

Living to 100: Strategic Benefits Planning for Employers

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As many as half of today's five-year-olds can expect to live to the age of 100, according to a 2022 report from the Stanford University Center on Longevity.¹ Are society and business leaders ready for the impact this will have on institutions, economic policies, social norms, health and well-being as well as the very way we approach traditional life stages of education, work and retirement?

This article looks at the implications this change will have on employment, from changing attitudes toward career paths and career development to the physical and cultural environment of the workplace. Considerations include adapting to changing needs in the areas of employee health and well-being, benefits and financial planning. As authors Lynda Gratton and Andrew Scott point out in their book, *The 100-Year Life*, living those extra 30 years “can be a gift when planned for, and a curse if ignored.”

Evidence of Longer Lives

According to research cited in *The Lancet*, “most babies born since 2000 in France, Germany, Italy, the UK, the USA, Canada, Japan, and other countries . . . will celebrate their 100th birthdays.”² What's more, in countries with longer life expectancies, older people can function with fewer limitations or severe disabilities.

Even younger generations in today's workforce born before 2000 likely can achieve a longer life span, thanks to continued improvements in medical and pharmaceutical treatments. “Real age” calculations acknowledge the impacts of lifestyle and environmental factors on how rapidly people age. Aside from those factors, genetics also play a part and soon may be “hijacked” at the cellular level, according to findings by University of California, San Diego researchers—reducing damage at the cellular level and related damage that contributes to aging.³ Commercial treatments aren't

AT A GLANCE

- An aging workforce will have implications ranging from how people work to the ways in which health, well-being, lifelong learning and financial security are pursued and provided for.
- When planning for health and welfare benefits, potential areas of focus include emphasizing preventive care, customizing benefits for life stages, planning for health care costs in retirement and finding cost-reduction strategies for the plan.
- When looking at retirement planning, employers may want to consider strategies that will help employees work longer while also allowing them to save more in their retirement plans and providing access to lifetime income options.

yet available, but it's conceivable in the future.

Michael Roizen, M.D., and co-authors Peter Linneman and Albert Ratner in their book, *The Great Age Reboot*, cite evidence that breakthroughs in health and medicine “revolutionize our ability to live longer, younger, and better”⁴ with respect to quality of life. They emphasize that about 40% of premature deaths (before age 75) are related to lifestyle choices that could be changed, and that by age 60, 75% of health outcomes are determined by those choices—managing blood pressure, body mass index (BMI), LDL cholesterol, blood sugar, use of tobacco and stress.

Dan Buettner's Blue Zones research confirmed this correlation between lifestyle habits and social support in work that identified five places around the world “where a disproportionately high number of residents live to 100.”⁵ While the current average life expectancy for U.S. citizens is 79 years, he also predicts it's possible to live to 100.

With greater longevity will naturally come new patterns and accommodations in society. And if predictions bear out that workers will retire later—whether from financial necessity due to inadequate retirement savings or because relatively healthier individuals choose to reap the social and intellectual rewards from their work—those patterns and accommodations also will affect the workplace. An aging workforce will have implications ranging from how people work to the ways in which health, well-being, lifelong learning and financial security are pursued and provided for.

Environment and Culture

Likely the greatest cultural shift will be the move away from the social pattern of school, followed by career and ending in retirement. Instead, people will have the chance at a multistage life, with interruptions in work to allow time for exploring other avenues (more career reinvention and pivoting—from working on different projects to a complete career change), perhaps becoming entrepreneurs, and focusing on investing in themselves and what Gratton and Scott call a lifelong “reinvention.”

When it comes to employee benefits, employers should consider how they can help their workforce prepare for this longer life, from both a health and financial standpoint. Employers will also need to consider how an older workforce will impact their benefit plans financially.

Health and Well-Being

Given the changing demographics and health care needs of a workforce with longer life spans, employers will need to reexamine their strategies, benefits and costs for their health and well-being programs for all employees to ensure that they support not only living longer but living healthier. Following are some areas of focus for improved health.

An Emphasis on Preventive Care

A good starting point is looking at preventive care options. Health screenings can help identify issues that may lead to disease or the risk of disease, and vaccines as well as company wellness and fitness programs can help people lead healthier lives. Renewed

emphasis on education on the risks of delays, including data on pandemic-related delayed care impacts, may help, along with reexamining incentive designs and considering leader reinforcement and role modeling.

Clinical programs can also help improve health and longevity. To expand employee access to care, employers can adopt a number of strategies, including:

- Establishing on-site clinics
- Teaming up clinical consultants with carrier care management programs to provide lifestyle coaching to promote overall well-being
- Simplifying how people navigate health care resources through targeted outreach to plan members, making it easier for them to seek the care they need.

