Brown & Brown

2025

Employee Benefits Market Trends

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2025 MARKET TRENDS

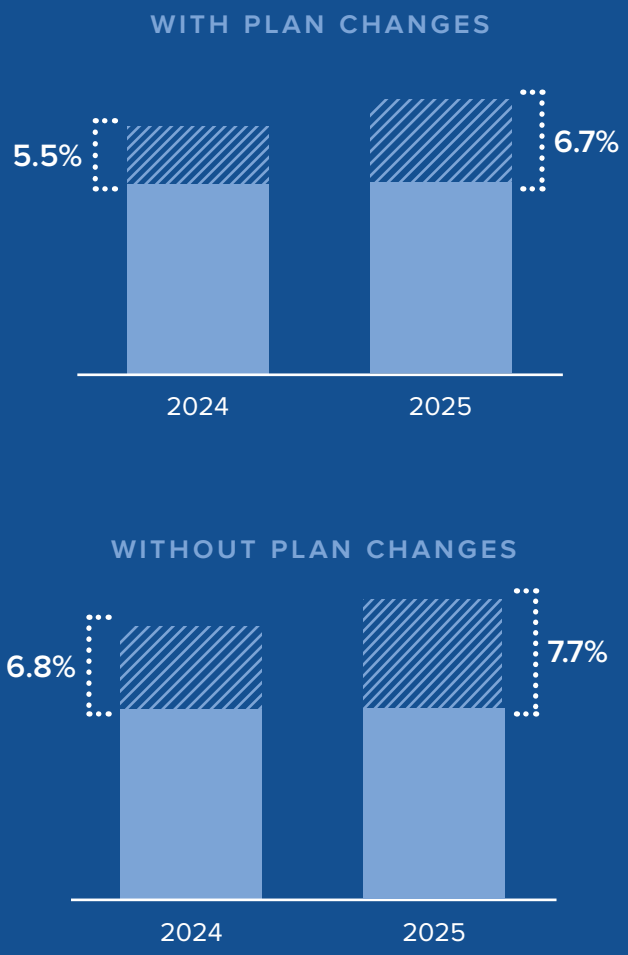
Employer Cost Drivers

Large employers continue to encounter significant financial headwinds in finalizing their 2025 healthcare budgets, exacerbating the challenge of managing affordability for their employees and dependents. Cost drivers for 2025 will sound familiar to the prior year but have persisted at historically high levels. According to results from a recent Brown & Brown analysis of large employers, employers expect their healthcare costs to increase an average of 6.7% for 2025 after accounting for changes to their plan offerings (including plan design changes and types of plans being offered), compared to the anticipated 5.5% jump in 2024. If no changes were made to plan offerings, employers would have expected an increase of 7.7%, up from a projection of 6.8% in 2024.

Other industry sources are projecting similar increases for 2025:

- The Centers for Medicare and Medicaid Services (CMS)[1] have projected annual cost increases per enrollee of 6.0% and 5.0% in 2024 and 2025, respectively, before stabilizing to slightly below 5.0% for 2026 through 2032.
- Business Group on Health[2] members expect a 6.6% increase in costs for 2025 after plan changes (7.8% before plan changes).

Anticipated Increase in Healthcare Costs



Source
Brown & Brown Claims Data Warehouse

[1] *Centers for Medicare & Medicaid Services, Office of the Actuary*
[2] *Business Group on Health, "2025 Large Employer Health Care Strategy Survey"*

What Employers Should Know

A Closer Look at Four Key Cost Drivers for Employers

Broader Economic Environment (Inflation & Labor Market)

Healthcare providers have battled significant financial challenges for the past several years, driven by the increased cost of care. Increased operating expenses for labor, supplies and infrastructure have outpaced increases in reimbursement rates. This environment has led to a compounding effect on provider contract negotiations. Based on conversations with national carriers, underlying medical trends are expected to include an additional 0.5%-1.0% for 2025, reflecting the expected inflationary and labor market impacts.

Prescription Drugs – GLP-1 and Biosimilars

Similar to prior years, prescription drug costs continue to increase at a significantly higher rate than medical services. Undoubtedly, GLP-1 drugs, both for diabetes and weight loss, have been a constant topic of discussion around top cost drivers. Commercial health plans have commonly experienced high double-digit claim trends into 2023 and 2024. These high trends are expected to continue in 2025 as growing demand for these medications continues to exceed supply. Studies have found GLP-1s to be effective in reducing the risk of cardiovascular mortality, myocardial infarction and stroke. New indications, including for sleep apnea and chronic kidney disease, will likely drive an additional spike in utilization in the future.

Behavioral Health

Behavioral health claims still represent a relatively small share of total claims (~10% of medical dollars[3]). Nevertheless, many employers have seen behavioral health claims trend in the mid-teens, and some have seen the category emerge in their top five spend areas. The driving area of utilization is high frequency, low severity visits (outpatient therapy). This benefit continues to gain traction with younger generations, and as a result, many carriers have been expanding their network to address access issues. This network expansion, however, will likely lead to higher reimbursements to providers, applying further pressure on broader unit cost inflation.

Increasing Volume of Large Claimants

The volume of large claimants has increased dramatically in the post-pandemic period, not just truly catastrophic million-dollar claimants but those that would not reach typical stop-loss thresholds. The number of claimants incurring $250,000 (per 1,000 members) increased by over 50% from mid-2021 through mid-2024. With this dramatic increase in volume, there has not been a corresponding increase in severity; the average cost per claimant remained relatively stable over this same period. This increase in large claimants can be explained by several components, including a higher prevalence of chronic conditions, costly treatments, new technology and an aging population.

[3] *Brown & Brown Claims Data Warehouse*

What Employers Can Do

1 **Continue to review cost management strategy**
Reevaluate how well current programs are working and what changes (if any) are necessary – including plan designs, network strategy and clinical programs. Take the opportunity to consider alternative funding models such as value-based care, level funding, captives and more.

2 **GLP-1 management strategy**
Numerous PBMs have introduced utilization management modifications to specifically address GLP-1 medications. There are a number of management thresholds to cater to an employer's GLP-1 strategy. For employers not interested in excluding coverage for weight loss, some cost mitigation measures could include introducing a program engagement requirement or increasing the BMI standards above the FDA levels to decrease some eligibility.

3 **Budget-setting**
Be proactive regarding higher-than-expected future costs and engage financial colleagues earlier to manage their expectations and set budget assumptions accordingly.

4 **Large claimant activity**
Request carriers to provide ongoing notifications of high-cost claimant activity as early as possible in the claims adjudication process.

5 **Review current case management strategy with carriers**
Identify opportunities for enhancement and reevaluate current stop-loss coverage to determine the most appropriate specific deductible for your organization's risk appetite.

6 **Consider expanding Centers of Excellence**
Help treat specific complex diseases to improve outcomes and cost efficiency.

7 **Conduct claims audits**
A claim processing operational audit will determine whether benefit payments align with plan documents, helping plan fiduciaries remain ERISA compliant.

Click to learn more about cost drivers.

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2025 MARKET TRENDS

Pharmacy

Marketplace Competition

Influences of marketplace competition shape the status quo. The last few years have led to higher scrutiny for PBMs (pharmacy benefits managers) due to high drug prices, access and control, which is anticipated to continue in 2025. PBM competition fosters further transparency, differentiating themselves from the largest PBMs and encouraging innovation. Anti-PBM bills drive change within the pharmacy supply matrix, including pricing terms, exclusive networks and other revenue streams.

Pipeline Growth Persists

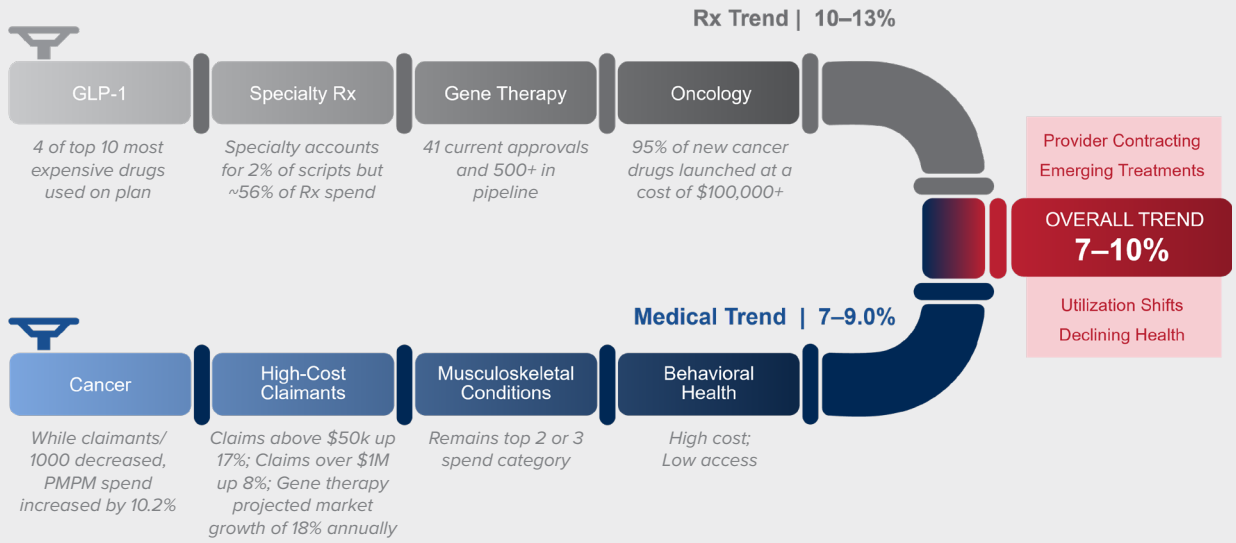
Pipeline growth persists for both specialty and non-specialty drug categories. The pipeline growth of transformative drugs will impact pharmacy costs while delivering potentially life-changing results. Biosimilars are expected to hit the market in 2025, including Stelara®, hoping to offset the rising inflation of currently branded specialty products. GLP-1 utilization continues to rise for diabetes and obesity. Gene therapies are moving beyond rare diseases to more common ailments afflicting the general population, such as macular eye degeneration and knee osteoarthritis.

