





PEOPLE
SOLUTIONS

BALANCING COST & PEOPLE PRESSURES

U.S. HEALTHCARE

LOCKTON PEOPLE SOLUTIONS



Brent Simmons

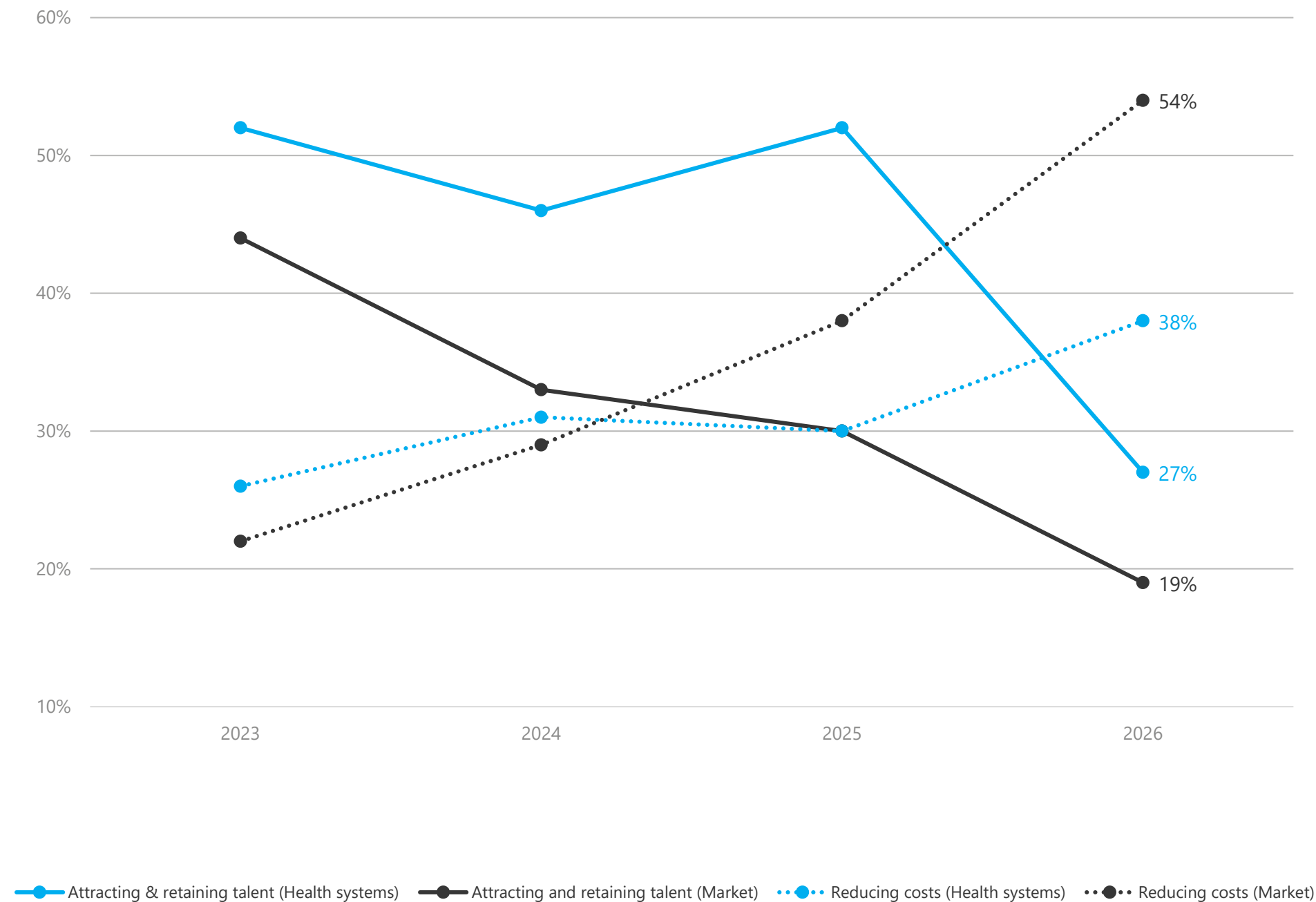
Healthcare Practice Leader



Anna Younger

Healthcare Strategy &
Innovation Leader

Benefit decision factors for hospitals & health systems vs. market



LOCKTON NATIONAL BENEFITS SURVEY

**COST REDUCTION
OUTWEIGHS
TALENT PRIORITIES
IN 2026**

U.S. HEALTHCARE

Benefits priorities reflect current healthcare challenges & escalating market forces

