div></div>	47% <div><div></div></div>

Of those employers that offer just one type of medical plan, 50% offer a PPO and 20% offer a HDHP:

### Plan type offered when it is exclusive choice



50%

PPO

20%

HDHP

30%



















Other

## Cost of medical coverage



















The average total cost of medical coverage (regardless of plan type) is \$5,330 for single coverage and \$13,998 for family coverage — an increase of 2.3% and 3.2% respectively compared to 2022 costs. Employees are carrying a larger share of the medical cost increases with an average increase of 3% for single coverage and 4.6% for family coverage. Overall, employers are contributing 72% towards the cost of single coverage and 70% for family coverage.

*Note: Employer costs for HDHPs reflect the annual medical premium only. They do not include any additional employer subsidies in the form of HSA seed or matching contributions for employees that enroll in a HDHP.*

### Average annual medical cost — single coverage

	Employee	Employer	
Overall (regardless of plan type)	\$1,527  \$1,573 	\$3,684  \$3,757 	 2022  2023
PPO	\$1,610  \$1,640 	\$3,731  \$3,812 	
HDHP	\$1,412  \$1,412 	\$3,860  \$4,080 	
HMO	\$1,438  \$1,474 	\$5,971  \$6,451 	

### Average annual medical cost — family coverage

	Employee	Employer	
Overall (regardless of plan type)	\$3,914  \$4,094 	\$9,645  \$9,904 	 2022  2023
PPO	\$4,451  \$4,610 	\$10,351  \$10,555 	
HDHP	\$3,598  \$3,655 	\$9,331  \$9,645 	
HMO	\$3,610  \$3,715 	\$14,219  \$14,923 	

## Medical coverage enrollment

Nearly three-quarters (73%) of employees are enrolled in medical coverage from their employer. The overall enrollment rate has been decreasing slightly year-over-year. Employees who don't enroll in their employer's medical plan are either going without medical coverage — they're uninsured — or they're covered under a spouse's or parent's plan, Medicare or Medicaid, or through a health insurance marketplace.

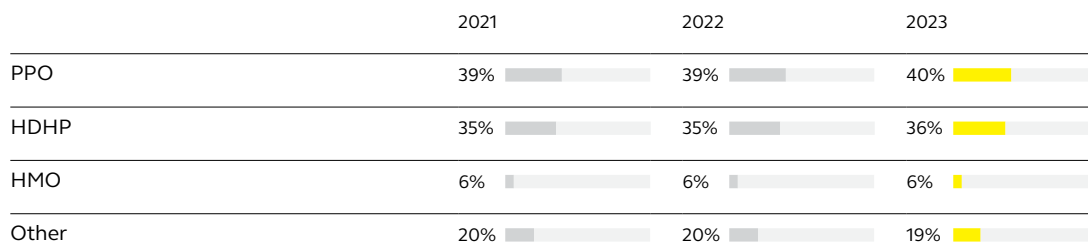


Less than half (40%) of employees enroll in a PPO, while high deductible enrollment is a close second at 36%. When looking at just the employee's share of the annual cost, PPOs are the most expensive plan type, consistently costing more than both HDHPs and HMOs. Many employees are willing to pay a premium for PPOs in exchange for the benefits they provide, compared to HDHPs and HMOs.

These findings reinforce the need for employers to continue offering a variety of medical plan types to appeal to the varying preferences and needs of the workforce. Yet at the same time, these findings give rise to questions such as, “Do employees understand the differences in medical plan types?” and “Are employees making optimal decisions based on need or perceived risks?”

While 73% of employees are enrolled in medical coverage, most are enrolled in the same medical option as in 2022. Only 16% of employees enrolled in a different medical option for 2023. Among employers that provided personalized guidance or suggestions, 24% of employees changed their medical option. As medical cost pressures continue to mount, personalized medical guidance helps employees find better value from their benefits.

