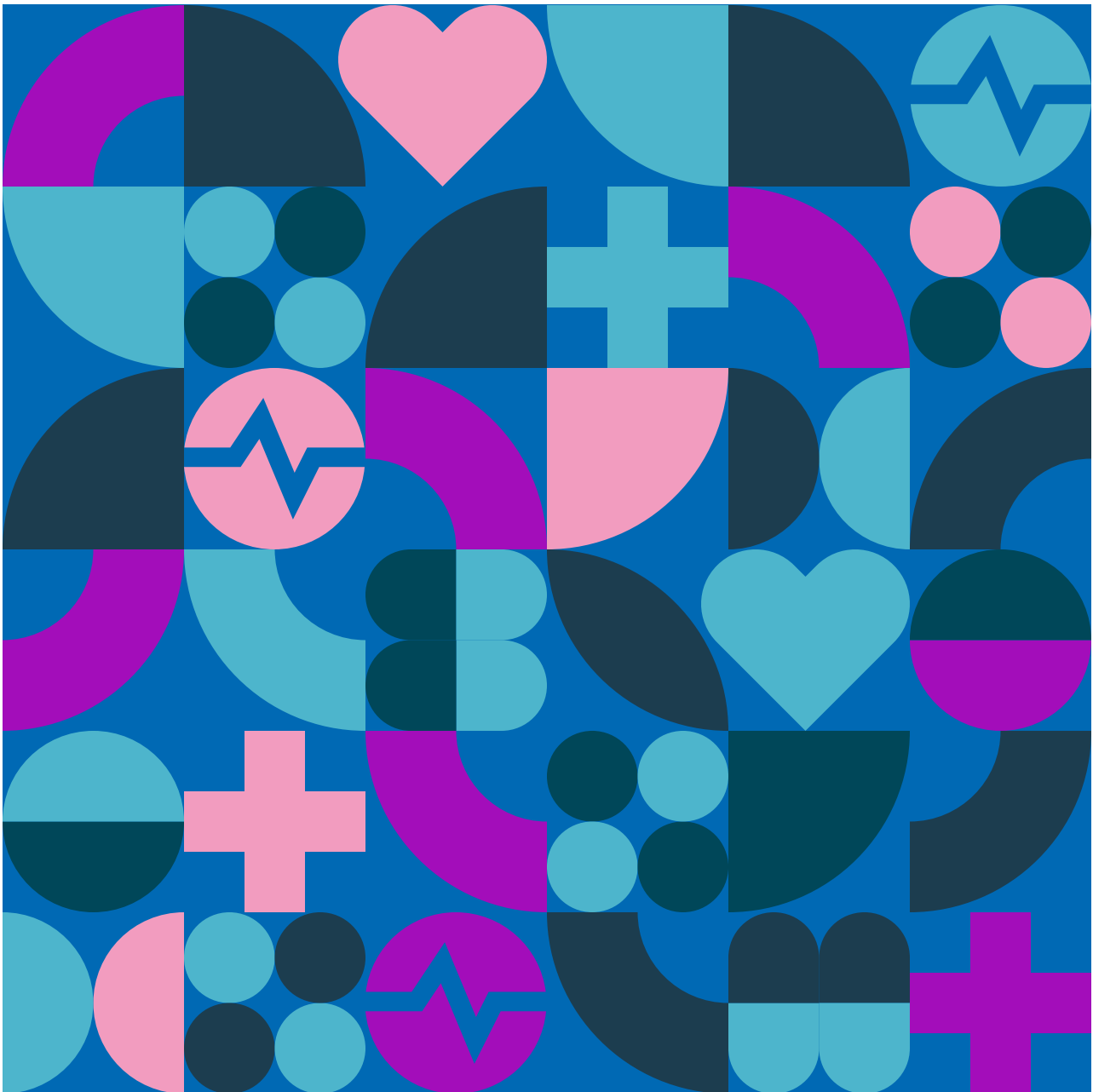




Reward & Employee
Benefits Association

PURSuing BEST PRACTICE

The shifting medical economy: impact on workplace health



IN PARTNERSHIP WITH



Keeping up with an ageing workforce and a rise in chronic conditions



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Healthcare funding and delivery is seeing rapid changes, with fundamental implications for employers

