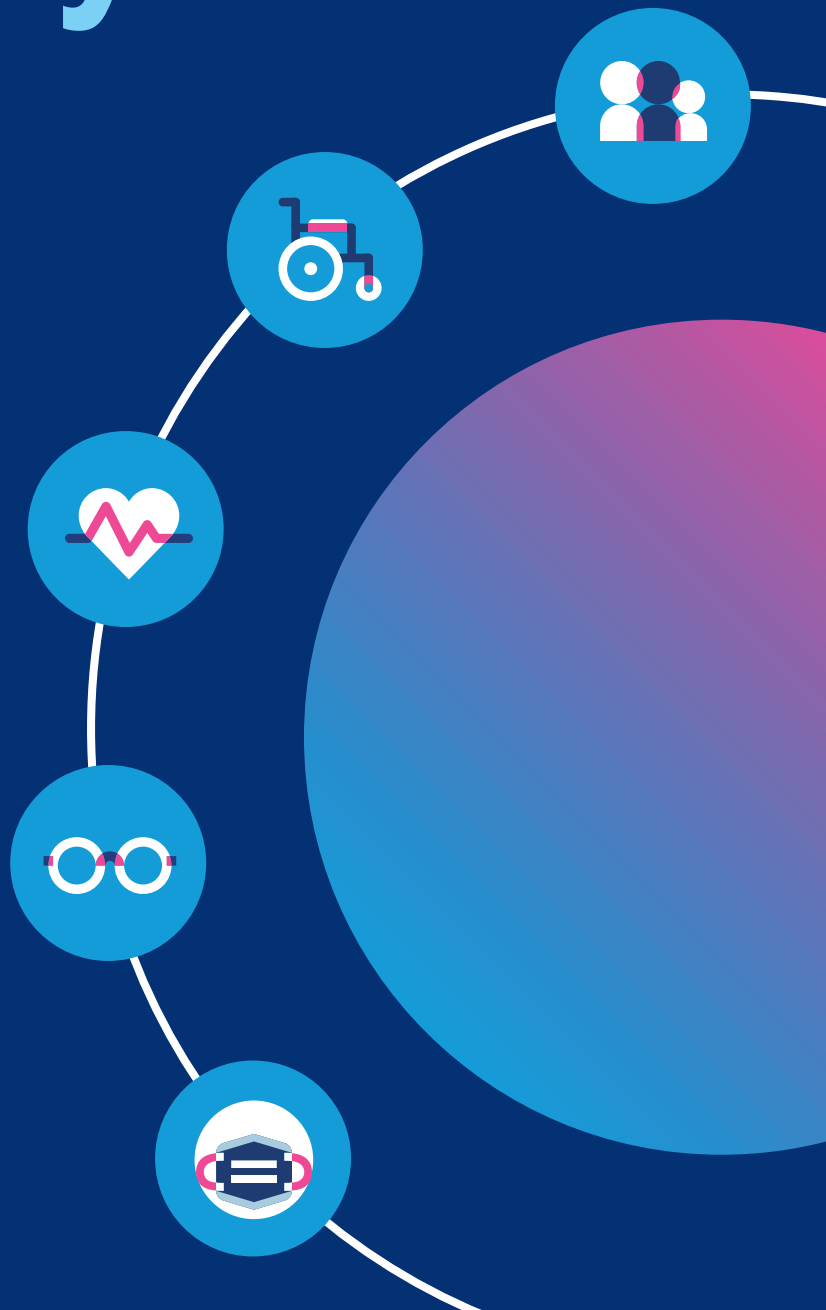


Rising costs and healthcare inequality in Asia

Impact on middle class
workforce & solutions

March 2023

benefits that truly benefit



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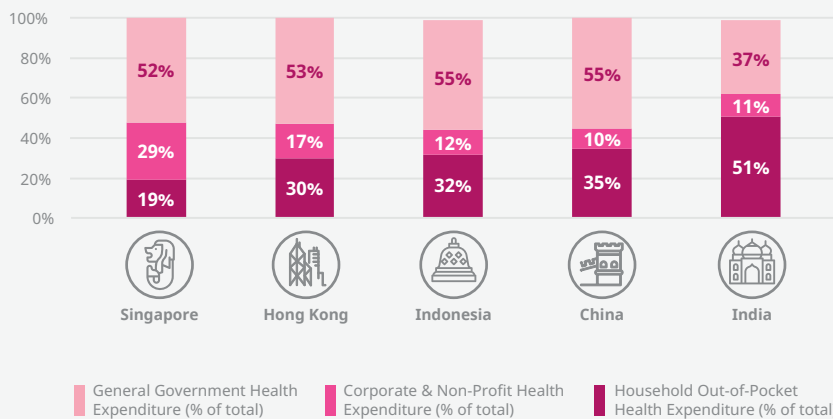
With the triple challenge of a cost of living crisis, ageing population and medical inflation, the largest population base in the world, Asia, is headed into a perfect storm. Among the hardest hit will be the middle class that forms a significant portion of the workforce in the region. If this group faces increasing healthcare inequality such as obstacles to affordable and accessible healthcare, companies and their entire supply chains will be under threat.

According to a study by SwissRe,¹ the health protection gap across Asia is estimated to be US\$1.8 trillion, with China, followed by India, topping the chart.

The situation is most pronounced in India, where only 30% of the population have access to healthcare services within a five-kilometre radius of their residence.² The affordability and standard of healthcare in Asia also depend on economic background, with rural, lower-income, or marginalised communities typically worse off.

