

# The Shifting Paradigm for Maternity Benefits



# 1 Introduction

Maternity costs are rising for U.S. companies. Not only are childbirth costs now higher in the United States than in any other country, but the U.S. has also seen a spike in hospital costs associated with complicated pregnancies and preterm births, the cost of which is often passed on to employers. Maternity and newborn care is one of the largest categories for hospital payouts for commercial insurers and Medicaid programs, with the cumulative cost for the 4M births per year over \$100 billion.

For the companies Maven works with, maternity costs typically account for 10% or more of total healthcare spend. And the full cost of maternity does not stop there—pregnancy and childbirth are also leading drivers of absenteeism and a major drop-off point for female employees. Remarkably, according to a recent federally-sponsored study, maternity cost increases have not improved U.S. maternal health outcomes, which remain among the worst in advanced economies.

Meanwhile, retaining top female talent has become a business strategy

imperative. A recent McKinsey report identified \$12 trillion of overall economic gains, and sizeable company-level productivity gains, attainable by closing the corporate gender gap. The report also cites innovative maternity benefits plans being used by industry-leading employers to reduce costs and recruit and retain top female talent.

At Maven, we are on the frontlines of this shift. Our hope for this briefing is to outline the specific changes we see underway—i.e., exactly what steps cutting edge benefits programs are taking to innovate around maternity care, and where we see benefits programs heading in the future, given our conversations and work with HR executives at leading companies across a wide range of industries.

## 2 The baseline - Higher deductibles and systemic gaps in care

Many employers have recognized maternity benefits as an area where more attention is needed, but the baseline level of support from benefits programs typically remains low. The benefits that do exist often aren't structured to address the most important pain points from the perspective of a pregnant employee or new mother.

The average American woman with insurance spends \$3,400+ out of pocket during the course of a pregnancy. This is partly a function of the recent shift toward higher-deductible health plans (and higher co-pays), but also a function of the considerable array of important birth planning, pregnancy wellness, and counselling services that fill gaps in the healthcare system but frequently aren't covered, or are only partially covered, by insurance plans.

Exhibit 1, below, shows a breakdown of what aspects of care insurance and benefits programs typically cover during each phase of pregnancy, childbirth, recovery, and return-to-work.

**Exhibit 1:**  
The current paradigm for maternity benefits leaves important gaps

	TYPICAL INSURANCE	OTHER EMPLOYER BENEFITS	PAIN POINTS RARELY COVERED
<b>PREGNANCY</b>	<ul style="list-style-type: none"> <li>• OB-GYN check-ins</li> <li>• Sonograms</li> <li>• Genetic and blood tests</li> <li>• Emergency care</li> </ul>	<ul style="list-style-type: none"> <li>• Sometimes physical therapy support</li> <li>• Sometimes mental health support</li> </ul>	<ul style="list-style-type: none"> <li>• Proactive birth planning</li> <li>• Off-hours support</li> <li>• Peace of mind from second opinions and knowledgeable counseling</li> <li>• Doula support</li> <li>• Physical therapy support</li> <li>• Nutritionist support</li> <li>• Mental health support</li> </ul>
<b>LABOR &amp; DELIVERY</b>	<ul style="list-style-type: none"> <li>• Coverage of most standard labor and delivery costs and hospital costs</li> <li>• Emergency care</li> </ul>	<ul style="list-style-type: none"> <li>• N/A</li> </ul>	<ul style="list-style-type: none"> <li>• N/A</li> </ul>
<b>POST-PARTUM</b>	<ul style="list-style-type: none"> <li>• Emergency care</li> </ul>	<ul style="list-style-type: none"> <li>• Sometimes limited child care support</li> </ul>	<ul style="list-style-type: none"> <li>• Sessions with MD/NPs</li> <li>• Off-hours support</li> <li>• Lactation consultant support</li> <li>• Physical therapy support</li> <li>• Nutritionist support</li> <li>• Mental health support for post-partum depression</li> </ul>
<b>BACK TO WORK</b>	<ul style="list-style-type: none"> <li>• N/A</li> </ul>	<ul style="list-style-type: none"> <li>• Most commonly, none</li> <li>• Sometimes limited counseling</li> </ul>	<ul style="list-style-type: none"> <li>• Counseling on goal-setting, milk pumping, childcare, mental health issues to anticipate, etc.</li> </ul>

For self-insured employers, this paradigm doesn't make much sense, either from a cost perspective or from an employee-satisfaction perspective. On the cost side, Maven's partner organizations report several problems.

First, the bricks-and-mortar healthcare model isn't well suited to the everyday anxieties of pregnancy, particularly for first-time mothers. Late-night worries about common pregnancy discomforts, unexpected bleeding, etc., often translate into doctor's office or emergency room visits or absenteeism—at the employer's expense. Quicker and less-expensive support is possible.

Second, the lack of high-quality fertility assistance for women trying to conceive, the lack of covered wellness support during pregnancy, and the lack of 24/7 monitoring in the third trimester all contribute to a higher incidence of premature births. This drives up NICU costs for self-insured employers. Approximately 1 out of 10 births in the US end in the NICU, and this rate is steadily increasing.

Third, insufficient birth planning leads women to be passive managers of their own delivery, often leading to unnecessary C-sections (and thus tens of thousands of dollars of added cost per pregnancy), simply because patients don't feel sufficiently empowered to question a doctor's suggestions. The national C-section rate in the United States is 32.2%

as of 2014. Recently, the World Health Organization suggested that the target rate internationally should be less than half that, between 10-15%, given the health risks associated with the procedure.