From groundbreaking innovations to policy shifts, the landscape of healthcare is in a perpetual state of flux. The UK is currently witnessing a huge shift in how healthcare is funded and delivered, with an increasing number of employers opting to offer private medical insurance (PMI) to their employees in a bid to keep their workforce well and boost their recruitment and retention.

It's no surprise, given the well-known and often reported figures around lengthy NHS waiting lists and missed targets. The NHS, though still a marvel of modern times, is under pressure, and today's complex set of challenges mean it's now time for employers to step up.

The big picture

The first report of this trilogy on societal health, in partnership with Mercer Marsh Benefits, will look at what's causing the shift in the medical economy, the exciting developments in medical advancements and what this could mean for employers and people risk. It will also assess how these developments contribute to diversity, equity and inclusion (DEI) aims, and what more employers can do to reduce inequality.

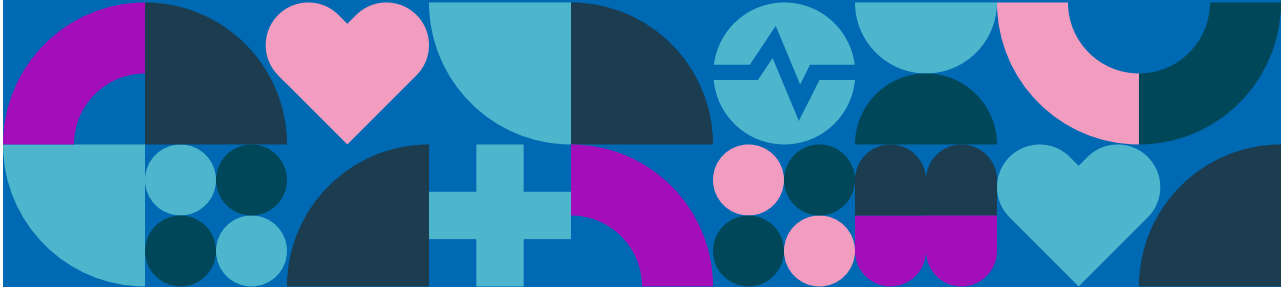
Healthy life expectancy (HLE) – the number of years someone can expect to live a healthy life – has fallen in the UK and is now below state pension age, at 62.4 years for males, and 62.7 for females, according to the Office for National Statistics. This number will vary according to region, as health inequalities continue to blight the most deprived areas in the UK. The impact of lowered HLE will bring more claims and cost pressure to bear on insurance premiums within an ageing workforce.

Opportunity

Rising medical inflation may cause problems for employers, but it also represents an opportunity for reward and benefits professionals to step up and make a real difference to the lives of employees, ensuring they receive the medical care they need urgently, while preventing conditions from developing by encouraging healthier lifestyle choices.

The challenges may be great, but so too are the opportunities to create a healthier workforce, fit for the future.

The shifting medical economy



Increasing demand and staffing issues have left the NHS struggling to reduce waiting lists and referral times, despite being a government priority in the run-up to a general election

When the NHS was established in 1948, its purpose was to provide healthcare services that were free for all at the point of delivery. As one of the few entirely public-funded healthcare services in the world, it has, without doubt, saved and benefited millions of lives throughout its history. Though the NHS remains a powerful force, it is undergoing serious challenges owing to increased demand.

This demand has risen through a series of complex and interlinking factors, including an ageing population, an increasing prevalence of chronic diseases and advancements in medical technology. These issues have been exacerbated by industrial strike action and staffing issues across the health service.

