CENTRAL ILLINOIS HR CONFERENCE • JULY 31, 2026

Designing Better Benefits

Strategies That Control Costs and Strengthen Retention

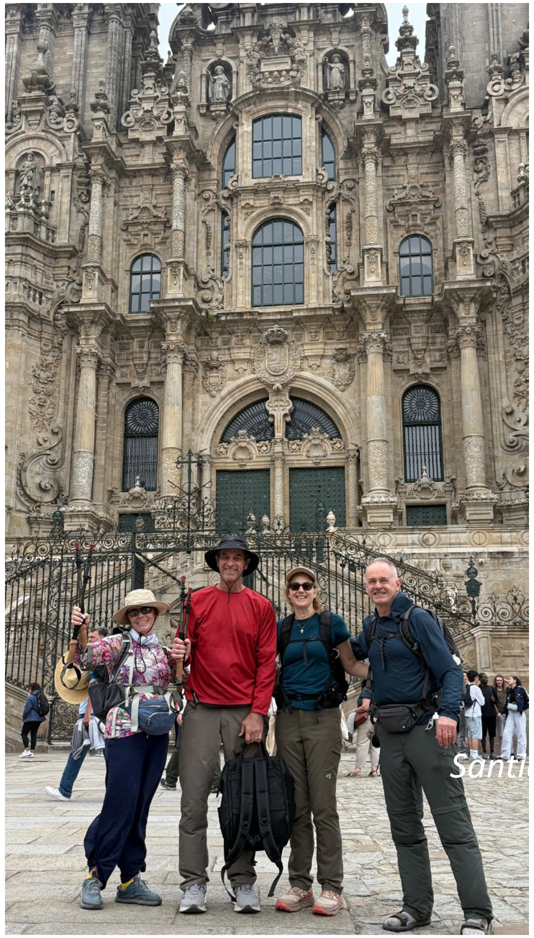
Heather Acerra
Cottingham & Butler

HEATHER ACERRA

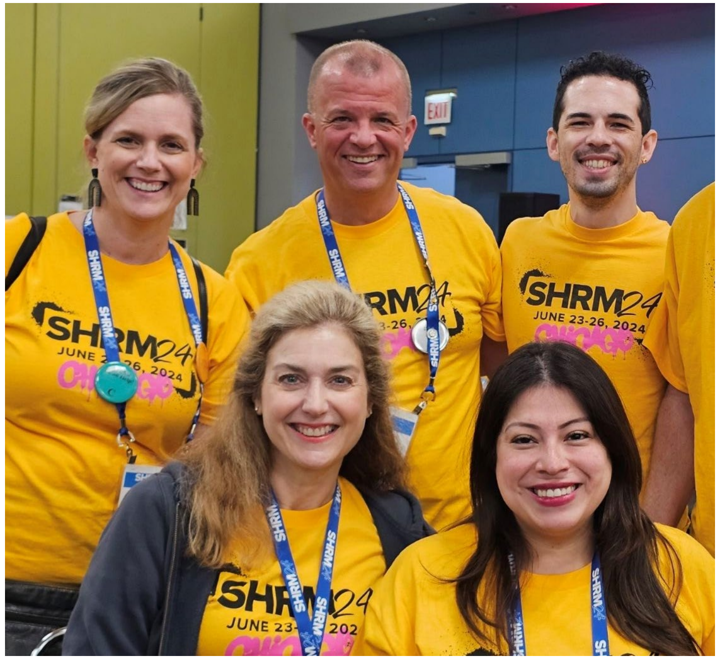
Employee Benefits Consultant

Cottingham & Butler

- 20+ years in HR leadership & total rewards
- Former client of C&B
- HRA of Greater Oak Brook — Board Member
- College Relations Director, IL SHRM
- Camino de Santiago — 71.5 miles



Camino de Santiago · June 2026



SHRM National Chicago · June 2024

SESSION OBJECTIVES

What You'll Walk Away With

Identify the key benefits trends shaping employee expectations in 2026

Understand the primary drivers of rising benefits costs — and strategies to manage them

Recognize how benefits support — but don't solely drive — employee retention

ACT I

Why This Conversation Matters

The New Reality

Rising Healthcare Costs Are Squeezing the Budget

96.5%

Increase in healthcare spend since 2008

Kaiser Family Foundation; 2025 Milliman Medical Index

$20,369

Employer cost for a family of 4

$14,749

Employee cost* for a family of 4

Right now, the price of every benefit is climbing — on both sides of the ledger.