Fourth, a lack of convenient care solutions, and in particular mental health counselling, leads numerous women to take longer periods of postpartum leave than they would otherwise prefer, as their postpartum symptoms go untreated and they feel unready for a return to the workplace. Few employers have structured programs that help new mothers navigate the practical aspects of transitioning back to work.

### 3 Early adopters are shifting the standard for maternity care benefits

In the last few years, a host of innovative companies have seized on the maternity opportunity and started to add programs to support employees who are pregnant or who have recently given birth. The biggest changes in recent years have been in maternity leave policies, which numerous leading companies have extended. Below we list several case studies. This list is not exhaustive and is simply intended to give a sense of the “direction of travel” amongst leading benefits departments:

- **Google:** At the vanguard of the battle for female talent, Google launched an experiment in 2007 to see if going above and beyond on maternity leave benefits would affect their bottom line. The impact was astonishing. By raising their 12 weeks of paid maternity leave to 18 weeks, Google found that the rate at which new moms left the company dropped by a full 50%. With the replacement costs for a single senior employee estimated at \$40,000+ (and much higher for very senior personnel), and the costs of replacing even a mid-level employee around \$24,000, the dollar impact on Google’s bottom line from boosting retention was sizeable. (Incidentally, the firm also reported savings from increasing their paternity leave policy.) Simultaneously, Google reported increased employee satisfaction.



- **Facebook:** Just last year, Facebook announced an extension of their parental leave policy to cover 16 weeks of paid baby leave for all new parents, no matter their gender, sexual preference, or nationality/location. They decided to make the change “because it’s the right thing to do for our people and their families. Studies show that when working parents take time to be with their newborns, outcomes are better for their children and families.” Facebook also gives employees \$4,000 in “baby cash,” has rooms specifically for breast-feeding in its Menlo Park headquarters, and like other technology companies, provides egg-freezing services.
- **Goldman Sachs:** The large investment bank not only affords female employees with 16 weeks of paid maternity leave and flexible working arrangements, but also provides on-site backup childcare at its New York and New Jersey offices, as well as access to in-home providers for ill children or elderly family members. Goldman also provides expecting mothers a range of services including weekly counselling calls, on-site lactation rooms, 24-hour access to lactation consultants, and a maternity mentoring program.

These companies and others are now beginning to dabble with newer types of maternity benefits, outlined in the next section, that go well beyond in terms of the types of care they provide. The current direction of travel, however, provides ample “social proof” that some of the world’s largest and most respected companies are already seeing the the impact achievable from more robust maternity benefits, both in terms of costs and employee satisfaction.

## 4 The coming paradigm for maternity benefits

Despite the recent progress, significant gaps remain in most major company's maternity programs. The largest gaps that remain are less about time dedicated to maternity leave and more around the care provided during pregnancy, the postpartum period, and the transition back to work.

The following is an outline of some of the types of care that are finding traction as companies seek to fill these remaining gaps. Maven provides guidance and benefits services for our own clients in these areas:

- **Birth planning and pregnancy planning.** Research has shown that active birth planning can reduce the risk of several types of negative outcomes. Active birth planning, for instance, helps women steer doctors away from unnecessary C-sections. Separately, women who consult with doulas or other wellness professionals early in their pregnancy and lead an active wellness regime during pregnancy have

been shown to be less vulnerable to preterm birth, which is a major driver of NICU costs for self-insured employers.

- **24/7 telemedicine support.** Providing pregnant women on-demand, reliable answers to urgent questions plays a major role reducing unneeded doctors' and emergency room visits, particularly for first-time pregnancies. Furthermore, on-call support gives women the confidence to stay at work, knowing that easy support is always a video call or a few clicks away.
- **Physical therapy support.** Pregnancy brings any number of aches and pains, some of which are relatively minor and some of which can be debilitating and can keep women away from work for weeks at a time. Nerve damage, back and wrist pain, are all common symptoms of pregnancy. All of these issues can be treated or mitigated through online physical therapy.
- **Nutrition guidance.** Active management of prenatal and postpartum nutrition, both for mother and baby, are major determinants of healthy pregnancies and births—and an important way to keep mothers and babies out of the hospital.
- **Mental health support.** Postpartum depression is widespread and well known. What is less known is the degree to which mental health troubles, or concerns about managing mental health, keep women from returning to work post-pregnancy. Providing ample time to new mothers to transition back to work, and thorough support for issues like postpartum depression, can be a major driver of retention

amongst mothers on maternity leave. Similarly, prenatal depression is often a significant driver of absenteeism amongst pregnant mothers. Proactive treatment options can therefore be cost-neutral, or even cost-negative, for host companies.

- **Lactation support.** Not only is lactation support a critical driver of infant health and a lever that prevents costly hospital stays—but proper support (particularly around pumping technique) can also give new moms the confidence to return to work, knowing that their child will be healthy in their absence.
- **Back to work support.** Childbirth can be a major drop-off point in terms of retention of female employees. Companies with programs that actively coach female employees as they begin their transition back to work have been able to retain a higher percentage of women and also report higher satisfaction amongst female employees.

While these “new paradigm” changes are already being implemented at some early adopter benefits programs, we have found that the bulk of the market is just now starting to see the impact that programs like these can have on their bottom line and on the satisfaction of their employees. Our conversations with clients lead us to believe that we are at an inflection point in terms of adoption, and on the cusp of a broader set of companies understanding the types of impact their competitors are having and following suit.