MarshMcLennan Agency

2025 Employee Health & Benefits Trends

Your future is limitless.℠

As employers prepare for the second half of a decade marked by unprecedented global events, they know to expect the unexpected.

Uncertainty looms in politics, the economy, and the environment. Employers will face daunting challenges ahead; however, with each new challenge comes a new opportunity for innovation.

Building stronger, healthier, and more resilient organizations can hedge against the risks of uncertainty and volatility in the years ahead. This can be achieved through careful strategic planning and the implementation of new approaches to:

- Spending
- Employee well-being
- Organizational functioning

To prepare for the challenges ahead, employers are zeroing in on four key themes that will play fundamental roles in employee benefits and organizational health in 2025.

Supporting the multigenerational workforce is a high priority for employers.

Gen Z now outnumbers Boomers in the workforce. That said, many Boomers are returning to work after retirement. This means multi-decade age gaps between employees are increasingly common. Organizations must foster mutual understanding among employees from different generations and deepen their understanding of each generation’s needs. **By recognizing each generation’s goals, priorities, and values, employers can provide benefits tailored to employees of all ages.**

Keeping up with the AI revolution will be key to organizational functioning in the years ahead.

HR will be among the departments most affected by the expansion of AI. In the long run, **AI will help HR departments operate more efficiently** by reducing workloads and streamlining tasks. Even so, **in the short term, HR teams will be under immense pressure to upskill in the technology and help their organizations integrate AI** into their workflows.

Hitting reset on Rx spending gives employers much-needed relief in pharmaceutical costs, the single biggest driver of healthcare expenses.

While employers can’t control the price of pharmaceuticals, they can play an active role in reducing their overall pharmaceutical spend. **Employers can effectively lower their Rx spending by pursuing pharmacy benefit managers (PBMs) that offer different pricing models and encouraging employees to explore biosimilar alternatives to name-brand medications.**

Bracing for even higher healthcare costs is central to benefits strategy, as healthcare costs are already pushing employers and employees to the limit.

Although some employers have begun exploring the possibility of cutting or reducing healthcare benefits, the majority understand that any upside to these actions will be short-lived. The long-term risks of cutting or reducing benefits include worsened organizational health, lowered employee morale, and a diminished competitive edge in hiring. **With no end in sight for rising healthcare costs, employers are exploring alternative strategies to rein in spending to sustainable levels.**

PART 1

Supporting the multigenerational workforce

Today’s workforce spans four generations, each with unique values, needs, approaches, and working styles.

While these generational differences allow for collaboration and learning, they can also lead to occasional misunderstandings and friction within teams. To support effective benefits planning and promote organizational health, **employers should recognize these differences** and tailor communication and offerings to meet the distinct preferences and needs of each generational cohort.

The new landscape of aging in the workplace

The widening workplace age gap

Gen Z now outnumbers Boomers in the workplace, but a growing number of Boomers are delaying retirement or returning to work. This trend is expected to continue in the coming years, **as the share of workers over 65 is projected to increase by 34% by 2032.**[2]

As a result of this demographic shift, **age diversity within organizations has gained new importance.** Multi-decade age differences among colleagues will continue to become the norm, leading to possible friction among coworkers and also creating unprecedented opportunities for collective upskilling.

Leveraging age diversity to strengthen organizations

While working relationships among the generations are mostly harmonious, more than half of employees report at least moderate levels of friction due to age or generational differences in the workplace.[2] This discord is particularly evident between Gen Zers and Boomers, whose differing approaches to problem-solving and communication can cause breakdowns in trust and team functioning. The wider the age gap among employees, the more likely it is to affect the working dynamic. **Employees with managers who are 12 or more years older are 1.5 times more likely to report low productivity than those with managers closer to their own age.**[4]

However, these multi-decade age differences hold incredible potential to strengthen organizational functioning through **mentorship and reverse mentorship programs**. These initiatives allow employees to share skills unique to their generation's experiences. They foster trust and communication among employees of all ages. Typically, they involve older employees coaching junior employees in areas such as professional development or younger, digital-native employees sharing tech skills with their older colleagues.

Organizations that have implemented these programs are seeing measurable results. **Companies with mentoring programs had profits that were 18% better than average, while those without mentoring programs had profits that were 45% worse than average.**[5]

People 65 and older are the fastest-growing segment of the workforce.[1]

18%

better than average profits have been reported for companies with mentoring programs

90%

of employees who are in a company mentorship program report being happy at work[3]

Tailoring benefits to each generation's needs

Providing great benefits that meet the needs of each generation calls for a deep understanding of their values, goals, and priorities.

