Brown & Brown

2024

Employee Benefits Market Trends Report

Redefining Care Through Innovation

Redefining Care Through Innovation

Discover

2 | Healthcare Trends: By the Numbers

3 | Global Impact of Rising Healthcare Costs

4 | A Closer Look: Three Key Cost Drivers

5 | Prescription Drugs and Emerging Gene/ Cellular Therapies

- Weight Loss Drugs: GLP-1 Agonists
- Specialty Pharmacy
- Biosimilars
- Gene Therapy and Precision Medicine
- Pharmacy Integration and Disruptors
- Alternative Funding Strategies

14 | Increasing Volume of Large Claimants and Chronic Conditions

- Cancer
- Women's Health
- Musculoskeletal Health
- Metabolic Health
- Behavioral Health
- Aging Working Population

27 | Navigating Innovation in Employee Benefits

- Innovative Care Delivery Models
- Digital Health Market and Point Solutions
- Artificial Intelligence: Healthcare Impacts
- Price Transparency
- Financial Well-Being
- Total Rewards

36 | Absence: Trends, Updates and Timelines

38 | Self-Funded Stop Loss Programs: Market Outlook

40 | Regulatory & Legislative Strategy Updates

Healthcare Trends: By the Numbers

As employers see their claims spending return to, or even exceed pre-pandemic levels, they will need to look beyond the 'usual suspects' (i.e., stable increases for unit costs/utilization and population aging) and focus on new and evolving cost drivers. These include the following:

- Acute price inflation brought on by provider losses sustained during the pandemic
- New and emerging therapies for cancers and other complex diseases
- Increasing number of large claimants and chronic conditions

Along with these concerns, there are also significant opportunities to manage claims exposure to "bend the trend curve" for large claims. These high-cost claim mitigation strategies include the following:

- Organ transplant steerage
- Center of Excellence solutions (i.e., cancer, fertility)
- Gene and cell therapy solutions
- Medical tourism/surgical center steerage
- PBM management
- Medicare advocacy
- Tailored alternate resource solutions/charitable foundations

Employers expect their healthcare costs to increase an average of 5.5% for 2024 after accounting for changes to their plan offerings (including plan design changes and types of plans being offered), according to a recent Brown & Brown analysis of large employers. If no changes were made to plan offerings, employers would have expected an increase of 6.8%. Brown & Brown is forecasting underlying underwriting trends in the 7%-8% range for the 2025 plan year. We also expect trends to remain elevated for the next two or three years before gradually receding.

Brown & Brown is anticipating Non-Specialty Rx to drive a higher trend compared to Specialty Rx, which is a departure from what the market has experienced over the past several years – primarily driven by GLP-1s. It's important to note that this assumption has seen much higher variance depending on the demographics of the health plan and if the plan elects to cover weight loss drugs.

2025 TREND OUTLOOK

7–8%
HEALTHCARE

13.4%
STOP LOSS

9–11%
BLENDED RX

10–12%
NON-SPECIALTY RX

8–10%
SPECIALTY RX

4%
DENTAL

The Global Impact of Rising Healthcare Costs

Several common trends are found throughout the global benefits space. Shared factors such as a war for talent, inflation, rising costs of care, employee demands for greater flexibility and a continued focus on the mental health crisis have helped to shape local market changes and determine employer benefit strategies.

Global inflation has a significant impact on employer-provided supplemental benefit costs around the world. With few exceptions, annual renewals in most countries have experienced unusually high increases due to local market pressures and increased plan utilization. A continued surge in post-pandemic medical visits for routine care and postponed procedures has added stress on providers and carriers alike. Due to these circumstances, the need for private coverage options such as medical, life and disability has grown in most markets outside the U.S.

With a much-needed focus on mental health issues, there is a demand for comprehensive and standardized global solutions. Despite historically low member utilization, Employee Assistance Programs (EAP) still appear to be the most effective way to address the immediate personal needs of employees and their families. These programs often positively impact employee relations, enabling employers to offer a consistent program to their global workforce in an appropriate cultural and linguistic framework.

The return to pre-pandemic travel levels has highlighted the need for adequate travel coverage for employers and their traveling workforce. Companies should look for ways to reduce risk while adequately addressing the duty of care responsibilities. A comprehensive travel plan can help give an organization and its people peace of mind regarding required medical care and other assistance services during business trips. This is especially true for employees who travel to high-risk locations, as safety threats are rising with the spread of global conflict and civil unrest.

RESOURCES

International Benefits Capabilities

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A Sustainable Employer Framework for Effective Global Health & Well-Being Strategies

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Employee Assistance Programs (EAPs) – Compliance Considerations for Employers

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A Closer Look: Three Key Cost Drivers

1 Broader Economics

Healthcare providers continue to experience significant financial challenges driven by decreases in revenue, intense staffing shortages, and rising expenses for supplies, equipment and drugs. Providers will seek to offset losses through additional federal funding and by negotiating new contracts with insurers. Post-COVID-19, hospitals and provider groups are under weighty operational and financial pressure, leading to contentious negotiations with insurance carriers and independent provider networks. The expected cost increase due to the revised contract terms will lead to higher service costs, impacting employer health plans.

While broader inflation markers have been trending downward over the past several months, medical inflation tends to lag by as much as 12 months. Because many provider contracts renew on three-year cycles, provider reimbursements have not kept pace with elevated operating expenses, such as increased costs for labor and supplies. We began to see the initial impact of these contract renewals in 2023 and expect it to continue into 2024 and 2025. Elevated costs for services will likely drive increases in costs for employers due to these renegotiated contracts.

2 Prescription Drugs and Emerging Gene and Cellular Therapies

Prescription drugs are made up of two categories: specialty and non-specialty (traditional) medications; both of which are driving trends. Specialty drugs are typically complex, high-cost and often used to treat rare or chronic conditions. These medications are distinct from traditional, commonly prescribed drugs and often require special handling, administration or monitoring. Specialty medications may include biologics, gene therapies and other advanced therapies to target specific diseases or conditions. They are frequently used to treat certain cancers, autoimmune disorders, multiple sclerosis and rare genetic diseases. These drugs represent advancements in medical treatments, offering solutions for diabetes management and obesity (GLP-1 agonists), cost-effective alternatives to biologics (biosimilars) and cutting-edge therapies targeting genetic and cellular aspects of diseases.

3 Increasing Volume of Large Claimants and Chronic Conditions

Many employers saw an increase in the volume of large claimants in 2023 – not necessarily catastrophic, but those that would not reach typical stop loss thresholds. While large claimants have been steadily increasing over time, there was a dramatic increase in late 2022 into 2023 – the number of claimants incurring $150,000 (per 1,000 members) increased by over 25%.[1] Interestingly, the severity of these claimants did not change; their average cost per claimant remained relatively stable over this same time. The increased volume of large claimants has been primarily driven by unit cost, such as elevated costs for specialty drugs and medical procedures.

Click to learn more about cost drivers.

[1] *Kaiser Family Foundation.*

Prescription Drugs and Emerging Gene/Cellular Therapies

EXPLORE OUR CAPABILITIES

Weight Loss Drugs: GLP-1 Agonists

43% of U.S. adults have obesity.[1]

The CDC estimates that the extra medical expenses associated with obesity exceed $173B.[2]

Obesity is associated with costly conditions, including diabetes and heart conditions.

What Should Employers Know?

Glucagon-like peptide agonists, or GLP-1s, are a new class of drugs found to help people lose excess weight. While these medications were initially approved to treat type 2 diabetes, researchers noticed GLP-1 patients were losing weight. This prompted the manufacturers to file the drugs with the FDA with a new weight loss indication. Manufacturers re-branded products for weight loss indication, as noted in the table below.

Drug List for GLP-1s for Diabetes and Weight Loss[3]

Active Ingredient	Injectible Incretin Mimetics	Brand Name Product	Launch Date	FDA Indication	Avg. Price per Month (Before Rebates)
Semaglutide	GLP-1	Ozempic®	2017	Diabetes	$1,000
Semaglutide	GLP-1	Wegovy®	2021	Obesity	$1,300
Tirzepatide	GLP-1 + GIP	Mounjaro®	2022	Diabetes	$1,000
Tirzepatide	GLP-1 + GIP	Zepbound®	2023	Obesity	$1,000
Liraglutide	GLP-1	*Victoza®	2010	Diabetes	$800
Liraglutide	GLP-1	*Saxenda®	2014	Obesity	$1,300
Dulaglutide	GLP-1	Trulicity®	2014	Diabetes	$950

GLP-1: Glucagon-like Peptide Receptor Agonists
GIP: Glucose dependent Insulinotropic Polypeptide
** Daily Dose*

[1] CDC: Adult Obesity Facts.
[2] USA Facts: US obesity rates have tripled over the last 60 years.
[3] Drug Resource: Facts and Comparisons.

While GLP-1 drugs offer some hope to people with chronic obesity and related conditions, including metabolic syndrome, they are expensive. The number of people using these drugs has increased because of the resulting weight loss. However, this led to the GLP-1s' drug class becoming among the costliest medications for employers over the past two years.

While there has been short-term weight loss due to the GLP-1s, there are no current studies demonstrating long-term weight loss success and a corresponding reduction in the prevalence of associated conditions.

What Can Employers Do?

Use data to quantify the possible impact of weight loss drugs on your costs.

- How many people in the plan are chronically obese and/or have type 2 diabetes?
- How many people are taking weight loss medications, and has that number increased in recent months?
- What is the average cost of the drugs?

If an employer chooses to cover anti-obesity drugs, the following are important considerations:

- Implement a prior authorization (PA) program so they are prescribed only for patients who are candidates for treatment.
- Minimum Body Mass Index (BMI) FDA guidelines should be applied so the drugs are used for chronic obesity, as opposed to a quick diet aid.
- There are risks with these medications that a physician should thoroughly vet before PA is approved.
- Consider additional management programs from third-party vendors and/or the PBM to enhance the clinical management of treatment to help mitigate unnecessary spending.

