Becker's Hospital Review 8th Annual Meeting

Re-thinking Your Human Capital Strategy:
Aligning Total Rewards to Attract, Retain and Engage the New Health Care Provider Workforce

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Today's Discussion

- Total Rewards is Still Relevant
- The Total Rewards Journey
  - Insights
  - Strategy
  - Design
  - Implementation
- Ideas for Change

Modernization, relevance and what's at stake

Market trends and realities from our newest research →

Fast-changing market

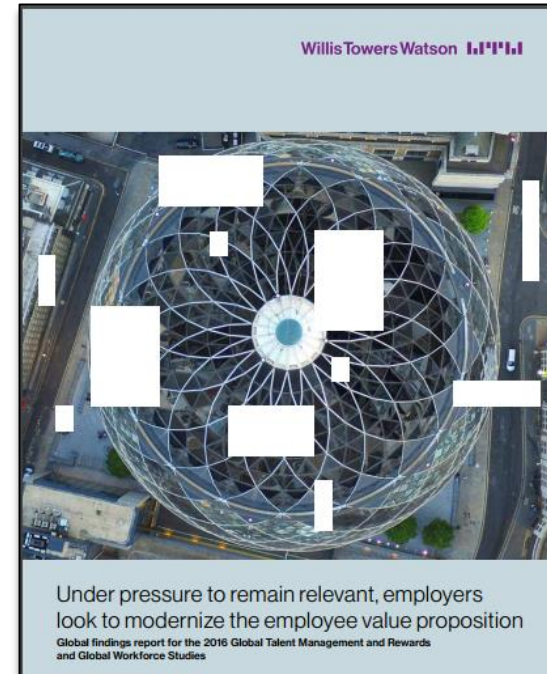**Fast-changing technology**

Demographic shift – It's really happening

Expectations of transparency and individualization

Under pressure to remain relevant, employers look to modernize the employee value proposition

Global findings report for the 2016 Global Talent Management and Rewards and Global Workforce Studies

https://www.willistowerswatson.com/en/insights/2016/09/employers-look-to-modernize-the-employee-value-proposition

Link to our 2015 Becker's article:
http://www.beckershospitalreview.com/human-capital-and-risk/5-ways-to-rebalance-the-total-rewards-portfolio.html

Baby Boomers are retiring at the rate of one every 9 seconds between now and 2029.

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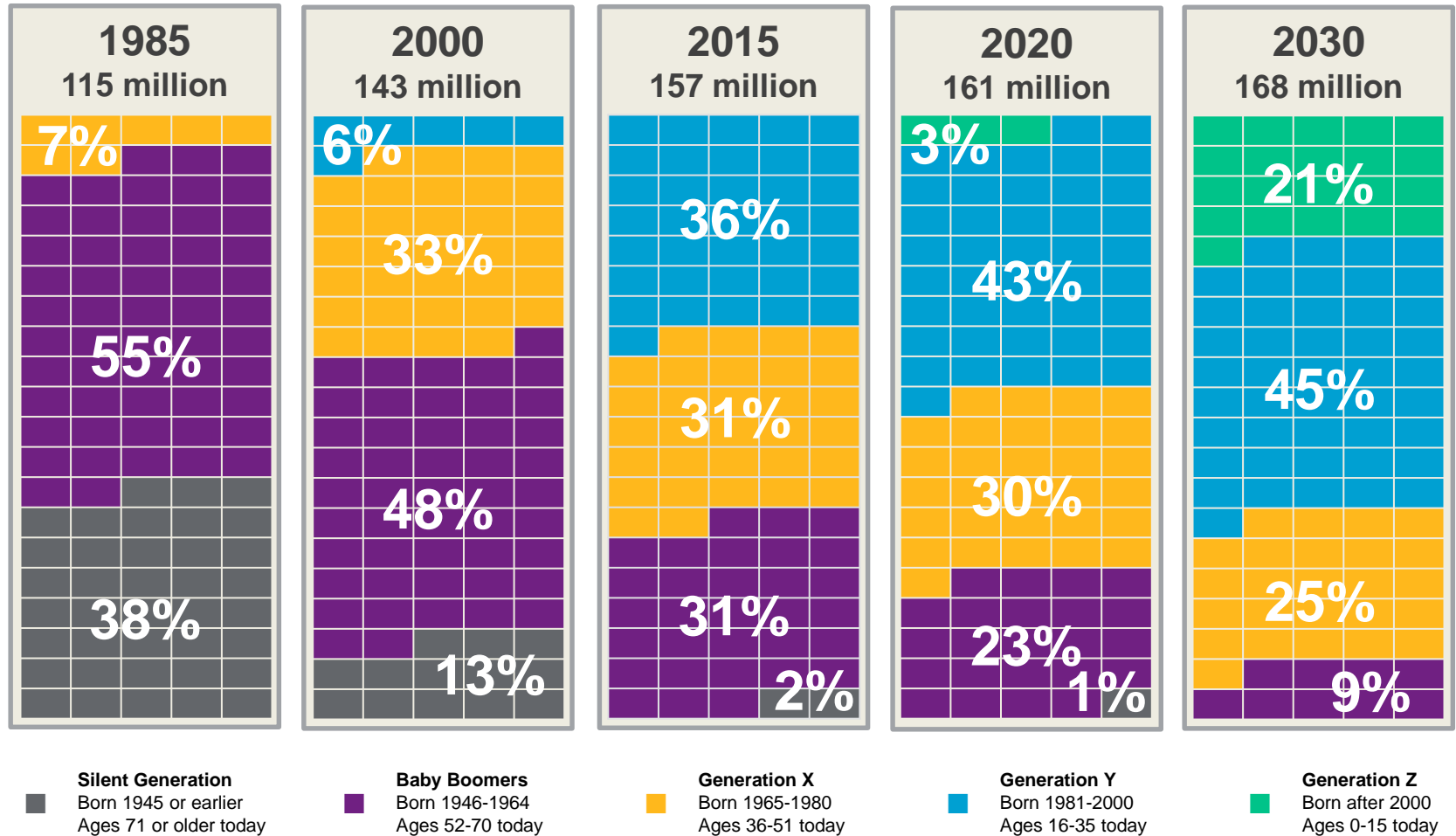# The average U.S. student today will have 10 to 14 jobs **before age 40.**

Source: U.S. Department of Labor.

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Percent of children entering school today who will end up in jobs that do not exist yet

65%

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Labor Force Distribution by Generation

1985 — 115 million
- 7% (yellow/Generation X)
- 55% (Baby Boomers)
- 38% (Silent Generation)

2000 — 143 million
- 6% (Generation Y)
- 33% (Generation X)
- 48% (Baby Boomers)
- 13% (Silent Generation)

2015 — 157 million
- 36% (Generation Y)
- 31% (Generation X)
- 31% (Baby Boomers)
- 2% (Silent Generation)

2020 — 161 million
- 3% (Generation Z)
- 43% (Generation Y)
- 30% (Generation X)
- 23% (Baby Boomers)
- 1% (Silent Generation)

2030 — 168 million
- 21% (Generation Z)
- 45% (Generation Y)
- 25% (Generation X)
- 9% (Baby Boomers)

Silent Generation
Born 1945 or earlier
Ages 71 or older today

Baby Boomers
Born 1946-1964
Ages 52-70 today

Generation X
Born 1965-1980
Ages 36-51 today

Generation Y
Born 1981-2000
Ages 16-35 today

Generation Z
Born after 2000
Ages 0-15 today

Sources: 1985 and 2000 from OECD, 2015 from CPS, 2020 from BLS labor force projections and 2030 from Willis Towers Watson estimates based on Census population projections for 2030 and BLS labor force projections for 2024; Source: Pew Research Center tabulations of U.S. Census Data; WTW estimates

Employers face critical challenges…

Attraction
- 60% of health care providers report they're having problems attracting critical-skill talent

Alignment
- Post-M&A / Post-rebranding difficulties encountered in aligning employees around a common purpose

Engagement
- 25%+ employees intend to leave their employer in next 2 years
- <50% employees stay with their current employer by choice

Retention
- One-third of health care providers report they're having problems retaining critical-skill talent

Getting it right starts with understanding the top drivers of attraction

Viewpoint →	Employer	Employee					Employer
Drivers of attraction	HCP	HCP	<30	30-39	40-49	50+	All US
Org's mission, vision and values	1						1
Reputation of organization as a great place to work	2	3	5	7		6	4
Health care and wellness benefits	3	7		5	5	3	7
Challenging work	4	4	7			5	2
Base pay/salary	4	1	1	1	1	1	6
Career advancement opportunities	4	5	2	2	3		3
Opportunities to learn new skills	7		3	4			
Job security	7	2	4	3	4	2	
Vacation or PTO		6		6	2	4	
Flexible work arrangements			6		6		
Length of commute					7	7	
Ability to have a real impact on the organization's performance							5

You also need to understand why employees would choose to leave

Viewpoint →	Employer	Employee					Employer
Drivers of retention	HCP	HCP	<30	30-39	40-49	50+	All US
Base pay/salary	1	1	1	1	1	1	3
Career advancement opportunities	3	2	2	2	2	2	1
Opportunities to learn new skills			4	4			7
Job security				3	3	4	
Flexible work arrangements	7	5	7	5			5
Length of commute	5	7	6		5	7	
Relationship with supervisor/manager	2			7	6		2
Ability to manage work-related stress	3	6	5		7	5	4
Trust/confidence in senior leadership	6	4	3	6	4	3	6
Physical work environment		3					
Retirement benefits						6	