Mounting financial pressures in hospitals & health systems are compounded by rising benefit costs and affordability concerns

Total hospital expenses grew at twice the rate of hospital prices in 2025¹

\$137B reduction in federal Medicaid spending in rural areas, without \$50B rural health fund²

IDR generated \$22.4 billion in total costs since inception, impact to plan trend still unclear³



Hospital claims PMPM is 4.6% above market, primarily due to higher use of inflammatory disease drugs

66% of trend is driven by claimants expected to exceed design sharing maximums yet fall short of stoploss reimbursement

MSK leads all drivers of trend, mostly by increased case severity, while neoplasms are the leading trend driver for high-cost claimants

1. American Hospital Association (AHA) Cost of Caring Report
2. KFF, [How Might Federal Medicaid Cuts in the Enacted Reconciliation Package Affect Rural Areas?](#)
3. [No Surprises Act arbitration hits \\$22B — group health costs climb | Insurance Business](#)

Themes across our healthcare clients

- Cost reduction is dominating healthcare leader discussions, sometimes at the expense of other enterprise priorities.
- Interest in alternative care and financing models for the employee benefits plan has grown, with hospitals and health systems showing increased readiness to adopt emerging strategies.
- Hospitals and health systems continue to be concerned about employee disruption and workforce stability.





U.S. HEALTHCARE

Workforce realities

01

SATISFACTION OF BENEFITS IS LOW

Even though healthcare benefit plans are typically richer than average.

02

PAY BENCHMARKS ARE NOT AS MEANINGFUL

Hospitals are generally within range of market-competitive and when everyone is struggling, it can be hard to differentiate.

03

WELL-POSITIONED FOR RETENTION

Quit rates are at their lowest in 5 years. Don't give people a reason to leave - turnover impacts to cost, culture and care capacity are real.