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The GLP-1 pipeline is robust, with a new triple agonist injectable that will potentially have a greater impact on weight loss than existing drugs. There will also be a pill form that may increase the use of these medications for those who are uneasy about injecting themselves.

Specialty Pharmacy

In 2023, many employers experienced a return to higher costs. Increased specialty drug spending (most notably, anti-inflammatory medications) and increased utilization of weight loss medications (GLP-1) drove many employers' Per Member Per Month (PMPM) rebate-adjusted trend to approach double-digits year-over-year.

This year has the potential to be another monumental year for Specialty Pharmacy. The pipeline for new drugs has grown steadily since 2015. In 2015, 71% of the 45 new drug approvals were for specialty medications. In 2023, that increased to 84%. These shifts resulted from research on the non-specialty medications frequently used for chronic and emergent situations. Looking ahead into 2024, four specialty medications are awaiting FDA approval.

While there are many different definitions of what a specialty medication is, healthcare payors all agree on a few key points:

- Used for chronic, complex diseases
- High-cost
- Injectable (in most cases)
- Typically require special shipping, handling, storage and/or administration

Even as generic dispensing rates (GDR) exceed 90% for many employers, specialty medication costs exceed 50% of most employers' gross spending.

The specialty market is projected to grow by 8% annually, driven by new specialty products coming to market, continued expansion of the specialty population and drug price increases through 2025.

High single to double-digit cost increases are expected from 2023 to 2024. This trend is influenced by:

- Approval of cell and gene therapies
- Cost increases for existing drugs
- Overall increases in patient population and utilization

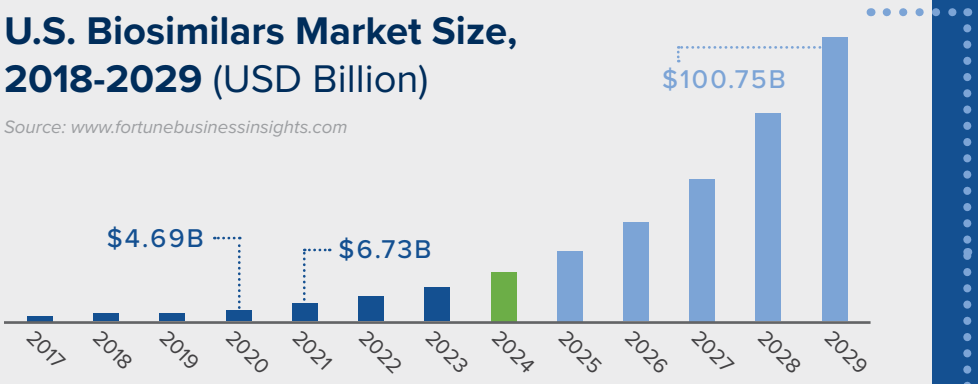
Page Source:
Pharmacy Times: Outlook for Health-System-Based Specialty Pharmacy in 2022 and Beyond.

Biosimilars

According to Research and Markets, the biologic market in the U.S. is expected to double in size from $22.05B in 2023 to $46.11B by 2028.[1] Ongoing market collaborative agreements between pharmaceutical manufacturers aim to provide a competitive edge within the industry.

U.S. Biosimilars Market Size, 2018-2029 (USD Billion)

Source: www.fortunebusinessinsights.com



2024 is projected to see more biosimilar drugs coming to market, including medications for cancer and psoriasis. Notably, Stelara™ and Otezla™ are expected to lose their patents this year, with Stelara having the most significant impact, valued at $10 billion in 2023. The biosimilars for Stelara are not due until 2025. In the meantime, health plans/PBMs are varying strategic approaches for managing biosimilars, outlined below.

- **Exclude** the originator brands and focus on the biosimilar. Targeted interventions are made to facilitate members transitioning from the brand to the biosimilar. Rebates are forfeited in lieu of overall cost savings, and reporting has shown substantial savings for customers.
- **Keep** the originator brand as a preferred formulary drug and add one or two biosimilars as formulary alternatives. This strategy does not use targeted interventions but allows for natural movement by members to the biosimilar.
- **Prior authorization** continues to be used for both brands and biosimilars to help ensure clinical appropriateness of use.

The IQVIA Institute for Human Data Science expects the next five years to see a five-fold increase in savings compared to the past five years. The Institute anticipates the increase to be driven by new biosimilars entering the market and increased utilization of existing biosimilars.

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Click to learn more about biosimilars.

U.S. BIOSIMILARS MARKET

CAGR 40.2%
2022 – 2029

Driving Factor
Growing strategic partnerships and commercial agreements

Latest Trend
Patent expiry of blockbuster biologics

U.S. by Drug Class, 2021
Monoclonal Antibodies 64.7%
Synthetic, Natural

By Disease Indication
Cancer
Autoimmune Diseases
Neutropenia, Arthritis, Psoriasis, Others

Key Players
- Novartis™
- Viatris™
- Celltrion™
- Coherus™
- Pfizer™
- Amgen™
- Samsung™ Bioepis™

Sources:
Fortune Business Insights, U.S. Biosimilars Market May, 2022

[1] *Global Biosimilars and Biologics Market Surges: Industry Trends and Strategic Analysis.*

Gene Therapy and Precision Medicine

Overview

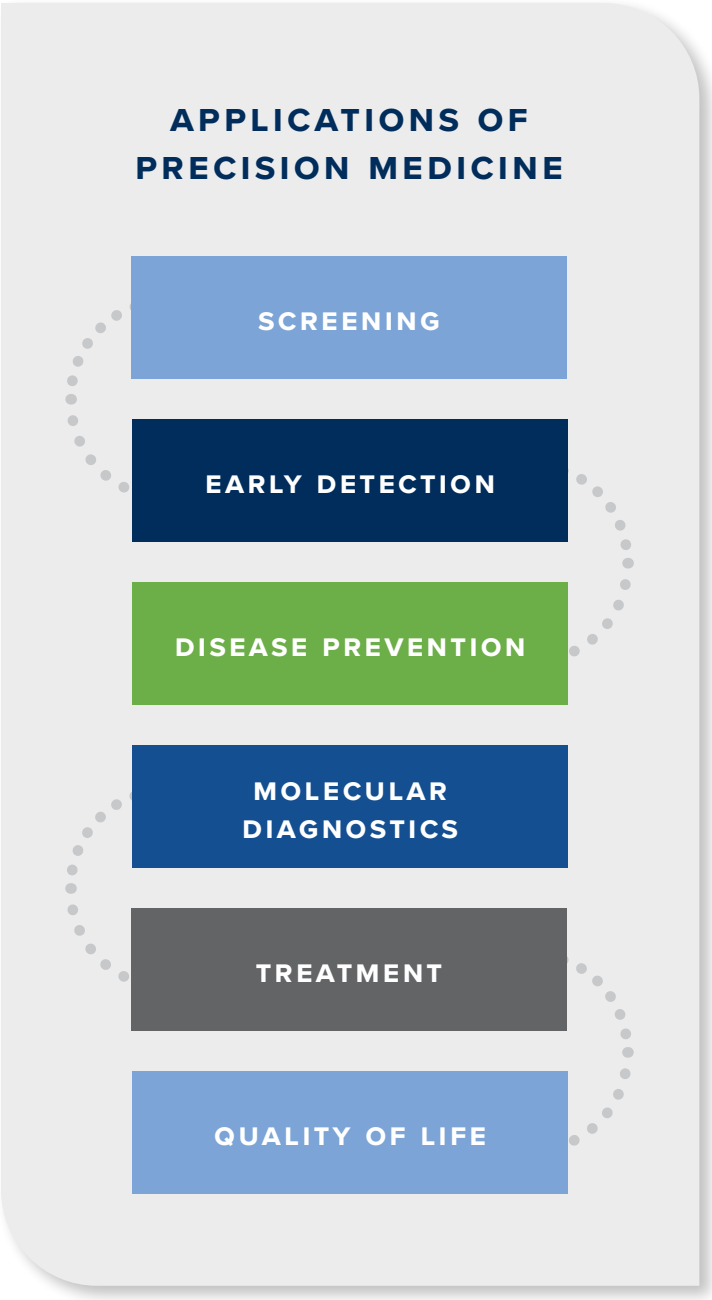
Precision medicine is the understanding of the molecular machinery of disease. The applications of precision medicine can be seen as a life cycle, from screening, early detection, disease prevention, molecular diagnostics and treatments with the ultimate goal of enhancing a patient's quality of life.[1]

The precision medicine approach varies from the traditional. It is proactive, classifying patients by risk and applying appropriate treatments, contrasting to a traditional approach of 'one size fits all.'

Precision medicine is poised to impact healthcare delivery systems and the quality of life and is used to diagnose and treat various diseases, focusing on cancer. Approximately 43% of FDA-approved precision medicines have been in the oncology space.[2]

Gene therapy treatments aim to cure life-threatening genetic disorders by injecting altered genes into cells in place of missing or defective genes. Existing FDA-approved gene therapies target rare diseases that affect less than 200,000 people.[3]

Gene therapies range from treating aggressive, resistant blood cancers to potential cures, with recent approvals for Hemophilia A & B and Sickle Cell anemia.[4] The cost for these treatments can range from $500K to $3M. Optimal payment strategies are still evolving. Stop loss and insurance contracts remain available as appropriate.



[1] National Center for Biotechnical Information: Precision Medicine: From Science to Value.
[2] Medical Xpress: Nearly half of oncology drugs approved since 1998 are precision therapies.
[3] FDA: FDA Approves Many New Drugs in 2023 that Will Benefit Patients and Consumers.
[4] Hemophilia.org: FDA Approves Pair of Cell-Based Gene Therapies for Sickle Cell Disease.

