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2024 EMPLOYEE BENEFITS STATE OF THE MARKET REPORT

Navigating the Evolving Landscape of Employee Well-Being

Introduction: Employee Benefits Take Center Stage

Employee benefits are among the most significant and costly investments that employers make in their people. Reports by the Bureau of Labor Statistics estimate that 30 to 40 percent of the cost of hiring an employee goes to benefits—or, put another way, “an additional 30 to 40 cents will be spent on employee benefits for every dollar spent on wages or salaries.”

Against the backdrop of economic, geopolitical, and environmental uncertainties, with many still adjusting to a COVID-era “new normal,” employers can be positive forces for their employees, anchors of stability amidst turbulent times.

As employees' needs evolve in our changing world, the pressure is on to stay on top of trends shaping the benefits landscape. A team of specialized and dedicated benefits insurance professionals is critical to staying competitive and leveraging the best options in the marketplace to meet your employees where they are.

Poms & Associates is proud to be your partner in navigating the intricate insurance world around benefit trends, challenges, and solutions, sharing our comprehensive exploration of the 2024 “State of the Benefits Market” Report.

What's Old is New: Recurring Themes in Employee Benefits

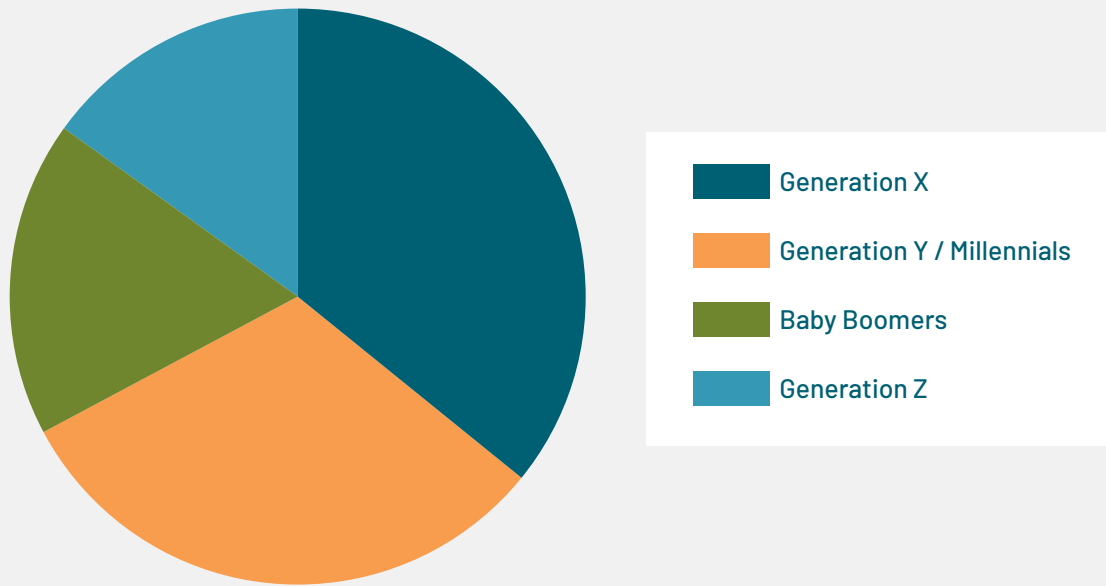
Putting employees first: 95% of employers agree whole-person care approaches improve employee experiences and enable businesses to build better benefits packages.

According to studies, up to \$42 billion in annual productivity is lost in the United States due to health inequities, and that number is set to climb to \$1 trillion by 2040 if changes are not adapted.



If your organization is focused on improving employee retention, take note. [Fast Company](#) uncovered a correlation between better benefits and higher employee engagement, with 73% of employees saying that better benefits motivate them to stick with their employer.

Today's Generational Workforce



According to the [Bureau of Labor Statistics](#), Generation X (ages 43-57) and Generation Y/Millennials (ages 27-42) make up the majority of workforces right now with 36% and 31%, respectively, followed by Boomers (ages 58-77) at 18% and Gen Z (ages 11-26) at 15%. Employers are challenged with designing comprehensive benefits packages that meet the diverse needs of each group.

What's Keeping Benefits Leaders Up at Night?

The Rising Cost of Health Care

From supply chain disruptions to FDA approvals to healthcare worker labor shortages impacting the bottom line, keeping employee benefits affordable for both employees and employers is becoming more challenging.