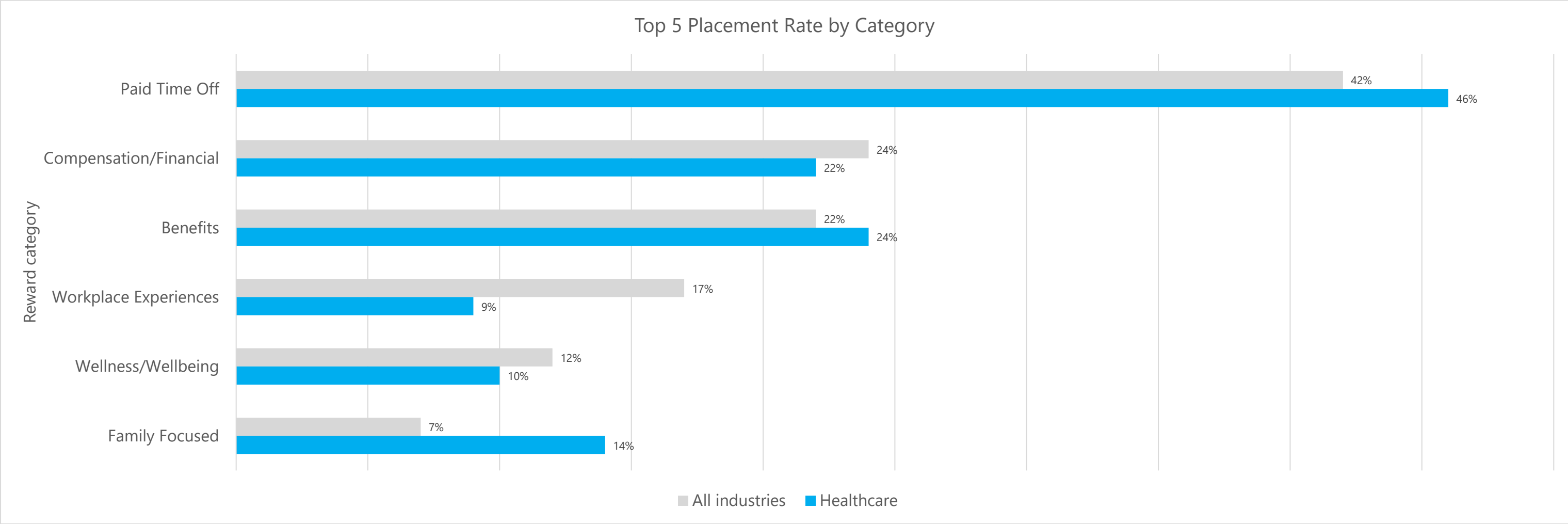
04

COMPENSATION HAS LESS POWER

Buying healthcare talent is not a sustainable strategy, and a ~3% annual increase means little in the face of current inflation levels.

Comparing healthcare to all industries with maximum different scaling (MaxDiff)

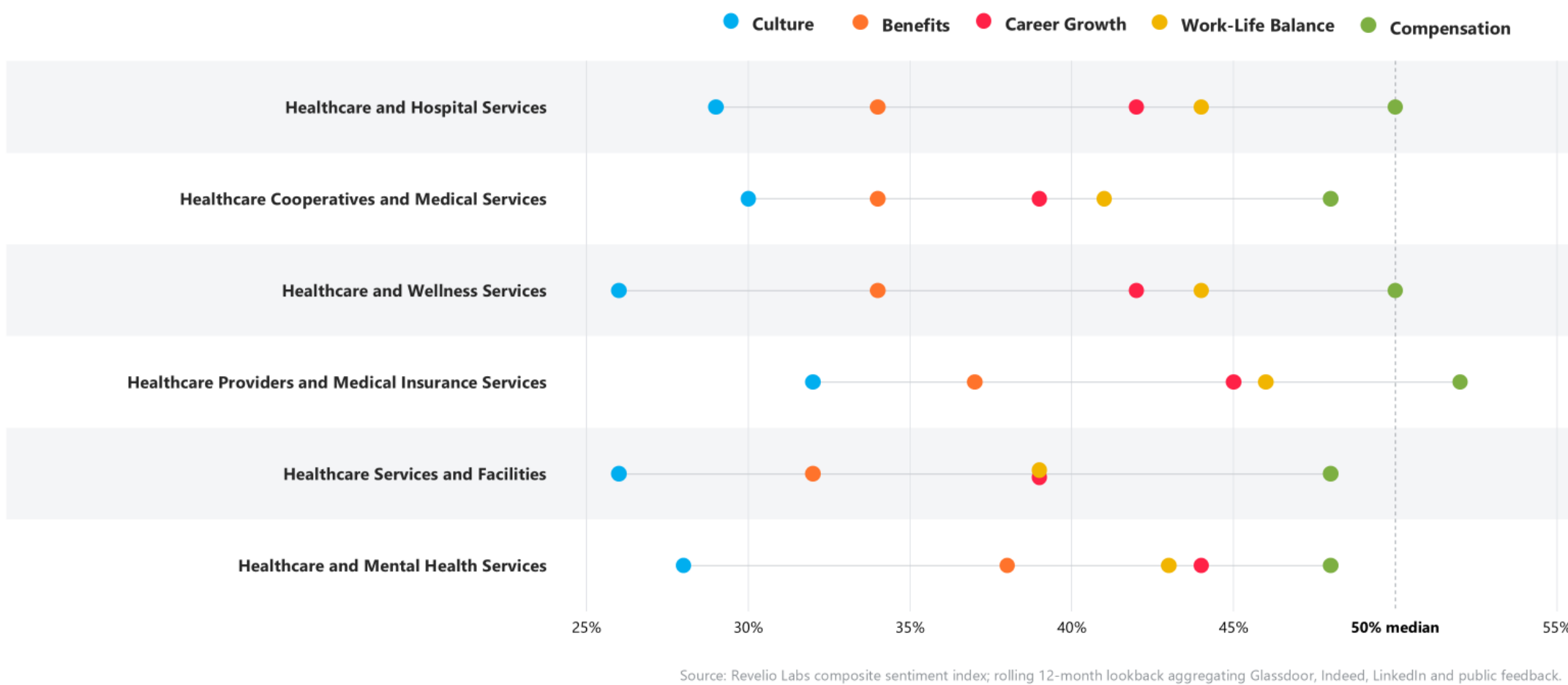
TIME AND FAMILY-FOCUSED CONCEPTS OVERPERFORM IN HEALTHCARE;
WORKPLACE EXPERIENCES DO NOT WIN BROAD TRADE-OFFS HERE.