**Employee cost includes out-of-pocket costs + contributions*

Cost Drivers: Who's Pulling the Strings

Six players in the healthcare supply chain — each with incentives that don't naturally align with yours.

Government

Hospitals shift Medicare/Medicaid cost-cutting onto commercial insurance

Hospital Systems

Consolidation and vertical integration keep pushing prices up

Insurance Carriers

Little incentive to manage costs below the ACA's 85% spend floor

Pharma — incl. GLP-1s

Specialty drugs and GLP-1s (Ozempic, Wegovy, Zepbound) are the fastest-growing cost category; US brand prices run several times higher than the rest of the world

PBMs

The most opaque link in the chain — vertically integrated, rebate-driven

Traditional Brokers

Incentive to maintain the status quo, not challenge it

Employee Expectations Continue to Evolve

“I want my job to support my whole life — not just my paycheck.”

“Flexibility matters as much as salary.”

“I want to feel like a person, not a headcount.”

Trending Benefits in 2026

What's showing up on employees' wish lists — beyond the standard plan.

Family-Building Benefits

Fertility, adoption, and surrogacy support

Caregiver & Eldercare Support

Backup care and caregiving leave, distinct from parental leave

On-Demand Pay

Earned wage access between paychecks

Student Loan Repayment

Employer contributions toward existing debt

Menopause & Midlife Health

A newly named, fast-growing support category

Pet Insurance

Low-cost, high-visibility voluntary perk

HR's Balancing Act

- Rising healthcare trend
- Tighter total-comp budgets
- Competing for talent

- Demand for flexibility
- Whole-person wellbeing
- Prove ROI on every benefit

HR leaders are being asked to deliver more value with limited resources.

Why This Matters Now

Rising Stakes

Healthcare trend shows no sign of slowing — every renewal raises the stakes.

The Workforce That Stays

The workforce that stays is the one that feels genuinely supported, not just insured.

A Clear Framework

Without a clear framework, benefit dollars get spent on habit, not on value.

“If we can't afford to invest in every benefit, how do we decide where to invest?”

ACT II

How Should Employers Decide Where to Invest?

Understanding What Employees Value

What National Research Tells Us

1. **Total Rewards**
2. **Six Drivers of Retention**
3. **Four Pillars of Wellbeing**

Total Rewards Is Bigger Than the Benefits Plan

The combination of benefits, compensation, and rewards an organization provides to attract and retain employees.

Base Salary	Variable Pay	Medical Benefits	Non-Medical Benefits	Retirement Savings
Paid Time Off	Career Development	Recognition	Health & Wellness	Flexibility

Six Drivers of Employee Retention

1

Compensation & Benefits

2

Work-Life Balance

3

Career & Growth Opportunities

4

Company Culture

5

Leadership & Management

6

Workplace Wellbeing

Four Pillars of Whole-Person Wellbeing

WHOLE-PERSON WELLBEING

Physical

- Virtual / onsite primary care
- No-cost PCP & generic Rx
- Care navigation

Mental

- Year-round EAP education
- Reduce stigma top-down
- Mental Health Playbook

Financial

- Transparent pay & growth
- Lifestyle savings accounts
- Life & disability coverage

Social

- Hybrid & flexible hours
- Parental & caregiving leave
- Employee Resource Groups

“That's what most employees value. But how do we know what OUR employees value?”

The Usual Toolkit — And Its Limits

Benchmarking

- Shows what's popular in the marketplace
- Methodology varies survey to survey
- Breeds “follow the leader,” not “be the leader”

Employee Communication

- Broker + marketing can surface opinions
- Only as good as who shows up to listen
- Rarely quantifies trade-offs

Standard Surveys

- Good starting point for interests
- Must be promoted well or participation suffers
- Scores items independently — no real trade-offs

Enter Conjoint Analysis

Think of it like choosing between TVs — you don't rate price, screen size, and features separately. You trade them off against each other.

BRAND A

- $799 • 55" screen
- Smart TV, no voice remote
- Standard 60Hz refresh rate

BRAND B

- $1,199 • 65" screen
- Basic (non-smart), voice remote
- 120Hz refresh rate

Benefits work the same way: PTO, flexibility, salary, and healthcare all compete for the same budget — conjoint analysis shows which ones employees would actually trade.

