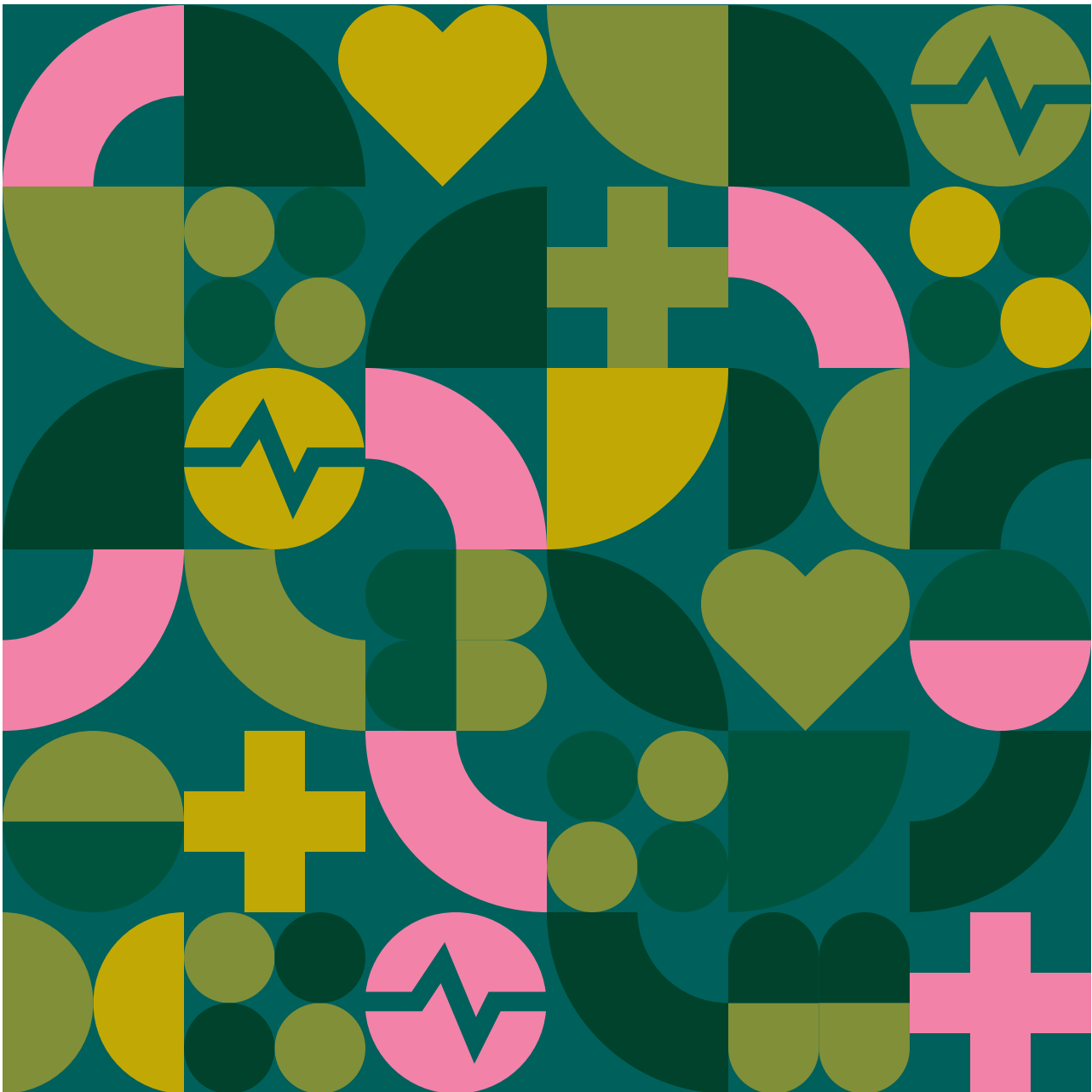




Reward & Employee
Benefits Association

PURSUING BEST PRACTICE

Employer-funded health: the impact of chronic ill health and specialised support services



IN PARTNERSHIP WITH



Employers must be proactive as the UK workforce ages and chronic conditions affect health



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Contents

- 03 Chapter 1**
The scope of chronic ill health in the UK
- 06 Expert insight**
Developing a future-focused strategy to remain resilient
- 07 Chapter 2**
Specialised health support for employees
- 09 Chapter 3**
How benefits can help to support employee health
- 10 Case study**
How Derwent London is catering to the needs of employees with long-term health conditions

Good data on workplace demographics and a forward-thinking approach will help employers keep pace

Employers have long been aware of the vital role they can play in promoting a happy and healthy workforce, yet there will always be limits to the provisions they offer.