Despite the clear importance of getting base pay right, many organizations struggle with it

Suggesting that old tools and approach to the annual merit cycle **may need to change**. As the **number one driver** of attraction and engagement, we need to **get base pay right** in the modern context

Over half of employers

expect to pay more for certain skill sets in the next 3 years

Performance Rating	Salary Range Position			
	Below Minimum	**Lower Third**	**Middle Third**	**Upper Third**
Unsatisfactory performance	0.0% – 2.0%	0.0% – 0.0%	0.0%	0.0%
Performance needs improvement	2.0% – 4.0%	0% – 3.0%	0.0% – 2.0%	0.0% – 1.5%
Good performance	4.0% – 7.0%	3.5% – 6.0%	2.5% – 4.5%	1.0% – 3.0%
Excellent performance	7.0% – 11.0%	5.0% – 8.0%	3.5% – 6.0%	2.5% – 4.5%

Our managers execute our base pay program well

21% HCP

39% USA

Client Case Study

Identify leading edge compensation practices to support the system's migration to care delivery and reimbursement models

Problem:

- Senior leadership concerned about the attraction, engagement and retention of core employees seeks solutions to address gaps in the organization's *Extraordinary Employee Experience*

Objective:

- Identify potential changes to base pay practices most likely to have a beneficial impact on the problem based on analysis of the organization's situation, competitive practice and Willis Towers Watson's experience and insights gained from leading integrated delivery systems

Key market insights:

- Market data reflects narrowing of the spread of actual pay rates for benchmark jobs; wider ranges may no longer reflect actual market pay rates; some job families have a reduced number of levels

- Industry slow to embrace practices shown to drive employee engagement and improve business results in other industries: workforce segmentation, differentiated pay programs, and effective performance management
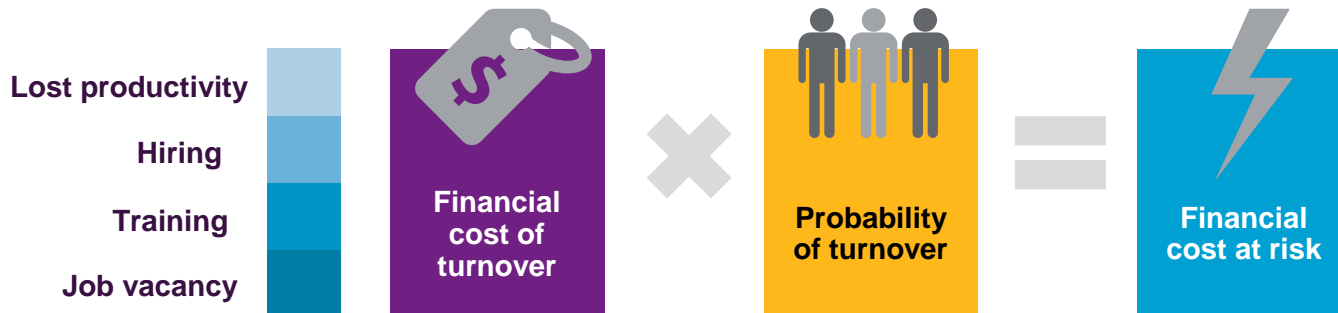
Solution:

Experience Zone	Contribution Zone
| | | | $\rightarrow$ 50th %ile	| | | | $\rightarrow$ 90th %ile

- Two-zone base pay structure with:
  - Experience zone aligned with new hire market, with steps to median over four years
  - Contribution zone enabling performance-based increases up to market 90th percentile

Client Case Study

Conclusions and ROI of making changes

- Fixing base pay for core employees will help with attraction and retention, and reduce the degree to which pay is driving engagement lower but it is investments in talent management or pay-for-performance that will improve the organization's "EEE"

  - Talent management and pay-for-performance should follow and support the transformation of care delivery and reimbursement models, not the other way around

- Using our Financial Cost of Turnover study, Willis Towers Watson estimated that the system could amortize the cost of implementing market aligned salary ranges through reduced turnover:

Lost productivity				
Hiring	**Financial cost of turnover**	×	**Probability of turnover**	= **Financial cost at risk**
Training				
Job vacancy				

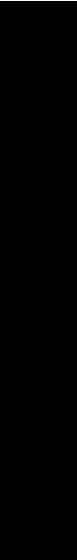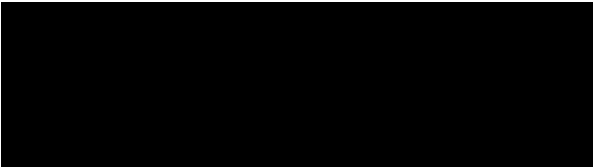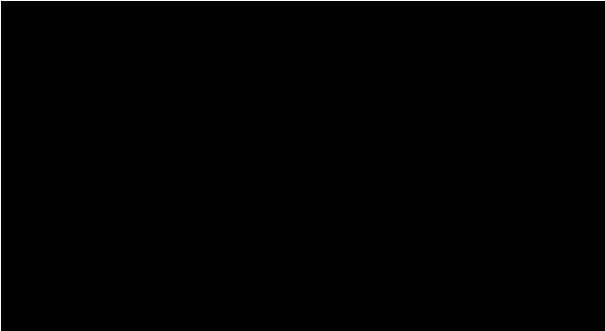|	
$74 million	*Implementation cost (phasing in over two years smooths implementation costs to $50 million in 2017 and $24 million in 2018)*
- $58 million	*Savings over two years due to reduced turnover*
$16 million	*Net incremental cost*

The Employee Value Proposition and Total Rewards Framework

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While base pay is a critical foundation, employees have become astute consumers of your organization's Employee Value Proposition
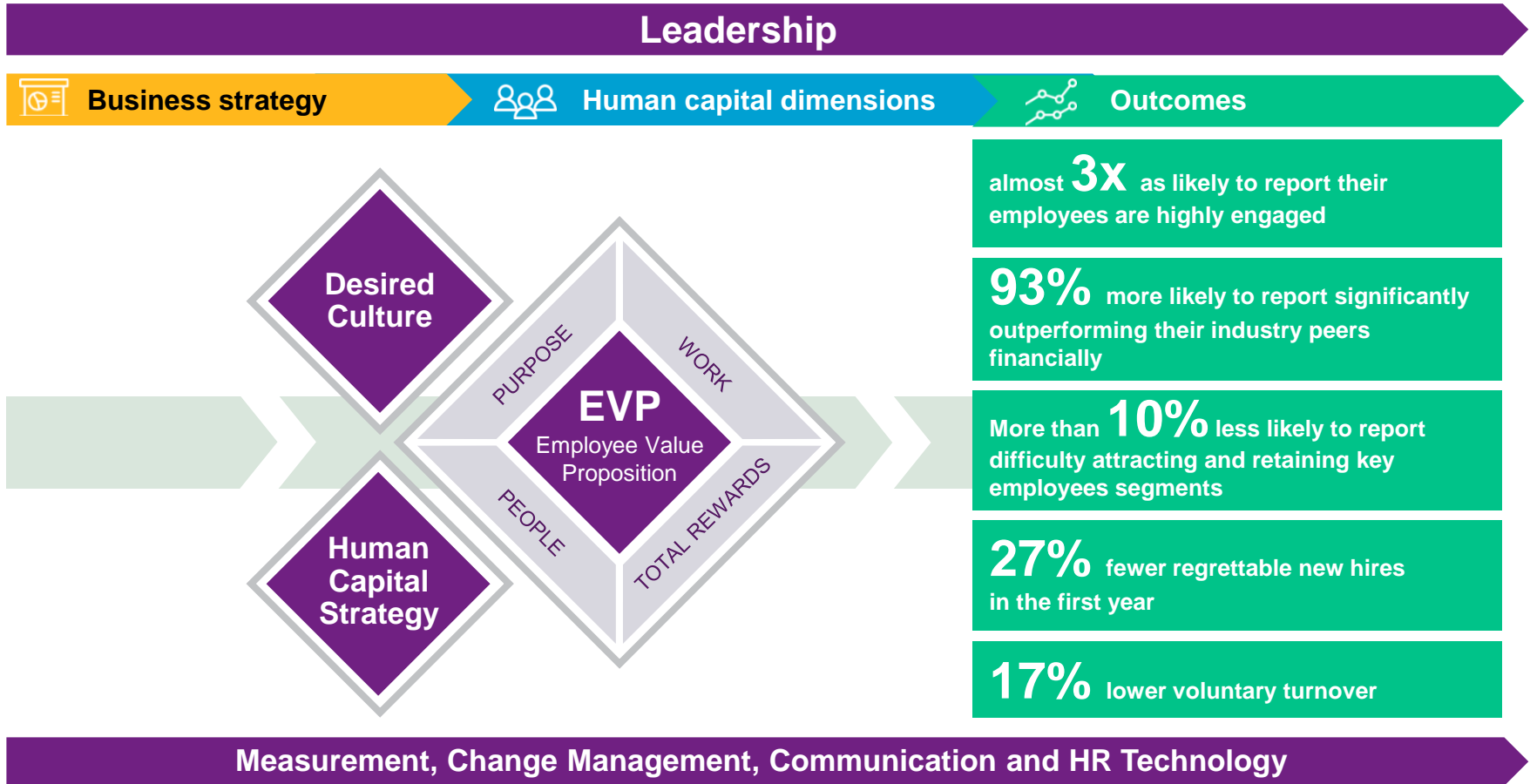
Employee experience

