

HOW ARTIFICIAL INTELLIGENCE WILL TRANSFORM EMPLOYEE BENEFITS

Artificial Intelligence (AI) is coming for benefits. AI is not just going to change the way benefits are administered but will have a more dramatic impact on (1) the delivery of benefits programs to individual employees in a very personalized way, and (2) the predictive analytics that employers and consultants will access to make decisions around programs.

KEY POINTS

- State of the market
- AI's impact on benefits verticals: healthcare, retirement, voluntary insurance, life, and wellness
- Putting the pieces together
- Necessary actions and safeguards to get us there

State of the employee benefits market

In the wake of the COVID-19 pandemic, employee benefits have surged to the forefront like never before. Now as the world navigates an uncertain economic landscape with high inflation and an impending economic slowdown, whether they want to or not, companies have to focus on right-sizing their benefits in this new normal.

Against this backdrop, employees have started demanding more. Employees expect benefits platforms to provide real-time answers and personalized guidance, just as they receive tailored recommendations when shopping online or streaming content. It's not just about convenience; it's about meeting the expectations of a digital-native workforce that for the first time represents the largest percentage of workers. And a lot is at stake. In employee benefits, transparency and timely information can have a direct impact on a family's well-being and financial security.



50%

**of Americans carry
medical debt**

Some organizations may be able to argue that their benefits programs are best in class. However, on balance, the benefits industry as a whole has failed the American consumer. A staggering 50% of Americans are in medical debt, 60% forgo essential medical care for fear of costs, and 60% of the population is not prepared for retirement.

It's not that employers don't want to provide employees better benefits and support. It just comes down to costs - both human and financial. In the US, on average 30% of total compensation goes to pay for employee benefits, about half is spent on healthcare, and half is spent on other benefits like retirement. And these costs are climbing. In 2024, healthcare expenses are set to surge by 6.5%, marking the highest spike in a decade. This coincides with companies limiting hiring in HR departments, asking teams to do more with fewer resources.

6.5% **projected increase in
healthcare expenses in 2024**

Artificial intelligence (AI) could not have arrived at a better time for the industry. AI promises to decipher the individual needs and preferences of employees, streamline enrollment, generate transparency, particularly in healthcare, and, improve personalized support. Perhaps more significantly, AI will allow People teams to make data-driven decisions to better support their teams and reduce costs.

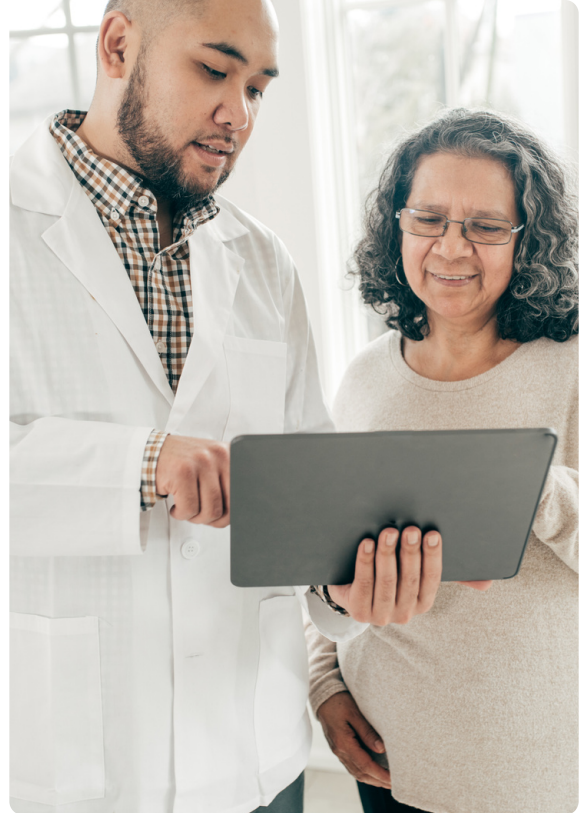
In the following analysis, we describe how AI will impact employer-provided **health insurance, 401(k) and retirement planning**, distribution of **voluntary insurance**, and **employee life and wellness programs**. Additionally, we will explore how AI can revolutionize how companies select, provide, and assess the effectiveness of their programs.

Employee benefits pillars



Health Insurance and AI

Envision a future where AI can predict healthcare expenses for individuals, surface the probability of scenarios, and understand individual requirements like risk capacity and preferences. Employees will have the tools to easily assess every conceivable combination of health plans, savings accounts, and voluntary insurance options, including the plans at a spouse's employer, enabling them to make informed choices, minimizing costs for their families and their employer.