In other Asian geographies such as China, Hong Kong, Japan, Singapore, Malaysia and Taiwan with better overall access to healthcare services, the predominantly middle class workforce is heavily reliant on company-sponsored benefit plans to stay healthy and productive, and to enable them to support unique needs such as having to perform a dual caregiver role or dealing with a disability.

FIGURE A Percentage of health expenditure in 2020



Sources:

Global Health Expenditure Database. World Bank (2020). <https://apps.who.int/nha/database/ViewData/Indicators/en>

Strategic Purchasing: Enabling Health for All Research Report. Our Hong Kong Foundation Limited (2021). https://ourhkfoundation.org/hk/sites/default/files/media/pdf/20211214_OHKF_Health_Finance_Research_Report_E.pdf

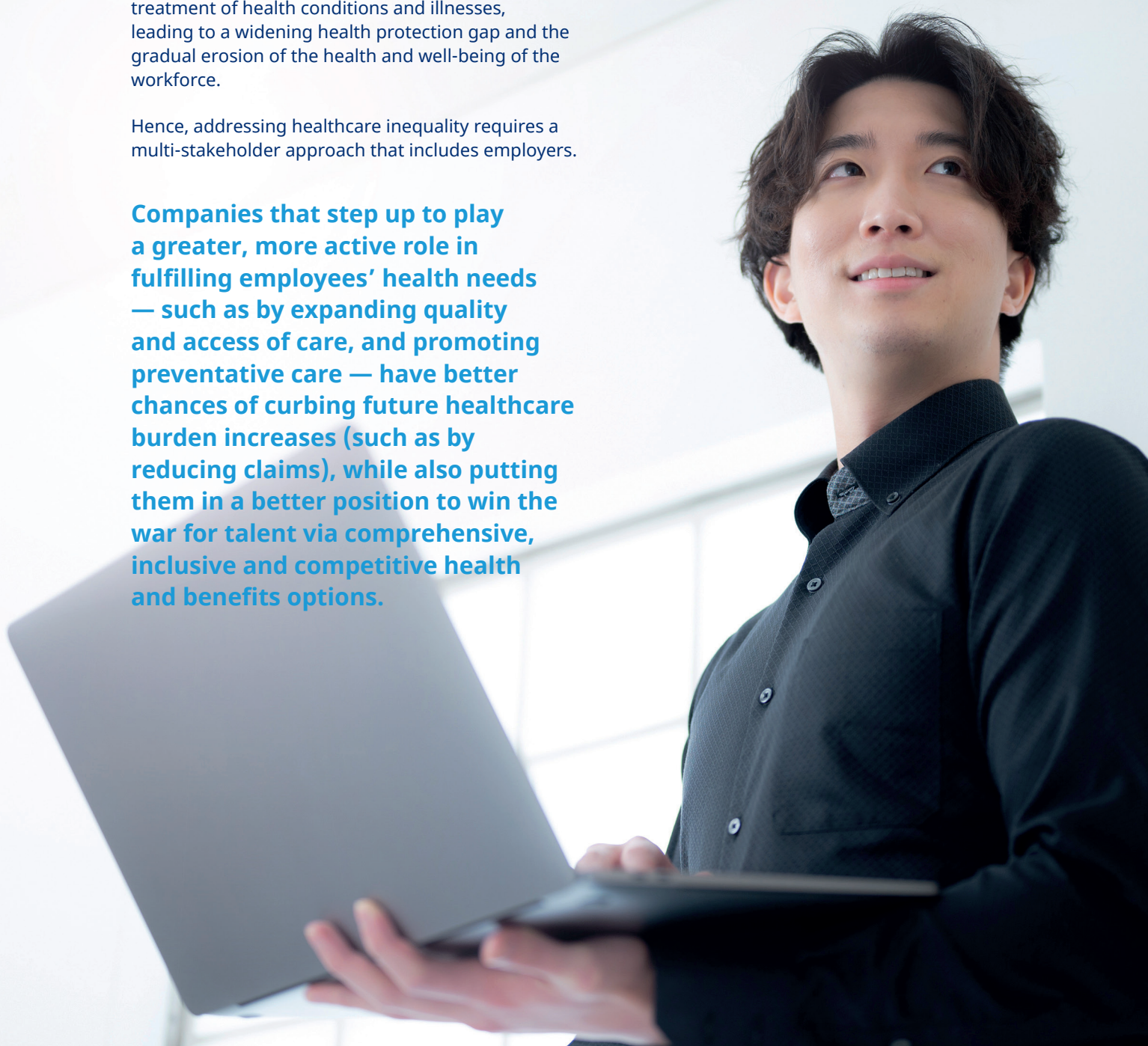
¹ Asia's health protection gap (2018). https://www.swissre.com/dam/jcr:05411fab-a11a-4537-b16f-baa77da564f9/Asia's+Health+Protection+Gap_Regional+Infographics.pdf
² Strengthening Health Infrastructure, National Health Authority, India. (2020). https://pmjay.gov.in/sites/default/files/2020-09/PMJAY_Annual_Report_2019-20.pdf