Artificial Intelligence in the Pharmacy Space

The use of artificial intelligence (AI) in the pharmacy space will be more pronounced in 2025, aimed at enhancing efficiencies, outcomes and cost mitigation. For pharmacy, this may lead to drug development shifting from repurposing drugs to developing new drugs, increasing accuracy and productivity in clinical trials and personalized healthcare. Additionally, the market may continue to explore uncoupling various PBM offering components by replacing them with vendors to accomplish the tasks; the 2025 implementation of the Blue Shield of California model is an example.

What Employers Should Know

Navigating Headwinds and Cost Pressures



Sources: Approved Cellular and Gene Therapy Products | FDA; The price of drugs for chronic myeloid leukemia (CML) is a reflection of the unsustainable prices of cancer drugs: from the perspective of a large group of CML experts - PMC

Pharmacy Companies and PBMs Under Pressure in 2024

Impact of CMS Negotiation

- Medicare negotiations yielding 39-79% discounts on first tranche of selected drugs
- 80 total drugs in pipeline for negotiation by 2030
- Potential downstream impacts to employers and payors

States Driving Action

State activity increases in 2024:

- Targeting spread pricing
- Steering
- Home delivery requirements
- Pharmacy reimbursement
- White bagging

Federal Actions

- Congressional bills focusing on reforming PBMs and price transparency
- FTC actively investigating the large PBMs and industry
- 340B program structure changes
- Legislators urge DOJ to investigate PBMs for potential role in opioid epidemic
- Bipartisan Senate group developing bill to force health insurance companies and PBMs to divest pharmacies
- With a new administration taking office, some of these initiatives may be put on hold

Pharma Performance YTD

Sources: PBM reform: A closer look at state legislation this year; The state of PBM regulation in the states
Chart Source: FactSet

Weathering the Dynamics of the Rx Industry

	What Employers Should Know	What Employers Can Do
Transformative Drugs	• For therapies treating rare diseases, the 2023 median list price of $300K is 35% higher than 2022 • High-cost drug prevalence increases both claims spend and reinsurance premiums	• Reinsurance products targeting gene therapies with care coordination services • Oncology programs that offer second opinion services and site of care management
PBM Vertical Integration into "Authorized Biosimilars"	• Big three PBMs private label biosimilars, introducing conflicts of interest as PBMs make formulary decisions around their private labeled biosimilars	• Ensure pricing guarantees and inflation protection applies to private label biosimilars • Conduct audits to hold PBMs accountable for quoted savings
Employers' Role with Drug Purchasing and Coverage	• Fiduciary role in healthcare purchasing under fire • Employers required to ramp up oversight of contracts, purchasing strategies and PBM measurement	• Regular due diligence through annual market checks, regular RFPs and audits
Marketplace Disruptors Drive Fragmentation	• Amazon, Mark Cuban, LillyDirect, etc. challenging the PBM delivery system » Online delivery system » Specialty Rx » Consumerism » Price transparency	• Push PBMs to allow third-party options • Consider carve-out of certain drug classes to drive consumerism (infertility, weight loss, etc.)
Evolution of Pricing Structures	• Legislation, litigation and disruptor PBMs pushing for pricing transparency • Sponsors call for PBMs to take on risk to manage overall costs	• Understand that there is no one-size-fits-all answer • Evaluate pricing for competitiveness, philosophical alignment and regulatory compliance
The Growing Role of AI	AI Applications in the Pharmacy space will include: • **PBMs:** data mining, targeting patients based on expected behaviors or adverse outcomes • **Pharmacies:** inventory, predict demand, identify drug interactions, optimize dosing, etc. • **Manufacturers:** R&D fast-tracks clinical trials and drug approvals, improves supply chain efficiency and safety	• Integration of medical and pharmacy data may automate coverage determinations and influence engagement opportunities

Sources:
Median Drug Prices For Rare Diseases Hit $300K In 2023, Report Highlights Lack of Clear Rationale Behind Escalating Drug Prices — TradingView News
What will be the key trends in AI innovation in the Pharmaceutical Industry in 2025?
How AI and Data Analytics Are Transforming the PBM Industry: A Look at Predictive Modeling, Risk Stratification, and Personalized Care

2025 MARKET TRENDS

Population Health

The Growing GLP-1 Ecosystem

In 2024, the dramatic increase in GLP-1 utilization has driven a corresponding explosion of new weight-loss solutions and vendors incorporating management of this drug class into their offerings.

What Employers Should Know

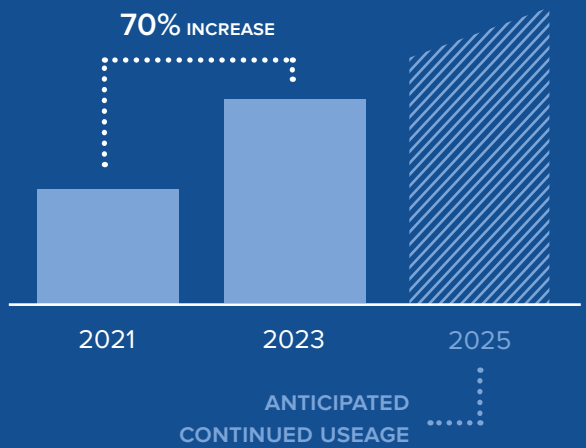
The expanded adoption of GLP-1 medications for diabetes and obesity treatment has driven a 70% increase in utilization between 2021 and 2023[1], with further growth anticipated in 2025. The growing utilization and the high cost of medications have made GLP-1s a significant contributor to rising employer healthcare costs. It is currently estimated that GLP-1s account for approximately 10% of pharmacy costs, with employers spending an additional $5 to $15 per member per month on these medications.[2]

What Employers Can Do

Research indicates that GLP-1s are most effective for specific populations and have a more lasting clinical impact when paired with lifestyle change programs. Employers can leverage four main strategies to manage the costs of and access to GLP-1s:

1. Utilization management using FDA or less restrictive guidelines
2. Offering or requiring enrollment in a program that supports holistic health, including physical activity, healthy eating and emotional health, to be prescribed GLP-1s
3. Restricting prescribers to particular physicians, groups or vendors who can provide clinical oversight, supervision and accountability for the lifestyle change needed for a lasting benefit
4. Putting a lifetime limit/cap on GLP-1 benefits

Increased Adoption of GLP-1 Medications[1]



[1] *Prime Therapeutics. The evolution of GLP-1s. September 1, 2024*
[2] *Prime Therapeutics. The evolution of GLP-1s. September 1, 2024*

Improvements in Cancer Detection and Treatment through Precision Medicine

Scientific advancements are providing new opportunities in early cancer detection and treatment, which can, in turn, reduce costs and improve outcomes.

What Employers Should Know

Since these tests can take many years to incorporate into traditional medical practice, vendors are increasingly approaching employers directly. Although genetic, genomic and multi-cancer early detection (MCED) testing are promising breakthroughs, such tests' increased availability and utilization should be carefully considered and planned. These screenings and tests can be costly and may increase demand for targeted, high-cost therapies. The testing also brings a myriad of issues employers must consider prior to offering – such as FDA approvals, policy implications and appropriate follow-up care.

What Employers Can Do

Employers should look to balance the potential value of improving cancer prevention, detection and treatment with evidence-based benefit design that reduces unnecessary spending. Cancer testing should be added to the benefit package in a manner that ensures connection to other benefits, a seamless patient experience and effective utilization by the members who will need and benefit from it most. Employers need to understand the science, the data, privacy, compliance and how best to implement and support these types of testing programs/coverages, including providing education on the results and navigation to the next steps.

Menopause Stigma Dissipates

Triggered by a decline in reproductive hormones, people experiencing menopause often have symptoms that include hot flashes, headaches, sleep disturbances and mood swings, all of which can negatively impact health, productivity and performance.

What Employers Should Know

Approximately 30% of the U.S. labor force is made up of women aged 45 to 55, many of whom are experiencing menopause. Due to menopause-related symptoms, nearly 20% have considered leaving their jobs.[3] The loss of experienced employees leads to higher recruitment and training costs and a decline in organizational knowledge and leadership.

What Employers Can Do

Employers can attract and retain top female talent by prioritizing women's health at all stages of life. Partnering with a menopause-focused or comprehensive women's health provider can offer access to specialists who understand menopause and its impacts. Employers should foster an open dialogue about menopause and provide reliable information and educational resources. Additionally, policies that promote flexible work arrangements and modifications in the workplace's physical environment, such as proper ventilation and fans, can help women manage symptoms and navigate this life stage effectively.

[3] *What Is Menopause? | National Institute on Aging*

A Greater Recognition of Food as Medicine (FAM)

Although diet has long been recognized as connected to metabolic health, the ability of proper and tailored nutrition to prevent and improve health conditions gained increased recognition in 2024.

What Employers Should Know

Food as medicine shifts the traditional healthcare paradigm from treating disease exclusively with medication to incorporating nutrition and dietary interventions. This holistic approach to health and well-being is both effective and cost-effective. Studies on medically tailored meals (MTM) – one example of a FAM program - have been shown to lead to a 37-52% lower risk of hospitalization and 16% to 31% reduction in monthly healthcare expenditures. Another study estimated private payors' cost-savings would net $3 billion in one year if all eligible individuals (n=6.3 million) received MTMs.[4]

What Employers Can Do

Employers should anticipate new programs, policies and benefit designs to support nutrition and dietary interventions, including prescriptions for fresh produce, medically tailored groceries and/or meals and programs educating employees to leverage food more strategically to nourish and heal the body. As employers evaluate these programs and consider food as medicine opportunities, they should also assess and account for socioeconomic factors that may impact the quality and quantity of food to which employees have access.