Guardrail: MaxDiff results summarize relative rank across 15 healthcare studies — not the share of employees selecting an option. Importance-vs-satisfaction averages are portfolio observations, not causal estimates.

Engagement drivers across healthcare industry segments

The percentage shown is a proprietary composite score that aggregates star ratings, review text, and publicly available feedback from Glassdoor, Indeed, LinkedIn, job boards, and other online forums. A score of 50% represents median sentiment; values above 50% reflect more favorable-than-median sentiment, while values below 50% indicate less favorable sentiment.



WHAT EMPLOYEES VALUE

- Supportive co-workers and team culture
- Meaningful, rewarding work
- Benefits and work-life balance
- Learning exposure

WHERE EMPLOYEES ARE STRAINED

- Leadership and communication gaps
- Workload and staffing pressure
- Compensation concerns
- Limited career advancement and development
- Turnover and culture strain



IT'S TIME TO VIEW YOUR PEOPLE AS A CAPITAL INVESTMENT, NOT AN EXPENSE

*A new frame of reference
for hospitals and health
systems seeking an
impactful and responsible
employee value proposition*

What matters most

- Recognize the importance of time off and work-life balance to healthcare employees given the nature of their workload
- Compensation and financial rewards are second-tier preferences in healthcare, yet they are tangible anchors that cannot be overlooked
- Caregivers want to understand opportunities to advance and make more money
- Culture is key – employees want transparent communications and engaged, supportive leaders
- Healthcare workers have a high standard, translating their feelings about the importance in their work into expectations of how they are valued and treated by their employer



Actionable steps towards a higher-performing total rewards strategy in healthcare

Healthcare’s problem is not a shortage of benefit ideas. The evidence points to a sequencing challenge: close foundational value gaps in pay, medical affordability, and usable time, then improve understanding and targeting of the broader portfolio.

#	ACTION	PREFERENCE VALUE FOR FUTURE PROGRAMS/CHANGES	DECISION USE
1	Address base pay and incentive value	Compensation/Financial is a second-tier category	Benchmark and model affordability before adding programs
2	Improve medical affordability	Recent studies show employees favor any kinds of premium relief	Test premium, HSA, and coverage trade-offs
3	Redesign usable time	PTO leads healthcare at 46% top 5 placement in preference rankings	Prioritize accrual, holiday, flexibility, and bundling concepts
4	Target benefits communication	Niche categories rank below broad anchors	Segment education by life stage and relevance
5	Protect targeted benefits strategically	Family Focused reaches 14% top 5 in healthcare	Evaluate equity and segment value separately from broad rank

Solutions have evolved. So should your strategy.

TRANSFORM THIS APPROACH

Rental networks

Network management

Traditional medical pharmacy plans

Traditional Rx management

Standard communications

UNLOCKING VALUE THROUGH A STRATEGIC SHIFT

Custom fee schedules & value-based concepts

Strategic human capital deployment

Targeted to the people

Employer-driven ecosystem & direct care partnerships

Segmented & targeted outreach

ROUNDTABLE DISCUSSION

TOTAL REWARDS

What's working well today?

Which strategies are you considering?

What are your biggest challenges?

What from today has resonated most?



KEY TAKEAWAYS FOR A WINNING TOTAL REWARDS PROGRAM

CLOSE GAPS IN ANCHOR REWARDS

01

- Financial rewards and benefits must be 'good enough'. Test plan design versus premium changes to inform future strategy.

REIMAGINE THE EMPLOYEE VALUE PROPOSITION

02

- Focus investments on rewards with broad base appeal, while selectively targeting programs that are highly valued by specific segments

ENRICH MEMBER COMMUNICATIONS

03

- Transparent messaging from leadership, focus on driving awareness and familiarity, and target better

TWO PRIORITIES, ONE BUDGET

04

- Take an enterprise view, evaluating tradeoffs to ensure business decisions support talent goals, and applying measurement and execution discipline

INDEPENDENCE
changes everything.



UNCOMMONLY INDEPENDENT