Is it time for companies and employers to step up?

Given the pressures of rising cost of living, ageing populations and continued medical inflation, companies eventually will have little choice but to address healthcare inequality and contribute more to employees' healthcare, given that government and out-of-pocket spending both have their limits and that the consequences of medical unaffordability will begin to compromise workforce health and productivity. For instance, unaffordability of medical care will cause many to delay the treatment of health conditions and illnesses, leading to a widening health protection gap and the gradual erosion of the health and well-being of the workforce.

Hence, addressing healthcare inequality requires a multi-stakeholder approach that includes employers.

Companies that step up to play a greater, more active role in fulfilling employees' health needs — such as by expanding quality and access of care, and promoting preventative care — have better chances of curbing future healthcare burden increases (such as by reducing claims), while also putting them in a better position to win the war for talent via comprehensive, inclusive and competitive health and benefits options.

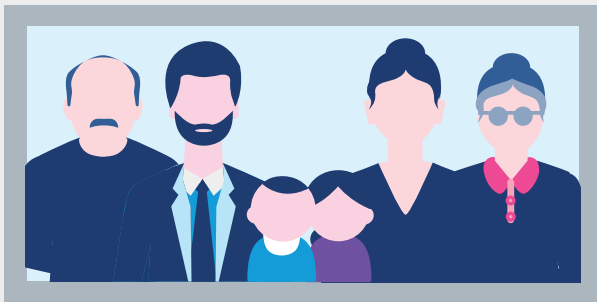


Addressing healthcare inequality: 5 areas of needs employers should focus on

To deliver the right care and benefits to the workforce, employers must first identify areas of unmet needs, focusing on these five key areas:

Family needs

Considering differences in life situations



In Asia, extended families are giving way to nuclear families due to education and urbanisation. In nuclear families, individuals are typically responsible for their own and their immediate family's health. Comprehensive health insurance for employees and their family members can alleviate employees' financial burden and stress should a family member fall ill. Flexible work arrangements and paid family leave can also help employees achieve better work-life balance.

In particular, single-parent and early-career employees require more support, as well as 'dual caregivers' — employees supporting both children and parents. According to findings in the [Mercer Marsh Benefits \(MMB\) Health on Demand 2021 report](#), one in two dual caregivers feel "somewhat stressed" every day — a figure that is expected to increase as the population of seniors in many parts of Asia grows.

To understand employees' needs and provide relevant support, employers can conduct a benefits plan audit and to also set a minimum healthcare standard for the organisation.

