MarshMcLennan Agency

2024 Employee Health & Benefits Trends

The Evolving Workforce

Your future is limitless.℠

In the fifth year of a decade marked by unprecedented economic and geopolitical uncertainty, employers are under more pressure than ever to support their workers.

We've entered a new era of benefits where employees place a premium on **personalization and empathy**, and employers are called upon to take a less transactional approach. They must respond to the diverse needs of today's **multigenerational workforce** and to the growing societal consensus that employers should "be there" for their employees. Delivering on these expectations means employers must understand what their employees want and **why they want it**.

To navigate this complex landscape, employers are closely examining the three key themes that will shape employee benefits in 2024.

1 Benefits and talent

This adage has become an undeniable reality in the job market, as employees are increasingly motivated to stay in or leave a job because of its benefits. But to deliver benefits that motivate and engage employees, employers must do more than expand their offerings. Employers must tailor benefits to their employees' unique needs, and employees must receive the education and encouragement necessary to take advantage of every program available. **Employers are seeing that great benefits hinge on effective communication.**

2 Whole-person health

Whole-person health is becoming the predominant model of employee well-being. Whole-person health aims to address the myriad factors that influence a person's wellness outside the purview of medical insurance. These strategies include managing the social determinants of health (housing, nutrition, transportation, and education access), equity-based initiatives focused on marginalized groups, financial literacy and support, and expanded mental health coverage. While at first blush whole-person health signals increased costs for employers, **these investments boost organizational output and reduce the onset of costly health conditions.**

3 Health care costs

The health care economy in 2024 poses a steep challenge to employers. With inflation, geopolitical unrest, supply chain volatility, health care labor shortages, and rising prices for specialty drugs, employers strain to meet their employees' needs while mitigating the ballooning cost of care. Employers are turning to **plan optimization and data transparency** to avoid shifting costs to employees.

Understanding today's multigenerational workplace is essential to providing effective benefits.

Boomers, Gen X, Millennials, and Gen Z each have unique generational values, work attitudes, health care issues, and economic challenges. The workforce is comprised of cohorts with different priorities and expectations for benefits. **Developing an informed, holistic perspective of what each group wants** and why they want it can allow today's corporate leaders to create an environment where all employees can thrive—regardless of age and outlook.

Generations at a glance	BOOMER	X	Y	Z
Born[1]	1946-1965	1966-1980	1981-1996	1997-2012
Ages[1]	77-58	57-43	42-27	26-11
% of global population[2]	14%	19%	23%	25%
% of U.S. workforce[3]	18%	31%	36%	15%
Aspirations[4]	Job security	Work-life balance	Freedom and flexibility	Security and stability
Motivated by[4]	Company loyalty, teamwork, duty	Diversity, work-life balance, personal-professional interests over company interests	Responsibility, quality of their manager, unique work experiences	Diversity, personalization, creativity, individuality
Worldview[4,5]	Achievement comes after paying one's dues; sacrifice for success	Diversity; quick to leave if needs unmet; resistant to change at work if it impacts their personal lives	Seeking growth and development; fun environment; work-life balance; quick to leave if workplace unwilling to change	Independence, individuality, and diversity; innovative co-workers; concerned about the future
Communication preference[5,6]	More formal; in-person or phone call	Informal but direct style; email and text messages	Frequent and timely feedback; text/chat messages	In-person preferred; video calls

1

Better benefits, better talent

While the pandemic markedly raised employee expectations around benefits, **post-pandemic economic conditions** (namely, inflation and rising consumer prices) have reduced employees' spending power. This has created a dynamic in which employees get less value from their paychecks and expect their employers to help soften the financial blow through expanded benefits.

Show me the ~~money~~ benefits

Benefits have become a significant factor in employees' decisions to seek out new jobs, particularly when they feel underserved by their employer's current offerings. Those who report experiencing mental health and well-being challenges in their workplace are **four times more likely to seek other employment**.[10] Employers are finding that while bare-bones benefits packages may reduce spending in the short term, employees are voting with their feet—and this attrition comes at its own cost.

Employees say better benefits are the #2 reason for switching jobs after better pay.[9]

Feeling valued, getting value

Beyond providing employees with a safety net during difficult economic times, **benefits have become a de facto reflection of how valued workers feel by their employers**. Employees report that their ability to "thrive" is directly linked to the number of benefits their employer provides.

As employers seek to expand their benefits offerings to engage, attract, and retain employees, they want to implement programs that add real value to their employees' lives. Although high-value benefits will differ for every employee, a **segmented approach** (i.e., designing benefits targeted toward different workplace cohorts) enables employers to cast a wide net.

