CIGNA LIFE CONNECTED

# Financial well-being report

Together, all the way.®

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# BACKGROUND

A key component of Cigna's commitment to whole person health is financial well-being. So, we have a vested interest in better understanding the state of our customers' financial well-being and the impact that different plans and solutions have on their consumption of care.

Even before the significant economic struggles as a result of COVID-19, when the economy was consistently growing and unemployment was at an all-time low, financial well-being remained a constant challenge for many Americans. This was due to a combination of years of increasing student debt, housing costs and medical expenses. As a result, many people exhibited heightened levels of overall stress, delayed necessary treatments or rationed prescriptions, and substituted preventive care with reactive care. Over time, this led to worsening health and financial well-being.

Cigna conducted an analysis of more than four million customers over 24 months to analyze their health care savings behaviors and the impact it had on their care consumption, determining variances by consumer segments. We've released our findings to help our clients get a sense of the financial challenges their employees might be facing, understand the impact these challenges can have on their health, and find solutions to help customers improve their financial well-being and overall health.

# Financial challenges facing American workers

Since health and wealth are interconnected, a significant decline in one can have an enormous impact on the other. 58% of workers say they experience physical symptoms due to their personal finances, including anxiety, lost sleep, low energy, nervousness, headaches and upset stomach.[1] If these concerns continue over time, they can have a damaging impact on health.

Customers experiencing health struggles also face significant financial hardship. 64% of cancer survivors under age 65 incur significant debt, declare bankruptcy, or forgo or delay follow-up care.[2]

Macro trend challenges to Americans' financial well-being include:

- **A general lack of savings:** >40% of workers say they don't have enough savings to cover an unexpected expense of $400, and >60% of workers don't have enough savings to cover a $1,000 expense.[3]
- **Burgeoning student loans:** The average student loan balance per borrower is over $35,000, with total outstanding student loan debt reaching $1.4 trillion in 2019.[4]
- **Rising caregiver burden:** 1 in 6 American workers is also a caregiver for a parent or disabled family member or friend.[5] 62% of caregivers say that the cost of caring for a parent has impacted their ability to plan for their own financial future.[6]
- **Unresolved medical debt:** 59% of people contacted by a debt collector say the exchange was over medical bills. The most common type of contact stemmed from an overdue bill.[7]
- **Stagnant wage growth:** Over the last 10 years, the average health spending by families with large-employer health plans has grown twice as fast as wages.[8]

**These are often barriers to customers being able to save for unexpected expenses, so it's not surprising that workers often struggle to pay for necessary medical treatment.**

**This increase in financial stress not only impacts health, but also employee productivity and absenteeism, costing U.S. employers an estimated $500 billion.[9]**

While high deductible health plans (HDHPs) have faced the brunt of the criticism, it is common for copay plans to have deductibles in excess of $1,000.

# The health care savings gap

After analyzing data from four million customers, we found that the average balance in any given plan year was $2,855, and comprised of 66% employee contributions, 25% employer contributions, and 9% year-over-year retained savings.[10]

In 2019, HDHPs came with a minimum annual deductible of $1,350 for individuals and $2,700 for families. To cover these deductibles, customers were permitted to put up to $3,500 for individuals and $7,000 for families in pre-tax contributions into a health savings account (HSA) in 2018.[11] But because many people are living paycheck to paycheck, the majority of Cigna customers did not save in advance to prepare for larger out-of-pocket expenses, saving only enough to cover their expenses in any given plan year.

The relatively small number of customers who did save the maximum HSA contribution limits helped to mask the consumers who weren't saving nearly enough. Further analyzing HSA saving by Cigna consumer segments revealed the underlying variability in savings behaviors and helped provide some insight into what was holding customers back from saving more.

Interestingly, the segments comprising both our most prolific savers and our most challenged savers were males who were married with children. While Distracted Breadwinners may be slightly older on average, both groups are mostly upper middle age and dealing with chronic conditions.