Culture and people

Purpose and values

Career advancement

Total rewards

Base pay

Leadership

70% believe their organization should understand them to the same degree employees are expected to understand external customers
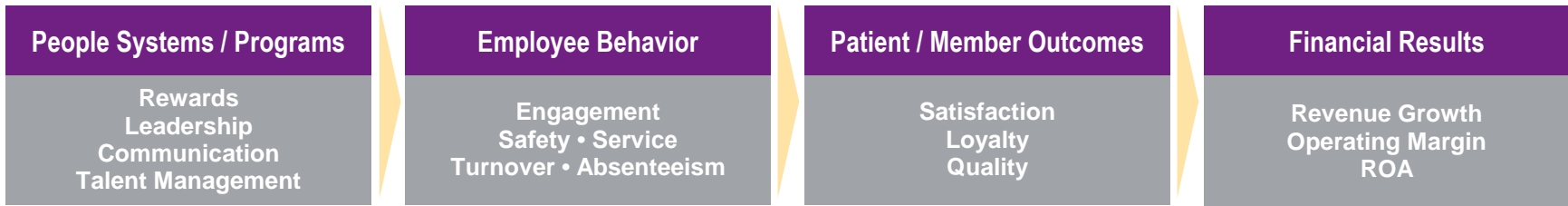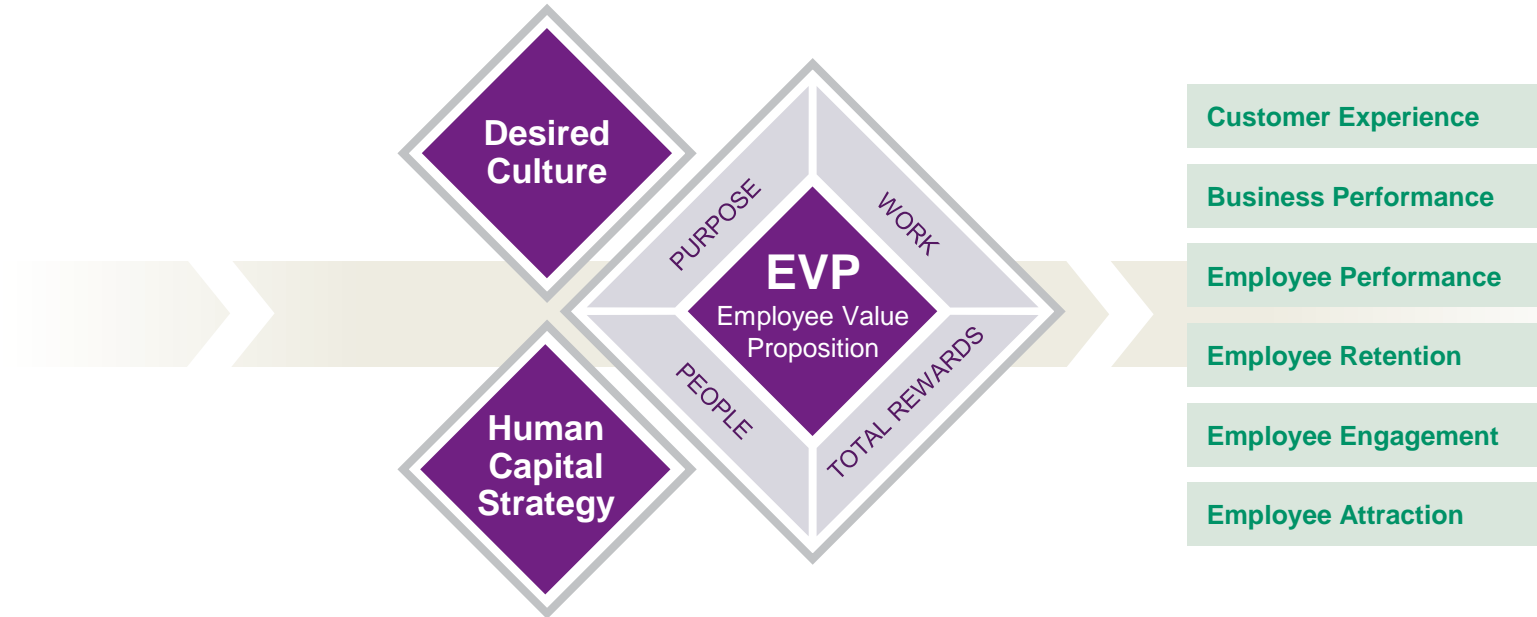
43% report having an employer that understands them in this way

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An integrated total rewards strategy and design supported by a well-marketed EVP have tangible and compelling outcomes, including…

## Best practice EVP companies achieve better outcomes

Leadership

Business strategy | **Human capital dimensions** | **Outcomes**

Desired Culture

Human Capital Strategy

PURPOSE — WORK — PEOPLE — TOTAL REWARDS

EVP
Employee Value Proposition

almost **3x** as likely to report their employees are highly engaged

93% more likely to report significantly outperforming their industry peers financially

More than **10%** less likely to report difficulty attracting and retaining key employees segments

27% fewer regrettable new hires in the first year

17% lower voluntary turnover

Measurement, Change Management, Communication and HR Technology

… quality and patient satisfaction

BUSINESS STRATEGY	**HUMAN CAPITAL DIMENSIONS**		**OUTCOMES**

Desired Culture

Human Capital Strategy

PURPOSE • WORK • PEOPLE • TOTAL REWARDS

EVP
Employee Value Proposition

- Customer Experience
- Business Performance
- Employee Performance
- Employee Retention
- Employee Engagement
- Employee Attraction

People Systems / Programs	Employee Behavior	Patient / Member Outcomes	Financial Results
Rewards Leadership Communication Talent Management	Engagement Safety • Service Turnover • Absenteeism	Satisfaction Loyalty Quality	Revenue Growth Operating Margin ROA

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The EVP defines the deal between the organization and its workforce

Employee Experience

Employees' interactions with the company, colleagues and customers, the work environment and total rewards that drive their behaviors and engagement
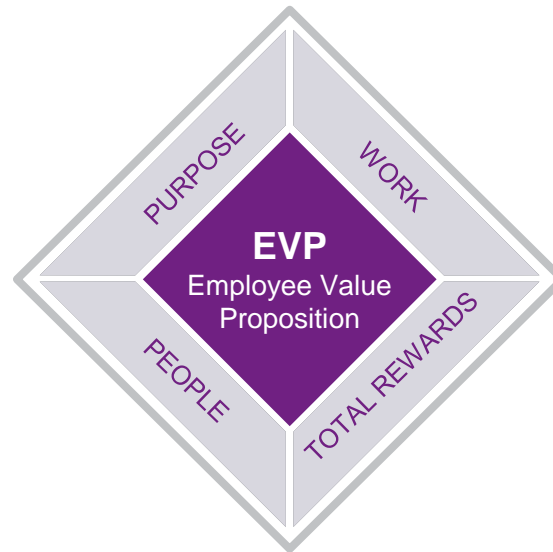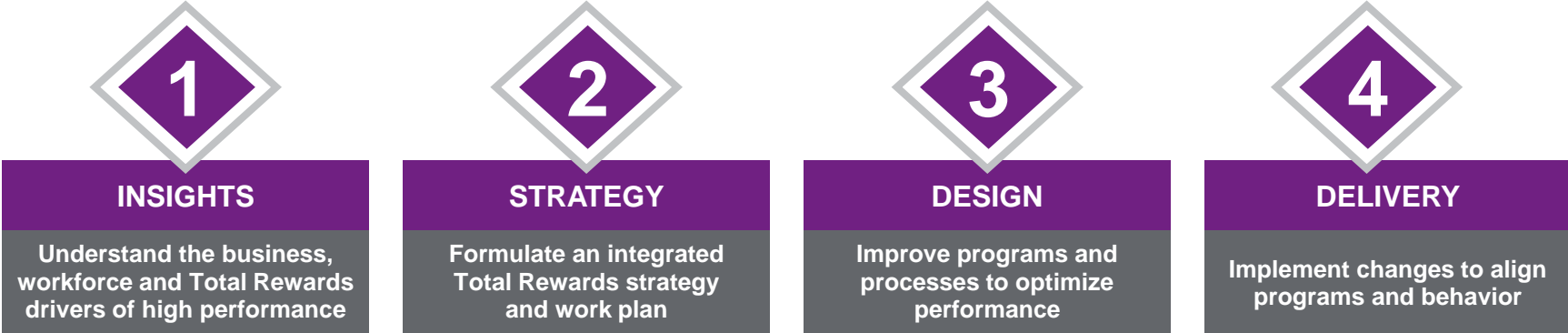
Employer Expectations

The desired affiliation, mindset and behavior that optimize the employee's contribution to the employer's success

PURPOSE

WORK

EVP
Employee Value Proposition

PEOPLE

TOTAL REWARDS

Purpose	People	Work	Total Rewards
▪ Company mission, vision and values ▪ Company image and reputation	▪ Leadership ▪ Manager-employee relationships ▪ Peer relationships	▪ Job content ▪ Work environment ▪ Tools and resources to do work	▪ Foundational rewards ▪ Performance-based rewards ▪ Career and environmental rewards