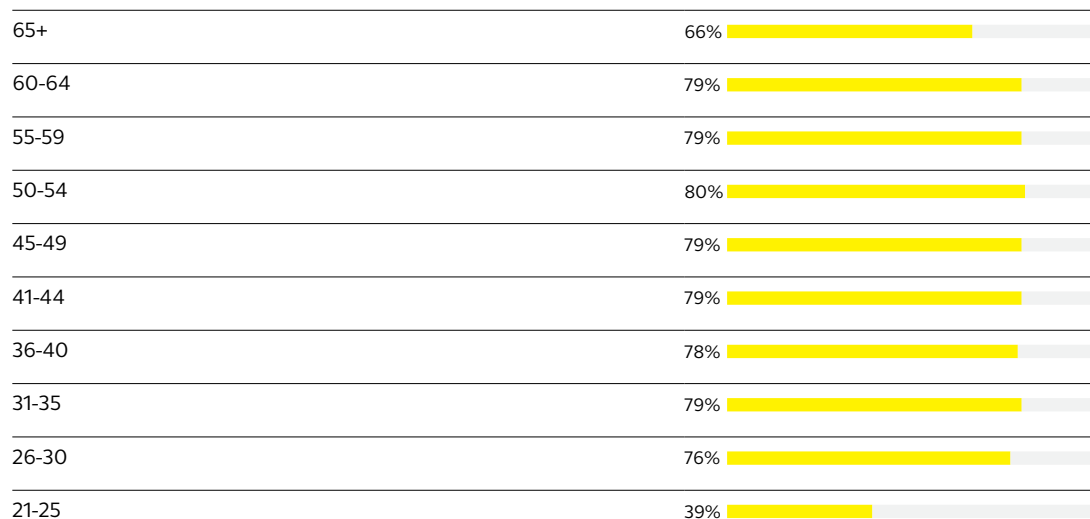
### Medical enrollment by plan type, among enrollees



## MEDICAL COVERAGE ENROLLMENT

Employees under age 26 are least likely to enroll in medical coverage. Enrollment is also lower than average for employees aged 65 or older (66%). Both age groups are likely candidates for obtaining medical coverage from another source, notably a parent's plan or Medicare.

### Medical enrollment by age

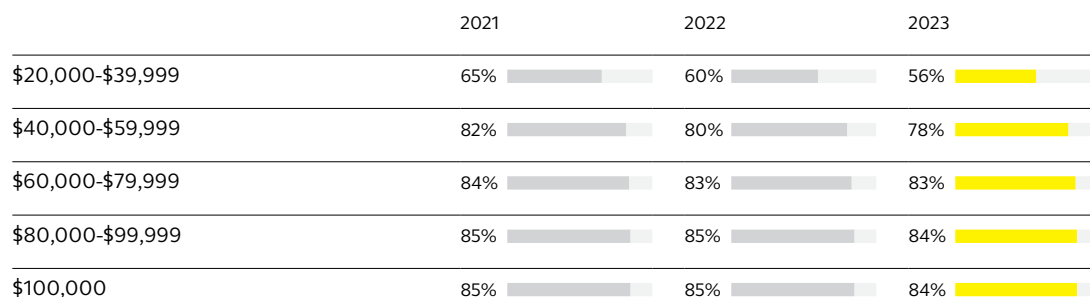


Income is another strong predictor of medical enrollment. Employees earning less than \$40,000 have the lowest enrollment rate at 56%. When we look at medical enrollment rates by salary, we see a pronounced decline in medical enrollment year-over-year for employees earning less than \$60,000.

45%

of employees say the reason they didn't enroll in healthcare benefits is because the **benefits are unaffordable**  
(Alight 2022 Winning with Wellbeing)

### Medical enrollment by income



Income, combined with increasing costs of medical coverage, other financial challenges and expanded marketplace premium subsidies may account for the overall decline in medical enrollment year-over-year. Employees simply may not be able to afford medical coverage from their employer.

# A closer look at HDHPs and HSAs

Employers see dramatically different HDHP enrollment rates, ranging from 5% to over 95%. This is often dictated by the employer’s health care strategy, whether other medical plan options are offered, and how the HDHP is positioned and priced compared to other choices.

## 2023 HDHP LIMITS

**Minimum deductibles:** Individual: \$1,500; Family: \$3,000

**Maximum out-of-pocket amounts:** Individual: \$7,500; Family: \$15,000

## HSA enrollment

Getting employees enrolled in a HDHP is the first step, followed by encouragement to participate in an HSA. Of those enrolled in a HDHP, 80% of employees have an HSA.

	2021	2022	2023
HSA participation	78% <div><div></div></div>	79% <div><div></div></div>	80% <div><div></div></div>

An employer’s HSA annual enrollment and default strategy dramatically impacts participation. Employers that set the default to the employee’s current HSA contribution see 13% higher participation than those that set the default contribution to zero and require the employees to re-enroll each year.