Every Answer Sounds Good — Until There's a Cost

A WISH LIST

“Would you like better PTO?”

“Would you like a lower deductible?”

“Would you like more flexibility?”

Answer: Yes, to everything. No cost attached, so nothing is actually ranked.

A FORCED TRADE-OFF

“Would you give up $50/month in salary for 3 extra PTO days?”

Answer: it depends — and that dependency is exactly the signal. Forcing a real trade-off reveals what employees actually value most.

That's the whole difference between a standard survey and conjoint analysis — and it's what a benefits budget has to be built around.

Cottingham & Butler Pilot: A Real Choice Task

Employees didn't rate features one at a time — they chose between full bundles built to equivalent dollar value, like this one:

PROFILE A

- $50/month lower health premium
- Current PTO schedule (15 days)
- In-office, 5 days/week

Built to roughly equivalent dollar value

VS

PROFILE B

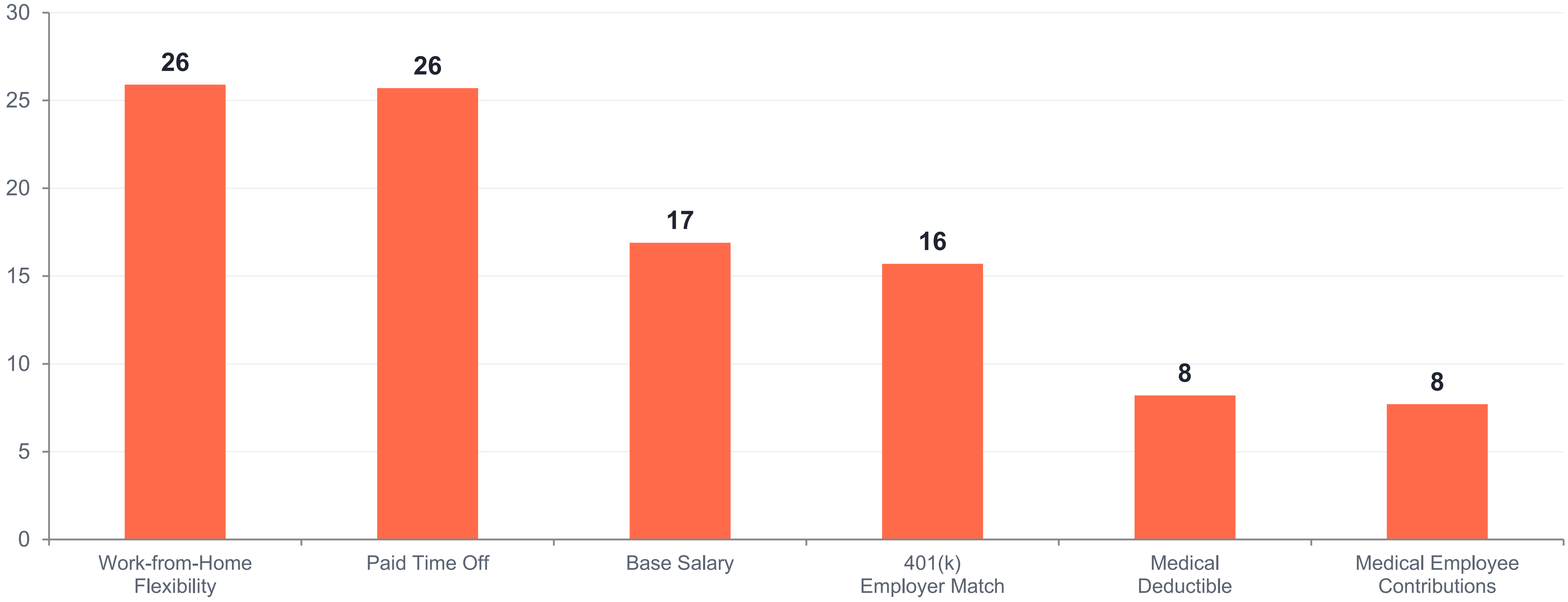
- Current health premium (no change)
- 18 PTO days (+3 vs. current)
- Hybrid schedule (2.5 days remote)

Built to roughly equivalent dollar value

Each respondent saw several randomized comparisons like this one, mixing healthcare, PTO, flexibility, salary, and retirement — not one feature rated in isolation.

