

Total Rewards Strategy: Balancing Cost and People Pressure

Executive Takeaway

Healthcare employers have reached a strategic inflection point. In 2026, cost management surpassed talent attraction and retention as the primary driver of benefit decisions, yet organizations cannot afford to focus on cost reduction alone. The most successful healthcare employers will balance affordability with workforce stability, recognizing that employee experience, flexibility, culture, and targeted benefits now drive engagement more effectively than compensation alone.

Questions To Take Back To Your Organization

1. Are we balancing cost reduction and workforce retention appropriately?
 2. Does our rewards strategy reflect what employees actually value?
 3. Where can we improve medical affordability?
 4. How can we increase flexibility and usable time?
 5. Are our communications personalized and targeted enough?
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Key Considerations

1. Cost Pressure Is Real and Growing

Healthcare systems face mounting financial pressure from:

- Rising medical and pharmacy costs
- High-cost claimants below stop-loss thresholds
- Increased MSK and specialty drug spend
- Federal funding reductions and affordability challenges

Takeaway: Cost control is now the top benefits priority, but cost alone cannot be the strategy.

2. Retention Matters More Than Recruitment

Healthcare organizations are generally paying within market ranges, making compensation less effective as a differentiator.

Key workforce realities:

- Benefits satisfaction remains low
- Quit rates have declined
- Employees seek stability
- Turnover continues to impact cost, culture, and care delivery

Takeaway: The goal is no longer winning talent through pay alone. It's giving employees a reason to stay.

3. Time Is the Most Valued Reward

One of the strongest findings presented: Paid Time Off outperformed every other reward category in healthcare.

- Employees placed greater value on:
 - Family-focused benefits
 - PTO and flexibility
 - Benefits and affordability

Compensation was a secondary preference.

4. Culture Is the Greatest Opportunity

Organizations can create the greatest impact through:

- Transparent communication
- Supportive leadership
- Career advancement opportunities
- Work-life balance
- Strong benefits experience

Employee sentiment analysis showed culture and benefits create more engagement than compensation alone.

Strategic Actions Recommended

- **Improve Medical Affordability**
Employees consistently value premium relief and affordability improvements.
- **Redesign Usable Time**
PTO, flexibility, and work-life balance remain the strongest engagement drivers.
- **Segment Benefits by Workforce Need**
Family-focused and demographic-specific benefits generate higher engagement when targeted appropriately.
- **Modernize Communication Strategies**
Move from broad communications to segmented, targeted outreach supported by concierge-style employee support.

In Summary

- **Cost management now leads benefits strategy.**
Healthcare organizations are prioritizing affordability and financial sustainability.
- **PTO outperforms pay.** Healthcare employees value flexibility and time more than incremental compensation increases.
- **Culture is the highest-impact investment.**
Strong leadership communication and employee experience are powerful engagement drivers.
- **Employees want stability, growth, and support.**
Career advancement, family-focused benefits, and work-life balance are increasingly important.
- **Total rewards strategies are becoming more personalized.**
Future benefits programs will increasingly be tailored to workforce segments rather than one-size-fits-all designs.

Winning healthcare employers will not simply reduce benefits costs. They will close foundational gaps in affordability, invest in flexibility and employee experience, strengthen culture, and deliver targeted rewards that support both workforce retention and long-term financial sustainability.