Integrate Total Rewards strategy, design and delivery for a superior EVP

Career & Environmental Rewards

- Training and development
- Mentor programs
- Career management programs
- Talent mobility
- Discretionary technology
- Flexible work programs
- Corporate social responsibility
- Well-being programs

Performance-Based Rewards

- Base pay increases (merit, promotion)
- Recognition
- Short-term incentives
- Long-term incentives
- Profit-sharing plans

Foundational Rewards

- Base pay
- Health care
- Retirement
- Perquisites
- Allowances
- Life and disability
- Other wellness benefits
- Wellness initiatives
- EAP
- Voluntary benefits
- Time off

Total Rewards

- Insights
- Philosophy & Strategy
- Program Design
- Program Delivery

"Total rewards" describes the full combination of monetary and non-monetary investments an organization makes in its workforce to attract, retain and engage the people it needs to operate its business successfully

Insights are the first steps toward articulating a Total Rewards strategy, developing integrated designs and achieving effective delivery

1	**2**	**3**	**4**
INSIGHTS	**STRATEGY**	**DESIGN**	**DELIVERY**
Understand the business, workforce and Total Rewards drivers of high performance	Formulate an integrated Total Rewards strategy and work plan	Improve programs and processes to optimize performance	Implement changes to align programs and behavior

KEY WORKSTEPS

Current State	Strategy and principles	Rewards:	Communication
Future State	Programs and priorities	Foundational	Process
Challenges	Roadmap for change	Performance-based	Technology
		Career & Environmental	Governance

KEY DELIVERABLES

Diagnostic to focus and accelerate strategy development; pivotal insights	Total Rewards Strategy, guiding principles and work plan to guide design and implementation	Design and synchronization of Total Rewards programs and processes	Implementation guidelines; alignment of Total Rewards, improvement of workforce performance

1 INSIGHTS: Multiple perspectives provide a robust picture

Workforce Viewpoint

Provides insight regarding workforce engagement, demographics and performance

External Viewpoint

Provides insight regarding trends and industry process and program practices

Develop Insights

Business Plan / Performance

Provides insight regarding current business plans, priorities and performance

Process & Program Diagnostics

Provides insight regarding current workforce programs and processes

Leadership Viewpoint

Provides insight regarding future vision, business strategy, corporate culture and presenting issues

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INSIGHTS: Total Rewards Benchmarking

- Total Rewards benchmarking paints an illustrative picture of your total compensation and benefits investment versus market, and provides a perspective to assess potential portfolio "trade-offs"
  - Potential portfolio changes must be considered in light of your organization's overall total compensation philosophy
  - Where possible, potential portfolio changes should consider employees' perceived value across compensation and benefit programs, in order to maximize the return on total rewards spend
- For purposes of this example, total rewards comprises the following elements:
  - Base Salary
  - Target Short-term Incentives
  - Retirement
    - Defined Benefit (DB)
    - Defined Contribution (DC)
  - Health & Welfare
    - Medical
    - Dental
    - Death and Accidental Death & Disability (AD&D)
    - Long-term Disability (LTD)
    - Short-term Disability (STD)
  - Vacation and Holidays

Note that additional examples and our detailed Total Rewards methodology are provided in the appendix

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INSIGHTS: Total Rewards Benchmarking
Physical Therapist
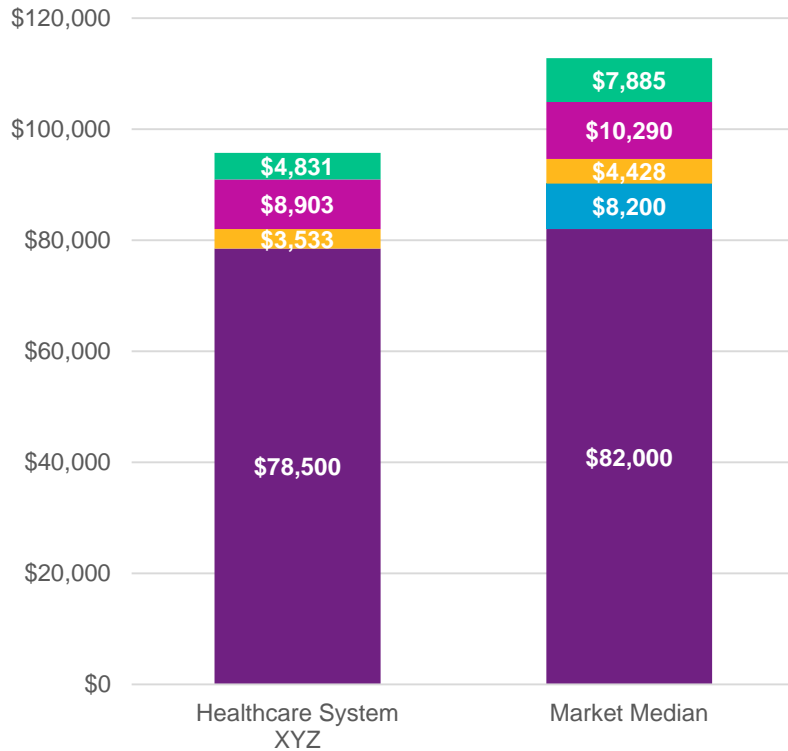
Employee Demographics	Healthcare System XYZ
Median Age	47
Median Service	5
Gender	F

Chart values:

Healthcare System XYZ:
- Base Salary: $78,500
- Retirement: $3,533
- Health & Welfare: $8,903
- Vacation and Holidays: $4,831

Market Median:
- Base Salary: $82,000
- Short-Term Incentive: $8,200
- Retirement: $4,428
- Health & Welfare: $10,290
- Vacation and Holidays: $7,885

	Healthcare System XYZ	% of Total Rewards	Market Median	% of Total Rewards	Differential to Market
Base Salary	$78,500	86%	$82,000	78%	-4%
Short-Term Incentive	$0	0%	$8,200	8%	N/A
Retirement	$3,533	4%	$4,428	4%	-20%
Health & Welfare	$8,903	10%	$10,290	10%	-13%
Total Rewards	$90,936	100%	$104,918	100%	-13%
Vacation and Holidays	$4,831	N/A	$7,885	N/A	-39%

Note: Vacation and Holidays are excluded from the Total Rewards summary value since they are already considered a part of Base Salary. Vacation and Holidays values are provided for reference.

INSIGHTS: Employee Viewpoint

Focus Groups and Executive Interviews:
Provides solid qualitative data

Traditional Preferences Survey: Provides flexible question design, analysis and administration

Conjoint Survey: Provides detailed reward trade-offs and modeling capabilities

TRO: Provides detailed reward trade-offs, modeling capabilities and cost optimization
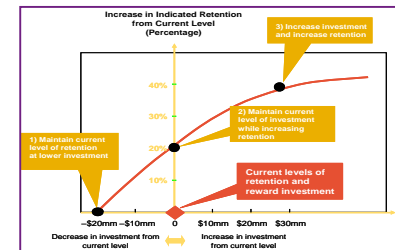
INSIGHTS: Total Rewards Optimization (TRO)

Conjoint Analysis	**+**	**Financial Optimization**	**=**	**Optimum Level of Investment** **Optimum Allocation of Investment** **Segment-Specific Strategy**

- Is a surveying method used for many years in marketing to capture subjective preferences
- Asks associates to make trade-offs among program features as opposed to assessing the features individually
- Is a more reliable forecast of behavior than traditional survey methods

- Reflects cost constraints on investment
- Develops an efficient frontier of optimum allocation of investments
- Determines optimum investment level on the basis of program costs and turnover cost savings

Optimum solution may be to:
- Improve outcome (e.g., motivation / perceived value / retention) by changing allocation while maintaining the current level of investment
- Maintain current outcome at lower level of investment by changing allocation
- Increase investment and outcome to economically efficient level

1

INSIGHTS: Total Rewards Optimization (TRO)

To maximize your Total Rewards, invest your resources where it makes the most difference