Questions to consider

- Do your health and benefit plans include dependent coverage at a competitive cost?
- Do your HR policies cater to working parents and dual caregivers?



Unique needs

Championing Diversity, Equity and Inclusion (DEI)



With the growing scrutiny on DEI in the workplace, employers in Asia are increasingly expected to carry these values through to their health and benefits policies for employees. Some individuals have unique needs that are not fully addressed by their community or society, and companies can play an active part in meeting unique needs and enhancing their reputation as inclusive employers in the following ways:

Mental health

Companies can support employees' mental health with counselling services, mental health awareness sessions and specialised training for managers.

Disabilities


Companies can provide disabled employees with an accessible workplace and assistive technologies to help them perform their work with less difficulty.

Gender equity and LGBTQIA

Gender equity can also be emphasised, not only in hiring and promotion practices, but also operationally such as taking proactive steps and implementing policies to ensure the safety of female employees in certain locations, like providing sponsored safe transport for female employees after hours. Where gender diversity is still a sensitive topic in some regions and employers can implement sensitivity training to foster inclusivity and LGBTQIA acceptance.

Questions to consider

- What programs do you have to build a workforce that is welcoming of differences and compassionate towards unique needs?
- How do your health and benefits plans demonstrate Diversity, Equity and Inclusion (DEI)?

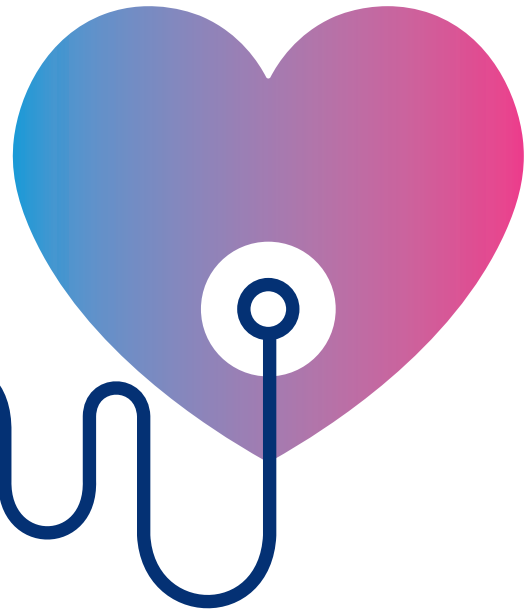



Preventative care needs

Anticipating healthcare cost drivers for win-win outcomes



Preventative care measures are key to reducing the burden of chronic ailments — such as cardiovascular diseases, diabetes and cancer — that are prevalent in Asia and are key employee health and benefits cost drivers. Via the below benefits, employers can help employees focus on preventative care while controlling costs, reducing the potential financial burden on patients' families and promoting equity through the delivery of the same level of care across all job bands:



Telemedicine services



Video doctor consultations are ideal for employees in remote areas or those with limited mobility.

Health risk assessments



Identifying potential health risks and personalising prevention plans.

Health and wellness programs



Nutrition, fitness and stress relief workshops to promote healthy lifestyles.

Flexible health insurance plans



Annual health checks, cancer screenings and vaccinations to prioritise preventative care.

Onsite medical services



Health clinics and stations for improved accessibility to preventative care services.

Health and wellness incentives



Offering incentives for employees to engage in healthy behaviours and join wellness programs.

Questions to consider

- Does your health and benefits plan include health risk assessments, and what steps are you taking to encourage the uptake of preventative screening and a healthy lifestyle?
- Have you considered offering telemedicine services to employees in locations where quality outpatient medical care may not be accessible?



Ageing needs

Enhancing the value and well-being of older workers through retirement

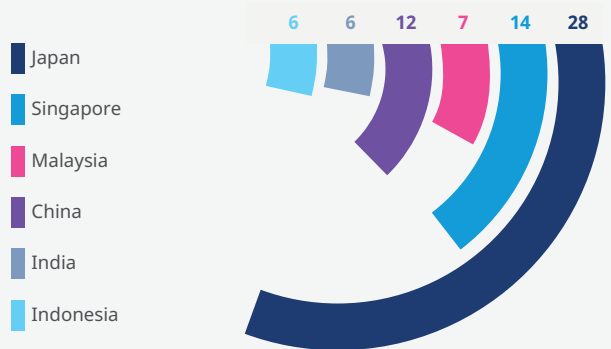


By 2030,³ Asia will be home to over 60% of the world’s population aged 65 and over. As more workers are retiring later, a more proactive approach to mitigating health risks associated with ageing is needed.