READ MORE

Click to learn more about gene and cell therapy.

Pharmacy Integration Methods

Horizontal and Vertical Integration will be a driving force in the Rx benefit landscape in 2024 and beyond.

- **Vertical Integration:** One company controls multiple areas of the supply chain
- **Horizontal Integration:** Mergers of similar healthcare providers

The mergers between medical insurance carriers and free-standing PBMs continue. It is on a smaller scale since Cigna™ +ESI, CVS™ +Aetna™ and the UHC™ +OptumRx™ families have been in place for four years.

It is not widely known that the three listed above, through their ownership of various group purchasing organizations, directly impact at least 80% of Rx in the U.S. and possibly more of the rebate dollars.[1]

Additional areas of integration/consolidation that impact prescribing and dispensing habits include:

- CVS (via Health Hubs), Optum, Walmart and Amazon continue to expand into primary care services
- Private equity (PE) firms are purchasing specialty medical practices where medications are a large part of the treatment plan (Oncology, Rheumatology, etc.)
- Drug wholesalers (i.e., AmerisourceBergin™, Cardinal Health™, McKesson™), partnering with PE firms, are also purchasing specialty medical practices
- All vertical integration activities influence medication prescribing and purchasing

Consolidation within the retail pharmacy space has escalated in the last few years, with bankruptcies (chain and independent pharmacies) and grocery chains exiting the pharmacy space, representing a much smaller national retail pharmacy network in the short term. Horizontal integration activities consolidate medication purchasing into a smaller group of companies.

Legislative activity at the federal and state levels has encouraged integration activities. Hospital systems using their access to GPO or 340B pricing can impact how (or if) an employer realizes medication discounts and rebates. Federal court cases may further allow hospitals to expand the use of 340B pricing. Many states have enacted laws protecting the hospitals from payors asking for price concessions based on the lower acquisition cost under 340B.

Click to learn more about our pharmacy capabilities.

[1] *Drug Channels Institute: 2023 Economic Report On U.S. Pharmacies And Pharmacy Benefit Managers.*

Pharmacy Disruptors

Payors, consultants and patients are continually searching for ways to improve access and reduce costs while keeping clinical oversight intact. Many vendors, coined as 'disruptors,' are offering alternatives to the big three PBMs and others currently in the marketplace. As such, they are raising questions and adding pressure for more transparency in the pharmacy industry.

Two of the disruptors gaining the most attention are Amazon's expanding suite of healthcare services and Mark Cuban's Cost Plus Drugs™ company growing vendor partnerships.

Amazon

Amazon has recently launched programs, most of which have not received much traction. In 2020, Amazon Pharmacy was established. This service granted Prime members unlimited, free, two-day delivery of medications and simple processing through the app and offered discounts on brand and generic drugs to those without insurance. In early 2023, Amazon added RxPass – for an additional monthly $5 payment, members are granted access to about 60 generic medications used to treat common conditions. Later in 2023, Amazon Clinic was launched, which offers medical consultation for over 20 conditions (migraines, allergies, sinusitis).

Most recently, Amazon announced its acquisition of One Medical to provide primary care services in the office or virtually, primarily focusing on senior or complex patients. This solution is still in the pilot phase, with the hope that this will become a standard for providers of outpatient services.

Cost Plus Drugs

Cost Plus Drugs first entered the market in 2022 and has remained a common topic of conversation within the healthcare industry as a leading disruptor to the typical pharmacy relationship with patients and payors. When first released, Cost Plus Drugs was often perceived as a discount card option or PBM.

Today, it primarily acts as a manufacturer and pharmacy, dispensing its products directly to patients. The goal was to offer low-cost drugs to those without insurance, and Cost Plus Drugs has since partnered with independent providers and vendors to provide the Team Cuban card. This card is an independent pharmacy network in 46 states and Washington, DC.

The company has announced several partnerships with small PBMs, pharmacies and tech companies, including PharmcoRx™, Expion Health and RxPreferred Benefits™.

Arguably, the most impactful venture is its distribution of the Humira™ biosimilar Yusimry, which began in mid-2023. While this is a strategy to penetrate the marketplace, the small-scale operation may not be able to serve the significant population currently utilizing Humira.

Alternative Funding Strategies

In the last few years, the term "alternative funding" has taken on many meanings in the Rx benefit landscape. Programs run the gamut, ranging from traditional stop loss programs to foundational funding of family medical needs. Below are trending alternative funding options and ways employers are mitigating pharmacy costs heading into 2024.

1. **Benefit Protection Programs** that create new, broader risk pools to pay for gene therapy and other rare, very expensive therapies. Employers pay a premium for these products for coverage outside carrier or PBM benefits.

2. **Copay Assistance Programs (CAP)** have become popular. These programs share manufacturer funding to lower medication costs for the employer and the patient. In many of these programs, the member pays nothing for specialty medications throughout the year.

3. **Medical Benefit Foundational Assistance Programs** are attracting attention as employees with high medical and/or pharmacy costs voluntarily leave their employer's medical plan to apply for foundational funding for all family medical expenses.

4. **Patient Assistance Programs (PAP)** have existed for years, as manufacturers receive tax incentives to fund care for uninsured or underinsured patients. Various PBMs and third parties have created access to this funding as employers have limited or withdrawn coverage for various treatments and/or medications.

5. **International Pharmacy Programs** are gaining traction as a unique solution to offset the rising costs. However, there is hesitation around the viability of a program containing costs. Many of the drugs that would have lower prices are either non-preferred or excluded from an employer's formulary. Additionally, products imported from Canada are not eligible for rebates under PBM programs.

6. **Outcomes-Based Contracts** can link reimbursement to real-world results, helping to ensure the medication provides the anticipated clinical outcome.

Increasing Volume of Large Claimants and Chronic Conditions

The prevalence of chronic conditions in the U.S. continues to grow each year, in part due to the aging population, longer life expectancies and poor lifestyle behaviors. As employers recognize the cost and health effects of their populations' chronic conditions, they seek to adopt innovative programs and care models to enact change.

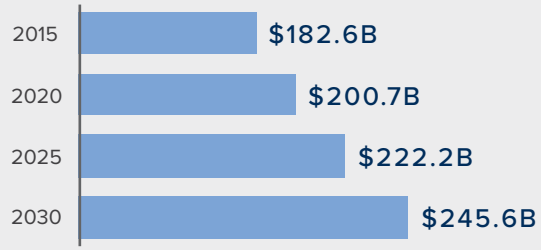
Additionally, employers recognize the impact of social determinants of health (SDOH) on disparities in chronic conditions, cancer and access to care. They aim to proactively implement strategies to help address these factors.

Cancer

Cancer is a leading cause of disease and death globally and a top driver of employer health plans.[1,2] Delayed and postponed screenings during the height of the COVID-19 pandemic have worsened the problem, and many employers are experiencing an increase in late-stage cancer diagnoses in their populations as a result.[3] The health inequities that came to light during the pandemic are also now being recognized by employers as they see cancer incidence, risk and mortality vary across genders, races and socioeconomic statuses.

U.S. Cancer Cost Projections

Source: Statista



WHAT SHOULD EMPLOYERS KNOW?

COST

On average, cancer claims account for 15% of medical costs.[4] Total spending on cancer-related healthcare in the U.S. is expected to surpass $246 billion by 2030, a 34% increase from 2015.[3] The growing cost is due to several factors, including an aging population, costly new therapies and treatments and decreased mortality rates for people with cancer.

COMORBIDITIES

It is estimated that up to one-third of people treated for cancer in hospitals have a mental health condition, and 8% to 24% of people with cancer are living with depression.[5]

PRODUCTIVITY

Cancer patients miss an average of 46 to 105 days of work during the first year of diagnosis. Those for whom the cancer has metastasized miss approximately twice the amount of work as those whose cancer has not metastasized, proving the value of screening and early detection.[6]

[1] Cancer.gov.
[2] Business Group Health: 2023 Large Employers Healthcare Strategy Survey.
[3] National Center for Biotechnology Information.
[4] United Healthcare. Costly conditions: Identifying and addressing top clinical cost drivers. 2022.
[5] Mental Health America: Cancer and Mental Health.
[6] Productivity Loss and Indirect Costs for Patients Newly Diagnosed with Early- versus Late-Stage Cancer in the USA: A Large-Scale Observational Research Study.

What Can Employers Do?

A comprehensive approach to cancer care that includes prevention, detection, navigation and support can help employers improve outcomes and mitigate costs.

Prevention

Modifiable risk factors such as lifestyle behaviors and the environment play a role in developing many cancers. Obesity is also an independent risk factor for many people. Emphasizing healthy lifestyle programming, education and resources is a critical component for preventing cancer.

Detection

Early detection of cancers can improve outcomes, survival rates and reduce the cost and complexity of treatment. Employers can implement targeted communication campaigns to promote appropriate preventive screenings and evaluate opportunities to reduce barriers to access and compliance with age-appropriate screenings. Cancer genomics offers a newer modality for cancer screening that some employers are now considering; however, the interpretation of results should be done in collaboration with providers, including genetic counselors, who are trained to understand the findings and recommend appropriate care pathways.

Click to learn more about delayed preventive care.

Treatment and Navigation

Cancer diagnoses can cause stress and confusion as employees try to understand available treatment options and navigate the healthcare ecosystem. Employers can alleviate complexities and help ensure access to quality, affordable care by evaluating and implementing interventions such as advocacy and navigation services, second opinion/expert medical opinion programs and Centers of Excellence.

Support

In addition to medical benefits to support the prevention, detection and treatment of cancer, employers should assess current programs and policies related to critical illness, disability and leave, behavioral and financial health, and caregiving to help ensure employees have the resources they need.