With AI, employees will seamlessly navigate toward preventive care and healthcare providers that offer the best value and optimal outcomes. What's more, a 24/7 personal advisor will be at each employee's disposal, guiding them away from costly decisions and facilitating access to specialized health programs when required.

Thanks to the potential of AI, this future is on the horizon, at a cost so low that even the smallest employers will be able to offer these tools to their teams. Employees will soon have access to a connected benefits experience, personalized to them and their family members, driving enhanced health outcomes. Meanwhile, companies will access predictive analytics that will enable them to deliver better quality benefits programs at lower costs.



The Future of 401(k) and Retirement Benefits

Imagine a retirement plan specially tailored for each unique employee, allowing them to assess their financial situation and receive investment advice, regardless of the size of their account.

We see a future where AI makes retirement education more personalized and accessible. By analyzing vast datasets and getting to know each individual, AI can support more employees in reaching their retirement goals. Through multi-channel personalized engagement, we can educate more early career employees about the power of investing early. We can touch people in a personalized way, at the right time, like reminding employees to put more money away when they get a raise.

AI can support individuals to understand how much to save, how to invest, whether to contribute traditional or Roth, and when to rebalance their portfolio, answering questions at scale and giving advisors the ability to take on smaller accounts for the personal touch that will always be needed when it comes to retirement and finances.

The future of 401(k) and retirement benefits is one where incumbents introduce AI into their processes and user experience to engage the 60% of employees that aren't on track to reach their retirement goals.



AI-Enabled Voluntary Insurance

Choosing the right insurance coverage has always been a complex and, at times, perplexing process. But AI is stepping in to simplify and personalize the experience. Imagine voluntary insurance offerings – like life, disability, hospital, accident, and critical illness insurance – that are presented in the context of your personal needs. If you're worried about future health scenarios or you're prone to end up in the emergency room, AI can read your data and help you get additional coverage to reduce out-of-pocket expenses.

One of AI's most significant contributions to voluntary insurance so far has been the streamlining of claims processing. Claims that once took weeks to adjudicate can now be processed in a matter of hours, thanks to AI's data processing speed and accuracy. Additionally, AI is a formidable tool in detecting fraudulent claims, thus reducing costs for both insurance providers and policyholders. We're excited about this because of the promise to reduce premiums and make coverage more widespread and easier to elect for more families.



We see a future where AI's predictive analytics redefine voluntary insurance. By analyzing employee's health and lifestyle data, AI offers tailored coverage recommendations, ensuring each family has just the right protection without unnecessary costs. This future is a far cry from the clunky paper-based selection process most of us are used to when it comes to voluntary coverage.

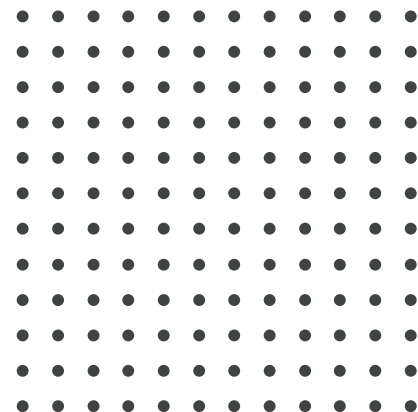
Elevating Life and Wellness Programs with AI

Employee wellness programs have long been a staple in the corporate world. However, they have often been one-size-fits-all endeavors, failing to fully engage and motivate employees. AI is here to change that paradigm.

Imagine a wellness program tailored precisely to each employee's individual needs and preferences. AI can analyze their health data, including fitness levels, dietary habits, and stress indicators, in order to create customized wellness plans for each member. This approach not only boosts participation rates but also delivers more tangible results.

We also see a future where all the other benefits offered by companies actually get some time of day. AI can understand the life stage, demographics, and triggers that lead an employee to need EAP support, childcare, commuter programs, or even a day off from work. This means less wasted spend on benefits that no one uses, and more affirmation of your culture to support employees in and out of the office.

The impact of AI on employee wellness is profound. It leads to a happier, healthier, and more engaged workforce, ultimately translating into higher morale, increased productivity, and reduced healthcare costs for employers.