Allowing employees to **personalize benefits empowers them to make the most of what's available**. However, employers have been slow to implement benefits personalization. As attractive as personalized benefits are, cybersecurity concerns, complex governance, and delivery challenges have hampered adoption.

Across communities and generations, many employees share similar concerns and priorities: financial security, work-life balance, retirement savings, physical and mental health, and a sense of purpose. They want to feel that their employer values their time and well-being, but making employees feel valued will require more than just beefing up their benefit packages.

1 in 3

would even forgo a pay increase in return for more benefits for themselves or their families.[7]

73%

of employees say they'd be motivated to stay at their company if they had better health insurance options.[8]

82%

of employees with 10 or more benefits say they are thriving, 58% of employees with 1-4 benefits say they are thriving.[7]

85%

of Human Resources leaders believe personalized benefits are a must.[11]

42%

of employers plan to offer personalized benefits.[11]

“The time is now for employers to utilize effective benefits strategies to attract, select, and retain critical talent. Savvy employers can embrace this opportunity by utilizing benefits as a talent attractor, and will invest in a variety of strategic communications to engage, educate and support employees.”

Amy Letke, SPHR GPHR SHRM-SCP, National Practice Leader HR Consulting, Marsh McLennan Agency

Closing the perception gap

Nearly all employers believe their organization provides ample care and support for their workers. However, employees feel that there’s plenty of room for improvement. These divergent views have created a disconnect between employee satisfaction and employer outlook.

Employers must actively work to close this perception gap or risk losing employees to organizations that make them feel more supported. The perception gap is exacerbated by **plan selection “autopilot”** and **lackluster engagement and education** around employee benefit usage. When employees are disengaged from the benefits selection process, they miss out on programs that could add value to their lives. Employers overestimate how well their employees understand their benefit plans, which has compounding negative consequences. Employees miss out on programs they are currently eligible for, and employers waste money paying for unused and underused benefits.

Employees who believe their employer cares for their overall well-being are 69% less likely to look for a new job.[12]

88%

of employers believe their company genuinely cares about employee well-being. Only 66% of employees agree.[7]

89%

of employees report choosing the same benefits plan each year.[13]

47%

of employees say they don’t understand their total health care costs well. 76% of employers estimate that their employees understand their health care costs well.[13]

70%

of employees say they want customizable benefits, up 3% over pre-pandemic.[14]

8 in 10

employees state that it is very important for their benefits provider to innovate by leading in digital technology.[14]

82%

of employees stress the importance of managing their benefits online.[13]

Employers can bring employees' perceptions in line with their own:

- Personalized communication
- Education
- Engagement efforts that continue beyond enrollment periods

A three-legged race

As employers work to meet expectations around benefits, they increasingly find themselves in a "three-legged race" with employees. **Expanding benefits will only have an impact if employees take advantage of them.** Employees will only take advantage of new benefits if they are given the necessary tools and encouragement to do so.

Better benefits by generation

Employers should consider the concerns that weigh most upon each group to provide benefits that attract and retain talent in each generational cohort.

Gen Z struggles with work-related burnout and wants support via robust mental health benefits.