As we've seen in report one of this series, *The Shifting Medical Economy: Impact on Workplace Health*, healthcare technology is progressing at rapid pace, creating opportunities for new treatment, health data collection and also predicting and preventing potential future health conditions before they become an issue.

Longer working lives

Although technology may be able to assist in healthcare outcomes, it is a fact that as working lives continue to expand, so, too, does the likelihood of developing one or more chronic illnesses.

The [Health Foundation's REAL Centre](#) found that 3.7 million people in the workforce have a 'work-limiting' health condition that restricts the type or amount of work they can do (see page 3). This figure has increased by 1.4 million over the past decade, suggesting that – despite advances in healthcare, and employers playing a larger role in wellbeing – chronic health conditions are having, and will continue to have, a significant impact on employees' health.

Add in the growing demand from employees for specialised support, such as fertility benefits, neurodiversity assessments and healthcare screening, and reward and benefits professionals are met with an almost impossible task when it comes to deciding where to prioritise wellbeing spend.

Growing demand

Every employee will have unique healthcare needs, and, as the workforce continues to adapt to longer working lives, employer-funded health models will need to change at pace to keep up with employee demand.

Cost will undoubtedly continue to be a challenge for employers, and projecting future chronic health concerns and disabilities will never be an exact science. But a good understanding of workforce demographics, plus an open-minded approach to healthcare advancements, could prove vital to mitigating rising healthcare costs.

The scope of chronic ill health in the UK



Workplace health programmes have an increasingly vital role to play

The phrase 'health is wealth' remains as relevant as ever, reminding us that our wellbeing is one of the most valuable assets we possess. Employer-funded health programmes have become a critical tool in promoting a healthier, more engaged and more productive workforce.

And these needs are becoming more complex. Analysis from the [Health Foundation's REAL Centre](#) found that 3.7 million working-age people are in work with a health condition that is 'work-limiting', meaning it limits the type or amount of work they can do. This figure, which has increased by 1.4 million over the past decade, is now similar to the number of people with work-limiting conditions who are *not* participating in the labour market.

Medical advancements and healthier lifestyles have meant an average increase in life expectancy. Yet the likelihood of developing one, or more, chronic illnesses increases with age.

For example, [NHS data](#) from 2021 found there were 508 cancer diagnoses for males aged 20-24. In the same year, there were 18,461 cancer diagnoses for males aged 60-64. A similar story was found for women, with 503 diagnoses for those aged 20-24, compared with 16,787 for those aged 60-64.

[Labour market statistics from the Office for National Statistics \(ONS\)](#) state that more than one in nine (11.5%) people now work past their 65th birthday – double the rate of one in 20 (5.2%) doing so in 2000. As the workforce adapts to longer working lives, so, too, must employer health strategies.

The economic cost of presenteeism

The Institute for Public Policy Research (IPPR), in its [Health Industry, Prosperous Economy](#) (2024) report, found that the annual hidden cost of employee sickness has risen by £30bn since 2018. Most of this (£25bn) was from lower productivity, with only £5bn caused by a rise in sick days.

Employees now lose the equivalent of 44 days' productivity on average per year as a result of working through sickness, up from 35 days in 2018, and lose a further 6.7 days taking sick leave, up from 3.7 days in 2018.

Working through poor health was more common among those from marginalised ethnic groups, people in lower-quality jobs and workers lacking formal qualifications. The reasons for this are, of course, complex, but part of the issue could be that these demographics are more likely to be on zero-hours contracts with no sick pay entitlement.

