Employee Benefits Report

MSI Benefits Group, Inc.

TownPark Ravine One, 245 TownPark Drive, Suite 100, Kennesaw, Georgia 30144
Office: (770) 425-1231 | Fax: (770) 425-4722 | E-Mail: info@msibg.com

Volume 22 · Number 2

FEB 2024

Administration

Six Healthcare Trends Employers Can't Afford to Ignore in 2024

Employers are facing immense healthcare cost pressures going into 2024. According to industry experts, medical benefit expenses are predicted to rise 5.4% next year — outpacing the 3-4% average annual increases seen over the past decade. This spike ties back to factors like lingering inflation, more expensive treatments, and pandemic care deficits coming due.

With prices inflating across the board in healthcare, experts have highlighted six key trends employers must prepare for in 2024:

1. Runaway Inflation Driving Up Base Costs

Inflation was a key driver behind next year's projected 5.4% medical cost surge. After hitting 40-year highs in 2022, experts note that elevated inflation trickled down into practically all aspects of healthcare —translating to higher premiums, steeper drug costs, pricier hospital stays, and more.

Analysts explain that while inflation isn't completely to blame, it has undoubtedly contributed to spiking base costs across healthcare. They advise that until inflation fully normalizes, it will likely continue fueling bigger healthcare price tags.

Experts also caution that even if inflation cools

continued on next page - 2

This Just In ...

The Shocking High Cost of Covering Obesity Drugs

A new survey reveals that the costs of covering increasingly popular obesity drugs like Ozempic and Wegovy are quickly mounting for employers. But with demand from employees high and potential health benefits significant, more companies are considering taking on the pricey medications.

Costs Add Up

According to a survey of 200 employers from the International Foundation of Employee Benefit Plans (IFEBP), the average representation of glucagon-like peptide-1 (GLP-1) drugs prescribed for weight loss amounted to 6.9% of respondents' total annual prescription claims costs in 2023.

With the average cost of these obesity medications exceeding $1,000 per month per patient, it's no wonder employers are concerned about the financial impact. Providing coverage for more employees could quickly inflate costs.

Currently, just 22 percent of employers surveyed said they cover GLP-1 drugs for weight loss purposes, while 76 percent cover them for diabetes — the original intended use.

Of those covering the medications for weight loss, 79 percent said they rely on prior authorization to control costs. Step therapy was less common at 32 percent, and 14 percent have no cost control mechanism in place.

to more moderate levels next year, costs are unlikely to follow suit immediately. The burden of inflation-fueled health care expenses that are baked into 2024 budgets will remain firmly on employers' shoulders.

2. Mental Health Support Still a Work in Progress

According to experts, nearly 70% of employers rank expanding access to mental health services as a top benefits priority for 2024. This reflects how demand still far outpaces supply.

Recent federal data shows depression rates hit an all-time high in 2023 — jumping from 19.6% to 29% over the past eight years. At the same time, conditions like youth self-harm, substance abuse disorders, and suicides have all increased.

One consultant explained that while the pandemic exacerbated mental health issues across demographics — and even though employers have invested more in this area lately — major gaps in treatment remain. Industry leaders expect employers to continue directing more resources toward mental health solutions next year.

3. Preventative Care Critical to Cost Containment

With medical expenses climbing broadly in 2024, preventative care stands out as a key cost-control lever for employers. However, experts say there are still some troubling health care deficits tied to pandemic-era delays that remain to be reconciled.

For example, almost 50% of employers anticipate late-stage cancer diagnoses will spike next year due to people having missed their regular health screenings for the past three years. When diseases aren't caught early through preventative steps, the result is more costly and intensive cancer treatment regimens and worse outcomes.

One medical director emphasized that services like cancer screenings, checkups, and immunizations form the foundation of population health management. Experts advise that employers should not allow these preventative services to be delayed any further next year, as doing so will only increase costs and place more pressure on productivity.

4. Drug Price Transparency Movement Still Simmering

Employers, regulators, and politicians have all zeroed in on pharmacy benefit managers (PBMs) and drug manufacturers, pushing for more transparency around high and opaque pricing models. This transparency drive is expected to stay heated through 2024.

While legislation like the Inflation Reduction Act initiated some shifts — like empowering Medicare to directly negotiate prices on certain medications — experts believe major gaps remain.

One policy advisor noted that inherent conflicts of interest baked into the drug pricing system still make it difficult for employers to fully understand the money flow behind pricing and rebates tied to PBM formularies. Industry leaders do not foresee substantive progress until full transparency exists in these models.

5. 2024 Elections Could Trigger a Benefits Shakeup

According to experts, the 2024 presidential and congressional elections may substantially impact the benefits policy landscape — possibly affecting drug pricing legislation, ERISA guardrails, and care eligibility for transgender employees.

One legal expert highlighted growing attacks on ERISA's preemption clause, which protects employer health plans from state and local benefit mandates that would ratchet up costs and create compliance headaches for company plan sponsors nationwide.