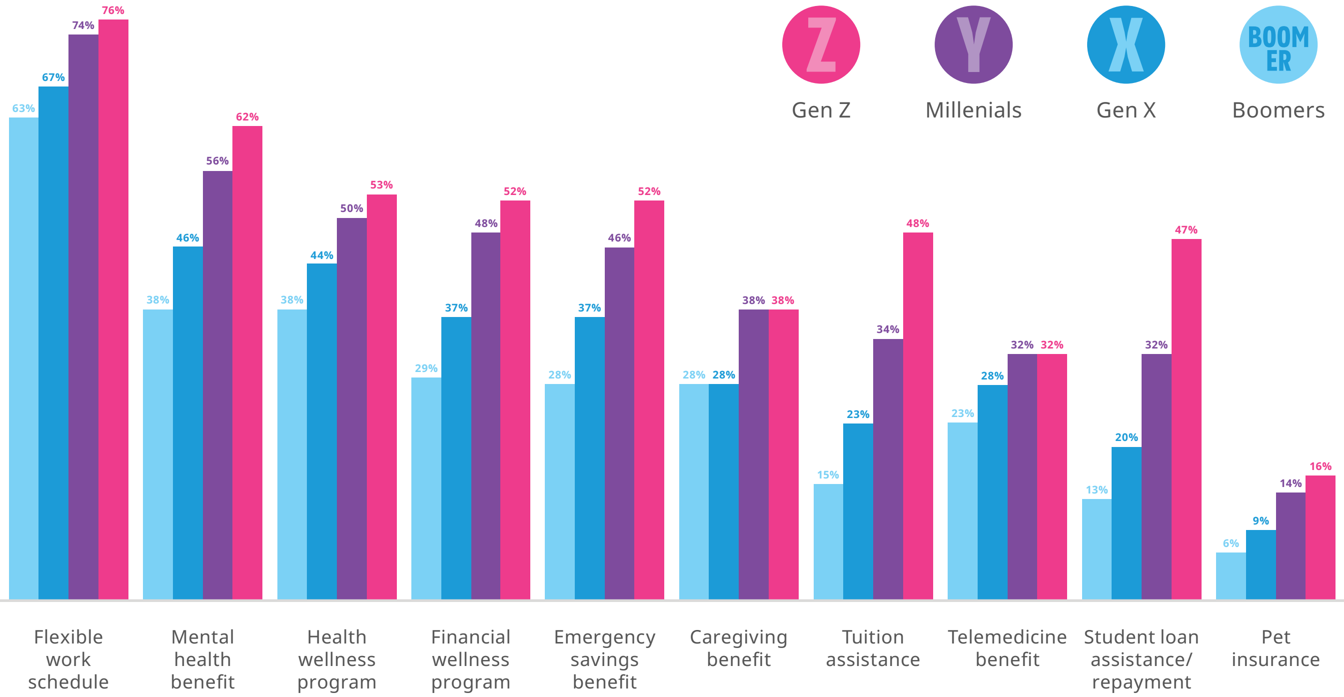
Millennials see their student debt as an impediment to financial health and want employers to help lighten the load.

Gen X wants the time flexibility to attend to their family responsibilities—caring for elderly parents and their children.

Boomers are approaching retirement, and like all the help they can get in achieving financial security before leaving the workforce.

Non-traditional benefits more important to younger workers[15]

% of workers who rated non-traditional benefits very/extremely important by generation



2

All-aboard the whole-person health train

What do employers owe their workers? In a decade marked by a global pandemic, inflation, rising consumer prices, supply chain volatility, geopolitical unrest, and environmental concerns, this question is more pertinent than ever. The scope of employer responsibility has broadened dramatically in recent years, mainly because employees raised their expectations during the pandemic.

While health, vision, dental, and retirement benefits are still vital, they are now part of a larger model of employee well-being called whole-person health.

Whole-person health encompasses:

Physical health	Mental health
Social health	Financial health

It is a model of well-being rooted in the idea that when one aspect of a person's "whole health" is compromised, their health outcomes and ability to contribute to the workplace decline. **Investment in whole-person health is a de facto investment in organizational well-being.**

Positive ROI of mental health investment is spurring the adoption of whole-person health

The pandemic heralded a new era in employee mental health access, and the cost-benefit of mental health spending is coming into clearer focus. Positive ROI on mental health spending has shown employers that **improving mental health benefits can boost organizational output and reduce long-term health care costs**.

Expansive mental health coverage makes organizations more attractive in the hiring market and contributes to employee retention. However, investing in mental health alone will not address the root causes of employee well-being that determine health outcomes.

78%

of employees now feel that their employer is responsible for helping them become "net better off," up from 67% pre-pandemic.[16]

Research suggests that for every $1 invested in employees' mental health, employers can save $2-$4 on other expenses such as health care costs.[17]

61%

of employees reported that their productivity at work was affected by their mental health.[18]

$1T

Reduced productivity due to depression and anxiety alone costs the global economy an estimated $1 trillion each year.[19]

“Adapting to the shifting terrain of workplace wellness demands a deeper grasp of generational intricacies. Employers will need to be strategic in how they recalibrate benefits to meet these needs and create a culture of well-being that transcends generational divides.”

Dr. Monte Masten, MD, MBA, MPH, FACOG,
Chief Medical Officer, Marsh McLennan Agency

Employers are looking to mitigate the upstream factors that undermine employee well-being

Failure to address social determinants of health may reduce the impact of overall investment in employee health and well-being.[20] Among the most high-impact programs that address the social determinants of health are **caregiver benefits, transportation subsidies, nutrition programs, educational support, and financial literacy initiatives**. Investing in Social Determinants of Health has three big payoffs for employers:

- Optimizing employee health outcomes
- Optimizing current health spending ROI
- Reducing long-term costs

Employees with at least one unmet social need are more likely to miss work days and report poor physical and mental health.[23]

82%

of health outcomes are attributed to Social Determinants of Health, including food and housing security, financial wellness, childcare, and education access.[20]