**CONTENT & IN CONTROL**
The most prolific savers[10]

- Represent 8% of Cigna customers[12]
- Average balance $3.5K
- Average contribution $2.5K
- 6% with <$50 saved
- 26% with <$500 saved
- High satisfaction around current life stage
- Married, higher education and assets
- Higher number of conditions, but high compliance
- Lower frustrations with health insurance and cost

**DISTRACTED BREADWINNERS**
The most challenged savers[10]

- Represent 7% of Cigna customers[12]
- Average balance $1.6K
- Average contribution $1.9K
- 15% with <$50 saved
- 43% with <$500 saved
- Discontented with where they are in health
- Skews male, middle age, married, larger family, lower education and assets
- Low annual check-ups, some chronic conditions, inactive, highest body mass index (BMI), smokers

While some demographics were similar, the two major differences between the segments was their engagement in their health and their capacity to save. Content & In Control consumers were proactive about managing their conditions and also had higher incomes and more assets to contribute toward their care. Distracted Breadwinners were often dissatisfied with their health, but less likely to take proactive steps to improve it. They had the highest BMI of any consumer segment and were more likely to have chronic conditions that they weren’t managing well. Distracted Breadwinners also had lower than average incomes and lower levels of education, both of which interfered with their ability to save proactively for unexpected expenses.

Busy Healthy & Employed and Aspiring Singles were the two most common consumer segments, combining to make up nearly half of Cigna's customer population. As our second most prolific segment of savers, Busy Healthy & Employed had similar savings levels to Content & In-Control, but were healthier, younger, and tended to have slightly lower incomes.

**BUSY, HEALTHY & EMPLOYED**
2nd most prolific savers[10]

- Represent 29% of Cigna customers[12]
- Average balance $3.6K
- Average Contribution $2.2K
- 7% with <$50 saved
- 26% with <$500 saved
- Satisfied with life, welcomes challenges
- Skews male, age 30–49, married, children
- Healthy, high exercise, low BMI, but low annual check-ups, high alcohol consumption

**ASPIRING SINGLES**
2nd most challenged savers[10]

- Represent 23% of Cigna customers[12]
- Average balance $2.0K
- Average Contribution $1.3K
- 9% with <$50 saved
- 37% with <$500 saved
- Healthy and optimistic about the future
- Gender neutral, age 26–29, ethnically diverse
- Low preventive care, low doctor visits
- Low perceived value of health insurance

In comparison with other segments, Aspiring Singles were quite young and healthy, but since they weren't likely to have many health care expenses and had large amounts of student loan debt, they had less of an opportunity to accumulate savings. These factors contributed to Aspiring Singles being our second most challenged segment of saver.

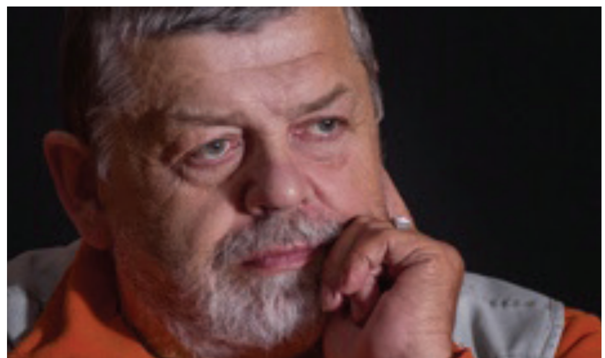
## The consumer segments in the middle of the pack for health care savings

The remaining customer segments all fell into fairly similar savings ranges. While Self-directed Intensive Users had higher contribution rates and balances than the other segments, their heavy consumption of care had a significant impact on their ability to save. 30% of customers in the Self-directed Intensive Users segment had an HSA balance of less than $500.[10]

Concerned Mature Copers had the lowest contribution of these segments, likely because they had lower than average income and might have also had multiple chronic conditions. Segments that skewed middle age and female (Stressed and Seeking Help, Cost Conscious Conservatives and Self-directed Intensive User) were all more likely than other segments to be caregivers, either for aging parents or kids. Being a caregiver often results in higher levels of stress, and lower levels of savings for unexpected or upcoming medical procedures.

**COST-CONSCIOUS CONSERVATIVES**
Average savers[10]

- Represent 16% of Cigna customers[12]
- Average balance $2.5K
- Average contribution $1.7K
- 7% with <$50 saved
- 26% with <$500 saved
- Cares most about family and community
- Skews female, married, large family, inactive
- Anxious about health care costs and quality



**CONCERNED MATURE COPERS**
Average savers[10]

- Represent 4% of Cigna customers[12]
- Average balance $2.2K
- Average contribution $1.3K
- 7% with <$50 saved
- 26% with <$500 saved
- Oldest segment, skews retired, lower income
- Highest number of conditions, second highest total medical cost
- Anxious about health care costs
- Most satisfied with insurance experience