Boomers are either planning to retire or returning to the workforce.

They want comprehensive healthcare plans, financial planning support, and in-person communication.

Gen X employees often face double caregiving responsibilities for children and aging parents.

They want support as they attend to their family duties, including remote work benefits, help with retirement planning, and flexible scheduling.

Millennials want support with family planning, financial wellness, and career development.

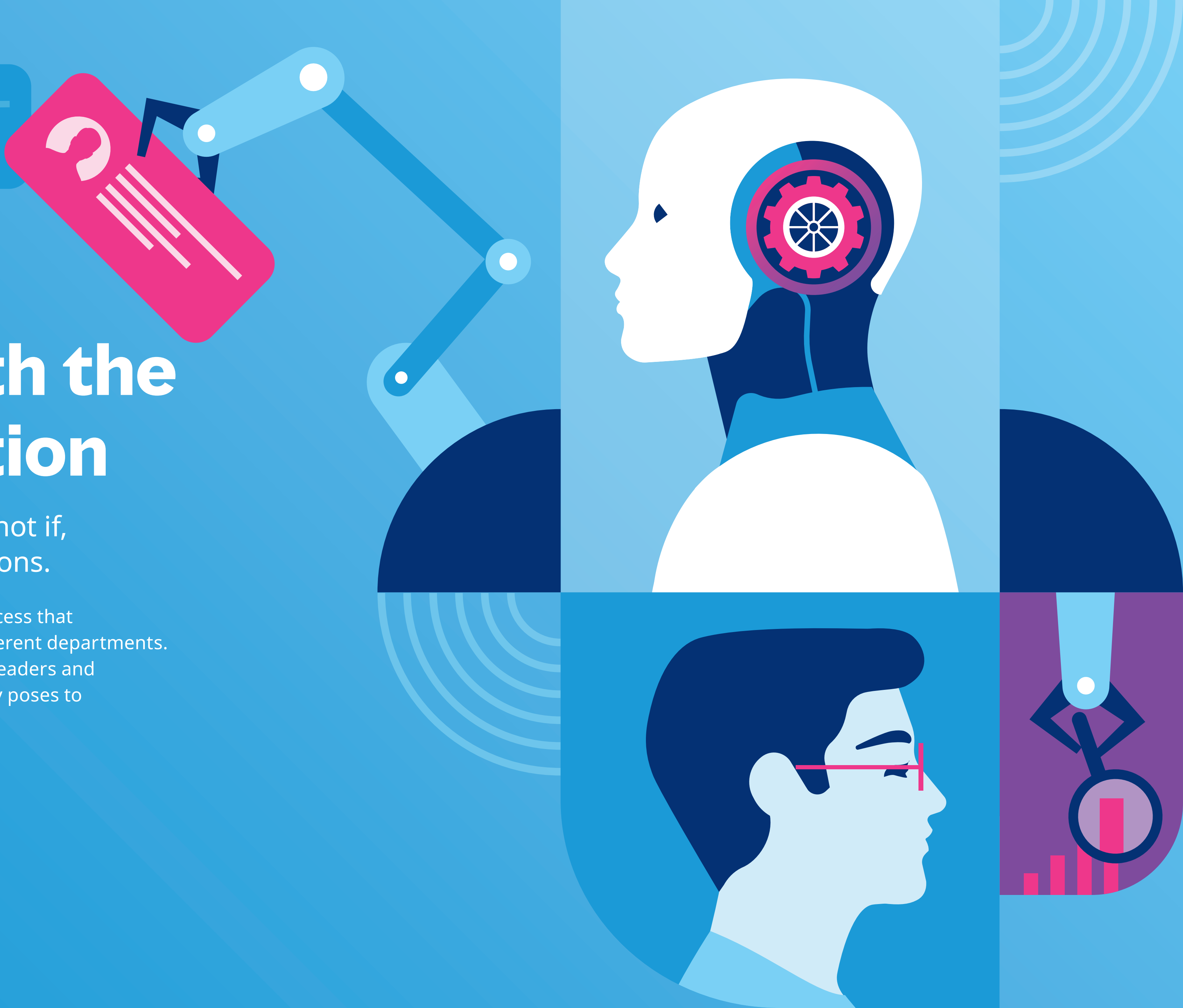
This includes family leave, childcare and fertility benefits, assistance with student loan repayment, and ongoing training and development opportunities.

Gen Z employees prioritize mental health, work-life balance, and self-care.

They want healthcare plans that encompass holistic health and well-being, HSA and FSA options, flexible and remote work arrangements, and financial planning support.

PART 2

Keeping up with the AI transformation



For business leaders, the question is not if, but how AI will shape their organizations.