65%

of full-time employees at large companies have struggled with at least one unmet basic need.[21]

10%

higher health care costs are expected for employees with at least one unmet social need compared to those whose social needs are met.[22]

$42B

in annual productivity loss in the US is due to health inequities. If left unaddressed, this loss is estimated to reach $1 trillion by 2040.[24]

95%

of employers agree that whole-person care can improve the health care experience for employees and help build a better benefits package.[25]

95%

of employers are currently taking at least one action to address health equity.[26]

The future of work

Health equity is too expensive to ignore. If employers do nothing to address health equity, they risk higher long-term costs and worse employee health outcomes. Furthermore, employees have started to expect health equity to inform their employer's benefits strategy. Key equity-oriented offerings include **equitable family building benefits, preventive care, and comprehensive women's and reproductive health coverage.** Benefits packages that lack these programs may not pass muster with today's equity-minded employees.

1 in 3 employees say the future of work is "about equity."[11]

Employers don't need convincing

Delivering benefits that cover the range of employees' whole-person health needs is a huge task, and employers feel the pressure. They are being called upon to meet and exceed expectations in a hiring market where employees are increasingly motivated by benefits. The rising cost of health care only puts more pressure on employers' bottom line. There are intrinsic organizational challenges in optimizing benefits strategies and rolling out new programs. Employers understand that whole-person health coverage will be reached through incremental achievements and remain steadfast in pursuing this goal.

Whole-person health by generation

Across all four generations, employees say that flexible work schedules are the most important non-traditional benefit.

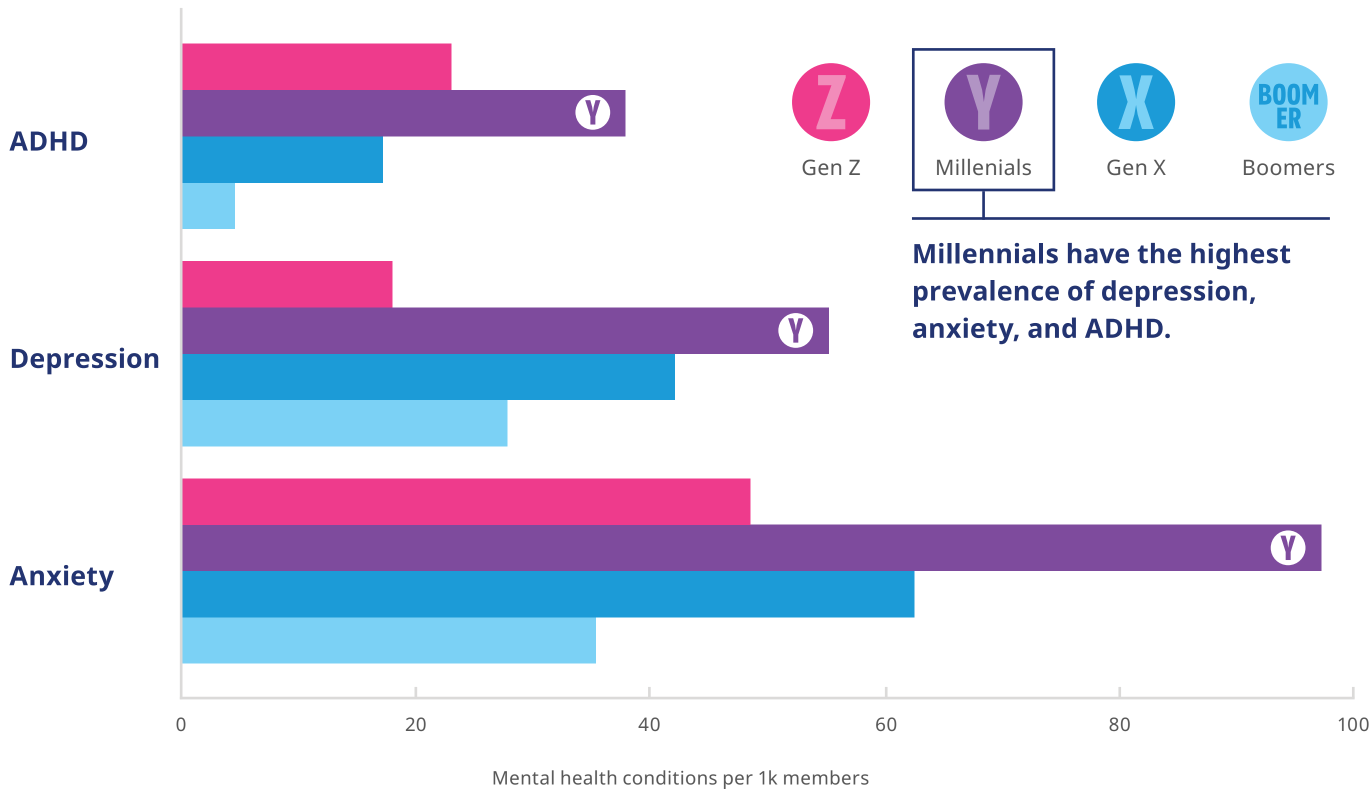
Gen Z places tremendous importance on mental health, and employers must provide ample support to ensure this cohort remains engaged and motivated.