Solution Fatigue Drives Vendors to Expand

For the employer, the administrative burden of onboarding, integrating and communicating each solution has created a sense of "solution fatigue." For the employee, it has led to fragmented care, lack of awareness and ultimately, limited engagement.

What Employers Should Know

Employers' desire to reevaluate and possibly scale back vendor relationships has led vendors to expand services and position themselves as a one-stop shop for multiple healthcare issues. Over the last year, metabolic vendors have added musculoskeletal services, employee assistance program (EAP) vendors add metabolic health services and many other unique combinations of services. While vendors aim to simplify the administrative burden for employers and deliver a more integrated experience to employees, expanding services could dilute these vendors' value and reduce the engagement and effectiveness of each service.

What Employers Can Do

Employers should approach each vendor relationship with clear performance requirements for each program/service. These requirements should emphasize a comprehensive communication plan that details how often and to whom the solution will be communicated to drive engagement and the outcomes that will be achieved. If working with a single vendor delivering multiple services, an employer should have requirements in place for each service and ensure outcomes are not compromised. If working with multiple vendors, an employer should have an overarching strategy that both monitors outcomes and evaluates them for duplicative services.

[4] *Tufts True Cost of FIM Case Study - Oct 2023.pdf*

International Benefits

There are several common themes when it comes to benefit trends in international markets that have had a significant impact on employer-sponsored programs. Shared pressures such as a war for talent, inflation, rising costs of care, overwhelmed public healthcare systems, employee demands for greater flexibility and a focus on mental health have all helped to redefine employer benefit strategies outside the U.S.

Global economic factors continue to impact benefit plan renewals where double-digit increases have become the norm. This has further exposed deficiencies in many public healthcare systems and put additional pressure on private sector providers who have seen increased plan utilization with common high-cost claims such as cardiovascular, cancer and mental health. The continued pattern of rising costs has forced many employers to re-evaluate their benefits financing strategies, including implementing cost-sharing arrangements where possible. Employers are also looking to promote preventive care and expanded well-being offerings to help mitigate the effects of more serious and potentially long-term health conditions.

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> **These trends are expected to continue throughout 2025 and could force employers to further reassess their global benefits strategies and existing program offerings.**

What Employers Should Know

Global Focus on Mental Health

With the global focus on mental health showing no signs of diminishing, there continues to be a strong demand for an effective solution to address the personal concerns of employees and their families. Despite historically low member utilization, employee assistance programs (EAP) are often perceived by employees as a positive message from their employer as part of an overall well-being strategy. A global EAP is also one method where employers can offer a consistent program to their global workforce in an appropriate cultural and linguistic framework based on member confidentiality.

Global Business Travel

Increased global business travel has strengthened the need for adequate coverage for employers and their traveling workforce. Companies are looking for ways to reduce risk while ensuring that they are adequately addressing their duty of care responsibilities. A comprehensive travel plan can help give an organization and its people peace of mind by providing medical care and other assistance services that might be needed during domestic or international business trips. This is especially true for employees who travel to high-risk locations, as safety threat levels remain high due to rising global conflict, civil unrest and terrorism warnings.

What Employers Can Do

These trends are expected to continue throughout 2025 and could force employers to further reassess their global benefits strategies and existing program offerings. To help manage the impact of rising costs while still providing a positive employee experience, here are some recommendations that employers should consider:

1. **Promote preventive care**
2. **Educate employees on how to access and use their benefits effectively**
3. **Expand well-being solutions**
4. **Utilize provider solutions to target chronic conditions**
5. **Evaluate cost-sharing options**

Click to learn more about employer frameworks for global health & well-being strategies.

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2025 MARKET TRENDS

Absence / Leave

As another year begins, statutory absence and leave programs continue to evolve. Coordinating mandates with company-sponsored leave programs helps promote compliance and a smooth and positive employee experience and helps evaluate parity for leave benefits. Last year brought further challenges in this space, with many new laws taking effect in 2024. While there were no changes to the number of states with mandatory Paid Family and/or Medical Leave (PFML) programs in place (including live or future-dated programs), existing programs were impacted by numerous amendments that necessitated employers' attention and action.

In 2025, several trends are emerging in the realm of state-mandated paid leave and PFML programs:

- **Expansion of PFML programs:** More states are implementing or expanding their PFML programs. For example, Delaware and Maine have started employee contribution payroll deductions for their PFML programs, with benefits becoming effective in 2026.
- **Increased leave benefits:** States like Rhode Island are increasing the duration of benefits. Rhode Island's Temporary Caregiver Insurance (TCI) has increased from six to seven weeks, with further increases planned.
- **Broader coverage:** States are expanding the definitions of family members and the types of leave covered. For instance, Washington state has broadened its paid sick leave law to include more family members and situations.
- **Employer and employee contributions:** Many states require employers and employees to contribute to these leave programs. This shared responsibility aims to make the programs sustainable and beneficial for all parties involved.
- **Focus on mental health:** There is a growing recognition of mental health as a critical reason for leave. Reports indicate that mental health-related leave requests are on the rise, reflecting a broader societal shift towards acknowledging and addressing mental health issues.

These trends indicate a significant shift towards more comprehensive and inclusive leave policies across various states, which aim to better support employees and promote a healthier work-life balance.

What Employers Should Know

Paid Sick Leave State Ballot Measures Passed in Three States

Paid sick leave (PSL) state ballot measures have passed in all three states that had PSL-related initiatives on their ballot for the 2024 election. These include:

- **Missouri** (Proposition A, Minimum Wage & Earned Paid Sick Time Initiative): Effective May 1, 2025
- **Alaska** (Ballot Measure No. 1, Minimum Wage Increase & Paid Sick Leave Initiative): Effective July 1, 2025
- **Nebraska** (Initiative 436, Paid Sick Leave Initiative): Effective October 1, 2025.

Upcoming State and Federal Law Changes

Below is a summary of the new/amended leave-related laws taking effect in 2025 that we have been tracking.

JANUARY 2025		
●	**January 1**	Delaware PFML contributions begin
●	**January 1**	Maine PFML contributions begin
●	**January 1**	Rhode Island S2121 (TCI Amendment) effective date
●	**January 1**	Washington SB5793 (PSL Amendment) effective date
●	**January 1**	Connecticut HB5005 (PSL Amendment) effective date
●●	**January 1**	Oregon SB1515 (PFML and OFLA Amendment) effective date
●	**January 1**	New York (Paid Prenatal Personal Leave, per FY2024-25 budget) effective date
●	**January 1**	Minnesota HF5247 (PSL Amendment) effective date
●●●	**January 1**	California SB1105, SB1090, AB2499, AB2123 (PSL and PFL/DI Amendments) effective date

FEBRUARY 2025		
●	**February 21**	Michigan ESTA replaces state's current PMLA PSL law

MAY 2025		
●	**May 1**	Missouri PSL effective date

JULY 2025		
●	**July 1**	Alaska PSL effective date
●	**July 1**	Maryland PFML contributions begin
●	**July 1**	Vermont Voluntary FMLI Phase 3 effective date for individuals and employers with fewer than 10 employees
●	**July 31**	New York sunset of state's COVID-19 Emergency Leave Law, per FY2024-25 budget

OCTOBER 2025		
●	**October 1**	Nebraska PSL effective date

● Paid Family and/or Medical Leave (PFL/PFML)
● Paid Sick Leave (PSL)
● Disability Insurance
● Paid Other/Covid-19
● Unpaid Other

What Employers Can Do

1. Review current policies, handbooks and procedures to help ensure compliance with these new/amended laws
2. Assess impacts on the business, prepare payroll and/or timekeeping systems and plan communications
3. Train managers and supervisors on these new laws, update provisions and upcoming deadlines
4. Stay abreast of ongoing developments related to these laws and look out for guidance from the states

Click to learn more about trends in absence management.

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2025 MARKET TRENDS

Advanced Primary Care

In 2024, 85% of employers were looking to drive healthcare delivery reform through alternative channels to improve member access and convenience and to seek high-quality care. While the number of employers who offer onsite health/well-being clinic offerings will remain consistent between 2024 and 2027, employers will continue to explore "advanced primary care strategies" in different forms, including virtual primary care, direct primary care and shared models. Sixty-three percent of large employers will have at least one of these in place in 2025 and will continue to evaluate service offerings.[1]

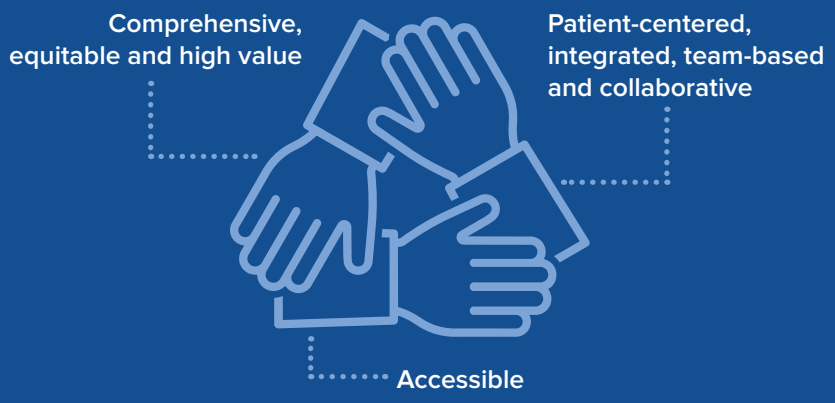
What Employers Should Know

Advanced primary care is an approach that allows providers to operate at the "top of their license," keeping 80% of care at the primary care level when suitable rather than referring to specialty care.[2] This is far from what most Americans currently experience in their "normal" healthcare journey; it is more transactional. According to the U.S. Library of Medicine National Institute of Health, the median length of primary care visits is 15.7 minutes, the average patient talk time is 5.3 minutes and the average physician talk time is 5.2 minutes, with 6.5 topics discussed per visit.