Weighing Pros and Cons

With employee interest and demand rising, nearly half of employers (43 percent) now say they plan to add coverage for obesity medications like Ozempic and Wegovy in 2024. That's almost double the number covering them today.

Experts say the increase is likely driven by enthusiasm from employees who see the potential benefits, as well as interest from employers themselves who see weight loss as a way to reduce the risk of costly comorbidities such as heart disease and diabetes. Providing access could also be a recruitment and retention strategy.

However, many companies remain cautious due to the high monthly costs per patient. Other factors, like potential long-term side effects and unknowns about the drugs' lasting effectiveness, also contribute to hesitance from employers.

6. Employers Reviewing Partner Relationships More Closely

With medical costs spiking across the board into 2024, employers are scrutinizing what tangible return on investment their health industry partners really provide – spanning insurers, PBMs, consultants and point solution vendors.

One benefits executive noted employers want proof that offerings from partners deliver measurable financial and clinical returns. Industry leaders highlight how pressure is mounting on solution providers to validate their worth to employers amid continued cost escalations.

More rigorous partner value assessments by employers figure prominently for 2024 as budgets tighten. Analysts anticipate companies may start streamlining bloated or redundant benefits offerings to hone in on what's demonstrably moving the needle for their workforces.

How to Attract and Retain Top Talent in 2024

As the pace of hiring slows, employers should be strategic in their recruiting efforts to avoid turning away top talent. With the upper hand tilted back towards job seekers in some sectors, organizations must ensure their policies and practices reflect how they put the best interests of their employees forward.

1. Avoid Controversial Political Statements

While over half of employees discuss politics at work, less than half believe organizations should voice opinions on political or social matters, according to data compiled by Glassdoor. One-third of workers also say they would not apply to a place if the CEO publicly supported a candidate they oppose.

To avoid potential clashes, experts advise employers to display company values in job postings and on websites. This allows organizations to communicate stances on relevant issues while avoiding direct partisan pandering.

2. Improve Interview Process to Reduce Candidate Ghosting

With one-third of employees avoiding responding to potential employers after poor interview experiences, organizations should evaluate and amend their hiring practices. Discriminatory questions about age, race, or gender prompt some candidates to cut off communication.

According to talent acquisition experts, an open line of communication with candidates can help mitigate negative interview experiences. Streamlining processes to be more equitable and transparent is also advised.

3. Prioritize Family-Friendly Benefits as a Recruitment Tool

Experts note that family-friendly policies are no longer exclusive to big business. Data show small businesses lead in family-friendly benefits like paid leave and childcare stipends that support employee retention and talent attraction.

Offering progressive benefits allows small companies to get ahead when retaining and attracting talent.

continued on next page

4. Create Intentional Return-to-Office Transition

With ongoing debates around remote and hybrid work, managers should intentionally facilitate return-to-office transitions that consider diverse employee viewpoints.

Experts advise facilitating thoughtful discussions to uncover potential gaps in return-to-work plans. Creating hybrid schedules, decentralized office spaces, and clearly communicating policy changes can ease difficult transitions.

5. Spotlight Health Care Coverage and Wellness Initiatives

Given rising premiums and health care costs, employers should evaluate medical plan offerings with an eye towards affordability and comprehensive coverage. With approximately half of U.S. workers stressed about their finances, organizations providing robust and fairly-priced health insurance gain a recruiting edge.

Wellness stipends for fitness equipment, gym memberships, meditation apps, nutrition counseling, and preventative care access also support talent retention and engagement.

6. Beef Up Retirement Savings Opportunities

Saving enough for retirement ranks among employees' top financial concerns today, with many worried current employer-match rates won't cut it long-term. Expanding retirement plan offerings can help attract top talent by:

- Increasing 401(k) match percentages
- Adding both Roth and traditional 401(k) options
- Allowing after-tax non-Roth contributions
- Offering access to fiduciary financial planners.

With Social Security funds facing depletion, strengthening retirement readiness must become an integral recruitment and retention strategy.

7. Offer Competitive and Equitable Paid Time Off Policies

The average U.S. worker receives roughly 11 paid vacation days and eight paid sick days annually. Yet cultural attitudes and outdated corporate policies result in many employees not utilizing all their allotted time, contributing to burnout and turnover.

Experts advise reevaluating existing paid time off policies with an eye toward work-life balance. While competitive PTO policies are expanding, many companies still lag behind in offering adequate days that support health and wellbeing. Ensuring generous carryover allowances and parental leave spanning several weeks also aids in attracting and retaining working parents.

Equitable PTO distribution also factors greatly. Salaried employees often enjoy more flexible and generous time off compared to hourly teams. Ensuring paid time is distributed fairly across all employees is key.

What the Transformation of PBMs Could Mean for Employers

When nonprofit health insurer Blue Shield of California announced significant changes to how it conducts pharmacy benefit management (PBM) for its 4.8 million members, the health insurance industry took notice. What does this mean for employers sponsoring health plans? There are a few key points they shouldn't miss.