Millennials and **Gen X** represent most working caregivers. Providing these groups with caregiving benefits will allow them to fulfill family responsibilities while contributing to the workplace.

While **Boomers** tend to adopt more traditional views of benefits, the expansion of menopause care and preventive screenings would contribute to positive health outcomes for this generation.

Mental health condition prevalence by generation[27]

Leveraging MMA's proprietary analytics platform, we can visualize generational trends



3

Health care costs - The pressure is on

The recent years' economic instability and heightened employee benefit expectations have left employers scrambling to provide more with less. As more economic uncertainty is predicted for 2024, employers are hunkering down and devising strategies to keep their organizations healthy and supported.

Employers must deepen their understanding of these economic factors to enhance benefits, rein in spending, and avoid shifting health care costs to employees.

Health care costs are projected to increase by 6.6% in 2024, but employers can reduce this to 5.4% by changing their plans.[28]

Higher-order factors in the health care industry loom large, such as labor shortages, an aging population, and supply chain volatility.

The cost of living continues to increase, leaving employees with less money to spend on medical expenses.

Prescription drug prices are rising among the most important drivers of health care spending.

If you can't change the world, change yourself

In the face of rising health care costs, employers have few options besides optimizing their benefits spend. **Strategies that slow organizational spending over the long term and minimize employee cost increases will be critical for 2024 planning.** Health benefit cost per employee went up in 2023, partly due to wage increases and higher supply costs driven by inflation.[30]

Employers are focusing on **managing specific health conditions, curbing specialty pharma costs, and expanding virtual care**. While these programs will be invaluable in mitigating the effects of rising costs for employers (and employees), higher-order factors are weighing upon the health care industry that must be accounted for.

Average benefit cost increases are higher for mid-sized and small employers (7.8% and 5.2%, respectively) than for large employers (4.6%).[28]

5.2%

increase in health benefit cost per employee in 2023.[28]

1 in 4

employers reported that without making changes to their benefits plans, costs would rise 10% or more.[28]

84%

of employers say managing high-cost claimants is their most important strategy for the next 3-5 years.[29]

The coming (demographic) storm

Low salaries and burnout are significant drivers of the shrinking health care workforce. **Fewer doctors will translate to longer waits and reduced options for employees**, potentially compromising quality of care and raising costs. The coming shortage of medical workers will place new strains on an already overburdened industry which is on a collision course with the aging population. Patients over 65 have substantially higher utilization rates than younger populations. While much of this spending will come from Medicaid and Medicare, it will also translate to **increased costs for employer-sponsored private health insurance.**[33]

Taming the supply chain

Rising supply costs **drive up the overall costs of medical services**. While the supply chain has largely "recovered from the pandemic," climate disturbances and geopolitical unrest in subsequent years have shown employers the necessity of long-term mitigation strategies. As medical and surgical supply costs continue to increase, employers seek to **strengthen their data and analytics capabilities and engage with frontline clinicians**.

Employees are struggling to keep up with medical costs

As the cost of living increases, employees experience the burden of high medical bills more acutely than ever. Those unable to pay for treatment must wait until their financial circumstances or health care coverage change. **Delayed care is associated with worse health outcomes and higher costs for patients and benefit providers.**[36]

Health care pricing is largely out of employers' hands. Still, employee medical costs can be offset with equity-based approaches such as **tying paycheck deductions to income level, copay-based plans, and higher HSA contributions** for low-salary employees. Employers are also expanding broader support programs such as **transportation subsidies and student loan assistance** to bolster their employees' finances.

Prescription drugs pose a unique financial burden to employees, as costs are rising and many medications must be taken in perpetuity. Employers, who are also concerned about their pharmaceutical spend, are taking action to address price increases.