Globally, Japan has the highest percentage of greying population with 28% of its citizens aged 65 or above in 2020 — a figure that is projected to rise to 38% in 2050.⁴ Japan’s ageing population is putting pressure on its healthcare system, while rising demand for long-term care services and medical treatments has prompted the government to increase the number of medical workers and also intensify the use of healthcare technology. Singapore is facing similar challenges, with the number of its ageing population expected to double from 14% in 2019 to 25% in 2050.⁵

FIGURE B

% of population above 65 years



³ Prevention is the best medicine: Rethinking healthcare in Asia, Temasek (2018).
<https://www.ecosperity.sg/content/dam/ecosperity/en/articles/Prevention-is-the-best-medicine-rethinking-healthcare-in-asia.pdf>

With governments increasing retirement age increasing to meet challenges in labour shortages, employers in major Asian economies can consider the real-life corporate examples below in supporting ageing employees:

Health & wellness programs	Retirement planning & financial education	Technology & skills training	Inter-generational programs	Age-friendly workplace design
Samsung Electronics has a holistic health and wellness program for employees in South Korea that incorporates Korean medicine, meditation and yoga.	HSBC Bank in Hong Kong offers retirement planning seminars and financial education programs to help employees with their financial futures.	Singapore's Infocomm Media Development Authority launched SkillsFuture to help workers acquire new skills and stay competitive in the job market.	Shiseido in Japan implemented a Generational Diversity Program to promote respect and understanding between employees of different age groups.	Singapore's YCH Group has implemented ergonomic workstations, flexi-work and wellness programs to cater to the needs of its ageing workforce.

On the other hand, geographies with a younger population, such as India and China, may require more resources to address preventative healthcare measures, as well as maternal and child healthcare.

Questions to consider

- Does your health and benefits program promote healthy ageing among your workforce?
- Have you considered supporting employees in their retirement, via an employee-sponsored retirement savings plan or similar solution?

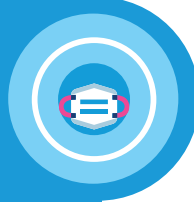


⁴ World Population Ageing 2020 Highlights, United Nations, Department of Economic and Social Affairs, Population Division (2020).
https://population.un.org/wpp/Publications/Files/WPP2020_Highlights.pdf

⁵ Singapore’s population ageing rapidly: Nearly 1 in 5 citizens is 65 years and older, The Straits Times. (2022).
<https://www.straitstimes.com/singapore/singapores-population-ageing-rapidly-184-of-citizens-are-65-years-and-older>

Climate-related health needs

Mitigating environmental impacts on well-being



Climate change is a global concern, with Asia vulnerable to increasingly frequent and severe extreme weather events including floods, droughts, heatwaves and typhoons. India, for instance, has experienced extreme weather events on 241 out of 273 days in 2022 from heat waves,⁶ cyclones to floods causing over 2700 deaths.⁷

Not only are these events costly for human life and businesses, but they may also increase the spread of infectious diseases. Pollution is also an issue, with poor air quality becoming a significant health hazard in Asia and causing about 1.2 million premature deaths in China each year.⁸

Given the effects of climate change's impact on the health of the workforce, employers should pay close attention to climate-related health risks. According to [MMB's People Risk 2021 report](#), environmental credentials are vital to attracting employees: 61% of organisations say that it is very important to the workforce and a prerequisite for shareholders and customers.

Companies are taking action: China's Tencent have pledged to achieve carbon neutrality by 2030 by using 100% renewable energy for their operations,⁹ while Singapore-based real-estate company CapitaLand has also pledged net-zero emissions by 2050 and is developing climate-resilient buildings and green spaces.¹⁰



Questions to consider

- Are you promoting green practices such as recycling and waste reduction in the workplace?
- Are you providing incentives to employees who utilise public transportation or carpooling?



⁶ In just nine months in 2022, India witnessed some form of natural disaster almost every day, says CSE's new report on extreme weather, Centre for Science and Environment, (2022).

<https://www.cseindia.org/in-just-nine-months-in-2022-india-witnessed-some-form-of-natural-disaster-almost-every-day-11466>

⁷ Extreme Weather Events Occurred for Most of 2022 in India, Killed Over 2,700: Report, The Wire (Nov 2022).