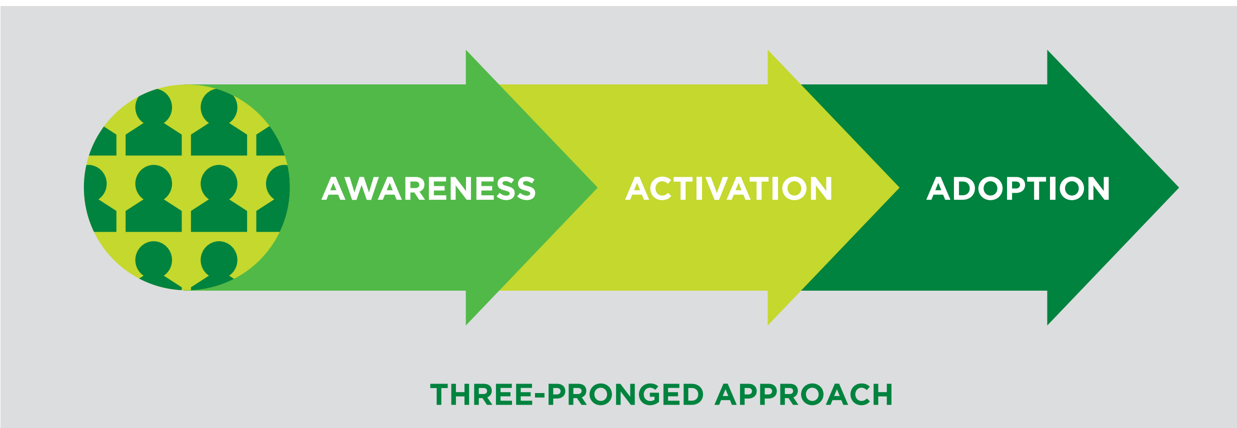
**STRESSED & SEEKING HELP**
Average savers[10]

- Represent 8% of Cigna customers[12]
- Average balance $2.1K
- Average contribution $1.5K
- 9% with <$50 saved
- 13% with <$500 saved
- Wants to get ahead, but under high stress
- Skews female, age 30–49, lower assets
- Very willing (and always looking) to try new things
- Needs an advocate and will pay more for health care

**SELF-DIRECTED INTENSIVE USERS**
Average savers[10]

- Represent 6% of Cigna customers[12]
- Average balance $3.0K
- Average contribution $2.3K
- 7% with <$50 saved
- 33% with <$500 saved
- Most active, lowest BMI
- Skews female, married with higher assets, high education
- Potential over user of the system
- Seeking convenience, quality and no surprises

# What you can do to support your employees' financial well-being




## AWARENESS

**Understand your employees' financial well-being needs.**

It's important to recognize that different groups of employees have different needs, so there's no single solution that will be equally effective for all of them. By applying Cigna's consumer segmentation to your employee population, we can help you better understand the financial well-being needs of your employee population. It may also be worthwhile to survey your employees to understand the specific benefits that they'd be most likely to engage with over time.

## ACTIVATION

**Invest in the intersection of health and wealth.**

You might consider supplementing health benefits with Accidental Injury, Critical Illness and Hospital Indemnity plans. These insurance products complement health benefits and pay cash to help cover out-of-pocket costs for unexpected expenses. You can also consider varying your HSA contributions or premium cost shares based on income, which helps to alleviate some of the pressure on employees in lower income brackets.

Ensure employees are aware and using resources already available to them. Many Cigna customers have access to financial counseling through the Employee Assistance Program (EAP). Many EAP customers can take advantage of identity theft protection, will preparation and a telephone financial counseling session (through our relationship with My Secure Advantage), all at no cost.

## ADOPTION

**Understand that behavior change is difficult and takes time.**

Encouraging employees to eat healthier, exercise more and sleep better requires continual effort, strong incentives and a well-designed program. Financial well-being requires a similar level of commitment and sustained behavior change to improve over time. Bad financial habits occur over many years and can’t be improved overnight. But, with an engaging digital platform, coaching resources, and the ability to measure improvement and reaching goals in real time, employees can start on the path to financial well-being–and ultimately, better health.

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9. Employees' Financial Stress Costs Employers, World at Work, March 2019. https://worldatwork.org/workspan/articles/employees-financial-stress-costs-employers.
10. Based on HSA balance analysis conducted by Cigna on HSA customers with continuous service over 24 months between 2017 and 2018.
11. IRS Announces 2019 HSA Contribution Limits, HDHP Minimum Deductibles, and HDHP Out-of-Pocket Maximums, Thomas Reuters, May 10, 2018. https://tax.thomsonreuters.com/blog/irs-announces-2019-hsa-contribution-limits-hdhp-minimum-deductibles-and-hdhp-out-of-pocket-maximums/
12. Based on analysis of Cigna Consumer Segments on Cigna customers in 2017.

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