Implementing AI within organizations is a complex process that requires careful planning and collaboration among different departments. High-level decision-makers must work closely with HR leaders and IT experts to mitigate the inherent risks this technology poses to organizational health and functioning.

AI has arrived—and it's here to stay.

AI has already changed the way many organizations operate.

AI is an umbrella term for technologies that enable computers to learn, think, recognize patterns, and make decisions by analyzing large amounts of data. Its wide-ranging applications promise to increase efficiency and improve operations across all sectors.

Between 2023 and 2024, the number of employees in organizations using generative AI nearly doubled.[8] The rapid growth of AI within organizations is driven by a growing consensus among executives that the technology is necessary to remain competitive over the coming years.

Employees are largely optimistic about how AI will impact their roles, with 77% reporting that AI will improve their work life.[9]

Most organizations are still in the early stages of implementation.

Although nearly all executives report feeling pressure to implement AI solutions at scale, rushing this process carries tremendous risk. The high costs of developing and testing AI solutions mean that resources must be used strategically.

Nearly half of executives at large organizations say they are setting aside dedicated funds for AI spending, and 67% say their organization will likely ramp up AI investment over the next three years.[11,12]

While organizational spending on AI development will increase, these investments may not necessarily speed up the process. Running experiments, testing AI solutions, and measuring results is inherently time-consuming. **Rushing or skipping phases of the testing process exposes organizations to a minefield of security, regulatory, legal, and financial risks.**

Currently, the principal uses of AI within organizations include:

Customer service	Cybersecurity and fraud management	Digital personal assistants	CRM	Inventory management

87%

of C-suite executives reported feeling pressure to implement AI solutions at scale[6]

48%

of executives report that their companies will not remain in business past 2030 without AI and other emerging technologies[7]

4.7%

of organizations have fully implemented AI in production at scale[10]

1 in 4

organizations have HR departments that use AI in some capacity[13]

AI: defined

Generative AI creates new content based on patterns learned from data to support creative or content-heavy tasks.

Decision intelligence refers to AI that helps organizations make data-driven decisions using predictive modeling and data analysis.

Machine learning algorithms help businesses analyze data, recognize patterns, and make predictions.

Predictive analytics uses statistical techniques and machine learning to forecast future trends based on historical data.

GPT (Generative pre-trained transformer) is an AI model that generates human-like text by learning patterns from large amounts of data. GPTs are able to write unique text, respond to questions, and carry on conversations.

~~AI revolution~~ HR revolution

Human resources will be among the departments most affected by the expansion of organizational AI. The majority of HR leaders believe that AI will "radically change how work gets done."[14] HR professionals across industries already see clear use cases for implementing AI in **hiring, learning and development, performance management, and benefits administration.**

In hiring, AI solutions help improve the recruitment and interviewing process. However, HR professionals report that AI's benefits go beyond efficiency gains: **nearly one in three say that AI has improved the diversity of their organization's new hires.**[15]

AI can be used to personalize learning and development materials to match an employee's unique learning style. **AI-driven programs have already been shown to improve the employee learning and development experience while reducing associated costs.**[16]

Organizations can use AI to identify skill gaps, analyze employee performance metrics, and help managers provide more actionable feedback.[17] It can also give employees access to their own performance data to help them understand their progress.[18]

While most HR workers predict that AI will eventually reduce their workloads, a talent and skills crunch in the coming years may strain HR departments.[19]

