Employee Benefits Report

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New Benefits

What's Driving Benefit Costs Up 7% for 2024?

U.S. employers should brace for a 7% hike in healthcare costs next year, fueled largely by chronic conditions, costly prescriptions, and catastrophic claims, according to new data.

The 7% median increase projected for 2024 echoes last year's prediction for 2023 costs and marks a sizable jump from the 4-5% growth employers foresaw in 2021 and 2022 during the height of the pandemic.

Driving Growth in Health Spending

The International Foundation of Employee Benefit Plans, which surveyed 171 employers in early August, found utilization related to chronic health conditions was the primary driver of medical cost increases next year. Twenty-two percent of

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This Just In ...

Estate Planning: The New Must-Have Benefit

Estate planning benefits are gaining momentum as employers add these services to help employees with their financial affairs. With COVID-19 underscoring mortality and workers seeking more financial protection, interest is rising.

The share of companies providing legal services for wills and estate planning jumped six percentage points from 2022 to 2023, reaching 42% this year, according to a survey by the Society for Human Resource Management.

In addition, requests for proposals for legal benefits have increased ten percent year over year according to LegalShield, a leading provider. Its data shows estate planning is the most utilized part of legal plans.

Why So Popular Now?

The pandemic pushed estate planning front and center as many employees raced to coordinate key documents when family members fell critically ill. Prior to COVID-19, estate planning, though consistently on people's to-do list, usually got delayed due to the perceived hassle and costs. Employer-provided services can help remove these barriers.

Benefits for Both Sides

Offering estate planning gives employers a compelling, value-added benefit that can also

respondents cited this factor, followed closely by catastrophic claims, identified by 19%.

These trends may partly stem from employees delaying or skipping regular screenings like mammograms and colonoscopies during COVID-19 shutdowns, leading to later, more serious diagnoses. For example, catching cancer earlier could have meant fewer chronic or catastrophic claims.

Sixteen percent of employers said specialty drugs and cell and gene therapies will contribute to benefit cost hikes in 2024. Fourteen percent pointed to rising medical provider expenses passed onto employers.

Preventive Care Impact Easing

While delayed preventive care during the pandemic seemingly led to costlier health issues, the tendency to continue delaying screenings and checkups is expected to play a smaller role in 2024's growth.

Just 4% of employers said higher utilization due to deferred elective and preventive care amid COVID-19 would drive cost increases next year, down from 12% in 2023. This suggests employees continued catching up on these services in 2023.

Still, next year's 7% rise outpaces pre-pandemic norms. It falls just shy of the 7.4% and 7.5% increases employers projected for 2018 and 2019.

Fewer Costs Passed to Employees

With labor markets still tight, employers appear reluctant to pass heftier benefit expenses onto workers. Just 16% of respondents said they would share costs by hiking deductibles, co-pays, co-insurance, or premium contributions in 2024, down from 22% last year.

Research from Mercer early in 2022 similarly found that 45% of employers had no plans to pass along added costs to employees.

Competitive benefits packages remain key to attracting and retaining talent. Employers want to avoid pricing themselves out of the market.

Turning to Other Cost Control Measures

Instead of shifting expenses to employees, employers plan to rely more on other cost-containment strategies.

Twenty-two percent said they will focus on initiatives like requiring prior authorization and adding disease management or nurse advice lines. Another thirteen percent cited worksite wellness and health promotion programs as a solution.

Twelve percent pointed to plan design changes, such as dependent eligibility audits, introducing high-deductible options, or spousal surcharges. The same share said they would pursue provider-based initiatives like telemedicine, price transparency tools, and designating centers of excellence.

Evaluating Plan Value

With health benefit costs continuing to climb, employers would be wise to evaluate their offerings and utilization patterns to ensure they provide the best value for the investment.

Healthcare expenses projected for 2024 sit well above pre-pandemic norms, and inflation continues to have a broad impact across the health sector. While next year's 7% rise is on par with recent expectations, it remains a sizable jump.