[1] *Business Group on Health, 2025 Employer Health Care Strategy Survey*
[2] *US National Library of Medicine Institute on Health*

What Does Advanced Primary Care Entail?

Advanced primary care is a practice that shifts the focus of primary care toward quality versus quantity.



What Employers Can Do

Develop a Strategic Plan

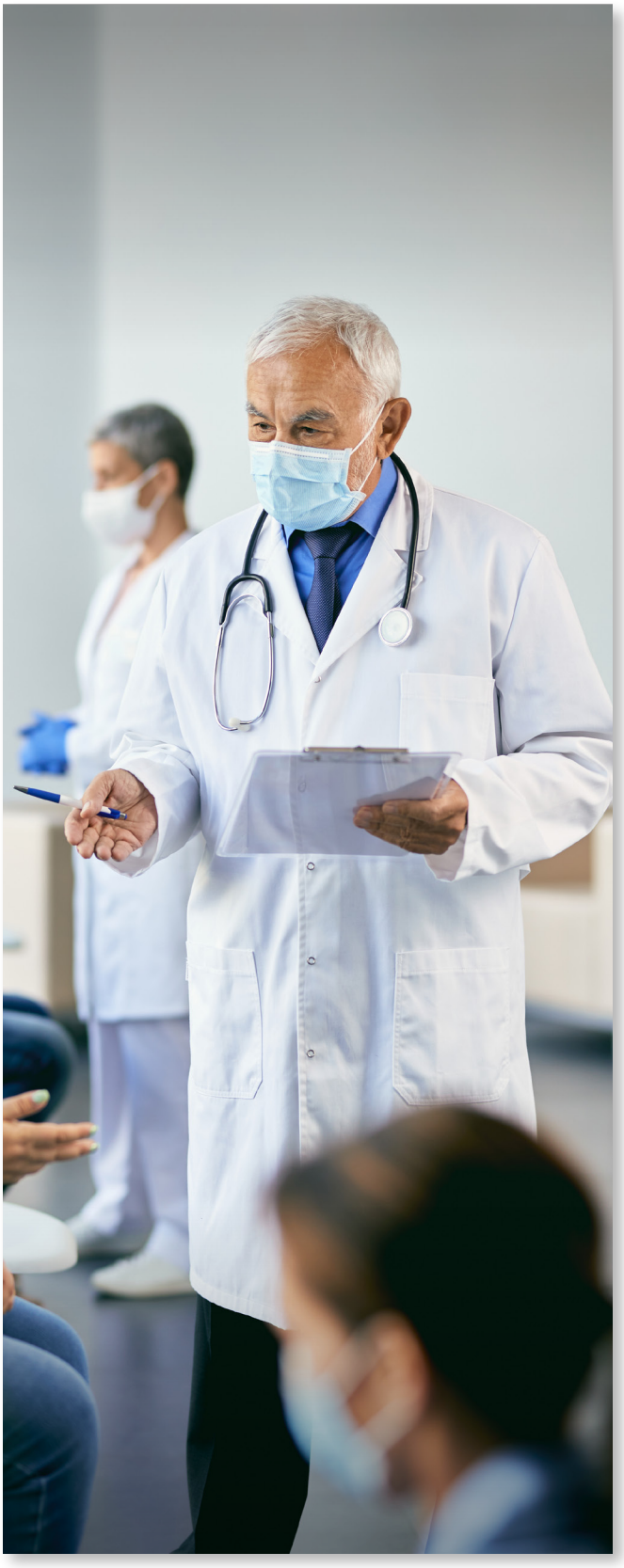
Before implementing a clinic, employers should define its purpose and create a strategic roadmap. Maximizing the clinic investment involves considering current and future service offerings, benefit plan design, member incentives, engagement strategies, member geography and ROI definition. A strategic plan is also highly suggested for employers who already have a clinic and want to adjust or expand service offerings (such as an occupational medicine clinic desiring to add primary care services).

Define Return on Investment (ROI)

Return on Investment (ROI) can be a combination of the following: reduction in overall healthcare costs, member experience, healthcare access, recruitment and retention initiatives, referral pattern management and employee productivity. The most successful clinics include two key components of return on investment:

1. **Clinic's ability to manage and retain patients:** Members should have fewer emergency room and urgent care visits, fewer outpatient and inpatient claims and increased adherence to prescription medications. Members seeking care for diabetes, hypertension, depression and musculoskeletal-related disorders should all cost the health plan less.
2. **CPT® code reprice:** What the cost of services provided by the clinic would have cost in the market; said another way, the costs absorbed by the health center.

The combination of these two measurements is a powerful indicator of a clinic's success. It is a baseline for future goal-setting and expansion initiatives, including musculoskeletal and behavioral health services.



2025 MARKET TRENDS

Medicare

A new Medicare Prescription Payment Plan took effect on January 1, 2025. This plan, designed to benefit the 48 million Americans enrolled in Part D coverage, provides beneficiaries with the option to pay out-of-pocket prescription drug costs via monthly installment payments. This approach to cost management will allow beneficiaries to spread their expenses throughout the year, offering a more manageable alternative to paying upfront at the pharmacy.

Additional Part D plan changes taking effect in 2025 include:

- Decreasing the out-of-pocket maximum to $2,000 from $8,000 in 2024
- Eliminating beneficiary coinsurance in the catastrophic coverage phase
- Increasing the annual deductible to $590 from $545 in 2024
- Establishing a manufacturer's discount program

With these updates, the savings to Part D beneficiaries will be significant. In previous years, beneficiaries paid 25% of total drug costs up to an established maximum. In 2024, this maximum was $5,030, which includes the deductible. Beneficiaries then entered the coverage gap, or "donut hole," incurring additional expenses up to the designated out-of-pocket cost. In 2024, this maximum was $8,000. With the changes in 2025, beneficiaries only need to worry about meeting their deductible, after which they will be responsible for a 25% coinsurance on all prescription drugs until they reach the much lower out-of-pocket maximum of $2,000.

What Employers Should Know

Impacts On Employer-Sponsored Prescription Drug Plans

Employers with group health plans featuring prescription drug coverage should seek an actuarial review well ahead of the upcoming annual enrollment period (AEP) or, if self-funded, utilize the simplified determination methodology. If employer-sponsored plans do not meet creditable standards, plan participants and other required individuals should be notified immediately to avoid late enrollment penalties to Part D plans.

To meet the creditable standards, the actuarial value of an employer-sponsored prescription drug plan should be the same as, or greater than, the actuarial value of Medicare Part D prescription drug coverage. If a plan is deemed non-creditable, the employer must disclose this change to affected plan beneficiaries before October 15 each year.

HHS Announces Negotiated Prices for Medicare Drugs

In August 2024, the Department of Health & Human Services (HHS) announced that it reached agreements with all participating manufacturers on newly negotiated, lower drug prices for the first ten drugs selected for the Medicare drug price negotiation program. The program, created by the signing of the Inflation Reduction Act (IRA), allows Medicare to negotiate directly with drug companies on the cost of brand-name prescription drugs. Medicare will negotiate prices for up to 60 drugs by 2026 and will continue to negotiate costs for up to twenty additional drugs per year after that.

The Biden administration announced the first ten drugs up for negotiation in August 2023, covering a myriad of conditions, including blood cancers, diabetes and heart failure. The new prices, which will go into effect for people with Medicare Part D prescription drug coverage on January 1, 2026, are projected to elicit $1.5 billion in savings for those using the Standard Part D benefit. With an average discount rate of 63% across the ten drugs, prescription drugs, such as Jardiance®, used by more than 1.8 million Part D beneficiaries in the 2023 calendar year, will decrease in price by 66% from $573 for a 30-day supply down to $197 for the same timeframe.

What Employers Can Do

Employers affected by the upcoming Part D changes should be aware of these key actions:

1. Determine your prescription drug coverage plan's creditable coverage status. Work with your insurer or third-party administrator to determine if your existing prescription drug plan meets creditable coverage standards under the Centers for Medicare and Medicaid Services (CMS) rules.
2. Disseminate disclosures to Medicare Part D-eligible employees before October 15th regarding the creditable or non-creditable status of your prescription drug coverage by the start of the annual enrollment period.
3. Notify CMS through the Online Disclosure Form of the plan's creditable coverage status within 60 days of the new plan year.

Additional Resources

Medicare enrollment transitions in light of Part D changes

LEARN MORE >

Medicare Premiums and Other Costs Set to Rise In 2025

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2025 MARKET TRENDS

Financial Well-Being

Employer-sponsored financial well-being programs are rapidly evolving, reflecting a deeper understanding of the critical link between financial stability and overall employee well-being. Traditionally, these programs were primarily retirement-focused. However, the scope will continue to expand to encompass a more holistic approach, addressing a wider range of financial concerns employees face, including daily living expenses, budget, emergency savings, debt management, high healthcare costs and retirement preparedness.

What Employers Should Know

Employees' financial concerns vary by life stage, family circumstance, income and health. However, studies continue to highlight that almost all employees are affected by financial stress, which impacts their health and productivity.