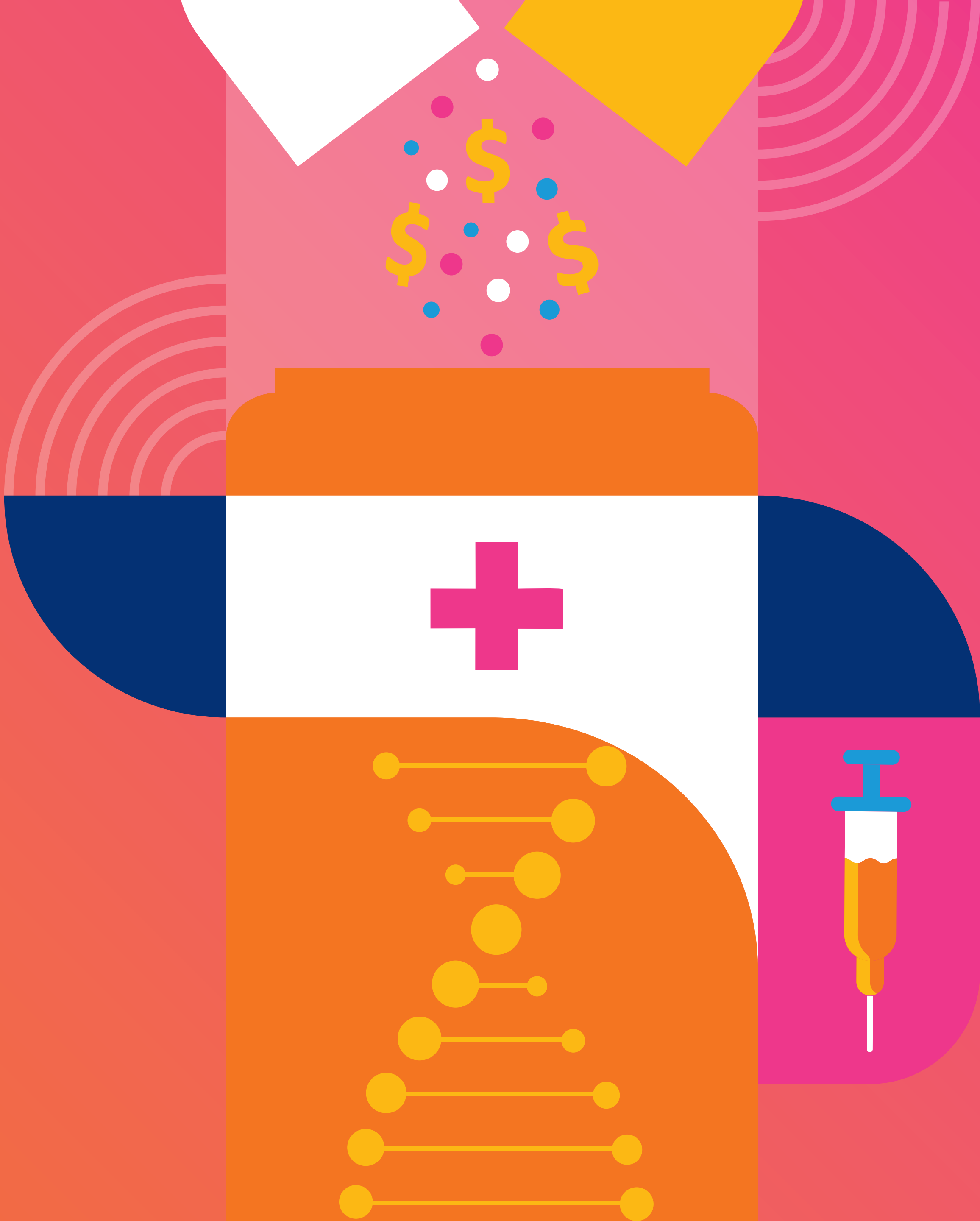
Currently, half of HR departments report that they are actively upskilling or reskilling employees to prepare for forthcoming AI initiatives.[20] HR professionals report that they are now expected to be more technology-minded and involved in business decisions and organizational growth.[21]

PART 3

Hitting reset with Rx spending

The cost of prescription medications strains employers and employees alike.

Recent shifts in the PBM and biosimilar landscapes have allowed employers to reset their approach to pharmaceutical spending and in overall benefit costs.



The dawn of a new (pharmaceutical) era?

PBMs under the microscope

Investigations by the New York Times and the House Committee on Oversight and Accountability have brought PBM practices into the public spotlight. These investigations gave employers a clearer understanding of the often opaque pricing practices of their own PBMs.

PBM pricing practices typically increase pharmaceutical costs for employers and benefit plan members. Both the New York Times and the House Committee's investigations concluded that **PBMs drive up drug costs through complex markup processes and anti-competitive pricing tactics.**[23,24] Furthermore, employer-PBM contracts can include vague language that permits the PBM to redefine basic concepts like "name brand" or "generic." These contracts also often contain clauses that allow PBMs to retain a portion (or all) of the manufacturer rebates.[25]

The increased scrutiny of PBM practices has led a growing number of employers to seek new PBMs or work with their current PBMs to implement new programs.[26] This, in turn, has created a more competitive PBM marketplace as more employers shop around.

For employers, the genie is out of the bottle: they understand PBMs' role in driving up drug costs and will no longer accept the status quo.

Biosimilars to the rescue

Although biosimilars are relatively new, they are considered the top deflator of healthcare plan costs.[28] The biosimilar market is expected to grow considerably in the coming years, and these drugs will likely play a key role in helping reduce pharmaceutical costs.