Total $ Investments in Selected Rewards

Pie chart segments: Base Pay, Other, Career Dev, Medical, Dental, Retirement, Bonus
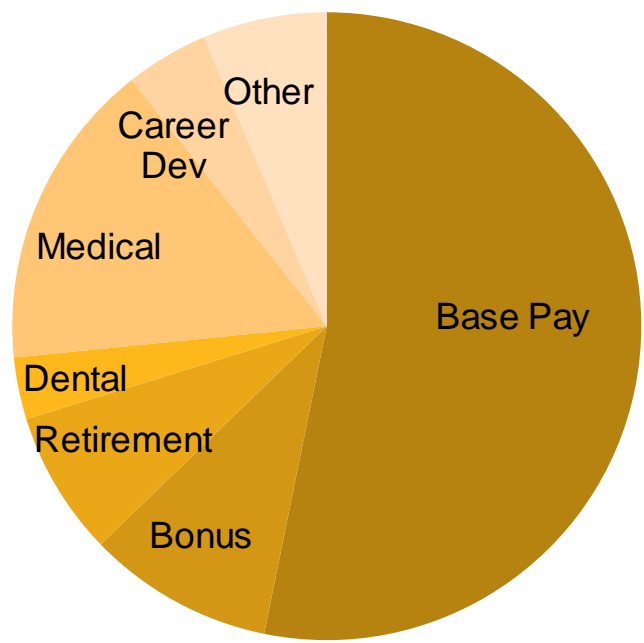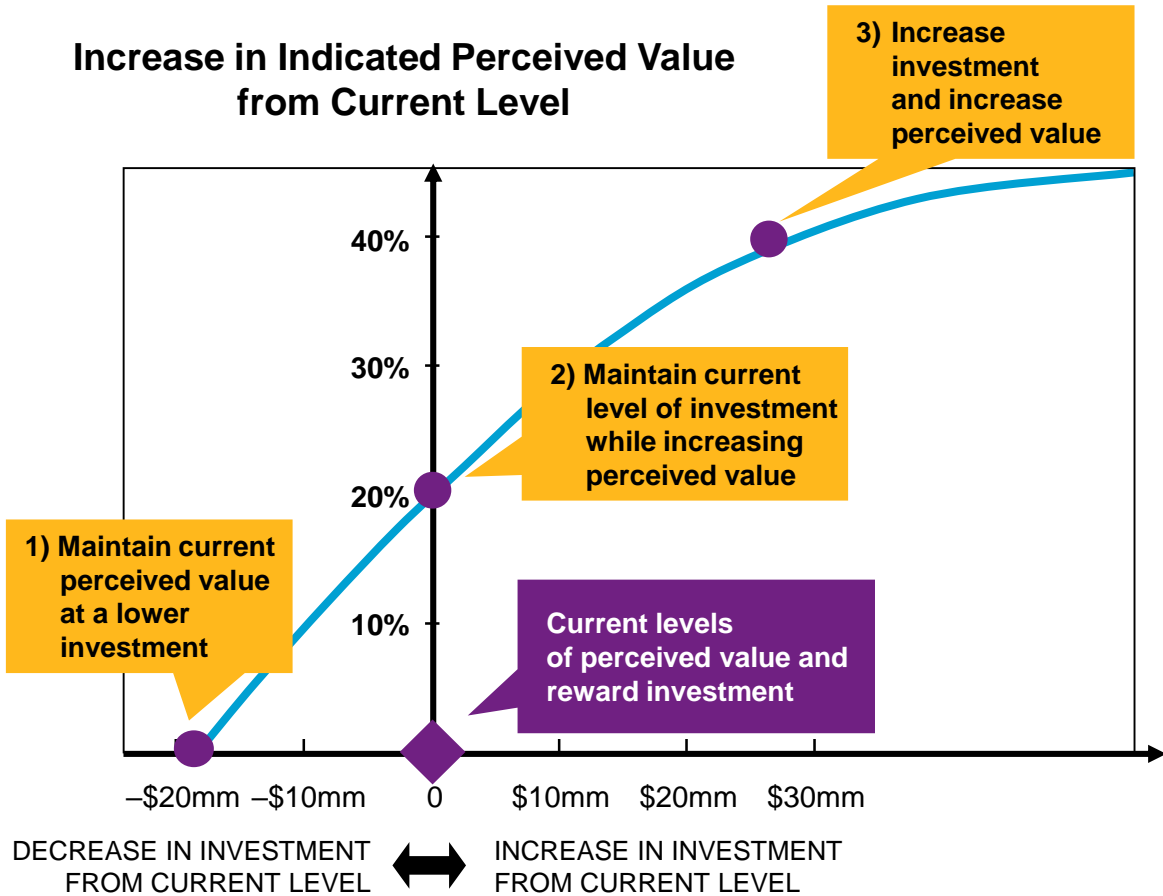
What is the best level of investment in employees?

What is the best allocation of that investment to maximize desired behavior (e.g., retention, motivation, perceived value)?

Do the answers vary by organization level, geography, business unit, other demographic characteristics?

Rewards Optimization can be applied to compensation, benefits and non-financial rewards (work/life balance, for instance) or any combination of reward categories

INSIGHTS: Total Rewards Optimization (TRO)

Increase in Indicated Perceived Value from Current Level

3) Increase investment and increase perceived value

2) Maintain current level of investment while increasing perceived value

1) Maintain current perceived value at a lower investment

Current levels of perceived value and reward investment

40%

30%

20%

10%

−$20mm   −$10mm   0 $10mm $20mm $30mm

DECREASE IN INVESTMENT FROM CURRENT LEVEL ⟷ INCREASE IN INVESTMENT FROM CURRENT LEVEL

Three Points on the Curve

Each point along the curve represents the best allocation of the corresponding total investment:

1) To *reduce total cost*, the curve identifies which programs should be reduced to reallocate investments in other areas and maintain current levels of perceived value

2) To *maintain current investment levels*, the curve identifies how to reallocate investment across programs to increase perceived value without raising cost

3) To *increase perceived value dramatically* and make the most of each reward dollar, the curve indicates the best ways to invest additional rewards funds

INSIGHTS: Total Rewards Optimization (TRO)
Unearthing "hidden gems" of opportunity

Changes in Value of Total Rewards

	Change in Value	Change in Reward Cost
STI—2X	6.4	$67.5M
Merit Increase —+50%	5.4	$6.5M
401(k) Match—$1-for-$1 to 6%	5.3	$9.0M
Merit Weighting—Greater performance differentiation	4.6	$0
STI Weighting—Greater performance differentiation	4.5	$0
401(k) Company Contribution—6%	4.5	$4.5M
Medical—Premium -20%	3.9	$2.4M
Vacation—+2 days	3.7	$3.1M
STI—Half	-10.6	($34.7M)
Merit Increase—Half	-9.5	($5.5M)
Merit Weighting—COLA	-8.4	$0.0
401(k) Match—$1-for-$1 to 3%	-7.8	($4.5M)
Medical—OOP +20%	-7.8	($1.1M)
Medical—Premium +20%	-7.7	($2.4M)
STI Weighting—Based on company performance	-7.5	$0.0
401(k) Company Contribution—4%	-7.2	($3.2M)
Vacation— -2 days	-5.7	($1.9M)

Note: Modeled impacts of various reward changes on value in Total Rewards are not additive due to the "portfolio effect." Modeled impact assumes all other programs stay the same. Changes in value of Total Rewards are point increments or decrements to current value of Total Rewards of 79.5 (from valid conjoint data only).

INSIGHTS: Total Rewards Optimization (TRO)

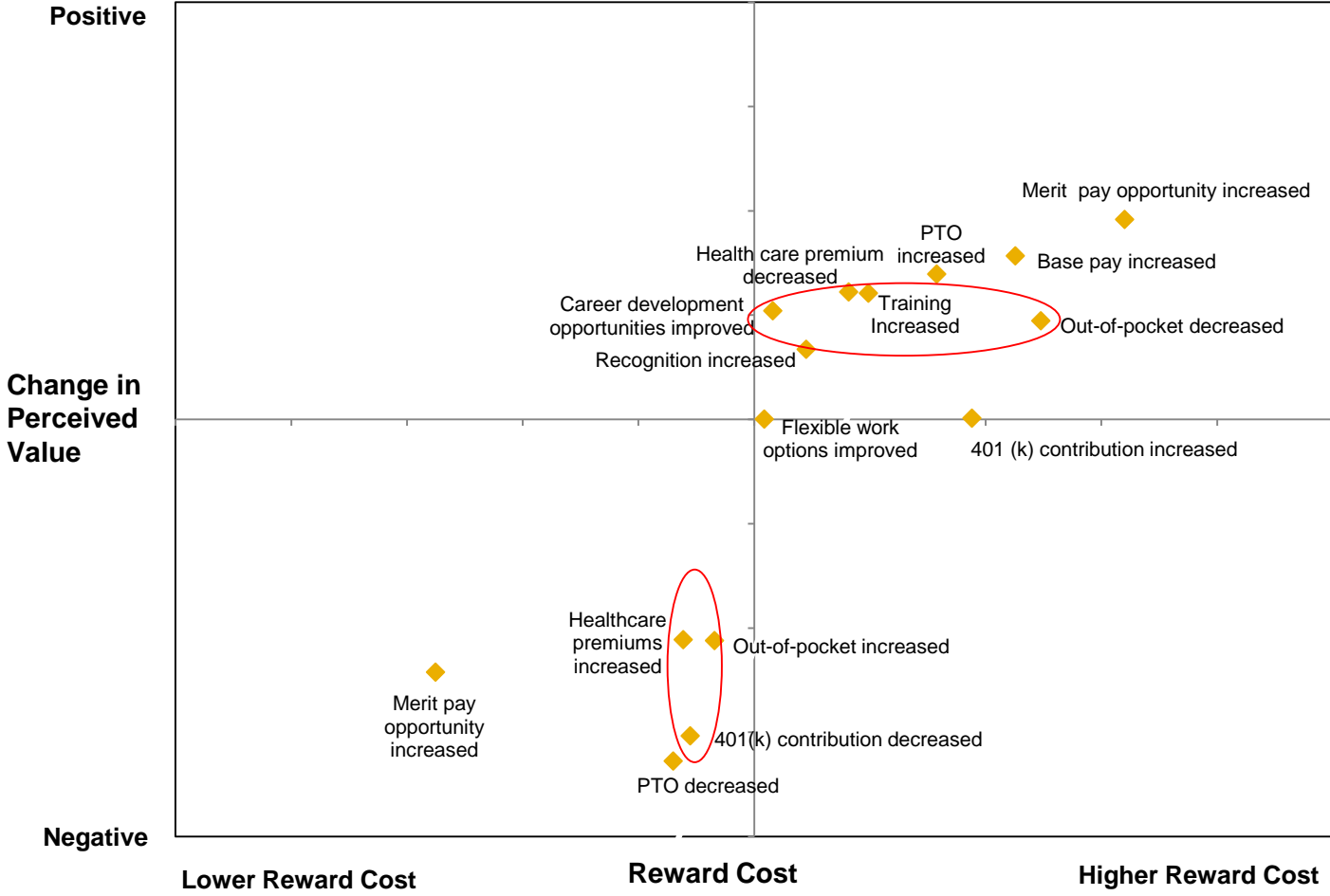## Health care TRO – reward value and cost analysis example