3.7 million

Working-age people are in work with a health condition that is 'work-limiting'



The cost of chronic ill health

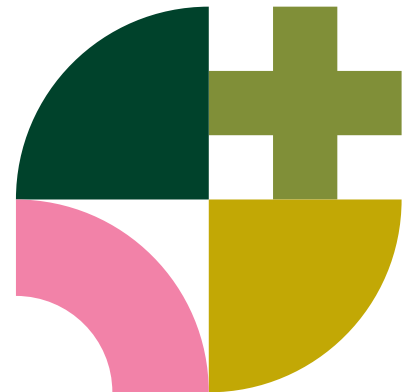
Chronic health conditions can be controlled but may not be curable, and the most common cases include conditions such as anxiety, depression, heart disease, cancer, diabetes and arthritis.

Chronic illnesses not only affect individual employees but also create significant financial and operational challenges for businesses. Employees with these conditions may require more sick leave, or, alternatively, they may work while struggling to manage their illness, meaning they cannot perform at full capacity. They may also require more specialised support services to help manage their condition.

Businesses may therefore face rising premiums for group health insurance and disability insurance if there are a large number of claims, or chronic conditions may be excluded from insurance coverage. These continuous healthcare needs can increase the overall cost of employer-sponsored health plans.

Some employees may be managed out of a healthcare plan over time, with their insurance only covering costs for a set number of years, before pushing the employee back into the NHS system.

As employers adapt to changing demographics in the workforce, chronic conditions could become a highly influential driver of change in employer-funded healthcare offerings, particularly given that many employees will experience more than one chronic condition in their lifetime.



11%

Of the population now work past their 65th birthday

EXPERT INSIGHT



Barbara Wilson

Founder and director
Working With Cancer

How employers can better support those working with cancer

Thanks to decades of research into diagnosis and treatment, cancer survival in the UK has doubled over the past 50 years, but the disease is still [the defining health issue of our time](#), according to Cancer Research UK. Employers will need to develop health benefits to reflect this.

Barbara Wilson, founder and director of Working With Cancer, recommends that employers should:

- **Offer specialist cancer coaching and counselling services**, either through critical illness cover and private medical insurance, or as an add-on provision.
- **Set up a cancer employee resource group** to help make sure employees feel supported.
- **Introduce a policy of at least 12 weeks' phased return to work** following treatment.
- **Develop a comprehensive cancer policy** to help managers to provide reasonable adjustments for employees. It will also help to ensure that all employees with cancers are treated equally in the workplace.

Which conditions are most likely to affect the workforce?

Cancer, cardiovascular disease (including stroke and diabetes), musculoskeletal disorders, mental ill health, dementia and chronic respiratory disease are responsible for 60% of ill health and early death in England, according to [government data](#).

Employers have a legal duty to provide support for workers with chronic illnesses. The Equality Act 2010 requires employers to make reasonable adjustments in the workplace to prevent employees from being treated less favourably than others for reasons related to their disability or progressive condition.

These reasonable adjustments could include greater flexibility in working hours, the option to work remotely where possible, or an occupational health assessment to help employers offer the most suitable support. Employees may also use the government's Access to Work scheme, which offers grants to help pay for practical support at work and support with managing mental health. Either the employee or employer may need to pay costs upfront, which can be claimed back later.

Employers looking to go one step further to support chronic illness in the workplace can offer enhanced medical care via private medical insurance or a health cash plan; offer income protection; support employees with everyday health costs; or offer paid-for counselling and wellbeing apps.

REBA's *Longer Working Lives: The Future of People-Strategies (2024)* report found that 59% of respondents currently offer access to support for chronic illnesses or disability, with a further 9% intending to implement this in the next two years.

There is an obvious return on investment for employers with enhanced healthcare benefits. Although some chronic illnesses are hereditary or genetic and cannot be eliminated by lifestyle improvements, access to good-quality healthcare and wellbeing can help employees manage their symptoms more effectively.

This will mean that employers are able to retain key talent and skills that may have otherwise been lost following a chronic illness diagnosis. Employer-funded health support becomes even more important as pressure on the NHS, and long waiting lists, continue to cause diagnosis and treatment delays.

