

Benefits edge

KNOWLEDGE SERIES



THE CHOICE PARADOX IN BENEFITS PROGRAMS WHY PHASED PERSONALISATION WINS

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Choice vs. Engagement

Choice-based programs are becoming a mainstay in corporate insurance policies. Benefits leaders are realising the value of offering such programs both from a benefits perspective and a financial one.

More choice should lead to higher engagement. The logic appears intuitive: if an organisation provides

its employees with a wide range of benefits, they are more likely to find a plan(s) that match their personal needs.

However, decades of behavioural science show that **excessive choice often leads to lower participation**, not higher—driven by cognitive overload and decision fatigue.

Decision Fatigue

In the context of personalised benefits, programs often require employees to evaluate multiple variables simultaneously – coverage levels, premiums, eligibility criteria, and long-term financial implications.

Hick's law states that the time required to make decisions increases with the number of choices available, highlighting how excessive choices can complicate employee decision making.

A study, conducted by Prudent covering over five large organisations with a head count of ~29,000+ highlights this phenomenon:*

25+ benefits
choices offered

- Higher sum insured participation: **~20%**
- Other voluntary benefits: **~10%**

73% of respondents cited lack of understanding and over-complication of the plan as key barriers

This underscores the concept of "default bias," where individuals tend to favour pre-selected options even when better alternatives are available

*All numbers sourced from Prudent's database of 2022-25






Introducing: The 3E Maturity Model A Phased Path to Personalisation

The 3E model outlines a phased approach to flexible benefits, guiding organisations from a foundational set of core offerings to a fully evolved, hyper-personalised ecosystem.

The model consists of three phases - **Establish, Expand, Evolve.**

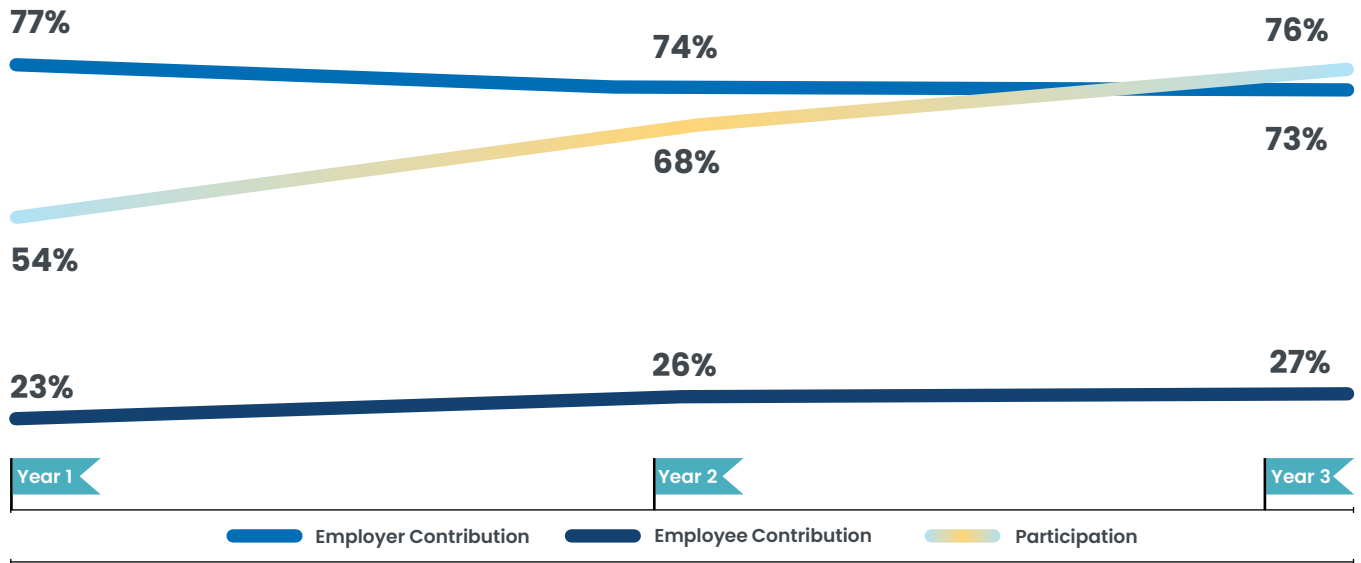
Organisations that have adopted this model have observed more consistent and sustained employee engagement over time. By progressively introducing additional options, this approach effectively balances cognitive load and minimises decision fatigue.