All Employees

Positive

Change in Perceived Value

Negative

PTO increased

Health care premiums decreased

Flexible work options increased

Career development opportunities increase

Recognition increased

Merit pay opportunity increased

Base pay increased

Out-of-pocket decreased

Training increased

401(k) contribution increased

Health care premiums increased

Merit pay opportunity decreased

Out-of-pocket increase

401(k) contribution decreased

PTO decreased

Lower Reward Cost

Reward Cost

Higher Reward Cost

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INSIGHTS: Total Rewards Optimization (TRO)

Health care TRO – reward value and cost analysis example

Nurses

Positive

Change in Perceived Value

Negative

Merit pay opportunity increased

PTO increased

Health care premium decreased

Base pay increased

Career development opportunities improved

Training Increased

Out-of-pocket decreased

Recognition increased

Flexible work options improved

401 (k) contribution increased

Healthcare premiums increased

Out-of-pocket increased

Merit pay opportunity increased

401(k) contribution decreased

PTO decreased

Lower Reward Cost   Reward Cost   Higher Reward Cost

2 · STRATEGY: Guides design and implementation

1. Guiding Principles for Design

Proposal

Guiding Principles for Design

Performance Orientation	Programs will drive a high performance culture by rewarding employees for individual and collective results in driving XYZ's business performance
Competitive Positioning	In aggregate, programs will be targeted at median of relevant external market; actual positioning should vary based on individual and/or company performance
Affordability	Programs will align with business objectives in terms of affordability and scale and provide a balance of fixed and variable costs consistent with relevant external market
Shared Responsibility	Employees will share in program costs and will be responsible for planning for their current and future needs; employees will own their careers
Career Orientation	Programs will recognize education and work experience to the extent that it results in employee performance or the knowledge to take on increased responsibilities
Individual Flexibility	Programs will provide flexibility to support the diverse needs of employees when solutions meet both business and employee needs
Workforce/ Business Group Segmentation	The compensation and benefit philosophy will be consistent globally; programs may be customized where business or market necessitates
Delivery	Program design will consider employee understanding, ease of administration and cost control while leveraging economies of scale and technology

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2. Gap Analysis

Proposal

Gap Analysis

	Currently Aligned	Require Adjustment
Compensation	Actual competitive positioning level for many job groups and affiliates; Pay for performance philosophy; 2007 equity program changes; New U.S. recognition program; R&D Research Titles process; Performance level allocation	Job structure (technical ladders, distribution targets); Base pay methodology; Promotion practices; Merit practices; Bonus metrics – individual and company; Performance Award metrics and length of performance period; Use of non-Sales bonus plans OUS
Benefits	Global defined contribution plans; U.S. active medical; Flexible work arrangements	U.S. retiree medical; Global defined benefit programs; Other ancillary benefits that drive increased value for employees

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2a. Gap Analysis — Scorecard

Sample HCROI Deliverables

	Management View	Employee Satisfaction (relative to norm)	Impact on Engagement	Impact on Attraction/ Retention	Impact on Sales Productivity	Overall Business Impact (ROI)
Base (basic and basic guaranteed)	Below market	Low	Medium	Medium	Low	Medium
Bonus/Variable	Below market	High	Medium	Medium	High	Medium
Total Cash Compensation	Above market	High	Medium	Medium	High	High
Retirement	Below market	Low	Low	Low/Medium	Medium	Medium
Death	At market	High	Low	Low	Low	Low
Disability	At market	Low	High	Low	Low	Medium
Medical	Above market	Low	High	High	High	High
Perquisites (including company cars)	At market	Low	Medium	Medium	Medium	Low
Paid Time-off Programs	At market	Low	High	High	High	High
Career Development Opportunities	At market	Low	Medium	Medium	Low	Medium

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3. Directional Recommendations

Proposal

Directional Recommendations

From..	To...
Single competitive positioning philosophy across company	Ability to vary competitive positioning if needed for mission-critical jobs; variation in benchmark companies based on relevant market for broad job groupings
Aggregate compensation levels targeted at or above market median for median company performance, with some differentiation based on individual performance	Aggregate compensation levels targeted at market, with significant differentiation for individual performance and significant upside for total compensation levels based on company performance.
Varying use of technical ladders and inconsistency in global job leveling; limited management of job level distribution	Global job structure that provides consistent management leveling across the company; targets set for leveling distribution based on business need
Pay increases and in-line promotions viewed as the only effective tools to motivate/retain employees	Focus on total compensation; include use of tools beyond compensation to motivate and retain employees
Annual merit program is primary vehicle to reinforce pay for performance; increase amount viewed by employees as indication of their value to the business	Use of compensation package (base pay level, bonus plan, equity) to reinforce value of employee to the business; annual process redefined to evaluate overall pay relative to employee performance and market – may or may not result in base salary increase
Use of promotions to reward individual skill development and tenure	Primary use of promotions to reward movement to a higher level job with significant increase in responsibilities
Corporate bonus plan with differentiation for individual performance rating. Variable pay used for all employees in U.S., but only selectively outside the U.S.	Corporate bonus plan with significant flexibility to differentiate for individual performance. Increased use of non-sales bonus plans for employees OUS based on company/region/affiliate performance where market supports

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4. Roadmap for Change

STRATEGY: Road Map

ILLUSTRATIVE

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Insights and strategy inform program design

Total Rewards

Insights

Philosophy & Strategy

Program Design

Program Delivery

Career & Environmental Rewards

Performance-Based Rewards

Foundational Rewards

Foundational Rewards
- Base pay
- Health care
- Retirement
- Perquisites
- Allowances
- Life and disability
- Other wellness benefits
- Wellness initiatives
- EAP
- Voluntary benefits
- Time off

Performance-Based Rewards
- Base pay increases (merit, promotion)
- Recognition
- Short-term incentives
- Long-term incentives
- Profit-sharing plans

Career & Environmental Rewards
- Training and development
- Mentor programs
- Career management programs
- Talent mobility
- Discretionary technology
- Flexible work programs
- Corporate social responsibility
- Well-being programs

4 **Implementation is critical to a successful Total Rewards program and a superior EVP…**

Program Delivery			
COMMUNICATION	**PROCESS**	**TECHNOLOGY**	**GOVERNANCE**
▪ Manager readiness to communicate & support Total Rewards decisions ▪ Employee & manager understanding of and trust in Total Rewards processes & outcomes	▪ Accurate & efficient delivery processes ▪ Alignment with other HR programs, with EVP as the compass ▪ Decisions informed by understanding of what employees actually value	▪ Efficient and effective decision making ▪ Robust analysis and reporting ▪ Enhanced employee experience	▪ Clarity on decision making ▪ System vs. entity ▪ Defined success metrics and proactive course correction ▪ Leadership that stands behind Total Rewards principles and decisions

…but as you know communicating Total Rewards in healthcare is unique

4

Make an emotional connection with your employees on the EVP to get higher performing, more engaged employees

- Recruiters create candidate records to enhance the job offer

- Candidates model their potential total rewards

- Candidate specific content and experience

- Exposure to the total rewards value proposition before day one

- Regional healthcare system with limited talent pool

- Recruitment and retention challenges

- Need to communicate to many different audiences

- Utilize the platform to communicate annual pay/bonus statements as well

Vignettes about total rewards communications from other organizations:

https://www.towerswatson.com/en/Videos/2013/Total-Rewards-at-South-Shore-Hospital

https://www.towerswatson.com/en/Videos/2014/video-how-does-the-online-total-rewards-solution-differ-from-the-paper-based-statement

We have seen some interesting design themes for 2017
Focus on specialized value proposition and employee consumerism

Career & Environmental Rewards

Performance-Based Rewards

Foundational Rewards

Total Rewards

1. **Update programs** designed before recession
2. Review **peer group** due to rapid market changes
3. Focus benchmarking and preference analysis on **critical skill talent** and **key employee groups**
4. Employees desire **more security** and **are willing to pay** for it
5. Health, financial and engagement issues cluster together **(integrated health and financial well-being** strategies and programs**)**
6. Shift to **more choice** and **consumerism**
7. **Evolution of private health care exchanges**
8. Optimize **retirement** program performance

1. New emphasis on **short-term and long-term variable pay**
2. Updated **sales incentive** plans
3. Rethinking **merit and performance management program design and cycles**
4. More frequent **formal feedback**
5. **Social media-enabled** multi-rater feedback
6. **Device enabled-** assessment tools
7. **Real-time** assessment tools
8. Broader use of social **recognition**
9. **Wellness** incentives
10. Company **performance-based retirement matches/funding**

1. **Technology-enabled/virtual** training and development
2. **Sponsorship** and **mentoring** programs
3. Enhanced focus on **Inclusion & Diversity**
4. **Portal-based** career management programs
5. Expansion of **contingent workforce**
6. Targeted access to supplemental **technology**
7. Expansion of **flexible work arrangements**
8. Formalized **corporate social responsibility programs**
9. Increased focus on **physical work environment**
10. Unique company-specific **perks/discounts**

IN GENERAL:
- Optimize program **value** based on employee preferences and business performance
- Advanced **employee segmentation** research and definition
- Redefine "**buckets**" around employee value points ("theirs, not ours")
- Health care and retirement changes drive shift to a focus on the **portfolio**
- Focus on true **Total Rewards spend** (*all buckets)*
- **Technology-enabled** analysis, design and administration
- **Digital access** for managers and employees
- Articulation of employment and Total Rewards **brands**
- Targeted **communication** to defined segment categories
- **Consumer-grade** employee experience (message *and* medium)

We work with...

more than **430** of the largest hospitals and health care systems in the U.S.