Cancer Disparities

Cancer incidence and risk vary depending on demographics such as race, geography, salary, disability and more.

- Compared to white men, cancer incidence in Black men is 6% higher and cancer mortality is 19% higher. Black women have an 8% lower cancer incidence than white women but 12% higher mortality.[1]
- Patients living in areas with the lowest levels of education and income have 12% and 13% higher odds, respectively, of being diagnosed with advanced-stage lung cancer.[2]
- Cancer is 1.8 times more prevalent among veterans (13.5%) than those who have never served (7.6%).[3]
- Cancer prevalence is 11.2 times higher in adults aged 65 and older (20.1%) than in those aged 18 to 44 (1.8%).[3]

[1] *American Association for Cancer Research: Disparities Progress Report.*
[2] *American Cancer Society Journal.*
[3] *America's Health Rankings: 2023 Annual Report.*

Women's Health

The war for talent and the exodus of women from the workforce during the pandemic has created an imperative for employers to attract and retain female talent. Employers' early efforts in women's health were focused on healthy pregnancy and fertility benefits due to their impact on healthcare costs. However, due to the diversity, equity, inclusion, accessibility and belonging (DEIAB) efforts of recent years, more employers have started assessing women's needs across their lifespans. This has resulted in 81% of employers now implementing at least one strategy to address health inequities in women's and reproductive health.[1]

WHAT SHOULD EMPLOYERS KNOW?

1 in 8

women will develop invasive breast cancer at some point in their lifetime.[2]

66%

of caregivers in the U.S. are women.[3] A quarter (25%) of caregivers report an impact of caregiving on work productivity, especially related to presenteeism. Caregivers are twice as likely to develop chronic illness.[4]

1 in 5

heterosexual women in the U.S. are unable to get pregnant after one year of trying (infertility).[5] In-vitro fertilization can cost $20-26K per cycle.[6]

33%

Almost a third of today's workforce is comprised of menopause-aged women.[7] Of those experiencing menopause, 20% have quit or considered leaving a job due to their menopause symptoms, while 40% have reported that their work performance and productivity are negatively impacted.[8]

RESOURCES

The Importance of Mammography

READ MORE >

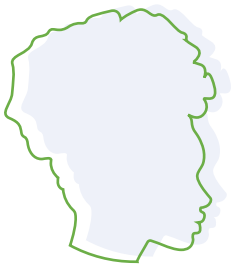
Menopause – The Next Frontier in Employee Benefits

READ MORE >

[1] Business Group on Health: 2023 Large Employer Healthcare Survey.
[2] Cancer.gov: Breast Cancer Fact Sheet.
[3] Women and Caregiving.
[4] Johns Hopkins: Examining Caregiving-related Work Productivity Loss Among Employed Family Caregivers Of Older Adults.
[5] CDC: Reproductive Health and Infertility.
[6] FertilityIQ: IUI or "Artificial Insemination".
[7] The Commonwealth Fund.
[8] Biote: Women in the Workplace Survey.

What Can Employers Do?

Support from Leadership



- Re-design the physical workplace to support women and working parents
- Review policies affecting women in the workforce
- Listen to women's needs at your company and take action to recognize and compensate them equitably

Engage Employees

- Cultivate a space for women to voice their work needs through Employee Resource Groups
- Promote women's health resources and education
- Conduct employee engagement surveys to highlight areas of improvement

Foster an Inclusive Culture for Women

- Reduce the stigma surrounding women's health
- Organize women's health and well-being training and activities
- Fund unconscious-bias training for team leaders

Offer Innovative Benefits

- Establish mental and personal health days
- Provide support for fertility treatment and miscarriages
- Offer emergency backup childcare services and subsidies

Disparities in Women's Health

- In the U.S., Black women are less likely to receive prenatal care and have two to three times the maternal mortality as white women.[1,2] Additionally, Black women have a higher prevalence of high blood pressure and obesity compared to non-Hispanic white women.[2]
- One in five women do not have a primary care provider. This number varies based on races/ethnicities:[3]
  - 33% of Hispanic women
  - 26% of American Indian/ Alaska Native women
- Only 54% of lower-income women have received a recent mammogram compared to higher-income women.[4]

[1] *Kaiser Family Foundation: Women's Coverage, Access and Affordability: Key Findings from the 2017 Kaiser Women's Health Survey.*
[2] *Chinn JJ, Martin IK, Redmond N: Health Equity Among Black Women in the United States.*
[3] *Women Who Report Having No Personal Doctor/Health Care Provider by Race/Ethnicity.*
[4] *Why Even Healthy Low-Income People Have Greater Health Risks Than Higher-Income People.*

Musculoskeletal Health

Over half of U.S. adults report musculoskeletal (MSK) pain annually. While the prevalence has remained constant, the costs associated with MSK treatment have doubled over the last decade.[1] Current estimates indicate that the U.S. spends close to $1 trillion ($980 billion) for MSK treatment and lost wages.[2] Despite the increasing costs, MSK outcomes have not improved over the last 10 years.[1]

WHAT SHOULD EMPLOYERS KNOW?

76%

of employers report musculoskeletal health as a top driver of healthcare costs.[1]

74%

of those with chronic pain say it impacts their mental well-being.[2]

10.3 Days a Year

Musculoskeletal disorders are the leading driver of missed work nationwide;[3] employees with MSK pain miss an average of 10.3 days per year.[2]

64%

of those with MSK pain are not getting the help they need.[2]

Imaging and surgery are two areas where MSK disorders may generate unnecessary costs and impact quality. Approximately 5% of MSK patients drive 85% of MSK spend due to surgery.[4] Yet approximately 40% of lumbar surgeries and 34% of knee replacements are deemed to be unnecessary.[5] There is also wide variation in the cost and quality/outcomes by surgeon, facility and geography.

[1] *Hinge Health: State of MSK Report 2021.*
[2] *Hinge Health: State of MSK Care, March 2023.*
[3] *The Burden of Musculoskeletal Diseases in the United States: 4th Edition.*
[4] *Hinge Health: ROI, Chronic Pain, and the Future of MSK Care.*
[5] *Forbes: The Growing Rate of Unnecessary Surgeries.*

What Can Employers Do?

Employers can take a comprehensive approach to musculoskeletal disorders by promoting the following efforts:

Foundational Well-being Support

Holistic support of health and well-being, especially physical activity and proper nutrition, can help prevent the onset of musculoskeletal disorders.

Prevention and Early Intervention

Strategies integrating workplace ergonomics, industrial engineering and care advocacy and navigation can ensure at-risk employees are identified, engaged and supported early in their MSK journey.

Treatment Access

Employers can support increased access to MSK treatment by assessing the opportunity to integrate alternative treatment options and innovative solutions, including virtual physical therapy. Review benefits for chiropractic treatment, massage, acupuncture and other modalities related to pain management.

Treatment Quality and Appropriateness

Introducing or enhancing second/expert medical opinion programs and musculoskeletal Centers of Excellence into a benefits program can ensure appropriate and cost-effective treatment.

Metabolic Health

What Should Employers Know?

Metabolic syndrome can be characterized by the following conditions:[1]

- Obesity
- High blood pressure
- High cholesterol
- High blood sugar

Each of these conditions increases an individual's risk for type 2 diabetes, heart disease, stroke and kidney disease. Unfortunately, the prevalence of obesity, high blood pressure and high cholesterol, which are the precursors to metabolic syndrome and type 2 diabetes, continues to increase.[1]

Metabolic syndrome affects nearly **1/3** of U.S. adults.[1]

43%

OBESE[2]

48%

HYPERTENSION[3]

10%

HIGH CHOLESTEROL[4]

Healthcare costs for those with metabolic syndrome are on average **160%** higher than those without.[5]

[1] *Metabolic Syndrome - What Is Metabolic Syndrome? | NHLBI, NIH.*
[2] *US obesity rates have tripled over the last 60 years (usafacts.org).*
[3] *Facts About Hypertension | cdc.gov.*
[4] *High Cholesterol Facts | cdc.gov.*
[5] *Health care utilization and costs by metabolic syndrome risk factors. Metab Syndr Relat Disord. 2009 Aug;7(4):305-14.*

What Can Employers Do?

Employers can address the rising cost and prevalence of metabolic conditions, but it requires a multi-faceted approach that considers the following:

Benefit Design, Networks and Coverages

Providing access to Centers of Excellence (COE) for bariatric treatments and coverage for anti-obesity medications can support the treatment of metabolic syndrome and prevent more serious complications. Employers can also promote and incentivize primary care and COE or require preauthorization or enrollment in lifestyle modification programs to access effective, but costly, anti-obesity medications to help improve healthcare utilization and outcomes.

Policies and Environment

Environmental strategies such as providing healthy foods in cafeterias and vending machines, as well as open stairwells and sit/stand desks to help increase physical activity, can establish a culture of health and support employees' ongoing health goals.

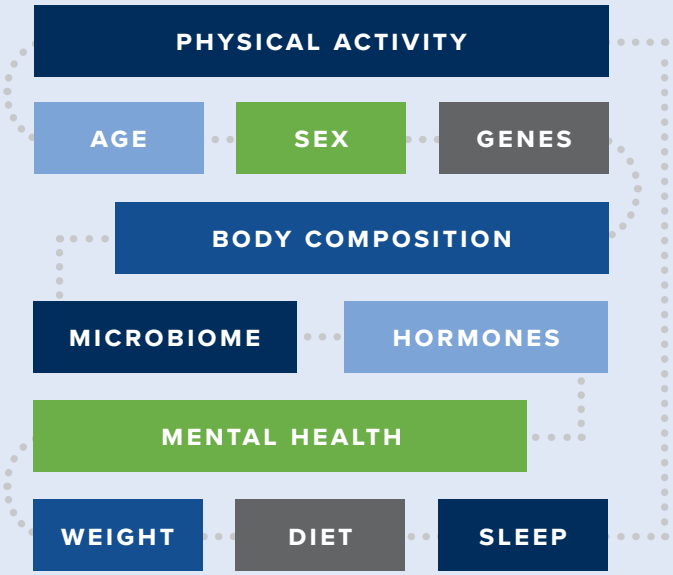
Targeted Clinical Interventions

Whether through the health plan or third-party vendors, programs designed to address the cluster of conditions that make up metabolic syndrome – including obesity, high blood pressure, high cholesterol and high blood sugar – can not only improve the quality of life of those living with these conditions, but also prevent the progression to more severe complications.