The Landscape is Shifting

Blue Shield decided to partner with a handful of new players in what it calls its Pharmacy Care Reimagined program set to launch in 2025. This includes:

- Amazon Pharmacy for direct delivery and support services,
- Mark Cuban's Cost Plus Drug Company for more transparent pricing,
- Abarca for streamlined payments and claims processing,
- Prime Therapeutics for value-based pricing deals, and
- CVS Caremark for specialty pharmacy services.

According to experts, this move may accelerate the trend taken lately by large insurers who want to dilute the Big Three PBMs — Express Scripts, CVS

continued on next page

Caremark and Optum Rx — which currently control over 75% of the nationwide prescription drug market. As costs continue rising, particularly for specialty medications, insurers seem to be taking matters into their own hands.

Major Implications for Employers

So, what does this mean for employers sponsoring health plans? For 2024, experts say big changes are unlikely. But 2025 and beyond may usher in some shifts employers should prepare for.

- **Saving Money**

First and foremost is cost. Blue Shield estimates its new pharmacy model could save up to $500 million annually — about $104 per member. Employers can expect to see some cost savings if their carriers follow suit in expanding PBM partnerships. However, experts warn the structure could also introduce more complexity.

- **Administrative Efficiency**

With more companies involved, administration may become more cumbersome despite technology investments. Employees will deal with more entities for different services instead of the typical streamlined PBM model. For HR teams with limited staff, this introduces productivity challenges.

- **Member Experience**

More provider choice could improve the member experience on pharmacy benefits. Fast, free medication delivery, added pharmacist support, transparent pricing and easier claims processing are all advantages. However, with more vendors to navigate, the experience may suffer without careful orchestration.

- **Specialty Drug Integration**

As spending on clinical specialty drugs booms, better integration between medical and pharmacy benefits is critical. When managed holistically, experts suggest improved alignment could enhance specialty medication access while lowering overall costs.

- **The Balancing Act**

In benefits design, a tension exists between costs and experience. Employees want affordable premiums and out-of-pocket expenses, which employers balance against positive health outcomes. As prescription models evolve, this balancing act intensifies. More choice could mean more confusion in selecting optimal therapies or navigating various pharmacy partnerships.

What Can Employers Do?

As insurers forge new PBM relationships, employers play a key role in ensuring changes advance both outcomes and savings.

- Stay Informed: HR executives should actively monitor carrier communications about upcoming pharmacy benefit structure adjustments and seek clarity where needed.

- Provide Input: Voice priorities around cost targets, specialty drug coverage, administrative efficiency, member experience, and other aspects to help shape future pharmacy models.

- Simplify Choices: With likely more intricacy ahead, clearly communicate changes and provide guidance to help employees choose lower-cost, high-value prescription solutions.

How Tailored Benefits Can Support Women in Today's Workforce

Balancing work and family responsibilities continues to be a significant challenge for many women. While female participation in the labor force has rebounded to pre-pandemic levels, women still face disproportionate caregiving duties at home. Employers have an opportunity to support working mothers and women at all life stages through tailored benefits.

Inclusive Support for Working Moms

The pandemic exacerbated women leaving their jobs, with over 54 million women globally exiting the workforce. Working mothers, in particular, have struggled with burnout from juggling parenting duties, homeschooling, caregiving for elderly parents, and work responsibilities.

Employers can provide meaningful support through family-friendly policies. For example, childcare and eldercare financial assistance can offset the high costs caregivers face. Employers like GoDaddy, Instacart, and Coursera have introduced “returnship” programs to help parents restart their careers. Other simple solutions include flexible work arrangements, generous paid family leave policies, and backup childcare benefits.

Prioritizing Inclusivity and Employee Wellbeing

Women leaders have been leaving their jobs at higher rates than men. According to McKinsey's 2022 Women in the Workplace report, burnout is impacting 43% of women leaders compared to 31% of men at the same management level.

Women leaders often take on additional work fostering inclusivity that goes unrecognized. Compared to men, they often provide more emotional support, checking in on wellbeing, and helping colleagues manage burnout.

To retain talented women, organizations should nurture employee wellbeing and create a culture centered around compassion that can prevent leader attrition and boost engagement.

Holistic Support Across All Life Stages

As women progress through different life stages, their benefit needs evolve. While most employers offer robust maternity and new mother support, few provide adequate assistance for issues like fertility challenges and menopause.

Menopause symptoms often begin with perimenopause, which starts on average at age 47. As women reach their 40s and 50s, they desire more resources around the physical and emotional changes occurring. In one survey, nearly half of women found their 50s the most difficult career period due to menopause stigma and side effects impacting work.

Forward-thinking employers like Nvidia now provide menopause support services for employees. Resources include virtual consultations, counseling, symptom-tracking tools, and manager training to foster understanding. Taking a life-stage approach to women's health nurtures a culture where women can bring their whole selves to work.