



2024 Employee Benefits Market Outlook



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Table of Contents

Executive Summary	3
Is Covering GLP-1s Worth the Cost?	4
Evaluate the clinical value of GLP-1 treatments against the cost when deciding to include coverage for plan members.	
3 Prescription Drug Trends Impacting Employer Pharmacy Spending	7
Several trends in pharmacy spending will continue to impact employer health plan costs.	
The Hidden Cost of Employees Struggling With Well-Being	9
Investing in employee well-being helps your business optimize benefits spending, improve employee engagement and satisfaction, and become an employer of choice.	
SECURE 2.0 Act Helps Employers Increase Retirement Readiness and Reduce Costs.....	12
New requirements and enhancements aim to improve employee savings participation and identify opportunities to reduce long-term costs through a retirement-ready workforce.	
Market Trends Impact Salary Decisions for 2024 and Beyond	14
As employers work to ensure competitive salaries and benefits to attract and retain employees, they will face additional pressure from several trends impacting compensation.	
Unlock the Savings Advantage With a Stop-Loss Captive	16
Midsized businesses making the switch to self-funding are turning to captive arrangements to access better rates and plan options for stop-loss coverage.	
Proposed Rule May Impact the Future of Fixed Indemnity Products	18
Regulators seeking to address misleading sales tactics may affect employers' ability to offer affordable indemnity products to employees.	
Reduce the Risk of Noncompliance With Leave Management Support	20
Outsourcing leave management can help reduce the risk of noncompliance while improving employee satisfaction.	

Executive Summary

As the U.S. economy continues its turbulent path toward a soft landing, employers are generally seeing a reduction in unemployment and turnover. Unfortunately, employers will face increased pressure from the employee benefits expense line, which will be fraught with challenges over the next 12 to 24 months.

- Expensive treatments, including new and emerging cell and gene therapies, GLP-1s and the usual array of specialty drugs will outpace their usual significant impact on total claims.
- Mental health claims, whether paid for by the plan or not, continue to impact many employers' finances and productivity.
- Premiums are increasing due to staffing shortages and higher labor costs, and hospitals have more negotiating power as a result of consolidation.

Medical Benefits — Healthcare costs continue to go up, driven by medical inflation and increasing demand for high-cost medications and treatments.



Total medical spend for Type 2 diabetes increased 20.7% from \$16,935 per member per year in 2020 to \$20,432 in 2023, driven by a 115% increase in spending on high-cost GLP-1 medications. Several gene and cell therapies currently available cost \$850,000 or more per dose. As more therapies are approved every year, the likelihood of experiencing a high-cost claim increases.

Employee Well-Being — Financial stress is taking a toll on employees' physical and emotional wellness and productivity.



Nearly half (48%) of employees cite financial concerns as the cause of lower mental health, up from 31% in 2022. **Twenty-three percent of employees state financial stress impacts their ability to focus and be productive at work.** Employees with financial stress are also twice as likely to look for a new job.

Employee Pay — Continued low unemployment and growing wage transparency will make it difficult for employers to offer competitive benefits that meet employee needs and expectations.



Employers plan to provide competitive base salary increases in 2024 and expect a 3% to 4.5% budget increase for pay. Growing legislative interest in pay equity and transparency is putting more pressure on employers to be upfront about wages, which could impact employee satisfaction and turnover.

A strategic approach to benefits planning and spending helps employers make decisions that contribute to employee satisfaction and business growth. In USI Insurance Services' **2024 Employee Benefits Market Outlook**, our benefits and compliance experts help employers identify top cost drivers, analyze the potential financial impact and provide recommendations based on the proven success of hundreds of thousands of clients.



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