6.5M

health care professionals will leave the workforce by 2026, and only 1.9 million are on track to replace them.[31]

Demand for physicians, nurses, and other health care professionals is predicted to exceed supply by 2025.[32]

40%

of a health system's external spending is for medical supply costs.[34]

38%

of Americans have put off medical treatment in the last 12 months due to cost.[35]

“While the current pharmacy environment is challenging, it is possible for employers to take care of both employees and cost. To do so, employers must be willing to evolve their approaches around managing pharmacy and their expectation of the PBM and leverage their data to identify opportunities to improve outcomes and spend.”

Rick Kelly, FSA Practice Leader, National Pharmacy Center of Excellence, Marsh McLennan Agency

Tyrannosaurus Rx

Prescription drugs are among the most significant drivers of health care costs. **Specialty pharmaceuticals**, in particular, contribute to the upward Rx price trend. **Gene therapy**, with its seven-figure pricetag, is also of particular concern for employers.

Demand for these treatments is only expected to increase. The FDA estimates that 10-20 new gene therapies will be approved each year starting in 2025.[43] The success of off-label obesity treatment with **GLP-1s** is a serious and growing cost burden to employers. These drugs carry a high average cost and must be taken in perpetuity to be effective.

1 in 3 employees struggles to afford their Rx medications, while 1 in 4 employees has to dip into their savings to cover the cost.[37]

3 in 4

employers reported their benefit costs went up last year, primarily blaming Rx drugs and increased need for mental and physical health care.[25]

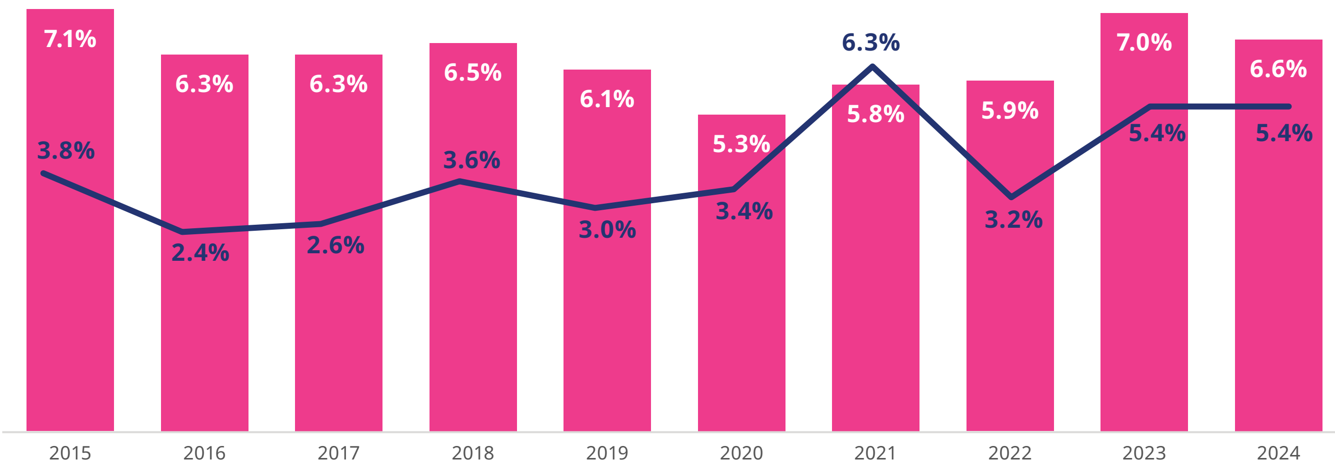
91%

of employees report being concerned or very concerned about rising pharmaceutical costs.[13]