Shocking—although unsurprising—findings from a report by [RAND](#) show that “[prices paid to hospitals during 2022 by employers and private insurers for both inpatient and outpatient services averaged 254 percent of what Medicare would have paid, with wide variation in prices among states](#)” between 2020-2022.

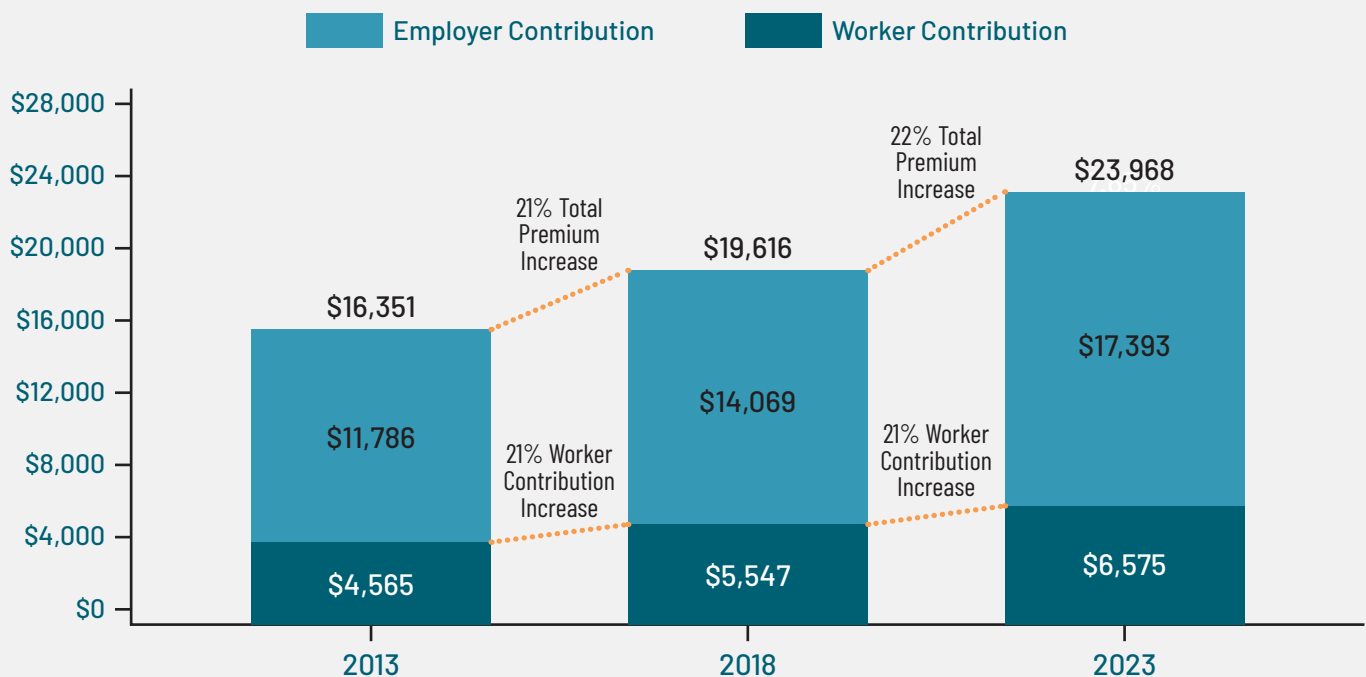


The 2023 Kaiser Family Foundation (KFF) benefits report states that the average premium for family coverage has increased by 22% in the last five years, compared to a 27% increase in workers' wages and 21% inflation. And while everyone's costs increase, employers are on the hook to ease the pinch of these growing costs on employees, while navigating their own stretched budgets.

KFF's 2023 report estimates that in just one year, the average annual premium for employer-sponsored health insurance increased by 7%. This means employers are paying on average between \$590 and \$1,678 more each year for each employee in premiums for single and family coverage, respectively.

Average Annual Worker and Employer Premium Contributions for Family Coverage, 2013, 2018, and 2023

(Source: KFF Employer Health Benefits Survey, 2018 and 2023; Kaiser/HRET Survey of Employer-Sponsored Health Benefits)



Implications of rising healthcare costs for companies include:

- **Reduced Profitability:** Higher healthcare costs significantly impact the profitability of companies, especially those in labor-intensive industries like retail, manufacturing, and food services. McKinsey estimates that labor-intensive industries could see 16-19% EBITDA erosion by 2025.
- **Pressure to Shift Costs to Employees:** To manage the rising costs, employers will shift more of the burden to employees by increasing employee contributions to premiums, moving to high-deductible health plans, and raising out-of-pocket costs.