NHS waiting lists and referral times are a hot topic, having been the source of countless headlines and government policy speeches over the past few years. The current government has prioritised reducing NHS waiting lists as one of its main goals, while one of the Labour Party's five national missions is to 'get the NHS back on its feet'. Waiting times are, and will continue to be, a key priority for the government before the

nation heads to the polling station for the next general election – and with good reason.

According to [British Medical Association \(BMA\) analysis of NHS waiting times](#), in February 2024, the waiting list stood at 7.54 million cases, consisting of approximately 6.29 million individual patients waiting for treatment. Around 3.2 million of these patients have been waiting for more than 18 weeks.

Below par

The numbers are equally concerning when it comes to life-threatening illnesses. The percentage of people receiving their first cancer treatment within one month from a decision to treatment increased from 87.5% in January 2024 to 91.1% in February 2024. Though the increase is welcomed, this is well below the NHS's 96% operational standard.

There is also the threat of what the BMA refers to as the 'hidden backlog' – patients who require care but have not yet presented to healthcare providers. Some patients are also opting to go private and bear the brunt of the cost to jump up the waiting list.

The impact of waiting lists on employment

19%

Have not been able to go to work, because they were waiting for a GP appointment

15%

Had to take a long period off work while they waited for treatment or surgery

12%

Could not work while they waited for emergency dental treatment

Source: Savanta, on behalf of Liberal Democrats (2022)

As employees live longer and many delay retirement (meaning they remain in employment for longer), their healthcare needs will evolve, leading to an anticipated surge in individuals managing multiple long-term conditions while in the workforce.

According to the [Health Foundation's analysis](#) of the Labour Force Survey 2023, 3.7 million people (12%) of the working age population are currently in work and have a condition that restricts the amount of work they do. This has risen by 1.4 million over the past decade.

This creates an enormous pressure on employers to take a more active role in the wellbeing of their employees, while managing absenteeism and productivity rates. Projections from the [Health Foundation's REAL Centre](#) show that by 2030, around 500,000 more working-age people will be living with major illness.

Changes in societal health have significant implications for workplaces and employer funding of health support. Alongside the backdrop of stretched NHS services, the UK is also experiencing record levels of [working days lost because of sickness or injury](#) – an estimated 185.6 million working days in 2022, according to the Office for National Statistics (ONS). This is the highest rate since 2004.

Employer support

As a result, employers are taking a more active role in the health of their workforces, in both treatment and prevention, with a record 4.4 million people now covered by health insurance through their employer, according to the [Association of British Insurers \(ABI\)](#). Waiting lists can also indirectly affect employees with caregiving responsibilities, given the time needed away from work to offer care to those on a waiting list and accompany them to medical appointments.

Employees are expecting employers to take on a more active role in their wellbeing, yet rising medical inflation and claims creates a challenge for employers.



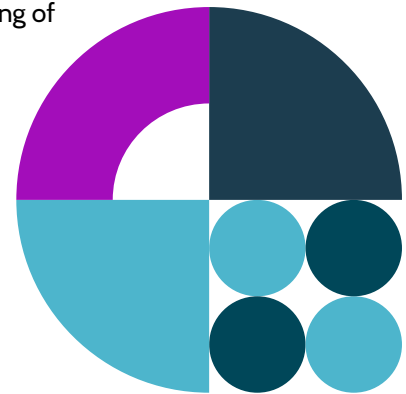
Although Cisco offers healthcare plans to its UK employees and dependants, they are still affected by NHS waiting times. Caregivers can spend hours at Accident and Emergency, not to mention the stress of wondering if their loved one has the right treatment

Sheila Champion-Smeeth
Global wellbeing lead, Cisco

Organisations may need to re-evaluate their funding strategies to make sure they can continue to provide adequate coverage while managing costs effectively. This could involve exploring alternative insurance or trust options, implementing cost-sharing measures with employees, or negotiating contracts with healthcare providers to secure favourable rates.