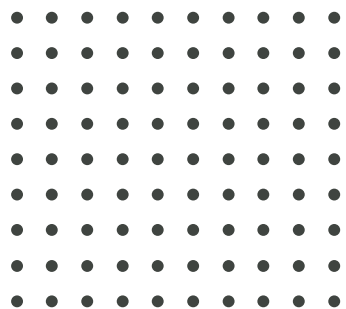


Putting the pieces together

Portfolio of Benefits

Say goodbye to the old days of drowning employees in individual PDFs and webinars when it's open enrollment time. People don't want to think about their benefits one-by-one - everything comes out of the same paycheck.

We're in a new era where AI steps in to build a benefits package tailored just for you, taking into account your health and financial goals in one go. This smart approach helps employees make the most of all the benefits on the table, making things smoother and keeping teams happier. Companies that don't jump on this bandwagon might find themselves falling behind in the ever-changing world of employee benefits.



Engaged employees = retention

Engaging employees and retaining talent hinges on effective benefits communication. Mere enrollment meetings won't cut it – benefits are complex, and people often struggle to recall their details when needed. To ensure understanding, communication should be consistent and personalized, using data-driven nudges rather than lengthy, infrequent emails. This approach keeps employees engaged all year round, and they become the key to holding onto your talented team.

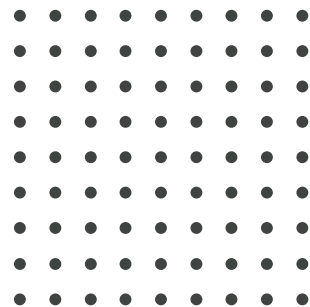
Better advertising = attracting talent

To truly attract top talent, it's essential to enhance your advertising efforts with AI-driven strategies. You won't receive due credit for your benefits unless you provide candidates with the tools to understand them and adapt your programs real-time based on market feedback. By tracking what matters most to candidates with a modern candidate experience that brings your benefits package online and offers engagement insights, you can continually refine your offerings to remain competitive.

Aggregate analytics

Artificial Intelligence empowers companies to enhance their decision-making processes by leveraging data-driven insights to optimize resource allocation. By centralizing engagement data, organizations gain the ability to assess the effectiveness of specific solutions in managing healthcare expenses and can fine-tune plan designs for superior outcomes.

Times past since companies relied solely on outdated survey data to determine which programs to provide. The future is driven by the transformative power of data and AI, reshaping the corporate landscape.



Necessary actions and safeguards to get us there

Regulatory Compliance

We must remain cautious about the data that powers AI models to ensure an equitable delivery of benefits across organizations. Additionally, determining liability becomes crucial in cases like 401k investment advice, where AI is involved in decision-making. Establishing accountability and regulatory frameworks is key to managing this challenge while harnessing AI's potential.

Data Sharing

We've found that employees are increasingly open to sharing their data when it directly benefits them. With Millennials now the dominant generation in the workforce and their digital-native mindset, concerns about data sharing are diminishing.

Data Security

In AI-driven employee benefits, data security is critical. It involves safeguarding sensitive employee data, preventing breaches, complying with privacy regulations, and maintaining ethical data practices, all of which are essential to form the foundation for trustworthy and effective AI-based employee benefits programs.

Genuine vs. Posturing

In the world of AI in HR, where we're all about improving the experience for both companies and employees, it's crucial to tell the real deal from those just pretending to be in the game. Figuring this out is a tough nut to crack for companies aiming to make real strides in this field.

Pasito

About Pasito

Pasito uses data and AI to simplify the world of employee benefits so more families can live healthier lives and retire with dignity. Pasito's benefits intranet, decision support, and communications software is connected to 950 carriers, over 200 payroll providers, and the claims of 274 million Americans. Our platform uses bank-level encryption that protects customer data and complies with the highest security standards, including SOC 2 and HIPAA. Pasito is the benefits engagement partner of choice for forward-thinking employers.

About the Authors



Pauline Roteta, CFA, CFP® is the Co-Founder & CEO of Pasito. Before Pasito, Pauline was a Senior Investor and Portfolio Manager at BlackRock, the world's largest investment manager. At BlackRock, she developed data analytics and risk management strategies for private market investments. Pauline graduated from Vanderbilt University's School of Engineering, she's a Fulbright Scholar, and a proud member of the Latinx community.



Julie Scotland is the Co-Founder & CGO of Pasito. Julie has 16+ years in the tech industry, focused on growth, marketing operations, and communications. Before Pasito, Julie ran Migration Marketing Consulting, where she led go-to-market and growth strategies for technology companies. Julie led the MyCase Marketing team at SaaS technology unicorn AppFolio. She holds a Bachelor's degree in Communications from LMU.