Phase	Focus	Design Principles	Outcome
Phase 1 Establish	 Build the foundation	<ul style="list-style-type: none"> • Establish the success parameters, objectives of introducing a wallet-based system • Conduct a feasibility study to ensure alignment with organisational goals • Define a core set of benefits aligned to market benchmarks • Introduce the concept of choice - limited, high relevance options 	<ul style="list-style-type: none"> • Strong need-based adoption • Minimal cognitive overload • Early program familiarity and trust
Phase 2 Expand	 Optimise through insights	<ul style="list-style-type: none"> • Refine voluntary benefits using year one insights and employee feedback, while introducing outcome-based categories like long-term care, income protection, and cancer care. • Integrate analytics to track utilisation patterns and cost efficiency 	<ul style="list-style-type: none"> • Building trust in the program - employee feeling of being heard • Design maturing with employee • Establish employee as a stakeholder in the program
Phase 3 Evolve	 Hyper-personalised ecosystem	<ul style="list-style-type: none"> • Expand the program scope beyond insurance to generate wallet credits. Integrating well-being offerings under a unified ecosystem. • Pilot complex design iterations - wallet allocation based on tenure/performance etc. • Continuously iterate using data-driven feedback loops and behavioural insights 	<ul style="list-style-type: none"> • True personalisation at scale • Sustained participation with predictable cost equilibrium • Benefits perceived as a strategic value driver, not just an offering

Impact of Phased Benefits Expansion

The 3E model

A detailed analysis of the same 5 organisations running such models over the past three years demonstrates the clear shift in engagement levels.



	Participation	Financials
Year 1	<ul style="list-style-type: none"> Strong fixation with core offerings Limited participation in voluntary programs 	<ul style="list-style-type: none"> Strong focus on employer contribution as the program is centered around core company offerings
Year 2	<ul style="list-style-type: none"> 25% increase in participation - suggesting that employees are acclimatising to the additional options 	<ul style="list-style-type: none"> Increase in employee contribution brings stability to the policy Organisations managed their cost exposure
Year 3	<ul style="list-style-type: none"> Further increase in participation coinciding with the introduction of hyper-personalised benefits 	<ul style="list-style-type: none"> Contributions begin stabilising. Organisations can now, more accurately, predict future cost implications






Overall, these trends highlight the impact of a phased data-backed expansion: as employees become more familiar with the program, platform, and communications they also become more confident in selecting a wider range of benefits.

How Can Prudent Help? Bringing Sustainability Through Plan Design

To create a sustainable and robust plan design, organisations must look at personalised benefits programs as a multi-year roadmap instead of a one-time activity. Aligning with the right benefits consultant ensures that organisations build a benefits universe with a clear vision. By incorporating a phased expansion model rather

than an 'all-at-once' benefits consultants work with organisations, building strategies, to solve for several key challenges that often plague benefits programs.

A clear comparison between the phased expansion model vs. the 'all-at-once' model highlights several advantages for the former:

	Phased Expansion (3E Framework)	All-at-Once Model
 Decision fatigue	Low – solved through staged introduction of benefits	High – excessive choice during annual enrolment
 Participation rates	Increase over time as awareness and comfort grows	Uneven, core benefits are most opted due to default bias. Voluntary programs remain underutilised
 Employee retention	Evolving offerings re-enforces the perception of employee well-being	Creates strong impressions early-on but limited differentiation in later years
 Cost management	Enables organisations to scale benefits based on preceding adoption patterns	Difficult to adjust year-on-year
 Re-optimising benefits	Improvements are easier and backed by participation and feedback in the preceding phase	Are complex because multiple benefits are available. Re-tracking benefits becomes challenging

Conclusion

Flexible Benefits Programs are most effective when they are designed with long-term sustainability in mind. **The 3E model demonstrates that engagement is built progressively.** When organisations start with a strong, clear foundation, expand using real employee insights and evolve into a truly benefits ecosystem, they shift behaviour from passive enrolment to active ownership.

Organisations that have collaborated with Prudent to implement this framework have achieved meaningful outcomes—reducing decision fatigue amongst employees while fostering greater familiarity, confidence, and trust. This, in turn, creates a sustained level of engagement and improved financial predictability for the organisations.





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