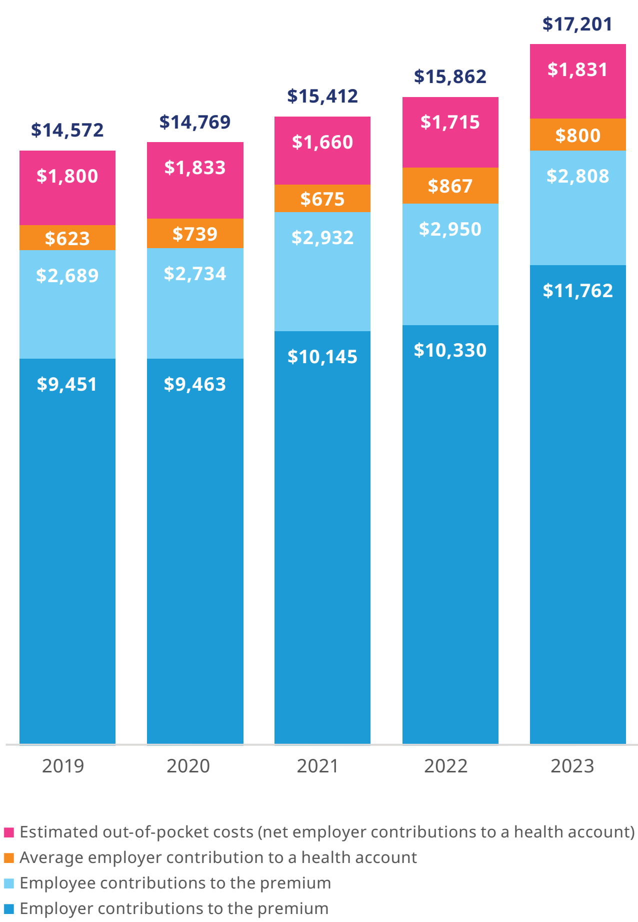
$1-2M

is the average cost of gene therapy per dose.[39]

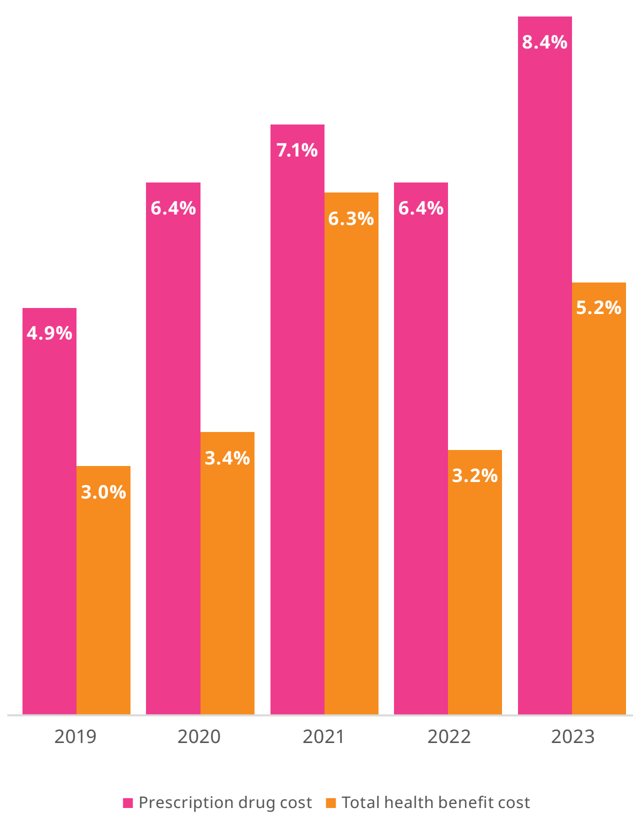
For 2024, the projected increase in health benefit cost is 6.6% before plan changes and 5.4% after plan changes[28]



Estimated health care costs, 2019-2023[25]



Average annual change in Rx cost per employee[29]



$17K

is the average cost per patient per year for GLP-1 weight loss drugs (Ozempic and Wegovy).[40]

52%

52% of large and 40% of mid-size employers have implemented policies to manage off-label use of GLP-1 drugs.[41]

10x

The median price for newly marketed "breakthrough" drugs rose nearly 10x between 2018 and 2022.[38]

Employers are focusing on four categories of Rx spending to rein in costs:

1 A growing number of plan sponsors are **limiting off-label GLP-1 coverage** to employees with diabetes.

2 **Biosimilars** hold the promise to reduce the price of prescription medications substantially and will be a vital tool in helping reduce costs both for employers and employees.

3 Employers are also seeking out **Transparent Pharmacy Benefit Managers** to give them a better understanding of drug pricing. This information will provide employers with more granular data about their health care spending and help guide policy changes.

4 **Cash-pay solutions** also hold tremendous potential to reduce pharmaceutical spending. Although only some employers offer these programs, they are expected to proliferate in the coming years.[25]