READ MORE

Click to learn more about metabolic syndrome.

Contributors to Metabolic Health



Metabolic Syndrome Disparities

- The latest data shows an overall prevalence of metabolic syndrome among U.S. adults of 36.9%. However, only 26.2% of Asian Americans had metabolic syndrome as compared to 40.4% of Hispanic adults.[1]
- Black adults had a higher prevalence of high blood pressure and were less likely to have their blood pressure "controlled."[2]
- The prevalence of obesity is highest for non-Hispanic Black adults (49.9%), followed by Hispanic adults (45.6%), non-Hispanic white adults (41.4%) and non-Hispanic Asian adults (16.1%).[3]

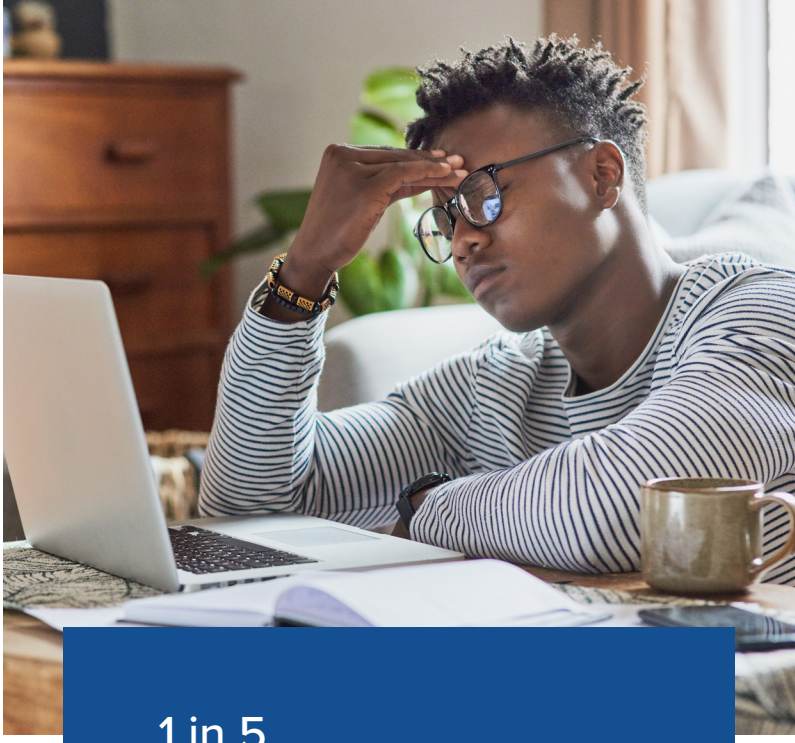
[1] Metabolic syndrome is on the rise: What it is and why it matters - Harvard Health.
[2] 2023 Annual Report | AHR (americashealthrankings.org).
[3] Adult Obesity Facts | Overweight & Obesity | CDC.

Behavioral Health

Over the last five years, mental health has become increasingly recognized as a critical contributor to overall well-being. The pandemic reset the baseline for behavioral health condition prevalence, utilization and costs. Employers should anticipate that behavioral health will remain one of the main cost drivers for the foreseeable future. Factors such as work-life stress, stigma, job insecurity, social isolation and lack of support systems contribute to the prevalence of mental health issues.

What Should Employers Know?

- In 2023, 37% of U.S. adults reported they have been diagnosed with a behavioral health condition, which represents a 5% increase from 2019.[1]
- 48% of employees say they experienced high to extreme stress over the last year.
- Between 2019 and 2022, behavioral health visits for eating disorders increased by 53%, anxiety disorders by 48% and alcohol and substance use disorder by 27%.[2]
- The youth mental health crisis has increasingly become a matter of global concern, affecting employee presenteeism and absenteeism rates.[3]
- 62% of missed workdays are attributable to mental health conditions.[4]
- 55% of adult mental illness goes untreated.[5]



1 in 5

According to the CDC, 1 in 5 U.S. adults deal with mental health issues.

YOU ARE NOT ALONE

Mental illness impacts millions of people, including the members of your workforce. It is important to remember that we are all human and to remain compassionate and accommodating.

RESOURCES

Mental Health Resources for Employers

READ MORE >

The Youth Mental Health Crisis

READ MORE >

[1] *MHFD internal presentation.*
[2] *Trilliant Health, Trends shaping the Health Economy: Behavioral Health, March 2023.*
[3] *Surgeon General Issues New Advisory About Effects Social Media Use Has on Youth Mental Health | HHS.gov.*
[4] *Kaiser Permanente: Mental health in the workplace — and the cost of staying silent.*
[5] *Mental Health America: State of Mental Health in America 2023.*

What Can Employers Do?

Promote a Positive Workplace Culture

Foster a culture that values work-life balance, open communication and mutual support among employees.

Raise Awareness

Conduct training sessions and communication campaigns to raise awareness about mental health issues and help reduce the stigma associated with them. Support managers and provide mental health first aid training or the equivalent.

Provide Resources and Support

Share information about health insurance coverage, mental health resources, resilience and mindfulness programs. Consider implementing a mental health peer support program or mental health champion's network.

Create a Non-Discriminatory Environment

Foster an inclusive workplace where employees feel safe and accepted.

Provide Employee Assistance Programs (EAPs) or Mental Health Navigation

Access to quality mental health is an ongoing challenge, with over half of mental illnesses going untreated each year.[1] EAPs and Mental Health Navigators provide a "mental health front door" to employees, giving them easy access to free therapy and work/life resources, inherently creating a healthier and more productive work environment.

READ MORE

Click to learn more about well-being strategies.

Mental Health Disparities

- LGBTQ+ individuals are three times more likely to experience a mental health condition.[1]
- Mental distress is 25% higher among adults with incomes less than $25,000 compared to those with incomes of $75,000 or more.[2]
- Women were over 1.5 times as likely as men to be diagnosed with an anxiety disorder or major depression.[3]
- 53.3% of white people who reported serious psychological distress and 70% reporting a major depressive episode received mental health treatment compared to 28.9% and 35.3% of Asian people reporting the same distress, respectively.[4]

[1] *Mental Health America: State of Mental Health in America 2023.*
[2] *UnitedHealth Foundation: 2023 Annual Report.*
[3] *Athena Health: Data show inequalities in mental health diagnoses.*
[4] *Yang KG, Rodgers CRR, Lee E, Lê Cook B: Disparities in mental healthcare utilization and perceived need among Asian Americans: 2012–2016.*

Aging Working Population

The Impacts of Medicare

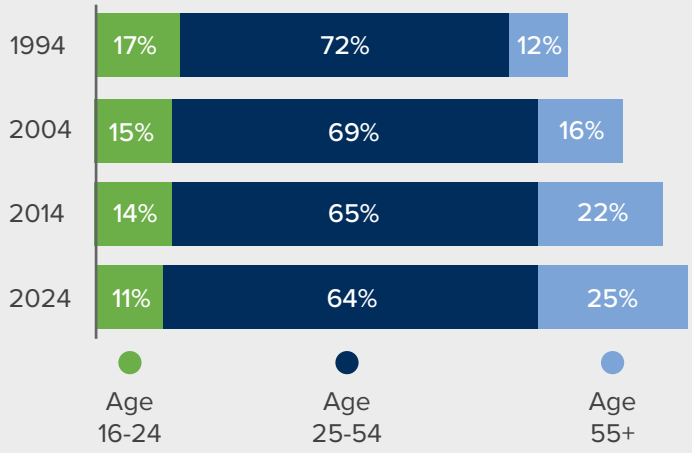
With more employees continuing to work past age 65, employers are now required to better understand the benefits of Medicare and the various ways those plans integrate or interact with their employer-sponsored health plans. In the United States, 10,000 people turn 65 each day. This demographic will represent over 20% of the population by 2050.[1] These trends suggest that Medicare will play an even more critical role in overall health coverage for workers over the coming decades.

What Should Employers Know?

It's important to note that the impact of an aging workforce can vary by industry, company and region. Additionally, societal and economic factors can influence how organizations address and adapt to the changing demographics of their workforce. For the latest and industry-specific statistics, it is recommended to refer to recent reports from labor and workforce organizations.

U.S. Labor Force, by Age

Source: U.S. Bureau of Labor Statistics



Baby boomers were the second largest population group in 2022, behind millennials, at 72.2 million.

The U.S. Census Bureau predicts that older adults (aged 65+) will outnumber children by 2029.

What Can Employers Do?

Annual healthcare costs per employee age 65+ are likely much higher. Transitioning to Medicare may provide direct savings for employees while reducing future renewal pricing for employer plans and generating savings for the employer and all employees remaining on the employer's plan.

READ MORE

Click to watch a webinar about Medicare Eligibility Services.

[1] AARP International: Aging Readiness and Competitiveness (ARC).

Navigating Innovation in Employee Benefits

Innovative Care Delivery Models

Ever-increasing healthcare costs with little to no improvement in patient outcomes have led many employers to implement new care delivery models that offer increased quality and affordability, enhanced access and a better patient experience.[1] Depending on the employer and their needs, new plan design tactics and care delivery models range from advanced primary care and on-site care for supporting the primary care provider relationship to narrow networks and Centers of Excellence (COE) for navigating employees to higher quality care sites.