The ABI has also called for the government to mandate organisations to disclose information on how well they support the health and wellbeing of their staff, to encourage businesses to play an even greater role in supporting healthy working lives in the longer term.

The challenges are plenty, but so too are opportunities for improving the health and wellbeing of the workforce.



12%

Of the working population have a condition that restricts the amount of work they do

185.6m

Lost working days in 2022 because of sickness or injury

4.4m

People are now covered by health insurance through their employer

Employers don't need to fear the changing medical economy

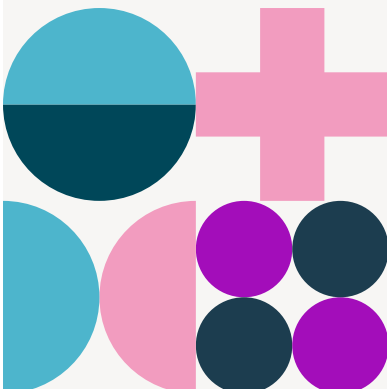


Mike Naulls

Growth leader and principal
Mercer Marsh Benefits



PMI is changing from a complementary service for employees to a more fundamental pillar in keeping the workforce well



AI has the potential to transform the healthcare landscape

The importance of health and wellbeing has been brought to the fore by the pandemic, and we are still seeing the lasting effects on the workplace and beyond.

From a socioeconomic perspective, we know there are challenges with the NHS in terms of accessing care. In addition, sickness absence rates in the UK are the highest they've been for 20 years.

This conversation remains at the top of the priority list for our clients, who are trying to make better decisions for their employees and work towards better health outcomes now and in the future.

How we access healthcare is changing. There's a shifting view of who the first port of call should be when it comes to illness. PMI is changing from a complementary service for employees to a more fundamental pillar in keeping the workforce well.

And individuals who are fortunate enough to have access to private healthcare are leaning more on their suppliers, leading to increased costs, increased usage and shifting expectations from employees. This creates a continual circle that feeds into inflation, and therefore raises prices.

But there's a real potential for artificial intelligence (AI) to change the healthcare landscape and the level of service that employees receive. Data is more accessible, more accurate decisions can be made and there's an increasing level of knowledge around medical conditions. This could lead to employees taking better-informed preventative measures or being diagnosed at the early stages of a disease.

Question of trust

Health data will become more valuable, but organisations will have to ensure that there is sufficient trust between employer and employee for them to share this data.

The changing medical economy will continue to challenge employers. With wellbeing remaining a key priority for overall business success, forward-looking reward and benefits professionals will be aware of the growing role of the employer when it comes to employee health and wellbeing.

Consultancies can make a true difference, acting as a bridge between our clients and the insurance market. And we can play a really important role in facilitating and encouraging the adoption of propositions that deliver good results for our clients.

We shouldn't be afraid of medical technology or AI developments. If clients have concerns about what that would look like and the impact for them, then we must help mitigate some of those risks, translating them into a good outcome.

The role of advancements in medical technology



NHS policy papers paint a positive future for the role of AI in healthcare, both in treatment and prevention

Whether it's the rollout of the Covid-19 vaccine to bring us out of lockdown or the invention of penicillin, medical advancements have undoubtedly always played a key role in societal health.

As employers are already experiencing, the next technological shift is being driven by the progression of AI, which is now prominent in both our personal and professional lives.

The technology's opportunities within healthcare are phenomenal, and policy papers such as the [NHS Long Term Workforce Plan \(2023\)](#) imagine a positive future for the role of technology in healthcare, in both treatment and prevention.

When looking at cancer, which is the World Health Organization's number one cause of death across the globe, new drugs and treatment methods are being developed to better fight cancer cells. Better developed genetic testing and data analysis by AI is also allowing those with a greater chance of developing cancer to take preventative approaches such as surgery to avoid a cancer diagnosis in the future.