3 in 5

3 in 5 employees, specifically Gen Z and millennials, report living paycheck to paycheck[1]

57%

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

78%

78% of U.S. employers perceive their workers as financially stressed[3]

Decreases

Financial stress often manifests as reduced productivity and lower morale

5x

Financially stressed employees are nearly five times more likely to be distracted by personal finance issues at work[4]

67%

67% of workers believe employers have a responsibility to ensure employee financial security[5]

What Employers Can Do

These findings underscore the critical need for employer-sponsored financial well-being programs. Strategies and tools that employers will look to advance in 2025 and beyond include:

1. **Personalized financial planning:** There's a growing focus on providing personalized coaching and financial planning services. Employers are recognizing that a one-size-fits-all approach does not address the unique financial situations of each employee. Personalized planning can include one-on-one sessions with a financial coach, customized online tools and tailored educational content.

2. **Increased use of technology:** Digital platforms have become a central feature of financial well-being programs. The integration of AI-driven tools will further enable the customization of financial modeling, ensuring that each employee receives guidance that is specifically relevant to their individual circumstances. These technologies will not only make financial management more accessible but also more engaging.

[1,3,5] *Financial Wellness in the Workplace Report 2024*
[2,4] *PWC Wellness Survey 2023*

3. **Comprehensive financial education:** Employers are expanding the scope of financial education beyond basic budgeting and saving. This includes education on investments, tax planning, estate planning and understanding financial products like cryptocurrency. The goal is to enhance financial literacy across the workforce.

4. **Mental health and financial stress:** Recognizing the link between financial wellness and mental health, more employers are integrating financial well-being with broader mental health initiatives. Stress management workshops, counseling services and resources that address the psychological aspects of financial health are becoming more common.

5. **Retirement planning and support:** With an increasingly age-diverse workforce, employers continue to promote retirement education, planning, counseling and evaluating new benefit design opportunities allowed under the Secure 2.0 Act.

6. **Child and elder care financial support:** With many employees balancing work with caring for children or elderly family members, financial support in these areas would be highly beneficial. This could include flexible time off, flexible spending accounts for dependent care or subsidies for child and elder care services.

7. **Support for emergency savings:** Given the financial uncertainties, especially post-COVID-19, there's an increased focus on building emergency savings. Employers are encouraging this through matched savings programs, financial incentives and educational campaigns.

8. **Debt management and loan assistance:** With rising concerns about employee debt, especially student loan debt, employers are offering programs to help manage and reduce debt. This can range from payday loans and refinancing solutions to contributions towards loan repayments.

9. **FSAs, HSAs, LSAs and ICHRAs:** Employers are promoting and enhancing flexible spending accounts (FSAs), health savings accounts (HSAs) and lifestyle accounts (LSAs) as part of their financial wellness packages. Some of the accounts offer tax advantages and can be used for various health-related expenses, helping provide financial relief. Individual Coverage for Health Reimbursement Accounts (ICHRAs) is an emerging alternative to traditional strategies. It allows employers to provide non-taxable reimbursements to employees for the cost of individual health insurance and qualified medical expenses, so long as employees are not eligible for traditional group medical coverage.

10. **Wider access and inclusivity:** There is a trend toward making financial well-being programs accessible to a broader workforce segment, including part-time and remote employees. This inclusivity helps ensure that more employees can benefit from these programs.

11. **Integration with overall benefits package:** Financial well-being programs are being more seamlessly integrated into the overall employee benefits package, highlighting their importance in employee satisfaction and retention.

Employer-sponsored financial well-being programs in 2025 will reflect a deepening understanding of employees' varied financial needs. With comprehensive education, personalized counseling, mental health integration and innovative technology, these programs can provide much-needed employee support. Employers recognize that investing in the financial health of their workforce is not just a perk but a necessity that helps drive employee satisfaction, productivity and loyalty, ultimately contributing to the organization's overall success.

READ MORE

Employee Benefits Administration Technology

Employee benefits administration technology is focused on both the employee experience and the accurate and efficient administration of benefits. The goal is to offer the right benefits to the right employees at the right time and at the right price. Getting these components to align is complicated. As a result, an entire industry is devoted to benefits administration, with products that handle a variety of unique customer benefit strategies and scenarios.

The counterpart is the all-in-one software vendor, which offers a suite of interconnected products (payroll/HCM/benefits). Their benefits administration functionality is generally less robust but could be a fit for an employer, depending on needs. The other key ingredient is the service model – what experience and resources does a company have to administer benefits, or should the employer consider outsourcing these operations? Benefits are often among the costliest employee expense, and the administration of benefits can be costly and frustrating or efficient and cost-effective.

What Employers Should Know

Industry Consolidation

In the past several years, the market has seen various changes. Private equity firms or carriers have purchased several companies; recently, a small customer-oriented provider purchased its main competition. With the industry changing so quickly, employers often struggle to keep their needs and their software aligned.

Enrollment & Decision Support

An easy-to-use, mobile-friendly employee enrollment experience that includes educational tools is a must. Decision support functionality helps employees decide which benefits will best fit their specific needs by analyzing a personal interview against big datasets to provide recommendations. What started with a focus solely on medical insurance now encompasses all benefits in combination with financial wellness. Innovative artificial intelligence applications are now being layered into these tools to further hone the experience.

Decision support tools may be found integrated within the benefits administration platform, or as stand-alone software that provides feedback that the employee can utilize when enrolling in a separate benefits administration system.

Employee Experience (EX)

EX apps are becoming prevalent in the benefits administration market. These smartphone apps provide a personalized experience that helps drive healthy behavior, easily linking employees to their health and wellness providers. They, too, are incorporating AI to provide a better experience. These apps are adept at enhancing corporate communication and measuring its effectiveness, which drives adoption and increases the usage of wellness initiatives. Their value lies in employee retention through consistent employee engagement.

Employee Engagement

In the U.S., only 33% of U.S. employees feel engaged. Additionally, the following positive business outcomes were realized when comparing top and bottom quartile business units regarding employee engagement.

81%
REDUCTION IN ABSENTEEISM

18%
REDUCTION IN TURNOVER

41%
REDUCTION IN QUALITY (DEFECTS)

10%
INCREASE IN CUSTOMER LOYALTY

18%
INCREASE IN PRODUCTIVITY

23%
INCREASE IN PROFITABILITY

Source: Gallup, Annual Employee Engagement in the U.S., Wold-and Best-Practice Organizations, 2023

> **Analysis of the market, current state and desired future state is a journey, not a destination; it is also a worthy investment in the business and its valued employees.**

What Employers Can Do

An excellent benefits administration system will provide an employer with seamless integrations with payroll systems, carriers and other vendors. This means accurate and timely data transmissions, elimination of billing and payroll deduction issues and ensuring enrollment changes are processed correctly. Even the best software can be rendered ineffective if implemented and/or serviced poorly, and changing service providers can be costly and time-consuming.

However, as the market evolves, it allows employers to become more innovative. More than ever, the success of employer health and wellness program goals can be driven by intelligent technology choices. Analysis of the market, current state and desired future state is a journey, not a destination; it is also a worthy investment in the business and its valued employees.

If an employer does not have the in-house capability to match its goals with its technology needs, engaging with a consulting organization may be a helpful endeavor. Frustration with benefits administration is not a requirement; it is a consequence of a mismatch between ongoing needs and tools.

Regulatory & Legislative Strategy

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. 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 2025.

HSA Eligibility and Telemedicine

As a general rule, if an individual is covered by any health coverage that pays for significant medical care or treatment before the qualified high deductible health plan (HDHP) minimum is satisfied, that individual is not eligible for health savings account (HSA) contributions, 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, that did not prevent HSA eligibility during plan years beginning on or after January 1, 2023, and before January 1, 2025. This relief has not been extended. Effective for plan years beginning January 1, 2025, employers must follow the general rule (i.e., for an individual to remain HSA eligible, they must pay the fair market value of telehealth services until they satisfy the IRS minimum deductible) unless and until Congress takes further action.

Mental Health Parity and Addiction Equity Act (MHPAEA)

What Employers Should Know: On September 23, 2024, the Department of Labor (DOL), Internal Revenue Service (IRS) and Department of Health and Human Services (HHS) (the "Departments") released regulations titled Requirements Related to the Mental Health Parity and Addiction Equity Act, also known as the MHPAEA Final Rules. Through these final rules, 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 or substance use disorder (MH/SUD) benefits as compared to medical/surgical (M/S) benefits within a health plan or policy. The MHPAEA rules generally apply to all group health plans except HIPAA-excepted benefits and plans sponsored by an employer that averaged 50 or fewer employees during the prior calendar year.

What Employers Can Do: Plan sponsors should continue to diligently perform self-audits of their group health plans (especially for self-funded health plans) to ensure parity between the financial requirements, quantitative treatment limitations (QTLs) and non-quantitative treatment limitations (NQTLs) that apply to MH/SUD and M/S benefits. In particular, as reiterated in the MHPAEA Final Rules, an NQTL comparative analysis is required for all group health plans subject to the MHPAEA.

SCOTUS Overturns Precedence of Chevron Case in Loper Bright

What Employers Should Know: For approximately 40 years, the Chevron doctrine was in place, requiring courts to give deference to certain federal agencies when interpreting a statute that was vague, ambiguous or silent as to a particular part of the law. However, the Chevron doctrine was recently challenged in Loper Bright Enterprises v. Raimondo by commercial fishing groups, alleging that the federal regulation requiring fishing vessels to pay the salaries of required observers on board was unconstitutional. The U.S. Supreme Court ultimately heard the case and, in a 6-3 decision, overturned the well-established Chevron doctrine. This Supreme Court decision allows federal courts to independently interpret federal statutes that are vague, ambiguous or silent; they are no longer required to give deference to the federal agency's interpretation of the statute as reflected in regulations.