What Should Employers Know?

Cost Control Capabilities

New care delivery models have the potential to reduce costs by decreasing inefficiencies and unnecessary spending.

- Narrow/tiered networks have been shown to reduce overall healthcare costs without negatively impacting quality or access.[2]
- COEs with bundled payments have been shown to reduce surgery costs by approximately 45%.[3]
- Capitation models encourage coordination of care and remove incentives to perform unnecessary medical services.[4]

Improvements to Quality of Care

Advanced Primary Care (APCs) focuses on whole-person health, which helps improve productivity, decrease sick days and contributes to healthier employees overall.[5]

Member Experience

APCs often have lower wait times to find appointments and can expedite time spent with a healthcare provider.[5]

[1] *American Hospital Association: Market Insights, Evolving Care Models.*
[2] *NIH: The impact of narrow and tiered networks on costs, access, quality, and patient steering.*
[3] *HealthLeaders Media: Bundled Payment Program Yields Big Savings for Commercially Insured Patients.*
[4] *CAPG: Guide to Alternative Payment Models.*
[5] *7 Reasons Why You Should Care About Advanced Primary Care - Healthcare Business Today.*

What Can Employers Do?

Employers can influence the care their employees receive by augmenting their benefit offerings with new models of care that correspond to the needs of their population. To do so, employers are considering the following:

Evaluate Their Population's Healthcare Needs

Review current utilization and gaps in care to understand if new care delivery models could enhance the patient experience and improve care delivery and/or affordability.

Explore Innovative Models

Tap into programs available within the health plan or through a third party. This could include value-based primary care, virtual care or high-performance networks and Centers of Excellence (COEs) for conditions of importance to the employer.

Consider On/Near-Site Care

Address barriers resulting from geographic location or workplace policies limiting access to doctor visits during regular office hours.

Encourage Enhanced Care Delivery Models

Review plan design modification opportunities (i.e., reduced or no cost share), travel and accommodation coverage or incentives. Provide Employee Assistance Programs (EAPs) or Mental Health Navigation.

70%

of large employers will have at least one advanced primary care strategy in 2024 (i.e., virtual primary care or on/near-site health clinics).

53%

of large employers currently offer on/near-site clinics to improve access.

46%

of large employers will offer high-performance networks in 2024.

92%

of employers will offer access to Centers of Excellence for transplants, bariatric surgery, fertility/family-forming services, MSK procedures and cancer.

Source: Business Group on Health – Healthcare Delivery Data Insights

Digital Health Market and Point Solutions

Digital health solutions address various health conditions, from physical to mental health and well-being. They offer employers the potential to improve clinical outcomes, reduce costs, improve employees' well-being and reduce lost workdays and turnover. Silicon Valley flooded digital health startups, particularly during the pandemic, as providers and payors looked for solutions that could be deployed virtually and did not rely on "brick and mortar" offices.

As a result, employers have been inundated with sales and marketing by digital health solutions. The offerings sound innovative, and the case studies are compelling. However, employers should consider several factors when assessing these programs:

- **Deploying and administering these programs is complex.** Employers should see if current partners (medical and pharmacy carriers and possibly EAP) offer similar or duplicative programs embedded into existing programs. This would save employers the cost of maintaining a new contract and relationship. Also, the carriers have established partnerships, with integration at both operational and reporting levels, which might be better than an independent point solution.
- **Usage and satisfaction with point solutions vary.** Pre-pandemic, users of digital health solutions tended to be younger and had higher incomes. Since the pandemic, users have expanded to include diverse cohorts. Employers should assess the usage of existing programs, employee satisfaction and overall awareness.
- **ROI projections and savings reports can be based on questionable assumptions.** Vendors offer robust ROI projections with footnotes citing academic studies. Employers should proceed cautiously and determine if those assumptions are reasonable based on their actual data. One thing is certain: employers will pay fees to these vendors (either based on membership or participation), and ROI may be difficult to realize in actual claims or lack credibility to be guaranteed.

In recent months, funding for digital health startups has softened as Wall Street valuations of established companies have dramatically decreased. This is partly due to these programs' lack of performance and inability to increase membership. If an employer decides to proceed with a digital health solution, it should hold vendor partners accountable and negotiate performance guarantees to help minimize financial risk.

READ MORE

Click to learn more about the digital health market.

Page Source:
Rock Health: 2023 Year-end Digital Health Funding in U.S.

Artificial Intelligence: Healthcare Impacts

Technology and the use of data are affecting the healthcare system in profound ways. From research to patient care and healthcare business analytics, various stakeholders are affected by access to more information combined with new, more powerful tools and methods. Artificial Intelligence (AI) and its many differing technologies and applications are already impacting the healthcare system and how plan sponsors manage their plans.

Increased Precision and Predictability

Increasingly, AI models are being used to produce personalized treatment plans for patients that consider medical history, environmental factors, lifestyles and genetic makeup. Machine learning (ML) models are being trained on imaging studies to diagnose such conditions as cancerous lesions.

Healthcare professionals can use predictive models to determine the likelihood of someone being hospitalized, using the emergency room or developing a particular condition. These ML models can empower plan sponsors to create early intervention programs to shape a health outcome ahead of an acute event.

What Can AI Do in the Healthcare Space?

- Augment care delivery
- Improve consumer behavior
- Expand the use of analytics
- Manage big data
- Streamline administrative tasks
- Improve risk management
- Enhance the HR function

READ MORE

Greater Administrative and Operational Efficiencies

Robotic process automation (RPA) models are already streamlining administrative functions for payors and improving clinical workflows for providers. Billing, claims processing, scheduling, fraud detection, prior authorizations and routine insurance administration are being transformed by RPA. Natural language processing (NLP) and chatbots enhance the members' experience by reducing the number of calls to member services.

NLP tools translate clinical notes and images directly into health records. In contrast, AI tools can synthesize results into activity trackers and other consumer devices to power personalized care delivery and management.

Curating a Consumer-Grade Experience

Stand-alone portals and apps will be replaced with generative AI models more akin to software-enabled personal assistants. A suite of AI-enabled tools will help employees make more informed decisions during open enrollment with personalized recommendations and guidance. RPA will make it easier for HR teams and employees to process forms and complete administrative tasks. Enterprise AI models can synthesize plan sponsor-specific answers, with individual context, across the human resources environment.

Price Transparency

Federal price transparency legislation became effective in 2021, intending to create more informed healthcare consumers and level the playing field among provider reimbursements. While early estimates indicated minimal to statistically insignificant savings potentials, mainly due to the lack of hospital compliance in posting rates, 2023 proved to be an influential year in moving the needle on hospital compliance and future cost savings possibilities.

As of January 2023, 91% of hospitals have posted their rates to a machine-readable file.[1] To use these large, unstructured files, several companies have taken the lead in aggregating the data and building tools that allow consumers to access it in a meaningful way.

Early Cases

- **Member Empowerment:** Members now have more tools than ever before to help them make educated healthcare choices. They can explore costs for various treatments and procedures, helping them find affordable options and saving on their healthcare expenses.
- **Provider Network Optimization:** Price transparency tools can help identify cost-effective, high-quality providers. This enables member steerage toward these providers, reducing overall healthcare costs while helping to maintain or improve the quality of care. Aligning member incentives with utilizing low-cost/high-quality care can help a plan to reduce short- and long-term costs.
- **Claim Repricing and Negotiation:** Plan sponsors have leveraged these tools to negotiate and reprice claims with healthcare providers. Armed with data, sponsors can help their members pay fair and competitive rates for medical services.

Future Laws and Legislation

Recently, several states and the federal government have evaluated potential requirements for employers and health plans regarding further PBM transparency around spread pricing and rebate remittance.

In September 2023, The Centers for Medicare and Medicaid Services (CMS) announced that the deferred enforcement period for the prescription drug requirement would end. Effective January 1, 2025, the Price Transparency requirement will include additional Part B drug reporting.

The Pharmacy Benefit Manager Reform Act has also gained traction. This bill would:

- Prohibit PBMs that do not pass on 100% of rebates from engaging in spread pricing
- Require manufacturers to provide transparency reports before raising drug prices within certain thresholds
- Mandate that PBMs send annual reports to the Federal Trade Commission about payments received from health plans and fees charged to pharmacies

READ MORE

Click to learn more about the Transparency in Coverage Final Rules and No Surprises Act.

[1] *Analysis: 91% of hospitals posting machine-readable price transparency data.*

Financial Well-Being

When assessing wealth and financial security programs, the financial well-being of the workforce is a critical component. This well-being reflects the confidence and empowerment employees experience when they can manage their expenses, handle unforeseen costs and achieve a secure financial future and retirement.

Traditionally, employers have concentrated on 401(k) and other retirement plans in their approach to financial well-being. It is important to recognize, however, that financial well-being also impacts overall physical and mental health. As such, financial well-being programs should address a diverse range of needs and be integrated with comprehensive population health programs.

The current state of the workplace indicates that employees face increasing financial stress, worsened by the pandemic and inflation.

55%
of employees are living paycheck to paycheck.[1]

57%
of employees say finances are the top cause of stress in their lives.[2]

55%
say money worries have a negative impact on mental health.[2]

44%
report a negative impact on their physical health.[2]

44%
of financially stressed employees admit personal finance issues have been a distraction at work.[2]

38%
of families put off health treatment due to cost.[3]

Developing strategies and action plans to help enhance employee financial well-being can be effectively structured using this five-part strategic framework:

1) Holistic Employee Support

2) Personalization and Choice

3) Balancing Short-Term and Long-Term Objectives

4) Effective and Targeted Communication

5) Leveraging People and Technology for Engagement

Financial Benefits

Specific benefits to meet employee needs can vary depending on numerous factors such as demographics, economic climate, personal financial situations and cultural values. However, several key financial benefits tend to be highly valued by employees:

1. **Retirement savings plans (401(k)):** After medical insurance, retirement plans are one of the most valuable benefits. Employer contributions to retirement savings can significantly enhance an employee's ability to save for the future.