50% of *Becker's Hospital Review's* 2015 list of 50 Largest Hospitals in America

47% of the Everest Top Hospital Award Winners 2014

85% of the Largest Nonprofit Health Systems in the U.S. according to *Becker's Hospital Review*

of *U.S. News & World Report's* Honor Roll of Best Hospitals 2015 – 2016

73% of Truven Health Analytics' 100 Top Hospitals' Major Teaching Hospitals 2016

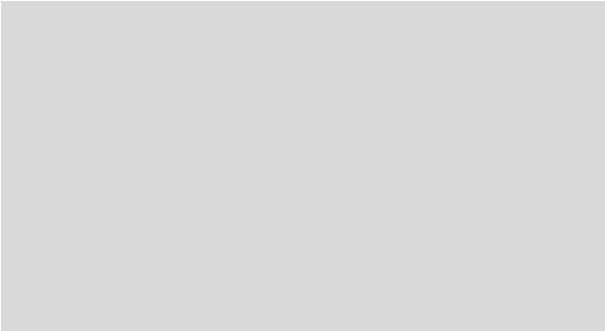**38%** of the Leapfrog 2015 Top Hospitals Award Winners

56% of *Becker's Hospital Review's* 2014 Top-Grossing Nonprofit Hospitals

82% of *U.S. News & World Report's* Honor Roll of Best Children's Hospitals 2015 – 2016

47% of hospitals/health systems on *Becker's Hospital Review's* 150 Great Places to Work in Health Care 2016

Questions?

Appendix
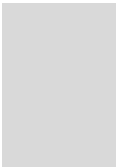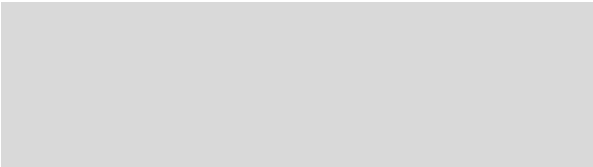
Willis Towers Watson's Total Rewards Benchmarking Methodology

- Total Rewards benchmarking is an analytical process that illustrates the median total compensation value for compensation levels and the set of benefit plans for each job, as well as the percentage of the total rewards package that each element comprises

- Further, each job is populated by a typical employee profile so that the demographics are applied against the benefit plans as part of the modeling process

- The analysis is based on competitive market total cash (or total direct) data for each position, as well as the benefits values based on the individual employee profiles with varying demographic information

- The data presented only represent the quantitative total rewards calculations pertaining to the employee profile for each job

- Willis Towers Watson calculated the DB, DC, Medical, Dental, Vacation/Holiday, Death, STD and LTD benefit values for the set of peer health care organizations using Willis Towers Watson's BDS database and BENVAL methodology (see pages 45-47 for additional information about our proprietary BENVAL methodology, as well as the health care organizations included in this analysis)
  - Benefit values for each of the peer companies represent employer-paid benefits only

- Data are displayed by each grouping of total compensation (e.g., Base Salary, Retirement, Health & Welfare)
  - Market median Health & Welfare values were calculated by summing the market median Medical, Dental, Death and AD&D and LTD values

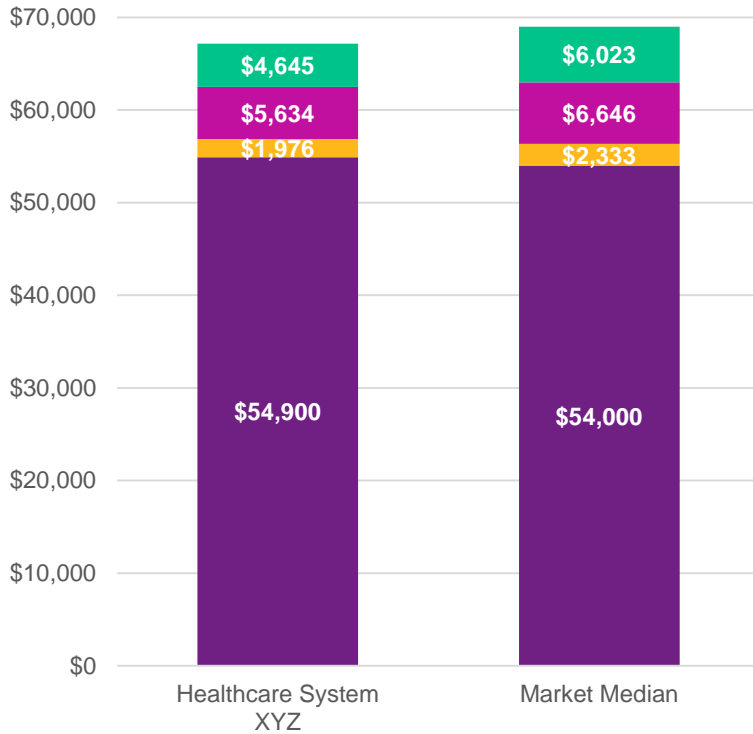# Comparison to Market: Total Rewards

Account Representative
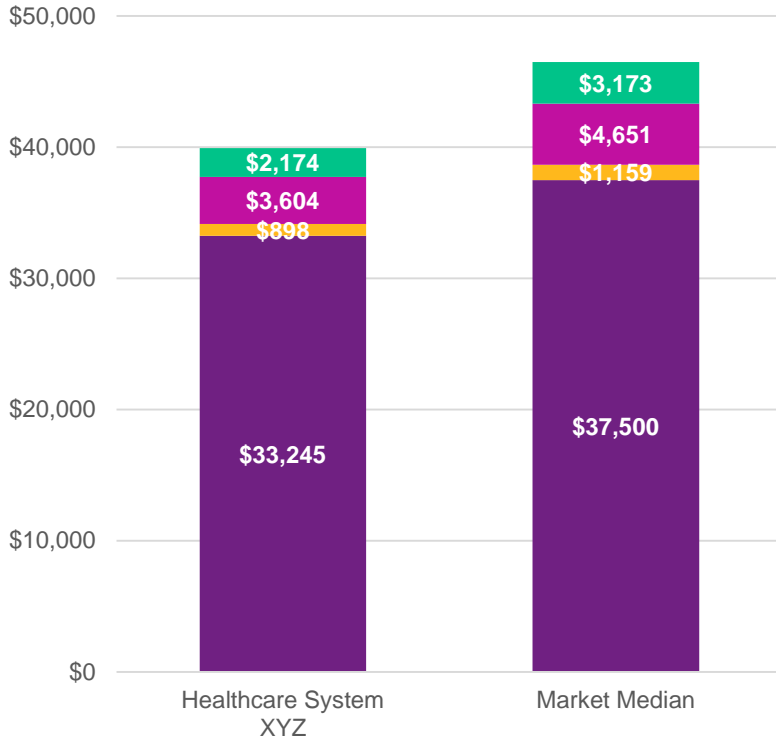
Employee Demographics	Healthcare System XYZ
Median Age	27
Median Service	2
Gender	M

	Healthcare System XYZ	% of Total Rewards		Market Median	% of Total Rewards		Differential to Market
Base Salary	$33,245	88%		$37,500	87%		-11%
Short-Term Incentive	$0	0%		$0	0%		N/A
Retirement	$898	2%		$1,159	3%		-23%
Health & Welfare	$3,604	10%		$4,651	11%		-23%
Total Rewards	$37,746	100%		$43,310	100%		-13%
Vacation and Holidays	$2,174	N/A		$3,173	N/A		-31%