83% participation • 1-week survey window • 6 real benefit features tested

What Mattered Most: Feature Importance



Source: Cottingham & Butler Pilot Optimization Program conjoint survey results

Five Things the Data Taught Us

- PTO & flexibility were the top value drivers across nearly every segment — PTO had the most room to add value.
- Taking a reward away hurt far more than adding a new one helped — loss aversion is real.
- Rewards with a delay before use (health insurance, retirement) had lower perceived value.
- Compensation level was the segment with the greatest variance from the average employee.
- Fully remote work would not add meaningful additional utility for most employees.

“Now that we better understand what employees value, how do we design a strategy around it?”

ACT III

Practical Strategies HR Can Control

Designing Better Benefits — A Decision Framework

How Do You Decide Where to Invest?

Two steps, in order.

STEP 1

Run It Efficiently

Make sure the must-haves — healthcare chief among them — are managed and funded as efficiently as possible before you decide anything else.

- Self-funding & performance networks
- Independent, transparent PBM
- Value-based plan design

STEP 2

Determine Value With Data

Use conjoint analysis and your other tools to fine-tune the must-haves and decide — and tweak — everything else.

- Fine-tune contribution & deductible levels
- Prioritize PTO, flexibility, salary, retirement
- Revisit every renewal as data & workforce shift

Levers to Run Your Must-Haves Efficiently

Before you touch the value question, make sure the funding and delivery model itself isn't leaking money.

Self-Funding

- Shift risk and control back to your organization
- Pay actual claims instead of fixed premium
- Full visibility into where dollars go

Performance Networks / RBP

- Direct care to higher-value facilities
- Reference-based pricing caps what's paid
- Often pairs with care navigation support

Independent PBMs

- Remove vertically-integrated conflicts of interest
- Transparent pass-through pricing on drugs
- Lower-cost generic & biosimilar steering

Defined Contribution Strategy

- Predictable, capped employer cost
- Employees choose the plan that fits them
- Shields budget from year-over-year spikes

Value-Based Plan Design

- Reward quality, appropriate care over volume
- Incentivize preventive & primary care use
- Ties provider payment to outcomes

Conjoint Data Does Double Duty

The same choice data that ranks PTO and flexibility also lets you infer how much deductible or contribution change employees will tolerate.

Fine-Tune the Must-Haves

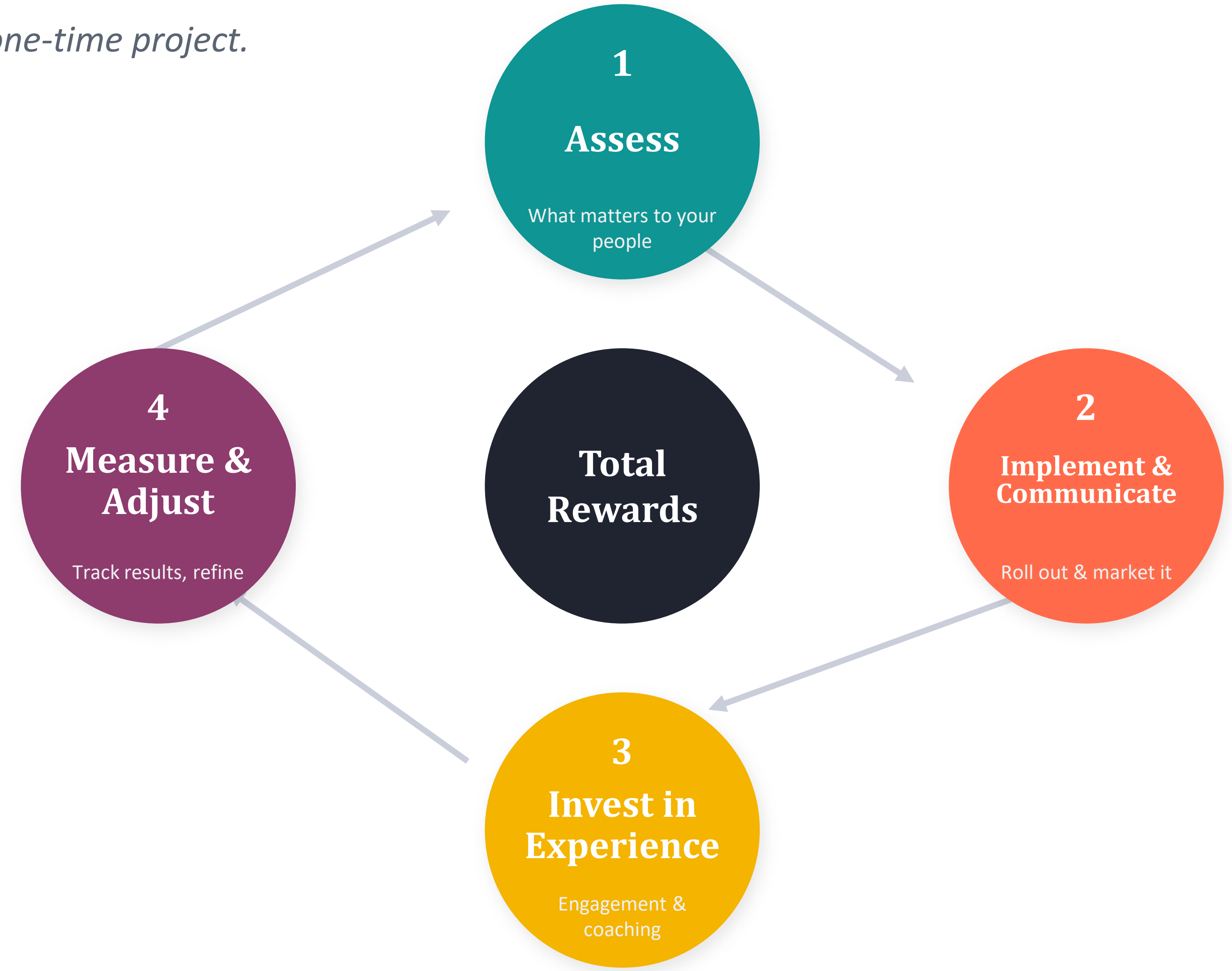
- Where does the utility curve for deductible level drop off sharply?
- What contribution level starts to outweigh other rewards in value?
- These are inferred from the data, not asked directly