2. **Income protection and voluntary benefits:** Offerings such as life, disability, long-term care and supplemental health insurance help provide financial security to employees and their families in unforeseen life events, which can be a significant source of financial stress.

3. **Health Insurance and Health Savings Accounts (HSAs):** HSAs provide an efficient way for employees to finance their out-of-pocket expenses and save and invest tax-free to fund today's medical expenses and future healthcare needs.

4. **Student loan repayment and debt assistance:** With the rising concern over debt, especially student loan debt, assistance in this area is increasingly valued. Regulatory updates such as the resumption of federal student loan payments in late 2023 and the Secure Act 2.0 allow employers to treat an employee's qualifying student loan repayment as elective deferrals for a 401(k) plan matching contribution.

5. **Emergency savings accounts:** Programs that help build emergency savings are highly appreciated. This could be through company-matched savings programs or tools that facilitate automatic deductions for emergency fund contributions.

6. **Financial education and counseling:** Access to financial education and personalized financial counseling can be highly beneficial. Employees often value the opportunity to receive advice on managing their finances, budgeting, investing and planning for significant life events.

7. **Salary advances or payday loans:** Some employers offer programs that allow employees to access a portion of their earnings before the regular payday, which can be important for those facing immediate financial needs.

8. **Discounts and purchase programs:** Portals offering employees discounts or the ability to purchase higher priced items like computers or home appliances and make payments over time give employees alternatives to high-interest credit card purchasing.

9. **Flexible work arrangements:** While not a direct financial benefit, flexible work arrangements can have a significant financial impact by reducing costs related to commuting, childcare and other work-related expenses.

10. **Wellness and lifestyle benefits:** Gym memberships, transportation subsidies and other rewards that, while indirectly financial, can contribute to overall savings and improved quality of life.

Click to learn more about supporting employee financial well-being.

Sources for Page 33:

[1] *Bankrate: Living paycheck to paycheck statistics.*

[2] *PwC: 2023 Employee Financial Wellness Survey.*

[3] *Gallup: Record High in U.S. Put Off Medical Care Due to Cost in 2022.*

Total Rewards

Total Rewards encompasses everything a company offers an employee in exchange for the work they provide. This includes compensation and benefits but also other employee incentives such as recognition, workplace culture and career development. Communicating total rewards makes it easier for employers to demonstrate their overall value. Beyond providing a competitive edge, visibility to all total rewards offerings is a core component of the pay transparency movement.

In the last few years, pay transparency laws and regulations have been enacted that require employers to share compensation information, such as pay rates or salary ranges, with current or prospective employees. Colorado was the first state to pass a pay transparency law regarding job postings. Since it was enacted in 2021, 15 other states and localities have enacted their own pay transparency laws, with that number expected to double in the next few years.

Pay Equity

Pay equity is the process of reducing salary disparities among workers performing substantially similar work. Ultimately, pay transparency aims to help promote fairness and equity in the workplace. Open pay practices can yield substantial benefits for companies by attracting and retaining the right talent needed to meet the company's mission. Employees value pay transparency because it can help them apply for jobs that meet their needs and establish trust with their current or future employers.

While pay transparency is not a passing trend, many employers are still hesitant to move with the tide because of concerns about employee reactions, especially if unintended pay gaps are identified. Several different federal pay equity laws enforced by the Equal Employment Opportunity Commission are now being joined by state and local pay equity legislation aimed to clarify and address wage disparities further. For claims of discrimination, these laws include all forms of pay.

In reaction to the laws, the number of companies hiring compensation professionals has risen considerably. These professionals can conduct comprehensive pay audits to help address any existing inequities before pay transparency practices within a company begin. As pay equity and transparency evolve, an experienced compensation professional can also support employers by creating a job architecture. It affirms that similar roles are provided with similar compensation or reward opportunities.

States with Current Pay Transparency Legislation (as of 1/1/24):

- California
- Colorado
- Connecticut
- Hawaii
- Illinois
- Maryland
- Nevada
- New Jersey
- New York
- Ohio
- Rhode Island
- Washington

Pay Discrimination Claims Cover the Following Forms of Pay:

- Salary and benefits
- Overtime pay
- Bonuses
- Stock options
- Profit sharing
- Incentives
- Vacation pay
- Insurance
- Cleaning or gasoline allowances
- Hotel accommodations
- Travel reimbursement
- Use of company vehicle

Absence: Trends, Updates and Timelines

Market Outlook

The carrier community continues to invest in expanding its front-end absence administrative capabilities, and third-party administrators (TPAs) are promoting their ability to customize the process and the employee experience.

Technology Continues to Evolve to Support the Absence Process:

- Evolving from the exchange of data files and feeds to the instantaneous transmission of data via Application Programming Interfaces (API), both one-way or bi-directional
- Growing capabilities in Artificial Intelligence (AI)
  - » Natural language processing (NLP) used in AI-driven and live chat
  - » Support of the claims process to execute repetitive processing tasks
  - » Reviewing and summarizing medical or other documentation provided to substantiate the claims

READ MORE

Click to learn more about sick leave.

Legislative Landscape

Paid Family and/or Medical Leave Continues to Pass Across the U.S.

Laws and regulations regarding paid-family leave are generally passed in one of three ways:

- Mandated paid and/or job-protected leave
- Voluntary program – employer and/or employee may choose to participate
- Opening the insurance market for insurance carriers to offer an insured product within the state

Navigating the Complexities of Complying with Legislated Leave Mandates

Coordinating mandates with company-sponsored leave programs helps promote compliance and a smooth and positive employee experience and helps evaluate parity for leave benefits.

The Pregnant Workers Fairness Act (PWFA) has Taken Center Stage

- Raises pregnancy (and related conditions) to the level of a disability
- Requires employers, including front-line leaders, to change behaviors
- Continued and expanded evaluation of the overall approach to accommodations, specifically around the interactive process and accommodations decision

ABSENCE

Key Legislative Dates

- Paid Family and/or Medical Leave (PFL/PFML)
- Paid Sick Leave (PSL)
- Disability Insurance
- Paid Other/COVID
- Unpaid Other

JANUARY 2024

January 1	Colorado PFML benefits begin
January 1	Illinois Paid Leave for All Workers Act (PSL) goes into effect
January 1	MN ESST (PSL) goes into effect
January 1	CA SB951 goes into effect, amending SDI
January 1	SB5586 goes into effect, amending WA PFML
January 1	NV AB163 goes into effect, amending current DV Law to add Protections to Employees/Family Members who are SA Victims
January 1	IL HB3516 goes into effect, amending the Employee Blood Donation Leave Act and renaming it to include Organ Donation
January 1	IL HB2493 goes into effect, amending VESSA
January 1	IL SB2034 goes into effect, providing unpaid leave to parents after losing a child by suicide/homicide
January 1	CA PSL Amendments goes into effect
January 1	CA Reproductive Loss Leave goes into effect
January 1	Bloomington, MN Local PSL Law's amendments go into effect

JULY 2024

July 1	Vermont Voluntary FMLI Phase 2 Effective Date for Private/Public Employers with 10 or more employees
July 1	Chicago, IL Local PSL amendments go into effect; create new "Paid Leave & Sick and Safe Ordinance"

OCTOBER 2024

October 1	Maryland PFML contributions begin

2025

January 1	Delaware PFML contributions begin
January 1	Maine PFML contributions begin
July 1	Vermont Voluntary FMLI Phase 3 Effective Date for Individuals and employers with fewer than 10 employees

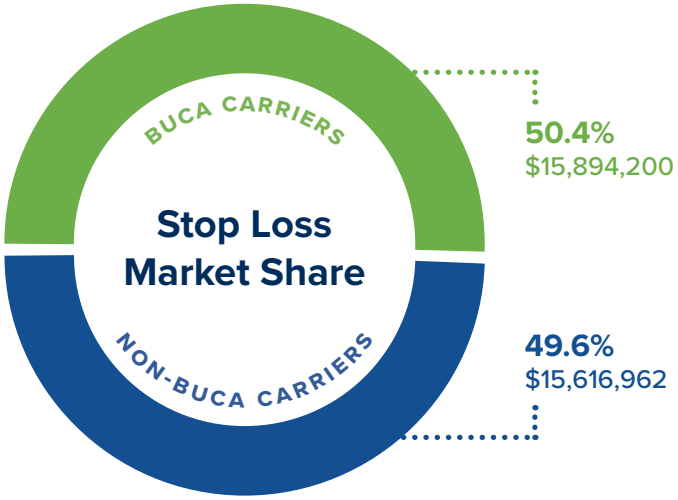
2026

January 1	Delaware PFML benefits begin
January 1	Maryland PFML benefits available
January 1	Minnesota PFML contributions and benefits begin
May 1	Maine PFML benefits available

2024 STATE LEAVE LAW NOTICE/POSTING UPDATES

January 1	WA PFML has updated it's mandatory 2024 posting to show a new wage replacement cap for 2024
January 1	MA PFML has updated it's mandatory 2024 poster and 2024 rate sheets
January 1	MN ESST published their "Earned Sick and Safe Time" Sample Notice, which is required to be provided to employees by 1/1/24 and their required workplace poster
January 1	CA PSL has updated their paid sick leave poster and 2810.5 employee notice
January 1	Cook County, IL Releases New Model Notice/Poster After Passing New Paid Leave Ordinance
January 1	IL PLAWA Releases New Model Notice/Poster
January 1	IL VESSA Released Amended Model Notice/Poster
February 1	DC UPL updated "Notice to Employees" is required to posted by 2/1/24

Self-Funded Stop Loss Programs: Market Outlook



For employers choosing to self-fund health benefit plan(s), placing stop loss coverage is critical for helping to protect the plan from significant losses resulting from catastrophic claims.