This is important, given that more than 320,000 people received treatment for cancer in 2021-2022 according to [NHS data](#). This is the highest annual number on record, up by more than 8,000 on the same period pre-pandemic.

Every two minutes, someone in the UK is diagnosed with cancer, according to Cancer Research. AI could not only help to diagnose life-threatening conditions sooner but also free up clinicians to give patients the gift of time and support empathetic communication by drafting responses to patient questions.

320,000

People received treatment for cancer in 2021-2022

How technological advancements are improving healthcare outcomes

AI as a diagnostic tool: In March 2024, an AI tool tested by the NHS was found to have successfully identified small signs of breast cancer in 11 women that had been missed by human doctors. The tool was used alongside clinicians and spotted the cancer at its earliest stage. This meant the patients identified with tumours could be treated sooner. This trial is just one of many demonstrating the potential of tech to improve healthcare outcomes.

Language processing: Funded by the Health Foundation, Imperial College Healthcare NHS Trust and Imperial College London have developed a natural language processing tool that can analyse 6,000 patient feedback comments in 15 minutes, compared with four days for a member of staff. This has now been scaled across nine NHS trusts.

Sharing health data could become regular practice for employees

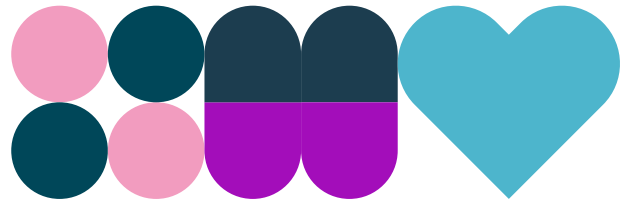
There are several conditions where self-management and self-monitoring are now the norm, and employees embrace these tech advancements in their everyday lives. For example, patients with diabetes are empowered to monitor and access their health data, and live data is reported back to their healthcare provider.

The pandemic meant that, as a nation, Britons became accustomed to self-testing for diagnosis, and advancements in the future could mean this testing is carried out on a more regular basis. This could lead to earlier diagnosis and treatment, potentially reducing the cost of care for the employer.

Wearable devices to track health data and fitness levels have become increasingly popular, and their use spans way beyond those with diagnosed health conditions. Employees may already be using these devices throughout their working day, and by continuously monitoring vital signs, activity levels and other health metrics, they are taking a more

proactive approach to their health. They can also choose to share this data with healthcare providers to track their health status without the need for frequent in-person visits.

Early diagnosis and intervention, from wearable tech to on-site screening at workplaces, could reduce the long-term cost of treatment and expensive care for employers. This, in turn, would reduce the number of sick days and mitigate potential costs in the healthcare insurance market. Sharing health data with employers and insurers could also affect how health medical insurance underwriting is conducted in the future.



FUTURE TREND



Mike Naulls

Growth leader and principal
Mercer Marsh Benefits

A two-tier approach to medical underwriting

Insurers on the market can now use health data to get a more accurate, and nuanced, view of an individual's health, which can lead to better decisions around underwriting, fairer pricing and more tailored pricing. That also means that decisions around underwriting can be made much more quickly.

But the flip side of having more accurate data is that, arguably, the identification of risks becomes far easier. That means that in some respects, insurers must then tread that line around what is going to be ethically right but at the same time minimise risk. They could then manage their risk by using data to identify what could potentially be a problem claim or a problem condition further down the line.

Some health insurance providers may say explicitly that they are collecting data and that if you use their services, you effectively consent to that upfront.

This could lead to a two-tier approach to underwriting and pricing, where those who are willing to share health data are perhaps priced differently because there's more evidence about the claimant, allowing better risk analysis to be made.

That's not ideal. But it could be a potential trend further down the line, and, ultimately, these issues need to be resolved. However, we are at a very promising stage of medical advancement.