Vigilantly assessing plan performance and worker health patterns can help identify opportunities for efficiency gains and higher-quality care. Comprehensive benefits audits allow employers to pinpoint waste, ensure worker needs are met, and contain expenses.

As the post-pandemic landscape brings new challenges, actively managing benefits packages remains imperative for employers seeking to provide competitive, affordable coverage.

aid recruiting and retention without significant cost. It also shows employees their holistic well-being is valued.

Proper planning documents also help avoid potential issues if an employee becomes incapacitated or dies. This protects the employer from liability risks and minimizes administrative challenges.

Implementation Tips

Experts say simply offering estate planning is not enough. Companies must promote the benefit year-round through multiple channels to boost utilization.

Promotions should be timed around major life events when planning needs often arise, like marriages, new babies, or home buying. Presenting real-life examples that show relevance at all life stages will also resonate better with employees.

With interest growing amidst the lingering impacts of the pandemic and economic uncertainty, estate planning seems poised to generate greater demand as an employee benefit.

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How Loss of Childcare Funding Will Impact the Workplace

A crisis is looming for working parents across the country as federal pandemic relief funding for childcare expired on September 30, threatening affordable care options. Employers stand to face major workforce disruptions if they don't take action to support employees with childcare needs.

The $24 billion in federal subsidies allocated under the American Rescue Plan Act helped prop up the childcare industry through the pandemic. Now, an estimated 70,000 childcare providers supported by this funding may be forced to close in the coming months, according to projections by The Century Foundation.

Many more providers can be expected to raise their rates to try to stay financially viable. But higher prices will put quality care out of reach for some working families.

Workforce Impacts

Employers have a significant stake in this crisis, as a lack of childcare options invariably impacts the workforce. According to Census Bureau data, nearly 5 million workers missed work in February 2023 alone due to childcare responsibilities.

With federal subsidies gone, these kinds of absences are likely to rise sharply. The Century

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Foundation estimates that millions of working parents across the U.S. will have to leave their jobs or reduce hours due to childcare issues.

Women tend to shoulder the bulk of childcare duties in most households. So, they may face difficult choices between their careers and caring for their kids if costs rise or providers close.

This dynamic played out during the pandemic when women's workforce participation hit a 33-year low in 2020. While some have returned, over 1 million still have not. More childcare instability could cause a repeat exodus.

In a survey by Bright Horizons, 77% of working parents said access to childcare contributes to their productivity on the job. Distracted, exhausted employees just aren't as engaged and productive at work.

Steps Employers Can Take

To mitigate against workforce disruptions, experts recommend employers consider the following supportive measures for working parents:

- Enhanced benefits
- More scheduling flexibility
- Childcare referrals

Enhanced Benefits

With childcare costs expected to rise, benefits like dependent care flexible spending accounts (FSAs) will become even more vital for workers.

Dependent care FSAs allow employees to set aside pre-tax dollars to pay for childcare expenses. In 2023, contributions are capped at $5,000 per household.

According to the International Foundation of Employee Benefit Plans, 75% of employers already offer this benefit to their workers.

Enhanced paid parental leave policies could provide another layer of financial support for new parents facing mounting childcare costs. Parental leave gives them time to bond with their child and adjust to their new family dynamic.

More generous leave policies beyond the 12 weeks of unpaid leave mandated by the Family and Medical Leave Act may also be attractive recruitment and retention inducements.

For example, some leading companies like Deloitte and EY offer 16 weeks of paid leave to primary caregivers. Others, like Reddit and Twilio, offer up to 6 months.

Flexible Scheduling

Giving working parents more flexibility over when and where they work can also minimize disruptions from childcare issues. For example, flexible start and end times, compressed work weeks and shift swapping enable parents to tailor their schedules to meet childcare needs.