Federal agency regulations may still be relied upon after the overturning of Chevron, but if a party challenges a federal regulation in court, the court should independently decide the meaning of the statute passed by Congress. These independent court decisions will most likely apply in situations where Congress has not delegated within the statute authority to a federal agency to interpret such statute. This decision, therefore, causes some uncertainty regarding the ability of plan sponsors to rely on current and future federal regulations.

What Employers Can Do: At this time, there are no specific actions for employers to take due to the Supreme Court's overturning of the Chevron doctrine. However, employers sponsoring benefit plans may want to be prepared for the uncertainty in benefit plan regulation as regulations are challenged and reviewed by the courts in the future. Plan sponsors may also want to discuss with legal counsel situations in which they rely on existing regulations as a basis for complying with law and what risks, if any, might be created by such reliance.

Wellness Program Litigation

What Employers Should Know: As the application of federal law to employer wellness programs continues to evolve, there has been a significant increase in class action lawsuits challenging different aspects of these programs. Wellness programs can be structured in various ways, from rewards for walking competitions to premium reductions for biometric screenings or wellness visits to smoking-cessation programs. Depending on the structure of the wellness program, there are numerous compliance considerations under HIPAA, the ADA, GINA, ERISA, the ACA and more.

What Employers Can Do: As many of these cases are still pending, we may see court decisions in 2025 that impact an employer's ability to offer certain types of wellness programs. This trend of wellness program lawsuits is likely to continue into 2025, especially in light of the Loper Bright Enterprises v. Raimondo decision. Employers should consult legal counsel when implementing and structuring a wellness program to ensure it complies with the various regulations and court decisions impacting wellness program offerings.

ACA Reporting and Penalty Changes

What Employers Should Know: Congress and the President recently passed laws that impact Affordable Care Act (ACA) reporting and employer shared responsibility penalties. The summary below analyzes those rules.

- **Paperwork Burden Reduction Act:** President Biden signed the Paperwork Burden Reduction Act into law on December 23, 2024, formalizing IRS guidance aimed at alleviating some of the burdens associated with the ACA reporting forms under IRC Sections 6055 and 6056. Although the Paperwork Burden Reduction Act addresses all of the reporting forms under the ACA, importantly for Applicable Large Employers (ALEs), this law simplifies the process of furnishing Forms 1095-C to full-time employees. Effective for all calendar years occurring on or after 2024, employers may now satisfy their Form 1095-C delivery obligations to full-time employees by posting a "clear, conspicuous, and accessible notice" that notifies full-time employees of their ability to request their Form 1095-C in paper form from the employer. This would absolve an employer from having to furnish a paper copy of Form 1095-C to every full-time employee and limit the delivery of paper copies of Form 1095-C to only those who request it. If an individual requests a paper copy of the Form 1095-C or 1095-B, the employer/insurance provider is required to provide the paper copy to the requester by the later of January 31 of the year following the reporting year or 30 days following the request, whichever is later.[1]
- **Employer Reporting Improvement Act:** Additionally, under the Employer Reporting Improvement Act, ALEs have an expanded timeframe to respond when they receive a letter from the IRS (i.e., Letter 226-J) indicating the IRS intends to assess employer shared responsibility penalties. ALEs will now have a minimum of 90 days from the date of the IRS' initial letter to respond, compared to the previous 30 days from the date of the initial IRS letter. Further, the IRS now has six years to assess employer shared responsibility penalties against an ALE. The six-year period will begin on the due date for filing Form 1094-C or the date an ALE filed the Form, whichever is later.

What Employers Can Do: This legislation should be a welcome relief to employers. ALEs have a reduced administrative burden (e.g., the ability to furnish 1095-C Forms without mailing paper copies and to report birth dates instead of tax identification numbers), and the six-year statute of limitations applicable to the assessment of employer shared responsibility penalties will provide greater certainty. ALEs should consult with legal counsel on how they may meet their obligations as it relates to notifying full-time employees of their ability to request Form 1095-C in a "clear, conspicuous, and accessible notice" and whether they want to delay doing so until the government releases future guidance on this topic.

[1] Employers in jurisdictions that are subject to state/district individual mandate and reporting requirements that allow plan sponsors to use Forms 1095 and 1094 to meet those state/district requirements (e.g., California, New Jersey, Rhode Island and Washington, DC) should consult with legal counsel to determine whether electronic delivery of Forms 1095-C to full-time employees also applies to employers for state coverage reporting purposes.

2025 MARKET TRENDS

Stop Loss

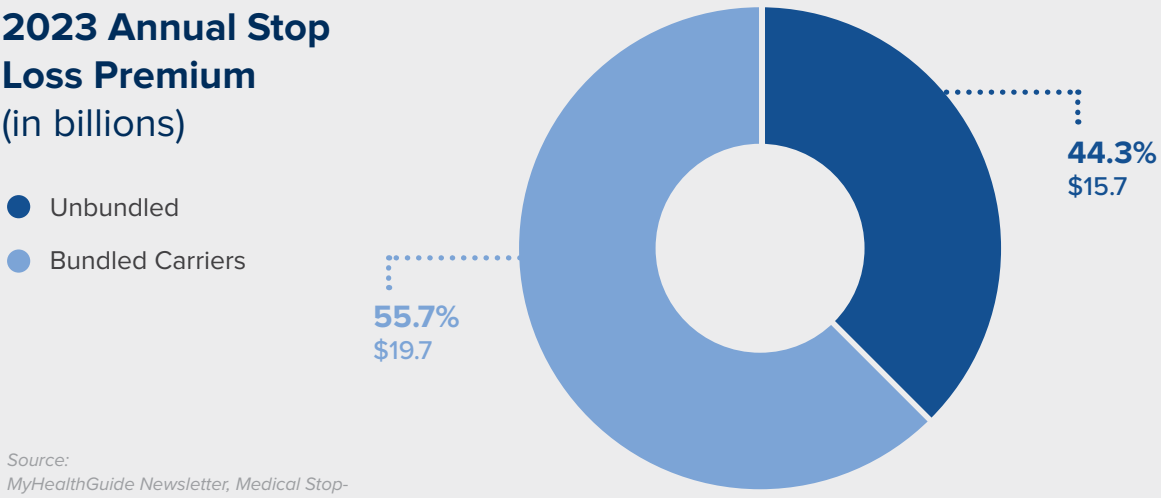
As healthcare costs continue to rise, self-funded health benefit plans are more important than ever to help protect from significant losses resulting from catastrophic claims. More than three-quarters of self-funded health plans purchase stop loss, which is expected to continue to rise as more plans adopt self-funding.[1]

Stop loss carriers collectively manage over $35B in premium annually. Market share is split between traditional carriers such as Cigna, UHC, Aetna and Anthem/BCBS (bundled carriers) and third-party carriers such as Sun Life, TMHCC, Voya, Symetra and HM Insurance (unbundled carriers). Though over 100 stop loss carriers exist, nearly 68% of premium is concentrated under the top 10 carriers.[2]

What Employers Should Know

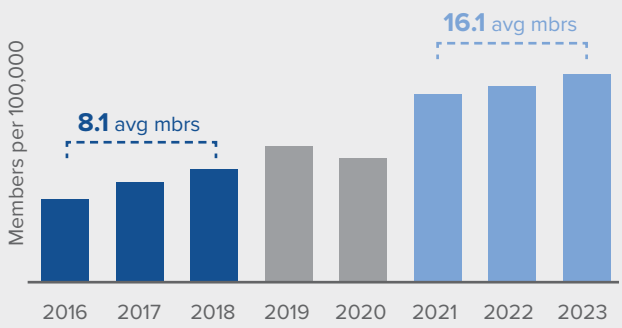
Consistent with broader healthcare market trends, stop loss carriers continue to report an increased number of catastrophic claims at higher costs. HM Insurance Group, similar to other carriers, has seen the number of $1M claimants increase on average 14.7% annually, while costs have increased an average of 17.3% annually. The number of $2M claimants has increased by 13.2% annually, while costs have jumped an average of 23.1% annually. Cancer, neonatal and cardiovascular conditions have consistently ranked as the costliest claims conditions reported by stop loss carriers, and this trend is expected to continue in 2025.

2023 Annual Stop Loss Premium
(in billions)

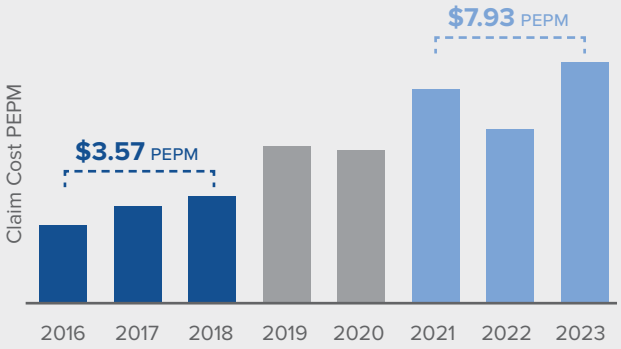


Source:
MyHealthGuide Newsletter, Medical Stop-Loss Providers Ranked by Annual Premium