Rather than providing this benefit to their entire workforce, some organisations may instead choose to offer it as an incentive solely for more senior members of staff. However, as we see on page 8, it is often those from diverse backgrounds who are most likely to develop health complications.



Future trend: enhanced sick pay

Research from the TUC and the Centre for Progressive Change found that over one million workers [currently get no statutory sick pay \(SSP\)](#) because of not meeting the lower earnings limit, which currently stands at £123 a week.

In the Labour Government's *New Deal for Working People*, published in May 2024 ahead of the July election, the party promised to remove the lower earnings limit so it is available to all workers, plus remove the four-day waiting period for workers to receive SSP, so they can claim on their first day of illness. The TUC predicts that this would benefit 7.4 million employees, although the cost to employers may increase as a result.

However, it may also encourage employees to avoid presenteeism and working while sick, which could improve the quality of their work and increase retention rates for employers.

9.1 million

People in England are projected to be living with major illness by 2040

11.5%

Of working days were lost to self-reported work-related ill health or injury in 2022-23

70%

Of each public health and social care pound is spent on supporting people with long-term conditions (NHS)

Developing a future-focused strategy to remain resilient

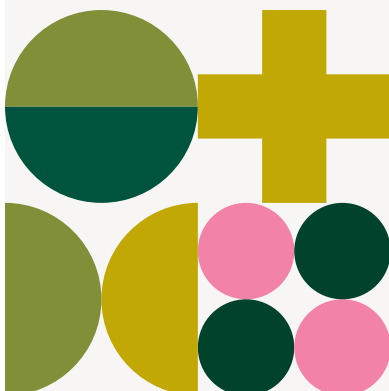


Mike Naulls

Growth leader and principal
Mercer Marsh Benefits



Short-termism can lead to battling unexpected price increases and budget stretching



Employers need to develop a three- to five-year health plan rather than focusing solely on the year ahead

When analysing the leading health concerns in the UK workforce right now, the conditions that come to mind are mainly related to musculoskeletal (MSK) issues. Mobility problems and conditions such as arthritis and osteoporosis are on the rise when looking at claims data, and, within the context of an ageing workforce, this trend is bound to continue.

Health issues rarely exist in a vacuum, and, with reduced mobility from an MSK-related condition, other issues arise, such as diabetes and heart disease – some of the leading causes of death in the UK. The final condition employers always need to be mindful of is cancer, which is now deemed as a chronic condition, as advances in medical treatment mean that those diagnosed will live for several years after diagnosis.

With a large proportion of the population likely to develop some form of chronic condition or major illness in their lifetime, employers need to think not just how they support their workforce now, but how to mitigate and manage the cost associated with these chronic conditions in the future.

Complex predictions

When assessing healthcare benefits, employers have historically focused on what the next year brings, but this short-termism can lead to battling unexpected price increases and budget stretching. From a risk mitigation perspective, employers will need to begin questioning what their three- to five-year plan is when it comes to health strategies, rather than what the year ahead might bring.

There's also a temptation to focus too heavily on the healthcare spend for major conditions such as cancer and heart disease, as these are likely to cause insurance premiums to rise. However, given that the majority of claims arise from MSK issues, the overall cost of these conditions may have more of an impact on the workforce than employers anticipate. Focusing solely on claims with high costs will not provide employers with the full picture.

When developing their health benefits proposition, employers often benchmark against competitors in a bid to win the war on talent. While this metric is important, we encourage employers to measure whether their benefits are also being optimised.

This means preventing benefit duplication and ensuring that the benefits on offer serve the unique needs of an organisation's workforce.

Employer-funded healthcare is a challenge for all organisations. To remain resilient, there needs to be an ongoing conversation about future conditions and a good understanding of workforce demographics, with future cost increases factored in.

Specialised health support for employees



Diversity must be a core factor in employers' healthcare offerings

As employers strive for greater fairness across the workforce and attract and retain people from wider demographic pools, health and wellbeing offerings will need to adapt to support differing needs and bolster diversity, equity and inclusion (DEI) targets.

These needs will inevitably vary from business to business, but can include support services relating to addiction and rehabilitation, neurodiversity assessments, specific male wellbeing needs and fertility benefits for both sexes.