Health care costs by generation

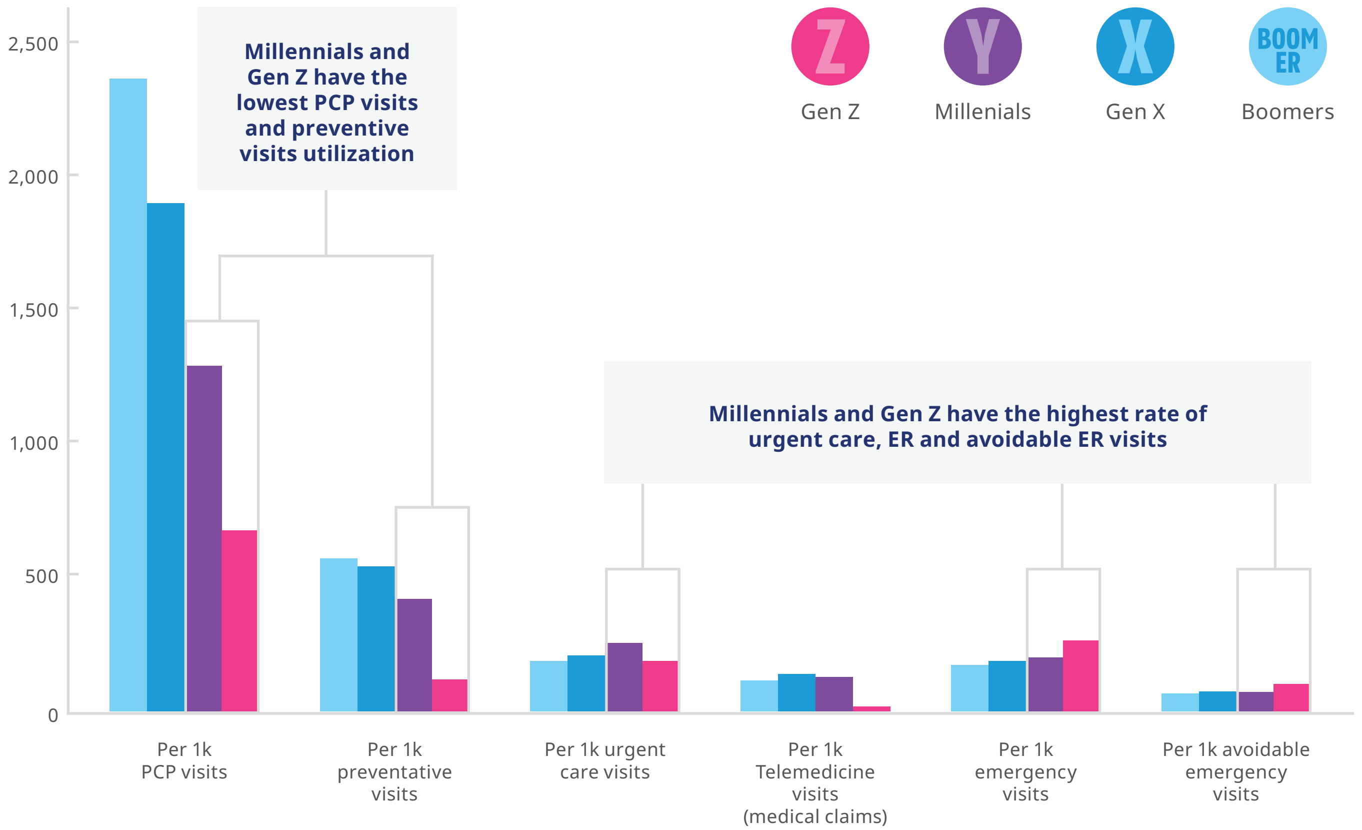
All four generations report feeling concerned about their financial future. To mitigate the effects of today's health care economy on employee well-being, employers must zero in on the cohort-specific issues each generation faces.

The effects of rising health care costs are felt more acutely by **Millennials** and **Gen Z**. Millennials pay the highest average out-of-pocket bill, nearly twice as much as other generations.[44]

While **Boomers** enjoy lower copays and fewer unexpected medical expenses, many hold off on seeking care until they are eligible for Medicare at age 65. This leads to delayed diagnoses and worsened health outcomes.[45]

74% of millennials and **56% of Gen Z** patients have canceled health care appointments because of high costs, compared to only **13% of Boomers.**[25]

Utilization of health care services by generation[27]



Conclusion

Nearly all employers agree that benefits packages designed around whole-person health are crucial to attracting and retaining top talent. Employers have reached an inflection point as they seek to provide more for their employees in times of unprecedented uncertainty.

The benefits landscape has undergone a fundamental shift, and "sticking with the status quo" is neither financially nor organizationally viable.

Employers are preparing for the 2024 election by staying informed and building strong benefit systems that support their employees amid changing legislative landscapes.

Employers have their work cut out for them and are bracing for the many challenges ahead. Employers can create thriving, resilient organizations that weather the storms of today's uncertain world through plan optimization, investment in whole-person health, and rising to the needs of today's multigenerational workforce.

Ready to transform your employee experience?

Get in touch with a Marsh McLennan Agency consultant for personalized guidance tailored to your organization's unique needs.

95%

of employers will implement at least one strategy to address health inequities in 2024.[25]

88%

of employers will adopt at least one strategy to improve the affordability of health and well-being programs.[25]

66%

of employers currently describe health and well-being strategy as an integral part of their workforce strategy.[46]

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