The average contribution to the HSA has seen only modest increases year-over-year for employees with single or family coverage. Twelve percent of employees with single coverage and 17% with family coverage contribute the maximum allowed to the HSA.

## Average HSA contributions

	2021	2022	2023
Single	\$1,472 <div><div></div></div>	\$1,503 <div><div></div></div>	\$1,541 <div><div></div></div>
Family	\$3,497 <div><div></div></div>	\$3,623 <div><div></div></div>	\$3,742 <div><div></div></div>

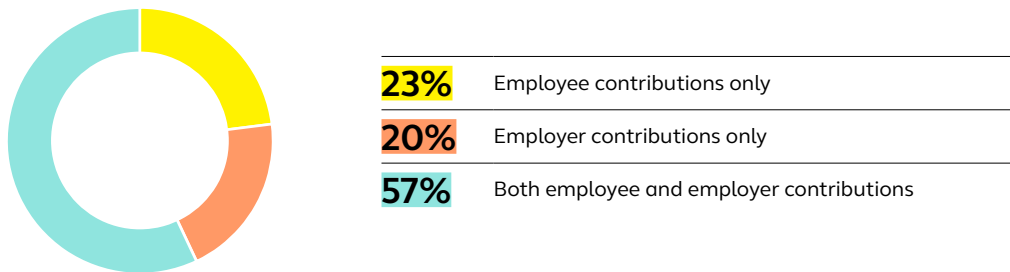


## HSA funding

Most employers contribute to an HSA on behalf of employees. Seventy-four percent offer some type of HSA seed or matching contribution to employees who enroll in a HDHP. Actual employer contributions vary greatly — from \$75 to over \$3,000 per year with the average being \$849.

Of those employees participating in the HSA, 77% receive some type of contribution from their employer, while 80% contribute their own money to the HSA. Nearly one-third (30%) of all HSA dollars are contributed by employers rather than employees.

### How the HSA is funded



Employers that contribute to the HSA have 7% more employees enroll in a HDHP than employers that do not contribute to the HSA. Once employers decide to contribute to an HSA on behalf of employees, they continue to do so each year.

### HDHP enrollment based on employer's HSA contribution strategy



How do age and income impact HDHP enrollment and HSA participation?

Income is a significant predictor of HDHP enrollment. As income increases, so does HDHP enrollment. Employees that who earn less than \$40,000 annually have the lowest enrollment rate at 22%. Employees earning \$100,000 or more enroll in the HDHP at 49%, the highest enrollment rate for any income level.

Age is also a predictor of HDHP enrollment, with younger employees most likely to enroll. Thirty-nine percent of employees ages 26 to 30 enroll, compared to 34% of employees ages 60 to 64. HDHP enrollment starts declining among employees age 55 and older.

Our research also shows that income and age influence HDHP enrollment differently. For employees aged 26 to 60, the likelihood of enrolling in a HDHP increases as salary goes up and age goes down. Younger employees at higher income levels are most likely to enroll in an HDHP, while older employees at lower income levels are most likely to enroll in a different medical plan.

As with the HDHP, income and age greatly impact HSA participation but with a big difference compared to the HDHP. As income increases, so does HSA participation. Only 61% of employees earning less than \$40,000 have an HSA. At the other end of the spectrum, 91% of employees earning \$100,000 or more participate in the HSA. Older employees are more likely to contribute to an HSA. Participation peaks at 24% for employees ages 41 to 54. Only 7% of employees ages 21 to 25 contribute.

HSA participation by salary



Age and income work together to determine HSA participation:

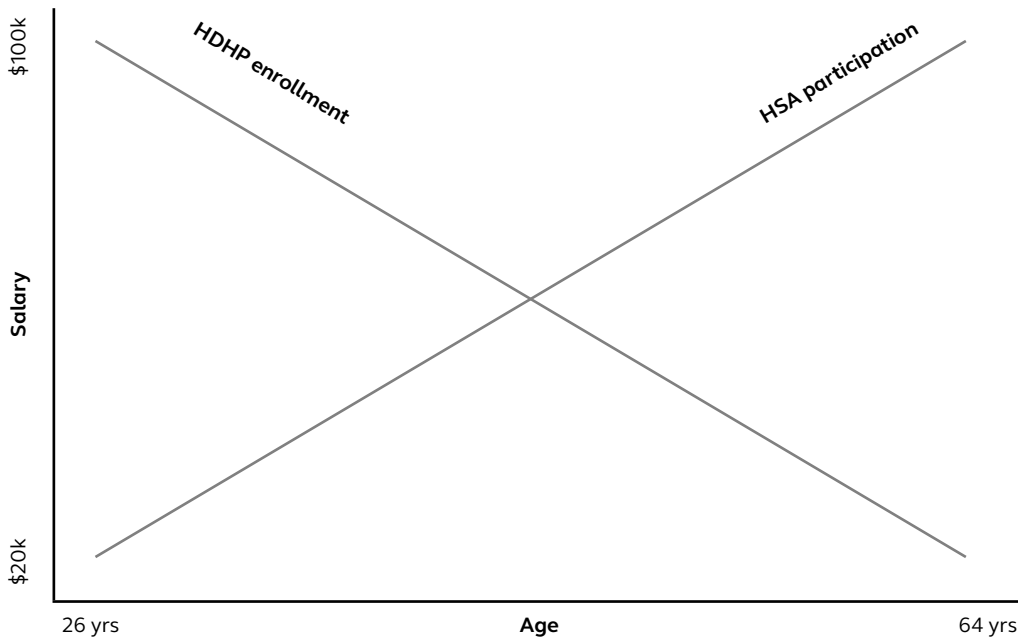
Older employees with higher incomes are most likely to contribute

Younger employees with lower incomes are least likely to contribute

As both age and income increase, HSA participation also goes up

As salary goes up and age goes down, rates of enrollment into HDHP go up.

### Enrollment rates and HSA participation



Many employers have adopted HDHPs and HSAs to help manage rising health care costs, while giving employees more choice and flexibility. Our research shows that the HDHP and HSA benefit some employees more than others. The perceived risk of HDHPs — that is, the need to pay a large amount up-front for medical services (the deductible or more) along with the variable nature of those costs — may make these plans less attractive to some employees even if the fixed annual premium cost of these plans is lower than other plan types.












Given the impact of age and income on HDHP enrollment and HSA participation, employers may want to assess how the HDHP and HSA fit into their overall benefits strategy, given their unique workforce demographics. Employers may also want to educate employees about how to protect themselves against the perceived risks of the HDHP to reap the benefits more fully.

## Supplemental healthcare benefits

Employers are rounding out their benefits package with supplemental health care benefits such as accident, critical illness and hospital indemnity insurance plans. These plans offer employees additional financial protection for unexpected medical expenses.

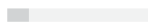
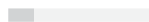
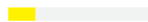
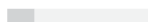
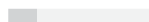
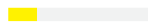
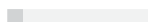
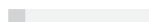
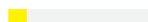
Critical illness is the most common, with 52% of employers offering this plan, while hospital indemnity is increasing in popularity with 45% now offering this benefit. These plans are almost always paid 100% by employees, although a very small number of employers cover a portion of the costs. While nearly half of all employers offer these types of benefit plans, there is clearly still room for growth.

### Employers offering supplemental healthcare benefits

	2021	2022	2023
Accident	43% 	47% 	49% 
Critical illness	46% 	50% 	52% 
Hospital indemnity	38% 	42% 	45% 

Critical illness enrollments have remained flat at 20%, while both accident and hospital indemnity are seeing slight increases in enrollment year-over-year.

### Enrollment in supplemental healthcare benefits

	2021	2022	2023
Accident	15% 	18% 	19% 
Critical illness	19% 	20% 	20% 
Hospital indemnity	11% 	12% 	13% 

# Reimbursement accounts

While health savings accounts receive a lot of attention, other types of reimbursement accounts continue to play an important role in the benefits package for many employers. Nearly all employers (93%) offer a health care and/or a dependent care flexible spending account.

## Health care flexible spending accounts

Few employees (13%) enroll in a health care flexible spending account. This level has remained the same for the last several years. Contributions to health care spending accounts have increased slightly from an average annual contribution of \$1,332 in 2021 to \$1,373 in 2023.

### Average annual contribution

2021	\$1,332	<div></div>
2022	\$1,350	<div></div>
2023	\$1,373	<div></div>

## Dependent care flexible spending accounts

Enrollment in dependent care flexible spending account plans has remained constant at 2% for the last several years. The average annual contribution amount has increased slightly from \$3,443 in 2021 to \$3,546 in 2023. Half of all employees who contribute to a DC FSA contribute the maximum allowed amount (\$5,000 per household or \$2,500 if married filing separately for 2023).