REBA's *Employee Wellbeing Research* 2024 found that 54% of employers will increase spend on specialised support in the next two years, up from the 28% that increased spend in 2023.

The US *National Library of Medicine* predicts that 15% to 20% of the world's population are neurodivergent – an umbrella term for when someone's brain processes, learns and behaves differently from what is considered typical. This equates to 13 million people, including 700,000 people with an autism spectrum condition and two million people with dyslexia.

Neurodivergence also includes attention deficit hyperactivity disorder, dyscalculia and dysgraphia. As the reasons for these conditions are complex and multifaceted, employers will need to develop education and enhanced support to avoid higher long-term costs. According to the *National Autistic Society*, 45% of neurodivergent people have lost or left their jobs because of challenges arising from being misunderstood.

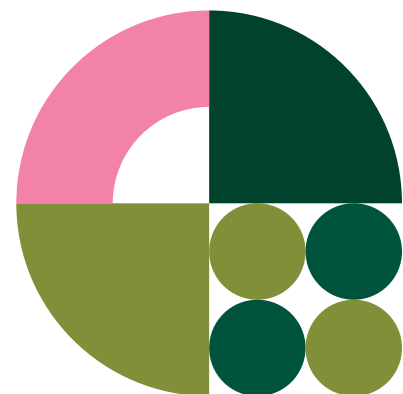
The support needed will be dependent on workforce demographics, and employers will need to be mindful that certain conditions, including menopause and neurodivergence, may be considered a disability and therefore a protected characteristic.

Pressure on employers to offer specialised support may also come in the shape of new employment laws. In July 2024, the Labour government announced its intention to develop legislation that would make it mandatory for large firms with more than 250 employees to produce *Menopause Action Plans*. It has also committed to raising awareness of neurodiversity in the workplace and across wider society.

Reward professionals will therefore need to keep a close eye on legislation changes to ensure their organisation is not just compliant but also has room in the budget to follow changing legal requirements.

45%

Of neurodivergent people have lost or left their jobs because of challenges arising from being misunderstood



Linking DEI to specialised health support

Poor employee wellbeing can often be a symptom of an organisation that is not inclusive, and forward-thinking reward and benefits professionals will need to continue to embrace the intersection between DEI and wellbeing.

For example, employees from diverse backgrounds may experience mental health conditions as a result of discrimination, microaggressions and unconscious bias in the workplace. Similarly, neurodiverse employees may feel unable to share their requests for specialised support, for fear of judgement or a perceived negative impact on their career prospects.

The welcome news is that employers are working to boost DEI initiatives through their health and wellbeing benefits. Nearly all respondents (98%) to REBA's *Employee Wellbeing Research 2024* said they have seen, or will see, wellbeing spend increase to drive DEI.

Organisations working towards aligning their wellbeing and DEI strategies will need to ensure that employees have the same access to health and wellbeing resources, are granted specialised support where required, and experience healthcare systems in the same way. This can help move the dial on an organisation's inclusivity agenda, and ensure that all employees feel respected and safe at work.

Initiatives such as the World Economic Forum's Global Health Equity Network (GHEN) is another sign of progress. The network was set up to eliminate health disparities in workforces, service or product offerings, communities and broader ecosystems. So far, more than 100 CEOs have signed GHEN's *Zero Health Gaps Pledge*.

Chronic illnesses and specialised health areas, such as addiction, will often have a link between mental and physical wellbeing. As such, many employees will experience co-morbidities – a presence of two or more diseases or medical conditions.

Reward and benefits practitioners will therefore need to ensure that an organisation's health benefits offering is broad and well signposted, so an employee with a physical condition will know where to look for mental health support if their condition also affects their mental wellbeing.

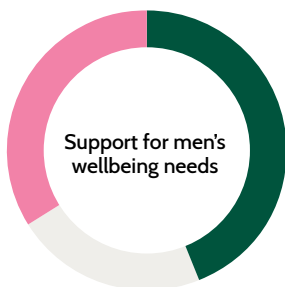
Single entry point to support

The Business Disability Forum's *Great Big Workplace Adjustments Survey 2023* recommends that employers have a single entry point into employer-provided health, adjustments and wellbeing support.