Growing Use of GLP-1 Drugs

While it is standard practice—and costly—for companies to cover the cost of GLP-1 (Glucagon-like peptide) drugs like Ozempic to treat diabetes, the uptick of usage to treat obesity is something companies should keep an eye on this year. In 2023, the International Foundation of Employee Benefit Plans estimated that 76% of companies provide GLP-1 drug coverage for diabetes and, currently, 27% provide coverage for weight loss. With another 13% on the fence, this trend may continue to gain momentum. Companies should start digging into this issue to weigh the pros and cons of employer costs, preventative health care benefits, a growing research base, and more.

Gene Therapy

With this trend showing no signs of slowing, here are a couple of bright spots to look towards helping drive down costs and increase accessibility:

- **Biosimilars:** Alongside Generic drugs, Biosimilars are making their mark by reducing costs and increasing access to life-saving prescriptions. According to the Association for Accessible Medications, between 2015 and 2021 Biosimilars generated 13.3 billion dollars in savings, and with increased demand and increased competition in the market, this number will likely continue to increase at scale.
- **COVID-19 Leftovers:** The COVID-19 pandemic made a huge impact across our healthcare systems, and while some concerns are easing and shifting back to pre-pandemic trends, access to virtual behavioral health care is holding strong. Telemedicine emerged as a lifeline, helping address rising costs and health equity issues by offering access to less costly, virtual healthcare services during the pandemic. According to the KFF 2023 Benefits report, forty-one percent of firms surveyed say that telemedicine will be “very important” in providing access to behavioral health services in the future, while only 27% feel the same way for primary care access.

The Regulatory Landscape

Regulatory changes can increase expense burdens on employers. Upcoming changes to the Fair Labor Standards Act (FLSA) increase the salary limit on employees who can claim overtime, and will increase the total compensation for highly paid staff in the coming years. According to the Department of Labor, in the first year alone employers will directly incur additional costs of approximately \$1.4 billion across the US, including \$451.6 million in regulatory familiarization costs, \$299.1 million in adjustment costs, and \$685.5 million in managerial costs. Other legislative changes like SB 525, which increases minimum wage for healthcare workers in California, will undoubtedly increase pressure on costs when implemented as well.

The Landscape of Solutions

So, how are top companies in the world shifting their investments in benefits programs to meet the needs of today's workforce? Here are some of the strategies quickly becoming best practices:

1. **Technology Integration:** Investing in better technologies to enable the delivery and management of employee benefits revolutionizes traditional approaches to benefits administration and communication. Employers should leverage online platforms, mobile apps, and data analytics to streamline processes, enhance communication, and deliver a seamless employee experience in the digital age.



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- 2. Personalization and Customization:** Employees are demanding more options and personalized benefits packages tailored to their unique needs and preferences. By offering flexible/voluntary benefits options, you can empower employees to build plans that support their own wellness journey and enhance overall satisfaction and engagement in the workplace. Offering things like Health Payment Accounts—the emerging competitor for Health Savings Accounts—means employees have more financial flexibility and are more likely to seek preventative care when cost is less of a concern.
- 3. Holistic Wellness Programs:** Embrace a holistic approach to wellness that encompasses not just physical health but also mental well-being, financial stability, and work-life balance. Top employers recognize the profound impact of comprehensive wellness initiatives, fostering a culture of support and resilience within their organizations.

Conclusion

Modern workforces are constantly transforming, and benefits plans are no exception. Rising costs are a top concern for employers and employees alike, and while advancements in the healthcare industry will drive long-term reductions in costs, employers need to make savvy decisions today that will pay off in the future. To be a top employer in an uncertain world, organizations need to embrace holistic approaches to employee well-being, invest in comprehensive benefits and effective technologies, and stay informed on legislative impacts.

Insurance brokers are your strategic advisors; their role is to be on your side and help companies like yours navigate this complex and vital world of employee benefits. As expert intermediaries between employers and health insurance, brokers drive down costs for companies and ensure you get the best value for money with the right coverage in place for your employee base. We focus on what keeps you up at night so you can focus on your business.

Why Poms? Poms & Associates isn't just another insurance broker; we're a strategic partner, guiding you with a comprehensive suite of services that help you develop a sustainable and cost-effective employee benefits strategy. This, in turn, fosters a healthier and more engaged workforce, contributing to your organization's overall success.

We'll help you craft a winning benefits strategy – a customized plan designed specifically for your unique needs to attract and retain top talent. Our expert guidance ensures compliance and avoids costly mistakes, giving you peace of mind to focus on what matters most: running your business.