Biosimilars are particularly disruptive for high-cost specialty drugs and cancer medications, which are among the principal drivers of employer healthcare spending. A prime example of biosimilar savings is Humira, which has a list price of $7,000 per month and is now available as a biosimilar from Boehringer Ingelheim for $550 per month.[29] **Since the introduction of biosimilars in the oncology space, spending growth has slowed by 50%.**[30]

However, **employers must actively promote biosimilar adoption** and ensure robust coverage of biosimilars when reevaluating or renegotiating their PBM contracts. Currently, PBM agreements are more likely to restrict or limit coverage of biosimilars that treat the most common conditions than to cover them.[31] But expanding coverage is just the start. Employers should also work to educate employees about the safety, clinical efficacy, and savings benefits of biosimilars to maximize the potential savings of this strategy.

Pharmaceutical spending is the single largest driver of health benefit costs.[22]

50%

less cost on average for biosimilars than reference products[27]

PART 4

Bracing for even higher healthcare costs

Employers are concerned about how they will keep up with rising healthcare costs in the years ahead. With inflation still weighing on the economy, there is still no end in sight for the upward trend in these costs.

As employers face the reality of being forced to reduce employee benefits, they want to use every tool available to tame expenses and maintain their current healthcare coverage.

What's driving up healthcare costs?

Micro and macroeconomic factors continue to drive up costs.

The continued rise in healthcare costs can be attributed to myriad micro and macroeconomic forces, including:

- A tight labor market
- An aging population
- The prevalence of chronic diseases
- The continued presence of private equity in healthcare

Medical inflation continues to outpace general inflation, and its effects are felt most acutely by small organizations.[33]

Rising hospital costs also play a key role in rising healthcare costs. Though some of these cost increases are caused by inflationary forces, **rising hospital administrative costs can be partially attributed to practices carried out by insurance companies.** Hospitals spend $20 billion annually appealing denials—over half of which is spent on denied claims that should have been approved upon submission.[34,35]

Faced with limited options, employers look to innovative strategies.

Employers can't control the cost of healthcare, but they can optimize spending strategies to mitigate ballooning prices.

High-performance networks (HPNs), which can cut costs by up to 15%, have emerged as one of the most promising tools for helping employers control their healthcare spend.[38]

Self-insurance, long a mainstay of large organizations, is growing in popularity with small and medium-sized organizations. **When properly managed with dynamic, data-driven administration, self-insurance can save employers up to 8% to 10% in the long term.**[39]

Reference-based pricing, which establishes fixed maximum prices for medical services based on Medicare rates, is a powerful tool that helps employers and plan members avoid surprise costs for medical care.

Reference-based pricing can save employers up to 20% to 30% annually on healthcare costs.[40] It can also be used in conjunction with data analytics and reporting tools to help employers create more accurate forecasts of how their healthcare spending will grow in the coming years.[41]

5%

projected rise in the cost of health benefits for the third year in a row[32]

15%

potential cost savings for employers utilizing high-performance networks

Employers and employees are being pushed to their limit by healthcare costs.

As employers face steeper renewal rates and plan members face higher medical expenses, both groups report that prices are approaching unsustainable levels.

Nearly all (95%) of employers say they are considering reducing benefits if costs increase by 4% or more, and almost half (43%) of employees say they struggle to afford their employer-sponsored healthcare plan.[36,37]

Employers understand the risks of cutting or reducing benefits.

While many employers say they may be forced to cut or reduce benefits if costs continue to rise, they also recognize the existential threat this would pose to their organizations.

Reducing or eliminating benefits worsens employee health outcomes, lowers workplace morale, and raises employee stress levels. It also compromises an organization's ability to attract and retain top talent.[42,43]

Although they are in a difficult situation, employers recognize that any short-term cost savings from cutting or reducing benefits must be weighed against the long-term consequences of these decisions.

Conclusion

The coming years will test the resilience and adaptability of organizations of all sizes.

Employers may face unprecedented challenges, but they also have access to many promising new tools and strategies to strengthen their organizations.

1. Employers can maximize their human capital and create new learning opportunities for employees by leveraging the diverse skill sets of the multigenerational workforce.

2. AI is poised to help organizations operate more efficiently and is expected to increase the importance of human intelligence in the coming years.

3. The shifting PBM landscape and the expansion of biosimilars promise to help employers reduce spending in a much-needed area.

4. HPNs, reference-based pricing, and data-driven benefit systems could finally deliver relief from years of runaway cost increases.

At Marsh McLennan Agency (MMA), our consultants are equipped with the knowledge and insights needed to help you tackle these challenges head-on.

We invite you to reach out to an MMA consultant today to explore tailored solutions that can strengthen your organization and support your employees. Together, we can build a resilient future for your workforce. Contact us now to start the conversation.

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