It argued that many of the issues managers reported around adjustments were created by multiple points of support, inside and outside the organisation. A single entry point into all employer-provided health, adjustments and wellbeing support can help managers to find support quickly for employees (and themselves).

This may include bringing together much of what many employers already provide into one internal service. But it also requires employers to undertake a review of what is not currently provided – or working – and then ensure that it sits within this single service offer.

Wellbeing benefits

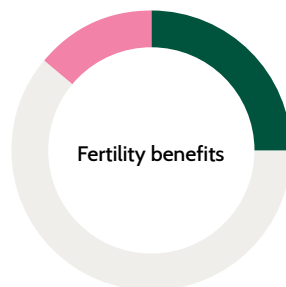


34%

Currently offer

44%

Plan to introduce in the next two years



14%

Currently offer

25%

Plan to introduce in the next two years



27%

Currently offer

37%

Plan to introduce in the next two years

Source: REBA's *Employee Wellbeing Research 2024*

How benefits can help to support employee health



Benefits design and strategy needs to be agile and future-focused

Employee benefits will need to focus on both prevention and treatment to help mitigate current and future healthcare concerns. Reward and benefit practitioners therefore must align any future strategy with an engagement and measurement plan, to ensure that the benefits on offer work for both the employee and the employer. Self-selection of benefits can also play a role, allowing employees to select benefits based on their individual needs and preferences.

Employee resource groups offer another tool for understanding the workforce's healthcare requirements and ensuring that provision aligns with wider business DEI goals both now and in the future.

Benefits design and strategy will need to meet the different, and ever-changing, health needs within the workforce, using personalisation and self-selection where appropriate.

As explored in the first report of this series, *The Shifting Medical Economy: Impact on Workplace Health*, technology will have a large role to play in chronic illness and specialised support. Personalised medicine and artificial intelligence create opportunities in the healthcare landscape to level up health inequalities and spot future health concerns by using targeted interventions based on demographic patterns.

Employers are not medical professionals, and can neither diagnose nor treat illness, but flexible, future-focused employer-funded health strategies can play a vital role in prevention, diagnosis and treatment.

EXPERT INSIGHT



Diane Lightfoot

Chief executive
Business Disability Forum

Try personalisation over condition-specific support

In a lot of organisations, managers don't fully understand all the different health and wellbeing policies, so they don't know where to go. Having clear information on what's available and how to access it is vital.

Before you introduce a wellbeing programme, employers need to find out what is actually needed to make sure that what they are offering is filling identified gaps. To encourage take-up, employers can also frame their support less around specific conditions and more on the barriers employees face. So rather than focusing policy around diabetes, for example, you can build out support for employees who have to manage medication and fluctuating conditions in the workplace. That way, you'll cover a lot more people – and more equally.

How Derwent London is catering to the needs of employees with long-term health conditions



Katy Levine

Head of HR
Derwent London



We now understand more about disabilities, accessibility and long-term conditions



Our caring ethos is always reflected in our policies

At Derwent, our culture of respect and care manifests in tangible ways. We have a ‘smart working’ policy and provide a range of health and dental benefits, an employee assistance programme and access to occupational health support. In return, our employees are encouraged to take personal responsibility to proactively maintain and improve their own health and wellbeing to the best of their ability.

We have a health cash plan in place, which is really popular and offers an affordable way to help with everyday healthcare costs, including optical, specialist consultations, dental and health screening. Any joiners to the scheme with pre-existing conditions can still claim within the limits.

Our private medical insurance scheme does have an excess – however, that can be claimed back via the cash plan. It also has medical-history-disregarded underwriting, which is particularly attractive for anyone who may have a long-term health condition. The organisation covers the cost of the employee’s cover, and if someone wishes to add their partner or children to a scheme, they can pay an additional cost, which is then deducted from their monthly salary via payroll.

Many of us spend far too much time in front of a screen, which can cause neck and back pain and headaches, among other things. We have display screen equipment assessments set up for all new joiners, while longer-standing employees are regularly required to submit any changes to their health and can request for equipment or adjustments to be put in place, which we will always support where possible.