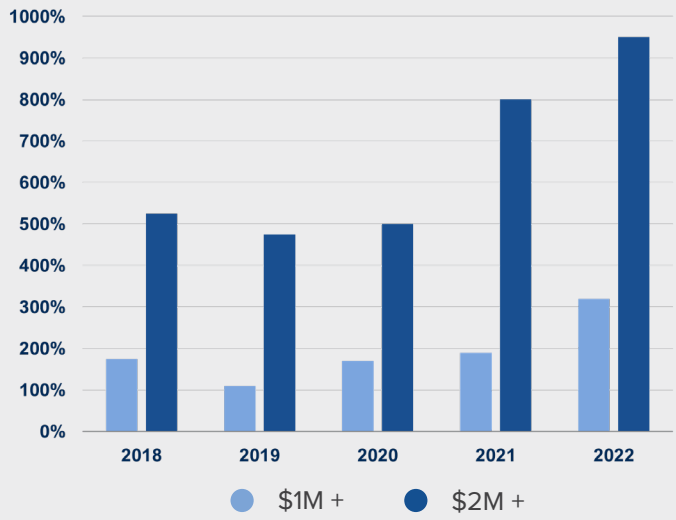
The stop loss market is comprised of over one hundred carriers managing $31.5B in annual premium. Currently, the market is split evenly between the traditional bundled insurers such as Anthem/BCBS, UHC, Cigna and Aetna (BUCAs) and unbundled third-party insurers.

Fig. Source: MyHealthGuide Newsletter: Ranking of top stop-loss providers in the United States based on 2021 annual premium

The broader market continues to face impacts from increasing healthcare costs. Correspondingly, catastrophic claims covered by stop loss are escalating. The stop loss market has long reported that cancer, newborn/infant care and cardiovascular conditions consistently rank as the costliest claims conditions, with this trend expected to continue in 2024.[1,2,3] The frequency and severity of catastrophic claims are trending upward, with the most significant increases being seen in individuals with $1M+ claims:

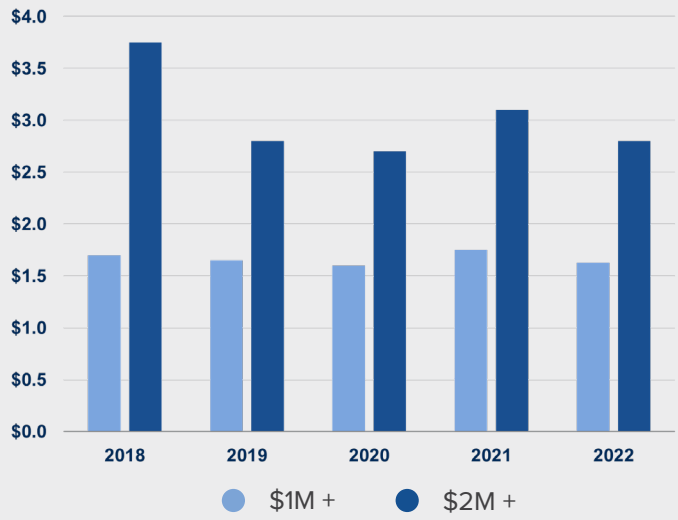
Frequency – $1M + Claims

Source: Tokio Marine: Annual Market Report, 2023



Severity – $1M + Claims

Source: Tokio Marine: Annual Market Report, 2023



[1] Sun Life: High-cost claims and injectable drug trends analysis 2023.
[2] Voya Financial: Stop Loss paid claims analysis 2023.
[3] QBE Accident & Health Market Report, 2023 edition.

Employer **stop loss captives** have become a very viable option for many employers. Many smaller employers, as well as new employers to self-funding, have been increasingly drawn to the captive marketplace.

Resulting from increased claims exposure, stop loss premiums have been adversely impacted over the last several years. In 2023, health plans maintaining a consistent specific stop loss deductible averaged a 13.4% premium increase.[1]

When considering all plans, including those with a specific increased deductible, the premium increase was lowered to 8.4%.[1] This aligns with the preliminary review of Brown & Brown customers renewed on January 1, 2024, with a 7.5% average increase in premium.[1]

Based on recent market submissions and placements in the Brown & Brown Stop Loss office, carriers are responding aggressively with favorable pricing and terms when the risk is attractive. Some wariness exists when there is an indication of known or predicted health concerns, resulting in very conservative pricing or a decline to quote (DTQ).

RESOURCES

Employer Stop Loss Capabilities

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Brown & Brown has the resources to help customers determine their stop loss placement.

Please contact your Brown & Brown representative for more information or visit us at BBrown.com.

[1] *Segal: Medical Stop-Loss Premiums Increase by More Than 8%.*

Regulatory & Legislative Strategy Updates

First Robust Updates to the Body of the Model Marketplace Notice Since Inception

The first model Marketplace Notice was introduced in 2013 and has not been amended in over a decade. The only change within the model Marketplace Notice for that decade was the expiration date. However, in a recent release, the following changes were made:

1. Provides the actual percentage threshold amount of an employee's household income where such coverage would be considered unaffordable to an employee and/or family member (i.e., coverage that costs the employee/family member more than 9.12% of the employee's household income in 2023) that entitles an employee (or a family member) to a premium tax credit that can be used to purchase marketplace insurance coverage.
2. Includes information related to the temporary expansion of the marketplace special enrollment period from March 31, 2023, through July 31, 2024.
3. Explains enrollment in an employer-sponsored plan makes an individual ineligible to receive a premium tax credit in the marketplace, even if such coverage is unaffordable or does not provide minimum value (i.e., the plan does not provide at least 60% actuarial value) to an employee.
4. Addition of Question 16 on the last page of the notice. Completing Question 16 allows the employer to explain to employees what plan changes the employer will make to the group health plan in the upcoming plan year, but like Questions 13 – 15, located in the same section of the Notice, completing Question 16 is optional on the part of the employer.

RESOURCES

Regulatory & Legislative Strategy Capabilities

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Updated Marketplace Notice

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Mental Health Parity and Addiction Equity Act (MHPAEA)

On July 25, 2023, the Department of Labor (DOL), Internal Revenue Service (IRS) and Department of Health and Human Services (HHS) released proposed regulations titled "Requirements Related to the Mental Health Parity and Addiction Equity Act." These proposed rules seek to amend current regulations related to the Mental Health Parity and Addiction Equity Act of 2008 (MHPAEA) by introducing new requirements surrounding Non-Quantitative Treatment Limitations (NQTLs).

Through these proposed regulations, the departments seek to provide more clearly defined standards to ensure that health plan sponsors, insurance carriers and other stakeholders do not apply more stringent limits on access to mental health and substance use disorder (SUD) benefits as compared to medical/surgical benefits within a health plan or policy. This included further guidance that eating disorders and Autism Spectrum Disorder fall into the category of "mental health" conditions and not as a medical/surgical condition, meaning that if a plan offers mental health benefits, services rendered for either of these conditions must have parity with the medical/surgical benefits contained within a health plan.

The final regulations, which may adopt many of the recommendations set forth in these proposed regulations, are anticipated to be released in 2024. Health plans should continue to diligently perform self-audits of their health plans (especially for self-funded health plans) to ensure parity between the financial requirements, quantitative treatment limitations and non-quantitative treatment limitations that apply to benefits offered under the category of mental health/substance use disorder benefits and medical/surgical benefits.

Transparency in Coverage Rules: Gag Clause Attestation

Group health plans and insurance issuers are prohibited from including any provision within provider agreements/contracts that would prevent an enrollee, plan sponsor or referring provider from accessing any provider's cost and quality data.

Group health plans and insurance issuers must submit an attestation to the government confirming that they comply with this rule. The first attestation was due to CMS by December 31, 2023, and will be due to CMS by December 31 of every year after that for the prior calendar year. If a carrier of a fully insured plan submits an attestation to CMS of its compliance with the gag clause prohibition rules and attests on behalf of the health plan, this satisfies the obligation for the fully insured health plan. Plan sponsors of self-funded health plans may enter into a written agreement with a TPA (or other service provider/vendor/sub-vendor) to attest on behalf of the health plan, but the responsibility to ensure compliance with the attestation requirement ultimately remains with the health plan.

For the 2024 calendar year, plan sponsors should continue to communicate with their carrier(s)/TPA(s)/vendor(s) to ensure that no gag clause exists in any contracts between the health plan and providers (or provider networks) so that they are adequately prepared to attest that the health plan is compliant under the gag clause prohibition rules when they submit their Gag Clause Prohibition Attestation to CMS by December 31, 2024.

Increased Pharmacy Benefit Manager Regulations

Many states have already begun regulating Pharmacy Benefit Managers (PBMs) by adopting laws that seek to create more accountability, transparency and competition within the PBM industry. The ultimate goal of these state laws is to reduce the current high-cost environment of prescription drug coverage to health plans, employees and individuals, hoping to make this same impact on the PBM industry. These goals may soon gain traction on a national basis through bills that have recently been introduced in Congress during the 2023/2024 session. Whether this becomes more of a national trend rather than a state trend will depend on the current political climate of 2024.

HSA Eligibility and Telemedicine: 2024 and Beyond

Generally, if an individual is covered by any health coverage that pays for significant medical care or treatment before the qualified HDHP minimum deductible is satisfied, that individual is not eligible for HSA (unless such coverage is for preventive care services).

However, the 2023 omnibus spending bill enacted at the end of 2022 allowed telemedicine and other remote care to be considered permissible coverage (even if paid for before an individual satisfies their Qualified HDHP minimum deductible) and does not prevent HSA eligibility for services received during plan years beginning on or after January 1, 2023, and before January 1, 2025.

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