How BNP Paribas is taking a preventative approach to healthcare



Ian Mackenzie

Head of pension and benefits
BNP Paribas



We have pushed our health screening take-up from 15% to over 70%, with 2024 already on course to be our highest year ever



An ever-evolving tailored health screening programme focuses on enhanced preventative measures

At BNP Paribas, we have a continuous improvement mindset to make our medical support better every year. That means responding to trends, whether that is NHS support, medical developments or staff usage. Our interventions intend to focus on enhanced preventative measures, rather than being merely reactive.

The lynchpin is our health screening programme. We noticed that screening identified a risk, but only offered treatment once an employee fell ill. Typical UK medical schemes only cover you when you have something identifiably wrong, so we sought to close the gap.

We wanted a tailored programme that treated everyone as individuals and took the view: why test some things every year or two, when we could offer a more effective and enhanced test that might then be needed only every five years? This method has identified many cases of heart disease and a range of cancers from minor to aggressive.

These may be found in people with no symptoms who would not be diagnosed elsewhere. Because our screening provider is also our GP provider, employees can build a relationship with a GP, who can do assessments and follow up with them on any screening outcomes. We have pushed our health screening take-up from 15% to over 70%, with 2024 already on course to be our highest year ever.

Our health assessment also looks at mental health and directs you to a therapist if needed, which is also covered. We have an open approach, where anyone can book a therapist appointment without any referral or prior insurance approval. This easy-access option has increased the use of the service, but means we need the therapy provider and the insurer to work out the claim details behind the scenes.

Lead the way

Our private medical scheme is a trust, so we can tailor benefits and lead the market. There have been many times where we have been one of the first to introduce a change and have seen others follow.

Like many employers, we have seen a large increase in the use of our medical scheme, with more employees using it for minor conditions. We believe early intervention creates better long-term outcomes and less disruption for our staff, their families and the business. It can also make the difference between a minor day treatment and major surgery, entailing extended time off, plus the risk of death or disability, which would undoubtedly increase our insurance premiums after claims.

Our per-head screening cost is similar to that of the standardised one-size-fits-all programme, but it is likely that we have saved staff from very serious health outcomes or even death. The value of that is immeasurable.

The impact of tech advancements on DEI in the workplace



Personalised medicine and AI offer an opportunity to level up health inequalities with targeted interventions based on demographic patterns

Health inequality in the UK can stem from various factors, including socioeconomic disparities, differences in access to healthcare services, variations in education levels, employment opportunities and living conditions.

Based on current trends, the Health Foundation predicts that inequalities in health will persist over the next two decades. Its report, *Health Inequalities in 2040: Current and Projected Patterns of Illness by Deprivation in England (2024)* found that people in the 10% of most deprived areas can expect to be diagnosed with major illness a decade earlier than people in the 10% of least deprived areas.

Approximately 80% of the increase in the number of working-age people living with major illnesses between 2019 and 2040 (from 3 million to 3.7 million) will be concentrated in more deprived areas.

A small group of long-term conditions contribute to most of the observed health inequalities by the Health Foundation. Chronic pain, type 2 diabetes and anxiety and depression are projected to increase at a faster rate in the 10% of most deprived areas by 2040.

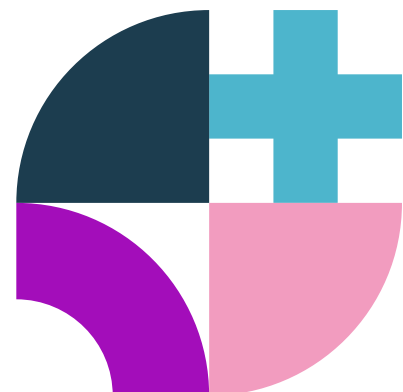
This could create a large disparity when it comes to workplace sickness and claims costs, dependent on area. Employers can play a vital role in improving health outcomes for their employees by considering the locations their workforces operate in, and whether there are physical or mental health conditions prominent in those areas.