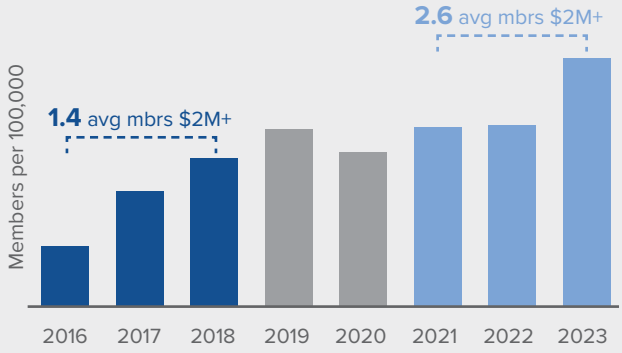
Frequency of $1M+ Claimants*



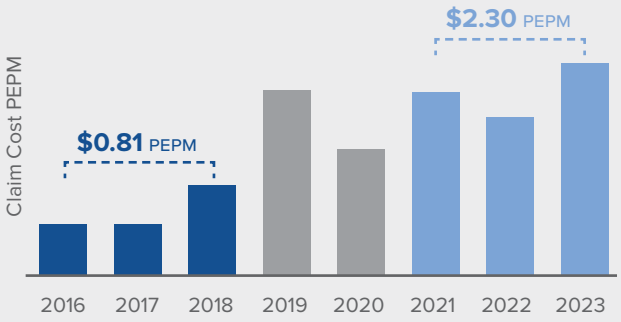
$1M+ Claimants Average Cost PEPM*



Frequency of $2M+ Claimants*



$2M+ Claimants Average Cost PEPM*



**Average change is based on mid-point of years being averaged due to unusual high-dollar ($1.5M+) claim activity in 2019 and the COVID-19 pandemic in 2020.*
Source: HM Stop Loss Claims History and Trends, 11/2024

As a result of increased claims exposure, stop loss premiums have been adversely impacted over the last several years. In 2024, health plans that kept a consistent specific stop loss deductible averaged an 11.5% premium increase.[3] When considering all plans, including those that increased their specific deductible, the premium increase was lowered to a 9.4% increase.[3]

What Employers Can Do

Based on recent market submissions and placements in the Brown & Brown Stop Loss practice, the carrier marketplace is becoming more conservative. Recent news from some of the largest stop loss carriers indicates this may continue into the near term.[4,5] Hardening of the stop loss market has started and may result in less aggressive terms, needs for full claims disclosure, additional data required to firm proposals, higher rate loads for certain product features and shorter rate lock periods. Employers will need to consider these items as they head into their next renewals.

Finally, employer stop loss captives continue to be a viable option. Many smaller employers and employers who are converting to self-funding have been a target of the captive marketplace.

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[1] *KFF: Employer Health Benefits 2024*
[2] *MyHealthGuide Newsletter, Medical Stop-Loss Providers Ranked by Annual Premium for the Years 2016 through 2023*
[3] *Segal: Medical Stop-Loss Premiums Increase by More than 9%, July 18, 2024*
[4] *Voya Financial now sees Stop Loss ratio for policy year 90%-105%*
[5] *Sun Life sees U.S. medical stop-loss market stabilizing*

2025 MARKET TRENDS

Compensation

Employers have moved through the pandemic-era great resignation, and have now entered the pay transparency era. As legislation aimed at creating equitable compensation practices gained momentum in 2024, many employers have doubled down on addressing compression and are now shifting their focus towards total rewards to manage costs while retaining key talent. The slowing economy, new legislation and ever-changing workforce expectations will continue to evolve the compensation landscape as we head into 2025, continuing to push human resources professionals to do more with less.

What Employers Should Know

The pandemic illuminated the foundational importance of entry-level roles and front-line workers, which prompted organizations to shift their compensation strategies. In the wake of this, white-collar workers are now experiencing layoffs, decreased hiring rates and tighter competition for jobs, while blue-collar occupations are experiencing increasing wages due to a talent shortage.[1] Many companies are looking to address pay compression, which has resulted partly due to higher starting salaries needed to attract talent over the last several years.

Pay Equity Adjustments

In addition to general and merit increases, 70% of organizations plan for pay equity adjustments in 2025.[2] States with pay transparency laws are expected to continue coming online in 2025, and there are growing trends for employers to disclose salary information, regardless of state location, which will continue to fortify the need for addressing compression and consistent administration of compensation going forward. Job postings with salary data receive 50% more applications and are three times more likely to deliver quality candidates.[3] Additionally, SHRM reported that potential employees are more likely to trust an organization if they provide a salary range in their job postings.[4]

Incentive Pay and Leave Benefits

Other major focuses in the total rewards and compensation landscape are incentive pay and leave benefits. While employers try to reign in their costs related to base salaries, bonuses offer a way to recognize key talent in intentional ways, such as acknowledging performance, offering service awards or promoting professional development. COVID-19 also allowed employees to take time away from their work when needed; going into 2025, 57% of employers believe leave benefits will be essential to their employee retention strategy.[2] Holding on to key talent to reduce turnover, especially in certain markets like manufacturing, technology, healthcare and finance, will be especially important for a strong and successful company performance in 2025.

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[1] Payscale: Compensation Best Practices Report 2024
[2] NFP: Compensation & Benefit Trends to Watch in 2025
[3] ZipRecruiter: Pay Trends Report
[4] SHRM: Pay Transparency – Increases Competitiveness

> **In this new wave of compensation transparency, leveraging data fosters buy-in from the leadership team, promising to bring clarity, insight and greater credibility to the HR function.**

What Employers Can Do

With the importance of reviewing pay compression and potential inequity in the coming year, one of the most important things an organization can do is review its salary structure and ensure that it is in alignment with its defined labor market and benefits package so it sets the foundation for a competitive employee value proposition. A best practice is to conduct a salary structure review at least annually. Some organizations are now choosing to do a review more frequently, especially as more salary surveys are moving towards more frequent publication schedules.

Salary structures serve the organization best when accompanied by a compensation philosophy communicated throughout the organization. The spirit of pay transparency legislation helps to ensure fairness and foster meaningful conversations with your employees about their pay. Many organizations do not have a compensation or total rewards philosophy. Creating this strategic message and being in action will put organizations out in front of their competitors.

Once a structure has been reviewed, it's time to leverage it with analytics so HR can drive its strategic initiatives, optimize employee engagement and drive accountability throughout the organization. With much buzz around analytics and AI in the year to come, it is possible for the first few steps to feel like big leaps into the unknown.

With a solid salary structure, many actionable metrics are within reach. For example, running a compression analysis with your employees can highlight the historical or institutional talent that may be a high-flight risk with a high impact associated with loss. It also helps illustrate that when this key talent turns over, organizations are often faced with paying more to get someone in the door.

In this new wave of compensation transparency, leveraging data fosters buy-in from the leadership team, promising to bring clarity, insight and greater credibility to the HR function.

2025 MARKET TRENDS

Human Resources

From talent strategies to HR technology to AI to culture and DEI, the human resources landscape continues to evolve. Employers who are proactive in their approaches will reap the greatest rewards. Below are some of the trends to look for in 2025 and ways employers can take action.

Talent Strategies for Shifting Markets

What Employers Should Know: Hiring rates, attrition and unemployment all move differently depending on the industry, geography and skill set. For talent acquisition teams, candidate sourcing is the new science to learn and master, with many new software solutions able to find and engage passive candidates.

What Employers Can Do: For internal talent management, keep the dialogue alive. Remember that skills inference is still an emerging AI use case, with stronger validity in some areas than others. Meaningful conversations about performance and career are still the aspiration of the performance management process.

Refining the HR Operating Model to Optimize Efficiency, Experience and Automation

What Employers Should Know: The interaction model for HR now has clear use cases for AI tools and other smart automation.

What Employers Can Do: HR operations/shared services leaders should continually examine end-to-end processes to understand their customers' needs and strike a balance between automation and human contact, keeping efficiency and experience as equal priorities.

Facilitating Enterprise Transition to Blended Human-AI Work

What Employers Should Know: Most of the public HR conversation seems to be about how AI will revolutionize the function (which it will). However, keep in mind that AI is disrupting every business function and raising big questions about workforce planning, restructuring, redesigning work and policies related to intellectual property and ethics.

What Employers Can Do: All HR leaders, especially HR business partners, should be ready to support peers in other functions to think through how to incorporate AI in their service delivery and staffing, how to advise on appropriate use, etc.

Enhancing Experience and Efficiency Through a Coherent HR Tech Landscape

What Employers Should Know: HR technologists are facing exploding landscapes, with niche point solutions and new ERP modules enticing the COE and shared services leaders with a variety of promises.

What Employers Can Do: Maintain a strong governance function to ensure each new product fits cohesively in the landscape and hold high standards for integration to ensure the user (employee/candidate/manager) experience is uninterrupted.

Creating Meaningful, Actionable Metrics and Analyses with Reliable Data

What Employers Should Know: Despite advances in analytics and predictive tools, many of the most actionable metrics can be calculated and visualized using basic math operations.

What Employers Can Do: Take a structured approach to designing dashboards and metrics to measure KPIs for business strategy, with a heavy focus on how they will be reviewed and used to drive improvement. Showcase users using data to drive strategy and efficiency gains and apply statistical science to those larger and more complex questions that promise significant returns.