Childcare Referrals

For families struggling to find quality, affordable care options amid mass provider closures, employer assistance can be invaluable.

Some companies offer childcare resource and referral services through their human resources department or employee assistance programs.

These services help workers find and evaluate local care facilities that meet their location, budget, and program needs.

How Claims Data Analyses Can Make Healthcare More Affordable

Employer-sponsored health insurance represents the single largest source of healthcare coverage in the U.S., accounting for roughly $1.3 trillion in annual spending. Over the past decade alone, average family premiums for employer plans have soared to over $22,000 per year, with workers contributing thousands more in deductibles and other cost-sharing.

This trajectory is unsustainable for many businesses and their employees. Faced with unrelenting premium hikes, employers have been forced to cut benefits, shift more costs to workers, or drop coverage entirely — none of which helps attract and retain talent.

Yet amid these challenges, a solution lies in leveraging data analytics to inform benefits strategies. By taking a proactive, data-driven approach, employers can gain much-needed control over costs while still delivering robust care for their workforce.

Transformative Power of Claims Data

At the heart of the data-powered solution is health insurance claims information. By aggregating and analyzing real-time claims data, self-funded employers can gain insight into cost drivers, utilization patterns, network needs, and other metrics

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that shape health plan design and management.

Armed with this intelligence, employers can implement targeted interventions to bend the cost curve and improve quality. For example, claims data may reveal high-cost drugs or procedures ripe for steering programs aimed at shifting utilization to more cost-effective alternatives with comparable outcomes.

According to recent research, self-funded employers using advanced data analytics and management achieved 11-22% lower cost growth over four years compared to employers retaining traditional unmodified plans.

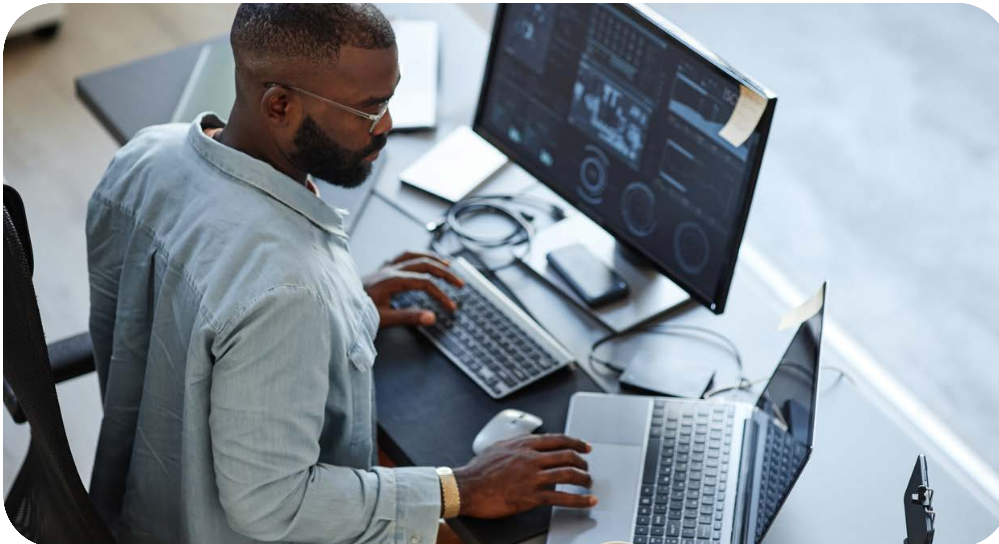
This evidence makes a compelling case for data-driven benefits strategies as a key pillar of sustainable employee healthcare provision.

Perils of Passivity

In contrast, many employers still take a passive role in managing health benefits, effectively outsourcing to large insurance carriers that administer the plans. In many cases, however, these carriers lack the incentives and customization ability to truly help employers achieve cost objectives and benefit priorities.