<https://thewire.in/environment/extreme-weather-events-occurred-for-most-of-2022-in-india-killed-over-2700-report>

⁸ China's air pollution linked to millions of early deaths, NPR. (2013).

<https://www.npr.org/sections/health-shots/2013/04/02/176017887/chinas-air-pollution-linked-to-millions-of-early-deaths>

⁹ Chinese tech giant Tencent pledges carbon neutrality by 2030, Reuters. (2022).

<https://www.reuters.com/business/sustainable-business/chinese-tech-giant-tencent-pledges-carbon-neutrality-by-2030-2022-02-24/>

¹⁰ CapitaLand Investment commits to Net Zero by 2050, CapitaLand. (2022).

https://www.capitaland.com/en/about-capitaland/newsroom/news-releases/international/2022/may/capitaland_investment_commits_netzero_by_2050.html

How companies can benefit from addressing healthcare inequality

By demonstrating care for employees' diverse needs via their health and benefits plans, companies can achieve these positive outcomes:

Talent retention

According to a 2022 report by Wellable Labs, 76% of companies are investing more in employee stress management and resilience resources that can help in both work situations and their personal lives.¹¹ Meanwhile, MMB's [Health on Demand 2021](#) reported that employees who had access to ten or more well-being solutions through their employer were 24% less likely to move to another company, 26% more confident they can get the healthcare they need and 15% more energised at work.¹²

Increased productivity

Employees with access to quality medical care are less likely to miss work. A Harvard Business Review study found that investing in employee wellness programs can lead to significant reductions in healthcare costs and absenteeism rates, as well as a substantial return on investment (ROI) for employers.¹³

Enhanced employer branding

Wellness programs and initiatives can play a significant role in employer branding by positively impacting the health, happiness and overall satisfaction of employees. A survey by Virgin Pulse found that 85% of companies said their wellness program had a high impact on employee engagement, retention and company culture when the wellness program outcomes were satisfactory.¹⁴

Reduction in medical utilisation in the long term

Preventative care and early intervention can help employers save on healthcare costs by reducing medical utilisation in the long term. In an interview with the Singapore Health Minister Ong Ye Kung, he revealed that the government has directed more expenditure into preventative care and initiatives, such as subsidised health screenings.¹⁵ Companies with such programs within their benefit plans can help employees' uncover health issues early and avoid costlier treatment and worse health outcomes.

Improved reputation and community relations

Taking steps to address healthcare inequality, particularly in developing countries, enhances a company's social responsibility reputation. Companies also stand to improve relations with government stakeholders and the community-at-large with investments in local healthcare infrastructure, as well as providing medical aid and accessibility for those in need.



¹¹ The Rise of Corporate Wellness to Support Employee Retention, Forbes. (2022).

<https://www.forbes.com/sites/forbesbusinesscouncil/2022/11/04/the-rise-of-corporate-wellness-to-support-employee-retention/?sh=43a746f54649>

¹² The Economic Impact of a Comprehensive Worksite Wellness Program on Medical Costs, Absenteeism, and Short-term Disability Absences.

https://journals.lww.com/joem/Fulltext/2019/09000/Using_Behavioral_Risk_Factor_Surveillance_System.8.aspx

¹³ What's the Hard Return on Employee Wellness Programs? Harvard Business Review. (2010).

<https://hbr.org/2010/12/whats-the-hard-return-on-employee-wellness-programs>

¹⁴ Study: 85% of companies say wellness programs bolster employee engagement. HRDive. (2017).

<https://www.hrdiver.com/news/study-85-of-companies-say-wellness-programs-bolster-employee-engagement/504292/>

¹⁵ Greater focus on preventive care to rein in soaring healthcare costs in S'pore: Ong Ye Kung. The Straits Times. (2022).

<https://www.straitstimes.com/singapore/health/greater-focus-on-preventive-care-to-rein-in-soaring-healthcare-costs-ong-ye-kung>

Taking the first step starts here

To play a constructive role in helping the workforce cope with rising costs and healthcare inequality, employers can take the first step by reviewing and optimising their current health and benefits programs and plan design with a trusted advisor, in a way that is targeted to address their employees' five unmet needs:

- Family needs: Considering differences in life situations
- Unique needs: Championing Diversity, Equity and Inclusion (DEI)
- Preventative care needs: Anticipating healthcare cost drivers for win-win outcomes
- Ageing needs: Enhancing the value and well-being of older workers in employment and beyond
- Climate-related health needs: Mitigating environmental impacts on well-being.