In February 2022, the government published its *Levelling Up white paper* which set out a plan to work towards ending geographical disparity within the United Kingdom. One of its 12 aims is to reduce the gap in Healthy Life Expectancy (HLE) between local areas. Though this is a government initiative, employers will undoubtedly want to support this to help improve health outcomes for their workforces and reduce their own risks and costs.



Medicine is becoming much more personalised, so AI and medical innovation could deliver targeted care to different populations and decrease inequality. If there's a predisposition for a demographic to develop a medical condition, tech can help to prevent this

Mike Naulls
Growth leader and principal, Mercer Marsh Benefits



How emerging health technology can affect DEI



Danny Mortimer

Chief executive,
NHS Employers
Deputy chief executive,
NHS Confederation



Not everyone has the same access to mobile phones, computers or broadband for digitally enabled health services

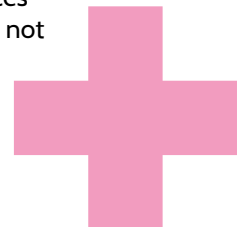
Wearables and health apps can be a useful tool to boost workplace wellbeing, but poorly designed initiatives could risk entrenching inequalities

People of all demographics are now wearing technology, such as smart watches, but employers need to be aware that there's a risk that the higher rewarded, higher status parts of the workforce may benefit more from health self-monitoring than people who cannot afford access to this.

We know that poverty and inequality are factors in terms of outcomes and accessing healthcare. Boards and HR leaders need to understand the true demographics of their workforce and their relationship to inequality and health. We should be prioritising our focus on the people with the greatest need, and understanding and evaluating the wellbeing initiatives we already run to see whether they are addressing such inequality.

As employers, we all need to take an interest in what's happening in our local communities – there's an obvious business need, and we know there's a link between the current cost-of-living crisis and potential longer-term healthcare problems and needs.

There's a range of great digitally enabled health services out there (particularly in mental health provision), but not everyone has the same access to mobile phones, computers or broadband. There's a risk that if we don't properly design workplace wellbeing services around disadvantaged communities, we exacerbate health inequalities.



CASE STUDY: CISCO



Sheila Champion-Smeeth

Global wellbeing lead, Cisco

Using tech to inform workplace wellbeing

Cisco is focused on new AI-powered innovations in its technology solutions, promoting employee efficiency and wellbeing, resulting in reduced turnover, exceptional customer experiences and real business outcomes. Built-in burnout detection allows businesses to proactively address employee wellbeing by enabling automated breaks, such as a 60-second mindful reset, or real-time coaching after challenging customer interactions.

Embedding wellbeing directly into the employee workflow, meeting them where they are to boost their health, wellbeing and productivity, also creates better and more empathetic customer experiences.

Recommended actions

Mercer Marsh Benefits

1

Ensure you understand what you have

With employee benefits being a key component of any organisations employee value proposition (EVP), many businesses have sought to ensure they win the war on talent, by providing a competitive benefits and wellbeing programme's. However ensuring your benefits and wellbeing offering is both optimised and co-ordinated is key to long term success and value. Take time to understand what you have in place, how each part complements each other and how they can work together to deliver both 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 & issues accessing care through the NHS (exacerbated by a continue lag of treatments post-covid) and high levels of sickness absence is impacting the cost of health benefits, with medical insurance providers suggesting increases of up 40% in premiums. Undertaking regular broking reviews can only achieve so much, therefore if employers wish to achieve long term cost sustainability and a better risk profile, then it will be critical to better understand and action what is impaction 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 they strike the right balance between creating employee benefit programmes that can continue to help retain and recruit staff, have resonance that reflects your employee demographic, along with solutions that delivers on the core aspects of helping keep their 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 help with this work with a feasibility study.

About Mercer Marsh Benefits

Mercer Marsh Benefits provides clients with one source for managing the costs, people risks, and complexities of 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 \$20 billion.

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 who 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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