Supplementing these programs with communication is also key, so employees are aware of these opportunities to improve their health. Targeted communication can, for example, recognize the unique needs of lower paid workers with social determinants of health challenges. Promotion of low-cost resources and offering barrier-breaking solutions like on-site screening clinics can help. Employers can gather important feedback on employee needs through collaboration with employee resource groups and focus groups.

Customization for Life Stage

As workers age, plan sponsors can consider offering customizable benefits and programs that align with employees' specific needs, including different levels of deductibles and copays, pre-

scription drug plans targeting age-related conditions, health management programs to help deal with chronic conditions and disease management benefits. These would allow employees to choose what best suits their needs.

Tactics include providing telehealth, online health portals, health apps and other digital solutions that provide remote access to medical consultations. The barriers that busy workers and families face in getting needed care can include prioritization and time. Younger workers may have younger children and need to know about mental health supports for teens. By partnering with medical and pharmacy providers, messages can be sent to members who have had few claims and/or no primary care provider on record, with the message reinforcing the importance of a primary care provider relationship and the new ability to do so virtually.

As additional examples, programs supporting all phases of women's reproductive health—from fertility concerns through menopause—can target this eligible population. Promotion of offerings such as long-term care (LTC) insurance can be tailored given age-based personas, addressing top needs and challenges by generation.

Innovative companies also are thinking creatively relative to using voluntary benefits. For them, evolved voluntary benefit solutions are no longer a “nice to have,” but an imperative in addressing diverse well-being needs, supporting a personalized approach and ultimately differentiating their offering if they are communicated the right way.

Significant product innovation over the last few years has made it much easier for employers to provide this choice and flexibility at minimal to no cost—programs and resources such as student loan support, college planning/saving, emergency savings, mental health, recovery from substance use disorder, travel and entertainment savings, and more.

See the sidebar for issues specific to planning for health care costs in retirement.

Plan Sponsors' Costs

As people age, they are more likely to require expensive medical treatments and LTC, typically defined as the need for help with at least three activities of daily living. Plan sponsors need to periodically review their plans to ensure they align not only with the changing needs of the workforce, but with chang-

ing utilization patterns and costs. Advances in medicine will continue to result in increased costs for new medications and treatments to support living longer, even for employees who have a debilitating condition either while they are still working or during retirement. As employees work longer, employer medical and disability plans will see increased costs associated with larger scale demographic changes in their population.

Some employees may choose to work longer to maintain access to health benefits. Among those who have the option to participate in employer-sponsored plans or Medicare, many may opt to remain in employer-sponsored plans until retirement, which will add costs for employers. This will require employers to explore ways to deliver benefits more efficiently to counter the increased costs, such as reviewing network configurations, pharmacy strategies (including specialty drugs), audits, care navigation and innovations in the health care system.

Plan sponsors may want to consider offering supplemental medical programs such as hospital indemnity, critical illness and accident insurance, which can be critical for the older working population to help defray plan members' cost of care when they need it most. Often these are unexpected events and not budgeted for.

One of the most effective interventions for employers that offer retiree health plans is to explore prescription drug strategies, including group Medicare Advantage plans, employer group waiver plans or the use of retiree drug subsidies. There's a lot to consider when seeking the optimal approach for specific retiree populations.

Retirement Planning

It won't be easy to get people to plan financially for living to 100. Research confirms that most people tend to assume they will live about as long as their grandparents or parents—not what is more likely for their generation.

The potential for many people in the U.S. to live to 100 could mean fundamentally revisiting how they think about work and retirement savings. Over the last 40 years, a typical employee's preparation for income in their retirement years has significantly changed. The percentage of workers covered by a traditional defined benefit (DB) pension plan that pays a lifetime annuity has steadily declined, so that savings in de-

Financial Planning for Health Care in Retirement

Employers are enhancing financial planning resources to help employees plan for health care expenses in retirement. This can include educating on health savings accounts (HSAs) as a near- and long-term funding vehicle, better leveraging retirement savings plans and understanding Medicare options.

Many people tend to underestimate how much health care will cost in retirement. A recent Fidelity report estimated that a single person needs to have \$157,500 saved to cover health care expenses in retirement.

Employers that offer retiree dental and vision insurance will likely see higher rates due to longevity. Many of these plans can be expensive for retirees, so it's a contributing factor for employees to save additional money for retirement.

In addition, employees anticipating this increased longevity may ask employers to offer long-term care (LTC) coverage. It's predicted that 70% of people over age 65 will need LTC services at some point, and longevity may increase that duration of care and associated costs, which average about \$95,000 per year in today's dollars for a semiprivate skilled nursing facility. Plus, needs will increase for benefits to support additional caregiving for the employee and/or for those taking care of aging relatives.