We achieved the [National Equality Standard](#) in 2021, and we signed up to become a member of the [Business Disability Forum](#) in 2023. This helped us to understand more about disabilities, accessibility and long-term conditions, as we are conscious that many people feel uncomfortable disclosing this information. This may be because they don’t see themselves as someone with a disability, or they may worry about the consequences of sharing.

We supplement our core benefits through ‘lunch and learns’, free annual flu jabs onsite, line manager training and being part of the [#10,000 Able Interns Programme](#), and we work with guest speakers to discuss specific conditions like neurodiversity and invisible conditions. We also have a diversity and inclusion newsletter, which, more recently, highlighted three case studies of employees who have a disability or long-term condition. Employees now offer their stories to be used in future editions of the newsletter, which is a great culture shift.

Absence levels are very low, our employee satisfaction levels are high year on year, and our referrals to occupational health are minimal.

The current climate brings financial pressure and a multi-generational workforce with different needs and expectations, but, if you want to attract top talent and keep them, you’re going to have to look after them.

Recommended actions

From Mercer Marsh Benefits

1

Ensure you understand what you have

With employee benefits being a key component of any organisation's employee value proposition (EVP), many businesses have sought to ensure that they win the war on talent by providing a competitive benefits and wellbeing programme. However, ensuring that your benefits and wellbeing offering is both optimised and coordinated is key to long-term success and value. Take time to understand what you have in place, how various parts complement each other and how they can work together to deliver a great member experience and to help mitigate cost and health risks.

2

Understand what's affecting your employee health risk profile

The combined effect of high inflation, societal challenges and issues accessing care through the NHS (exacerbated by a continued lag of treatments post-Covid) and high levels of sickness absence is affecting the cost of health benefits, with medical insurance providers suggesting increases of up to 40% in premiums. Undertaking regular broking reviews can only achieve so much, so if employers wish to achieve long-term cost sustainability and a better risk profile, then it will be critical to gain a better understanding of what is affecting employee health within your organisation – this will be beneficial to both health and protection benefits.

3

Design for the future

With such a changing landscape, employers should consider how best to strike the right balance between creating employee benefit programmes. These should continue to help retain and recruit staff, have resonance that reflects your employee demographic, as well as provide solutions that deliver on the core aspects of helping to keep people healthy, engaged and productive. Alternative funding models for healthcare benefits could form part of the design process, but employers will need to consider their appetite for risk and what their longer-term strategy for people and benefits might be. A good advisory partner can carry out a feasibility study to help with this work.

About Mercer Marsh Benefits

Mercer Marsh Benefits provides clients with one source for managing the costs, people risks and the complexities involved in employee benefits.

The network is a combination of Mercer and Marsh experts working across 130 countries to develop local solutions drawn from global expertise.

Mercer and Marsh are businesses of Marsh McLennan (NYSE: MMC), the world's leading professional services firm in the areas of risk, strategy and people, with more than 85,000 colleagues and annual revenue of over \$20bn.

Through its market-leading businesses, including Guy Carpenter and Oliver Wyman, Marsh McLennan helps clients navigate an increasingly dynamic and complex environment.

For more information, visit marshmclennan.com, or follow us on LinkedIn and X (formerly Twitter).



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About REBA



The Reward & Employee Benefits Association (REBA) is a thriving community of HR professionals dedicated to pursuing best practice in reward and benefits. Synonymous with excellence, REBA informs and empowers its members to grow their networks, advance their knowledge, source and connect with market-leading vendors, and be prepared for what's coming over the horizon.

The REBA community is a diverse business network of 4,400+ employer members and 20,000+ HR contacts in the UK — with an increasing international footprint, too. It is supported by a select group of 70+ leading employee benefits consultants, intermediaries, platforms, insurers and benefit providers, which share thought-leadership, knowledge and content on REBA's website, via our events, regular newsletters, social media channels and business information resources like the one you're reading now. As a result, REBA is a vital source of information, benchmarking, fresh insights, emerging trends and case studies for senior reward, benefits and HR professionals to pursue best practice and drive excellence in their strategies.

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