This detachment from benefits decision-making has consequences, including:

- Rising spending as chronic conditions worsen when care is delayed or rationed due to unaffordable out-of-pocket costs. Minor conditions often escalate into major, costlier episodes.
- High medical debt that financially stresses employees and hurts productivity. Nearly 70% of U.S. adults report being impacted by medical debt, with amounts frequently snowballing to bankruptcy.
- Lagging health outcomes and lost productivity as employees struggle to navigate the system and make fully informed choices independently.
- Lost savings opportunities from failing to guide employees toward lower cost but equally effective services. Many traditional carriers lack the analytical capabilities and focus on the employer's interests to facilitate optimization.



Employer Opportunity

Fortunately, employers have the incentive and ability to take control of employee healthcare in ways carriers cannot. As the payers, employers must demand value for the substantial premium investment made on behalf of their workforce.

This entails providing resources to help employees make wise choices regarding providers, treatments, and medications. Tools like navigation assistance, decision support, and patient advocates can steer workers toward high-value care.

It also means using financial incentives to encourage cost-effective options. Benefit designs that reduce barriers through lower copays and other rewards can maximize the use of lower-cost, high-quality providers, labs, drugs, and facilities.

Multifaceted communication is vital for promoting engagement with health plan resources and incentives via email, text, posters, videos, and more. This ensures employees understand what is available and how to use it.

Embracing Data Analysis for Shared Success

While unraveling healthcare challenges can seem daunting, claims data analysis lights the way. Strategic data provides employers a foothold amid the storm.

The first step is committing to playing an active role in benefits management rather than just accepting cookie cutter one-size-fits-none plans. Continuous claims data monitoring and plan refinement prepare employers to adeptly navigate the evolving healthcare landscape.

With the right advisors, data, and willingness to adapt, employers can devise more productive benefits strategies tailored to their populations and priorities. Employees will respond with engagement and loyalty.

Support Your Staff As They Transition Back to Student Loan Payments

Now that federal student loan payments have restarted after a nearly three-year pause, HR teams can play a key role in supporting employees through this transition. With over 45 million Americans holding $1.77 trillion in student debt, many workers face renewed financial burdens from monthly payments.

As employees tackle the October payment resumption, HR staff should be equipped to assist them. This guidance can ease financial stress and boost retention.

Explain New Repayment Plan Options

A critical first step is educating employees about recent changes to income-driven repayment plans. The Biden administration's Saving on a Valuable Education (SAVE) plan lets borrowers cap payments at 5% of discretionary income, down from 10% previously. The plan also forgives balances after 10 years of payments rather than 20.

Federal Student Aid data shows nearly 8 million borrowers could benefit from enrolling in the SAVE plan. HR teams should be well-versed in details so they can accurately convey eligibility and the application process.

Assist with Loan Forgiveness Applications

HR staff should also understand loan forgiveness programs, especially Public Service Loan Forgiveness (PSLF). The sunset date for the temporary waiver offered under the program was October 31, 2022. The program itself, however, is still active and can be applied for by those who qualify.

Employers should ensure HR can guide workers through the required employment certification and documentation to apply. The Department of Education's website and Federal Student Aid hotline offer unbiased guidance. Nonprofits like the Institute of Student Loan Advisors also provide free advice.

Consider Offering Repayment Benefits

While optional, some employers provide student loan repayment assistance. Contributing monthly payments can significantly speed up payoff timelines.

According to the Society for Human Resource Management, fifteen percent of U.S. companies offered student loan payment benefits in 2021.

In any case, HR can help identify optimal repayment strategies to pay off loans quickly and affordably, easing financial burdens.

Have Patience as Servicers Struggle

HR staff will need empathy as servicers handle questions from millions of borrowers. Wait times over one hour are common.

Incorrect loan data is also frequently reported as servicers update long-dormant accounts. HR should advise persistence until employees get clear answers.

Guiding staff through the repayment restart strengthens company culture and support. By providing key information and resources, HR enables employees to confidently manage student loans.

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