Note: Vacation and Holidays are excluded from the Total Rewards summary value since they are already considered a part of Base Salary. Vacation and Holidays values are provided for reference.
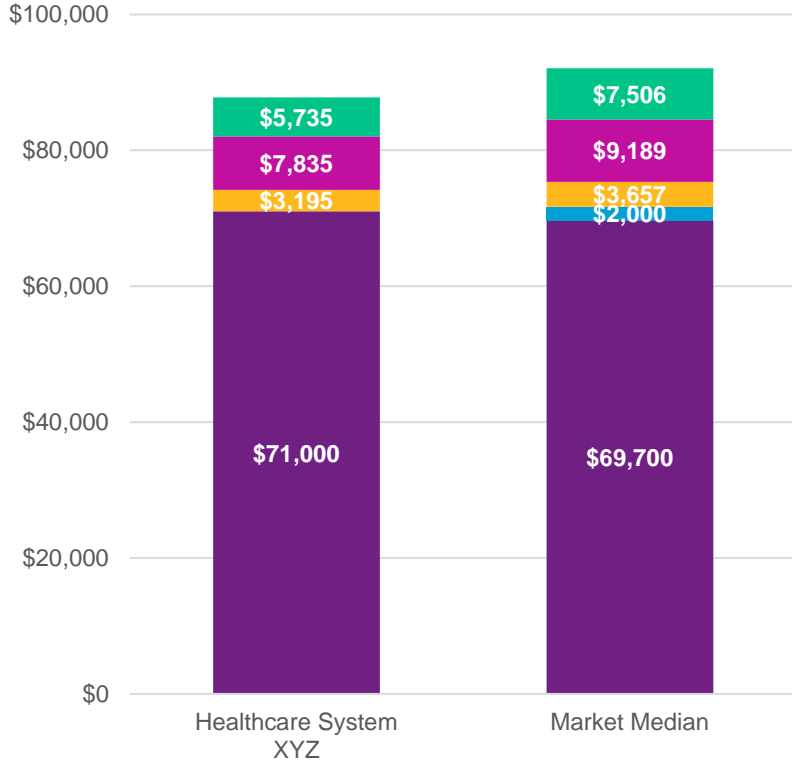
Comparison to Market: Total Rewards

Radiation Tech

Employee Demographics	Healthcare System XYZ
Median Age	35
Median Service	10
Gender	M

	Healthcare System XYZ	% of Total Rewards	Market Median	% of Total Rewards	Differential to Market
Base Salary	$54,900	88%	$54,000	86%	2%
Short-Term Incentive	$0	0%	$0	0%	N/A
Retirement	$1,976	3%	$2,333	4%	-15%
Health & Welfare	$5,634	9%	$6,646	11%	-15%
Total Rewards	$62,510	100%	$62,978	100%	-1%
Vacation and Holidays	$4,645	N/A	$6,023	N/A	-23%

Note: Vacation and Holidays are excluded from the Total Rewards summary value since they are already considered a part of Base Salary. Vacation and Holidays values are provided for reference.
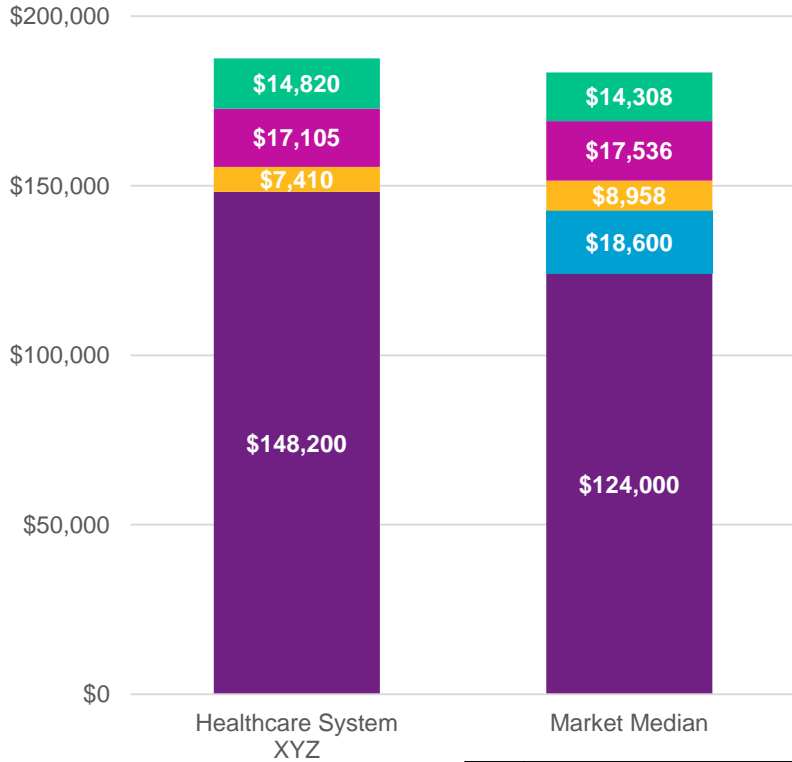
Comparison to Market: Total Rewards
RN

Employee Demographics	Healthcare System XYZ
Median Age	42
Median Service	12
Gender	F

	Healthcare System XYZ	% of Total Rewards		Market Median	% of Total Rewards		Differential to Market
Base Salary	$71,000	87%		$69,700	82%		2%
Short-Term Incentive	$0	0%		$2,000	2%		N/A
Retirement	$3,195	4%		$3,657	4%		-13%
Health & Welfare	$7,835	10%		$9,189	11%		-15%
Total Rewards	$82,030	100%		$84,546	100%		-3%
Vacation and Holidays	$5,735	N/A		$7,506	N/A		-24%

Note: Vacation and Holidays are excluded from the Total Rewards summary value since they are already considered a part of Base Salary. Vacation and Holidays values are provided for reference.

Comparison to Market: Total Rewards

Pharmacist

Employee Demographics	Healthcare System XYZ
Median Age	60
Median Service	25
Gender	F

	Healthcare System XYZ	% of Total Rewards	Market Median	% of Total Rewards	Differential to Market
Base Salary	$148,200	86%	$124,000	73%	20%
Short-Term Incentive	$0	0%	$18,600	11%	N/A
Retirement	$7,410	4%	$8,958	5%	-17%
Health & Welfare	$17,105	10%	$17,536	10%	-2%
Total Rewards	$172,715	100%	$169,094	100%	2%
Vacation and Holidays	$14,820	N/A	$14,308	N/A	4%

Note: Vacation and Holidays are excluded from the Total Rewards summary value since they are already considered a part of Base Salary. Vacation and Holidays values are provided for reference.

Health care organizations included in our Total Rewards Analysis

- Advocate Health Care
- Allina Health
- Asante
- Avera Health
- Barnabas Health
- Baylor Scott & White Health
- Baystate Health System, Inc.
- BJC HealthCare
- Brigham and Women's Hospital
- Broward Health
- Carolinas HealthCare System
- Children's Health System of Texas
- Christiana Care Health System
- Cincinnati Children's Hospital Medical Center

- Cleveland Clinic
- Community Medical Centers
- Cook Children's Health Care System
- Cottage Health System
- Covenant HealthCare
- Dartmouth-Hitchcock
- DaVita
- Dignity Health - Dominican Hospital
- Elliot Health System
- Emory Healthcare, Inc.
- Essentia Health
- Fairview Health Services
- Fresenius Medical Care North America
- Gwinnett Health System
- Hanger, Inc.
- Hazelden Betty Ford Foundation

- HCA Inc.
- HealthEast Care System
- INTEGRIS
- Intermountain Healthcare
- Lancaster General Health
- Lehigh Valley Health Network
- LifeBridge Health
- Maine Medical Center
- Massachusetts General Hospital
- Mayo Clinic
- Memorial Hermann Health System
- Mercy Health
- Methodist (Dallas)
- MidMichigan Health
- Nationwide Children's Hospital
- Nemours
- Northside Hospital

- OhioHealth
- Park Nicollet Health Services
- Piedmont Healthcare, Inc.
- Presbyterian Healthcare Services
- Regions Hospital
- San Antonio Regional Hospital
- Sanford
- Select Medical
- Shriners Hospitals for Children
- Spectrum Health
- SSM Health Care
- St. Anthony's Medical Center
- St. Luke's Hospital of Duluth
- Sunrise Senior Living

- Tanner Medical Center, Inc.
- Tenet Healthcare Corporation
- Texas Health Resources
- Texas Scottish Rite Hospital
- The Children's Hospital of Philadelphia
- The Evangelical Lutheran Good Samaritan Society
- The Mentor Network
- University Hospitals
- University of Pittsburgh Medical Center
- Verity Health System - O'Connor Hospital
- Visiting Nurse Service of New York
- WakeMed
- WellStar Health System

Willis Towers Watson's BenVal Valuation Methodology

- Willis Towers Watson's BenVal is a method for determining the value of benefits across a set of organizations by applying a standard set of actuarial methods and assumptions to a common employee population

- BenVal results provide a quantitative evaluation of each company's benefit provisions and overall benefit program, and facilitate a comparison of these benefit values against peer organizations

- The valuation methodology reflects the timing of benefits -- whether deferred or immediate

  - Retirement benefits such as pension and retiree welfare benefits are valued using projected unit credit (service prorate) methodology

  - Values for defined contribution plan benefits reflect amounts expected to be contributed for the year

  - Benefits potentially payable immediately such as death and disability benefits are valued on a term cost basis, reflecting the probabilities of the various events occurring within the year, multiplied by the value of the benefit

Note that the relative values generated are not intended to represent actual costs incurred by plan sponsors. Plan sponsors may experience differences in benefit costs due to factors not reflected in BenVal -- varying participant demographics, regional cost differences, or differences in funding or provider arrangements

Willis Towers Watson's BenVal Valuation Methodology

Benefit Provisions Reflected

- The benefit provisions reflected in BenVal are those applicable for new hires at each member company

- BenVal assumes that these plans have been in place over each employee's full career and does not reflect the value of any transition or grandfathered provisions

- Benefit plan provisions are regularly updated, with update requests going out to all participating companies each year

Demographics

- Benefit values depend on a number of factors including age, pay, sex and length of service of the employee population

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