Decide — and Tweak — the Rest

- Rank PTO, flexibility, salary, and retirement
- Spot where you're overinvesting for the value returned
- Re-run every 2–3 years as the workforce shifts

Employer Roadmap to Optimize Total Rewards

A continuous loop, not a one-time project.



Once You've Decided — Market What You Have

Your Marketing Department

An underused partner — treat benefits like a product worth promoting

Your Broker, Year-Round

Not just at open enrollment — build a 12-month communication plan

Emphasize the Value You Have Today

Physical, Mental, Financial, and Social — most employees underestimate it

Measurement & Continuous Improvement

1. Track participation, satisfaction, and utilization — not just cost
2. Re-run preference research every 2–3 years as the workforce shifts
3. Compare renewal-to-renewal trend against your peer benchmark
4. Treat every plan-year change as a small, measurable experiment

ACT IV

Never Lose Sight of the Human Side

Benefits Are Only One Part of Total Rewards

What has the single biggest impact on employee experience?

THE BOSS

Leaders Create Engagement

70%

of the variance in team engagement is explained by the manager alone — more than any other factor measured.

Gallup, State of the American Manager

Leadership, Recognition, Culture, Experience

Leadership

- Managers who coach, not just supervise
- Regular 1:1s, not just annual reviews
- Trained to have real career conversations

Recognition

- Consistent, specific, and frequent — not just annual
- Peer-to-peer recognition programs
- Public praise tied to real behaviors

Culture

- The everyday behaviors people actually experience
- How mistakes and conflict get handled
- Whether values show up under pressure

Employee Experience

- Every touchpoint, from hiring to exit
- Onboarding that actually onboards
- Exit interviews that feed back into change

Benefits Support — But Don't Solely Drive — Retention

Compensation & Benefits	**Work-Life Balance**	**Career & Growth**
Company Culture	**Leadership & Management**	**Workplace Wellbeing**

ACT V

Bringing It Together

Five Questions Every HR Team Should Ask

1. *Do we know what our employees truly value?*
2. *Are we investing in the right places?*
3. *Are we communicating the value we already provide?*
4. *Are our leaders reinforcing the employee experience?*
5. *What is one improvement we can make before next year's renewal?*

“Every benefit decision is an investment decision.”

The goal isn't to spend more. The goal is to invest more intentionally.

Questions?

I am here to help — please reach out anytime.

Thank you.

Heather Acerra
Cottingham & Butler
309-335-5586
hacerra@cottinghambutler.com