Reviewing existing health and benefits plans and closing the health protection gap with a focus on healthcare inequality is also known as 'flipping the pyramid' — an approach to plan design that focuses on delivering health and well-being benefits to groups of employees who need it more, such as providing telemedicine services to employees who live far from clinics and providing family care leave for caregivers.

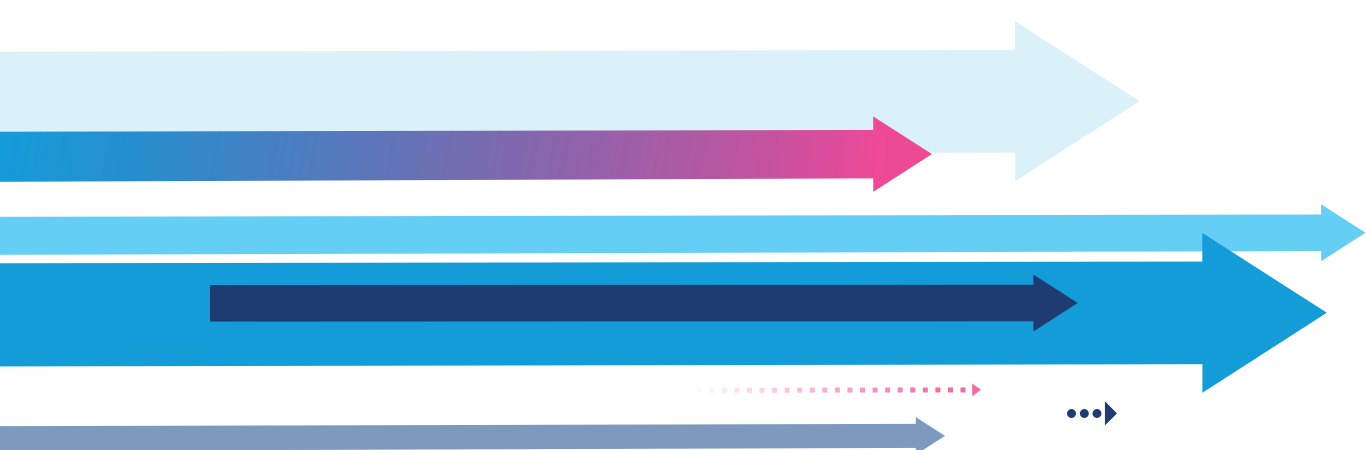
Your benefits advisor will be able to provide innovative and tailored solutions that empower you to deliver the benefits your workforce truly values and enhance your employee value proposition, while helping you anticipate and mitigate potential cost pressures and people risks.

Ultimately, well-conceived corporate health plans and benefits not only help you attain a more resilient and productive workforce, but also enable you to build a long term competitive edge as an 'employer of choice' and come out tops in the war for talent.



Speak to us

To explore equity-focused health and benefits solutions tailored to your organisation's needs and costs considerations, speak to a Mercer Marsh Benefits representative today.





Important notices

Mercer Marsh Benefits provides a range of solutions to help you manage workforce health and well-being, including:

- Brokerage of core employee benefits as well as plan design.
- Advice and support for health and well-being, including telemedicine, mental health support, diversity and inclusion, environmental/social/governance, flexible benefits, and plan member communications.
- Digital solutions to engage plan members in their health and benefits.

About Mercer Marsh Benefits™

Mercer Marsh Benefits (MMB) was born out of the unification of one of the world's most respected consultancies, the global leader in people risk advisory and the number one disruptive benefits technology firm to form one unique business. Together they have shaped some of the world's most loved employee benefits experiences for small companies, growing enterprises and global firms. MMB is 7,000 strong, on the ground in 73 countries and servicing clients in more than 150 countries. It brings local expertise to more places and works side by side with clients and Mercer and Marsh colleagues around the world. Mercer and Marsh are two businesses of Marsh McLennan (NYSE: MMC), together with Guy Carpenter and Oliver Wyman. The Company's 81,000 colleagues advise clients in 130 countries. With annual revenue over \$20 billion, through its market-leading companies, Marsh McLennan helps clients navigate an increasingly dynamic and complex environment.

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