The LTC market today has changed dramatically, including about 84% of all LTC purchases coming from hybrid policies that pay death benefits and/or LTC benefits.[†] When purchased through the workplace, advantages include guaranteed issue in addition to a guarantee that employees will receive a benefit (either a death benefit or LTC benefit), which could be attractive to workers of all ages. Disadvantages include longer elimination periods and limited ability to customize for individual needs. Because the premiums are paid over shorter periods than traditional LTC insurance, they may be unaffordable for some.[‡]

Today's policies are priced more accurately and realistically because carriers have learned from experience. Rising interest rates also could help keep premiums steady as carriers earn more from their invested assets.

*Fidelity, "How to plan for rising health care costs." www.fidelity.com/viewpoints/personal-finance/plan-for-rising-health-care-costs.

[†]Forbes Advisor, "How Hybrid Life Insurance Pays For Long-Term Care." www.forbes.com/advisor/life-insurance/long-term-care-hybrid.

[‡]Ibid.

defined contribution (DC) retirement plans are the core of most Americans' plan for retirement income. Unlike a participant in a DB plan, where the employee can elect to receive guaranteed income for life, each participant in a DC plan bears their own risk that they may outlive their retirement savings.

An employee in a DC plan accumulates savings over their working years and then draws down their savings in retirement years. In the past, this often meant that the employee had around 40 years of employment to save for 20 years of retirement. However, as the number of potential retirement years increases, employees' options are either to work longer, save more or a combination of both.

Working Longer

Many workers will need to remain in the workforce well after what is currently considered traditional retirement ages (60–70). While this may benefit employers that need the skills and experience of this workforce, they will need to provide a flexible workplace that is more attractive to older workers.

As people age, some may need or simply desire more flexibility in their work arrangements. Part-time or flexible work options can accommodate older workers who look to balance work with other commitments or who are managing some chronic health condition.

With people living longer, there will be more need and opportunities for career development. Employers should consider offering more of these opportunities to keep older employees engaged, especially given predicted workforce shortages due to slowed or declining birth rates. There also very likely will be a trend toward reskilling in midcareer. In many industries, retaining high-performing older workers will be critical to leveraging accumulated knowledge and reducing workforce shortages.

"Longer working lives should include 'on-ramps and off-ramps' between work, breaks and reskilling periods," says Martha Deevy of the Stanford Center on Longevity. According to her, employers and educators alike affirm the importance of programs to support these periods.

For example, some workers will seek creative options, including part-time or contract work, as a slower off-ramp. A newer phenomenon, accelerated by the pandemic's adoption of remote work, is fractional work, where an individual pro-

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vides specialized skills or services to multiple organizations on a part-time or project basis. Anecdotal information suggests that this trend will increase, especially for critical skills positions or roles with particular institutional knowledge.

Saving More, Better Tools

Part of the solution can come from higher savings rates, funded by either the worker or more generous employer contributions, but it is difficult for employees to “save their way” out of the daunting task of preparing for potentially more retirement years. They will need better tools and options for addressing the risk of outliving their money.

While some will live to 100, some will only live to, say, 75. As life spans lengthen, the range of ages at death may broaden. This is why pooling risks is so efficient in meeting retirement income security needs. While each participant may have different needs, the options for pooling mortality risk will likely include in-plan annuities, immediate and deferred annuities, and other vehicles that can provide participants with secure and predictable long-term income in retirement. For plan sponsors, at a minimum, this means providing more retirement income choices in the DC plan.

Policy makers have also recognized the need to encourage greater adoption of retirement income options in DC plans. Before 2019, sponsors often cited one barrier to adding in-plan annuity options as potential liability for any participant losses if an insurance company was unable to pay the guaranteed benefits offered by the annuity contract. So the Setting Every Community Up for Retirement Enhancement (SECURE) Act of 2019 added a safe harbor against employers’ fiduciary liability when selecting insurers to offer annuities within a DC plan. As long as the fiduciary follows a prescribed set of rules in determining that the insurer is financially capable of meeting its obligation and that the cost of the annuity was reasonable, the fiduciary would likely satisfy the safe harbor requirements.

The Multistage Life

With improved health and longevity, current and future employees will continue to change old assumptions about retirement and about vigor of life after that last paycheck. Employer supports for holistic well-being—physical, men-

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tal/emotional, financial and social—and worker lifestyle decisions will help influence how well and how long we will live. It will be important for individuals, employers and social institutions to prepare for this future world in which it becomes common to achieve centenarian status. 

Endnotes

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