Employee age and income are key factors in DC FSA enrollments. Employees between the ages of 31 and 49 — as well as those with incomes of \$60,000 or more — enroll in a DC FSA at higher rates than other age and income levels.

### Average annual DC FSA contribution

2021	\$3,443	<div></div>
2022	\$3,511	<div></div>
2023	\$3,546	<div></div>

## Commuter benefits

Prior to the COVID-19 pandemic, 5% of employees enrolled in commuter benefits, contributing an average of \$2,478 annually. Since the pandemic, enrollment has plummeted to less than 1% with an average annual contribution of just \$153. With work-from-home now fully entrenched for many employees, it remains to be seen if commuter benefits will recover to their pre-pandemic level.



## Lifestyle accounts — The next big thing?

Lifestyle accounts are flexible reimbursement offerings that allow employees to tap into employer funds for whatever matters most to them, from education and financial planning to fitness activities and emergency funds. While few employers offer lifestyle accounts today, interest is surging.



### Advantages of lifestyle accounts:

Employer-defined design (e.g. eligibility, eligible expenses, funding)

Employee flexibility and choice

Non-ERISA plan

Reimbursed and taxed via payroll

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## Conclusion

The challenges many employers and employees are currently facing are likely to continue well into 2024 and beyond. Employers must assess and adjust their benefits offerings to attract and retain key talent and meet other business objectives such as cost targets and diversity, equity and inclusion goals. However, they can't stop there. To maximize the value of benefits, employers need to engage their people even more than they do today; only then are employees empowered to make smarter, more confident benefits decisions.

### How can employers use this information to their advantage?

The findings from this report help employers assess their own benefit design strategy and identify areas for improvement. Following are some key takeaways:

- Compare your enrollment results to the results presented in this report.
- Assess your benefits to see if your employees can take equal advantage of them.
- Analyze your benefit design strategy to see if it aids your organization in meeting diversity, equity and inclusion goals.
- Adjust your benefits design strategy to better meet employee needs and organizational objectives. For example:
  - Would a salary-banded pricing strategy for medical coverage be beneficial?
  - Is there enough differentiation in the employee cost for different medical plan types and options?
  - Should the benefits offering be expanded to include accident, critical illness and/or hospital indemnity insurance?
  - Should any adjustments be made to which employees are eligible to receive an employer contribution to the HSA and/or the amount of the contribution so that total employer subsidy dollars are more equitably shared across the employee population?
  - Are there other benefits that would be attractive and valuable to a diverse workforce?
- Review what other changes should be made to the annual enrollment process to better achieve organizational goals.
  - Should the HSA default change to the employee's current contribution level instead of zero?
  - Do employees have access to the right tools and resources to help them make confident benefit decisions?
  - Would personalized enrollment guidance or suggestions help employees make better decisions?
- Enable employees to be aware of and know how to access all the benefits and programs available to them, not just those they enroll in.

1. U.S. Bureau of Labor Statistics
2. Mercer's National Survey of Employer-Sponsored Health Plans 2022, Aon, and Willis Towers Watson's 2023 Global Medical Trends Survey
3. *Alight 2022 International Workforce and Wellbeing Mindset Survey*

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## About this report

The 2023 Benefits and Enrollment Trends report summarizes findings based on fall 2022 annual enrollments results for 2023 benefits from Alight's benefits administration clients in the United States. The report includes data from more than 450 organizations employing over 9.5 million employees.

Most percentages have been rounded to the nearest whole percent. The total may equal more than 100% due to rounding. All dollar amounts have been rounded to the nearest whole dollar.

Family coverage is defined as the employee plus one or more dependents, regardless of the relationship of the dependent.

## About Alight

Alight is a leading cloud-based human capital technology and services provider that powers confident health, wealth and wellbeing decisions for 36 million people and dependents. Our Alight Worklife® platform combines data and analytics with a simple, seamless user experience. Supported by our global delivery capabilities, Alight Worklife is transforming the employee experience for people around the world. With personalized, data-driven health, wealth, pay and wellbeing insights, Alight brings people the security of better outcomes and peace of mind throughout life's big moments and most important decisions. Learn how Alight unlocks growth for organizations of all sizes at [alight.com](https://alight.com).

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