Enabling an Authentic, Inclusive and Equitable Culture

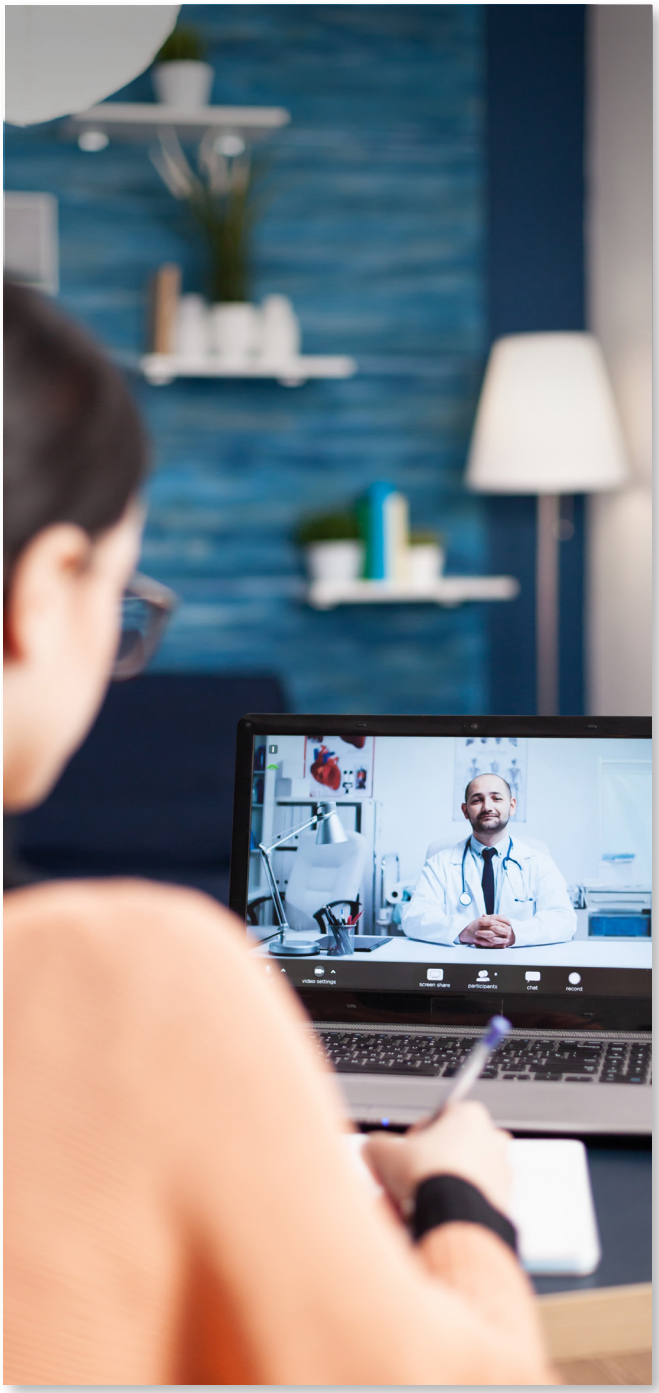
What Employers Should Know: HR is usually seen as the keeper of culture. The biggest leverage point is talent processes, which ensure incoming and promoted leaders are selected for the cultures they foster and that performance is managed and incentivized based on behavior, not just results.

What Employers Can Do: While DEI has been pulled into the political fray, it is still vital to organizational health that leaders stay current on cultural and regulatory norms for transparency and equity, challenge unconscious biases and ensure our workplaces are welcoming to all.

2025 MARKET TRENDS

Digital Health

Momentum for digital health remains steady, becoming increasingly a table-stake in employee health benefits. Funding levels for digital health start-ups in 2024 were comparable to pre-pandemic levels[1], and retail, big tech, pharmacy companies, health systems and health plans will contribute to digital health innovation in 2025.



What Employers Should Know

Consumers continue to embrace digital health, and employers have responded by investing in these solutions:

- Seventy-six percent of consumers have utilized at least one form of virtual care, citing convenience, shorter wait times and provider selection as key drivers.[2]
- Motivated by consumer demand, improved outcomes and cost savings, 75% of employers surveyed increased spending on digital health in the past two years. The vast majority are committed to maintaining or growing their digital health offerings.[3]

Digital health solutions and companies — whether private or publicly held, large or small, emerging or established — are subject to market forces such as funding, interest rates, healthcare regulation and investor expectations. These pressures could lead to operational changes, scaling efforts, mergers and acquisitions, product sunsetting or even business closures.

[1] Rock Health: Q3 2024 digital health market update
[2] Rock Health: Ninth Annual Consumer Adoption of Digital Health Survey
[3] Peterson Health Technology Institute, 2024 State of Digital Health Purchasing, A survey of Health Plans, Employers and Health Systems

What Employers Can Do

With digital health becoming ubiquitous, how can employers navigate this complex landscape?

Understand the Drivers for Considering Digital Health

Beyond the broad goals of meeting consumer demand, improving outcomes and cost savings, employers should identify specific priorities that need to be addressed based on various data sources. Are there specific clinical conditions to manage, inappropriate utilization, lack of access, low employee engagement, dissatisfaction with benefits or challenges in attracting and retaining talent? Defining clear priorities helps employers focus on digital health solutions that best align with their needs, especially when resources are limited.

> **Given the evolving nature of the digital health market, employers should negotiate terms that include fees tied to outcomes, performance guarantees and reasonable contract durations to help manage risk and provide flexibility.**

Use Evidence

Employers should request evidence of outcomes for any digital health solution, whether offered by the health plan, PBM or third party. Evidence can come from pilots, case studies, book-of-business analyses or third-party evaluations. It is crucial to assess the quality and limitations of reported outcomes to understand the accuracy of their claims and determine the realistic gain from the solution.

Measure and Evaluate Progress

Once priorities are established, employers can identify key metrics, set targets to achieve or improve upon and establish how and when they will be measured and reported. Setting expectations for the immediate, short and long term allows for adjustments along the way. Post-implementation assessments or clinical reviews also help refine strategies and make informed decisions.

Set Up for Success

Digital health is just one piece of the puzzle. A comprehensive approach is needed to help ensure success. This includes integration with the health plan and existing vendors, plan design and incentives, education/communication and workplace policies to support the right population is enrolled and engaged with digital health solutions on a sustained basis.

With digital health becoming mainstream in employee health benefits, most employers have or will adopt digital health in some form. Given the evolving nature of the digital health market, employers should negotiate terms that include fees tied to outcomes, performance guarantees and reasonable contract durations to help manage risk and provide flexibility.

2025 MARKET TRENDS

Voluntary Benefits

Trending Topics in Voluntary Benefits

Enhancing Mental Health Support for Employees

Employers are expanding mental health resources like counseling, stress management and wellness apps to meet growing employee needs. This focus will intensify in 2025, with more comprehensive wellness programs aimed at improving work-life balance and employee well-being.

Growing Focus on Financial Wellness Programs

Financial wellness benefits such as student loan assistance, financial planning tools and debt management programs are growing in popularity. This trend will continue in 2025, with more companies investing in these initiatives to help employees build financial resilience amid economic uncertainty.

Personalized Benefits

Personalized benefits packages are increasingly popular, allowing employees to select coverage based on their specific needs. In 2025, this trend will evolve, with employers offering more flexible and tailored options to better serve a diverse workforce.

Evolving Hybrid and Remote Work Benefits

Remote work-related benefits like home office stipends, internet subsidies and virtual health services are becoming more common. In 2025, these benefits will expand to include flexible schedules, mental health days and improved work-from-home tools, further enhancing productivity and employee satisfaction.

Access and Coverage Gaps

While 66% of psychologists accept insurance, 34% do not due to reimbursement and administrative challenges.[1] This highlights a critical gap that voluntary benefits programs can help bridge by subsidizing mental health services and expanding access to out-of-network providers.

Rising Demand for Services

With 53% of psychologists not accepting new patients, employees struggle to find timely care.[1] Employers can mitigate this by offering telehealth services, digital mental health platforms and Employee Assistance Programs (EAPs) as part of their benefits.

Leveraging Technology for Better Care

Only 29% of psychologists use AI tools, indicating room for innovation.[1] Employers can integrate AI-powered mental health tools into voluntary benefits to enhance service availability, personalization and efficiency.

[1] *American Psychological Association (APA), How Insurance Woes are Impacting Mental Health Care*

Rising Healthcare Costs

Due to increasing healthcare expenses, employers might explore cost-saving strategies integrating voluntary benefits, such as utilizing value-based care models and promoting preventative healthcare. Between 2023-32 average National Health Expenditure (NHE) growth (5.6%) is projected to outpace that of average GDP growth (4.3%).[2]

Technology Integration

Digital platforms and data analytics will play a major role in managing voluntary benefits, allowing for better employee engagement, personalized recommendations and streamlined enrollment processes. The evolution of the enrollment models from front-end link-outs with telephonic support to various platforms with integrated AI assistance (chatbots) continues. Combined with traditional analog methods, these allow comfort/ease of use by multiple generations.

What Employers Should Know

Cost Management

Balancing employee needs with budget constraints while offering attractive voluntary benefits may be challenging for employers. Employers can support mental health through voluntary benefits by offering financial assistance for inpatient care while managing costs by balancing employee needs with budget constraints.

Benefit Complexity

A wide range of voluntary benefits options can create complexity, it also offers opportunities to tailor benefits to individual needs. Clear communication and effective navigation tools, supported by technology, can simplify the process and help employees make informed choices.

What Employers Can Do

1. **Create a mental health-friendly culture:** Involves openly discussing mental health in company communications, celebrates Mental Health Awareness Month and encourages transparency. Cultural shifts don't require large budgets and can significantly affect how employees feel supported. Employers incur no direct cost while ensuring employees have access to necessary support. Voluntary benefits can support mental health by providing financial assistance for inpatient care but should be part of a broader strategy, including EAPs and therapy coverage.

2. **Flexibility in adopting industry changes:** Staying in sync with your consultants' service expectations and delivery.

3. **Employee satisfaction:** Employers should use voluntary benefits to satisfy employees by offering personalized, flexible options that address diverse needs, enhance well-being and foster a positive, supportive workplace culture. Employees who feel supported are 60% more likely to intend to stay with their organization for at least another year.[3]

[2] *Centers for Medicare & Medicaid Services, NHE Projections*
[3] *MetLife, 2024 Employee Benefit Trends Study*

How Brown & Brown Can Help

Connect with our Brown & Brown team to learn about our knowledge in your industry, how we build our risk mitigation strategies and how we can aid your business in building a cost-saving employee benefits program.

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