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Employee Benefits

Market Outlook





Introduction

In 2024, employers of all sizes and industries faced several trends affecting the employee benefits market. Rising health care costs, a competitive labor market and regulatory concerns all shaped how employers navigated operational challenges.

Further, emerging issues related to shifting demands in voluntary benefits, an increased emphasis on employee wellness, and a new presidential administration are poised to impact how employers manage benefits, attract and retain talent, and navigate new and persistent risks.

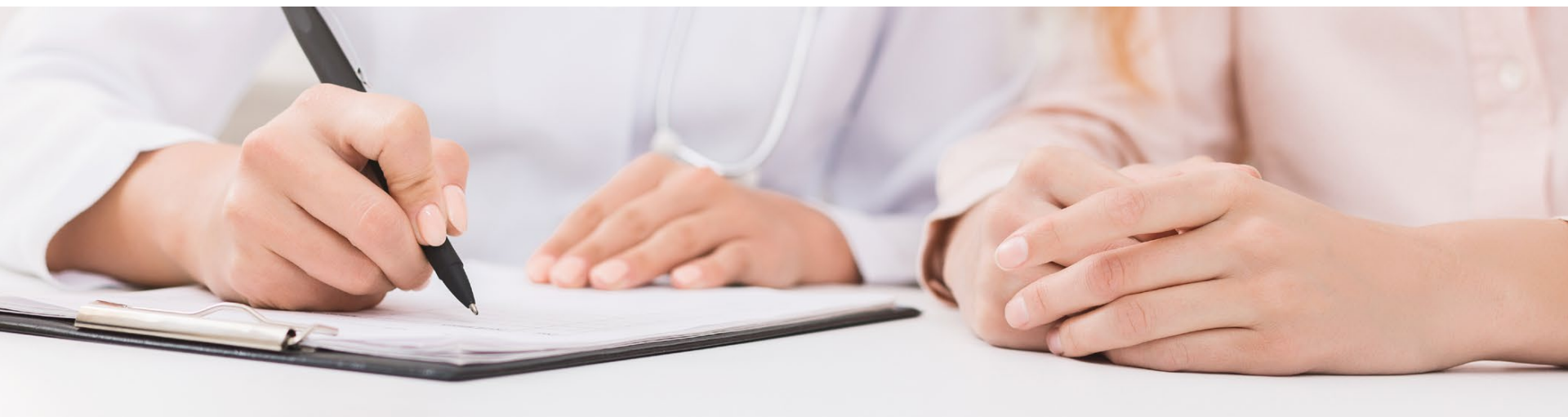
This flipbook provides an overview of employee benefits trends that will define 2025.

The Rising Costs of Employer Health Benefits

Health care costs are projected to increase substantially in 2025. According to industry surveys and reports, employers anticipate health care costs to increase between 7% and 8% in 2025. As a result, employer-sponsored health care plans will continue to cost more per employee, impacting employers and employees alike.

Health care inflation is expected due to several factors. For one, the ever-growing use of specialty glucagon-like peptide-1 (GLP-1) drugs for weight loss and obesity continues to drive up overall health care costs. Beyond GLP-1 drugs, other specialty medications and treatments—like immunosuppressants, cell and gene therapies, biologics and antivirals—are primed to contribute to health care spending for 2025. Rising medical spending is also expected to be driven by aging populations, more patients with chronic conditions and a labor shortage in the health care industry.





Health Plan Transparency

Over the last few years, several new transparency requirements have gone into effect for employer-sponsored health plans and health insurance issuers. These new transparency requirements are designed to improve the quality of health care and lower costs by making more information accessible to plan participants and the public.

Going into 2025, employers should review their compliance with applicable health plan transparency requirements, including the following:

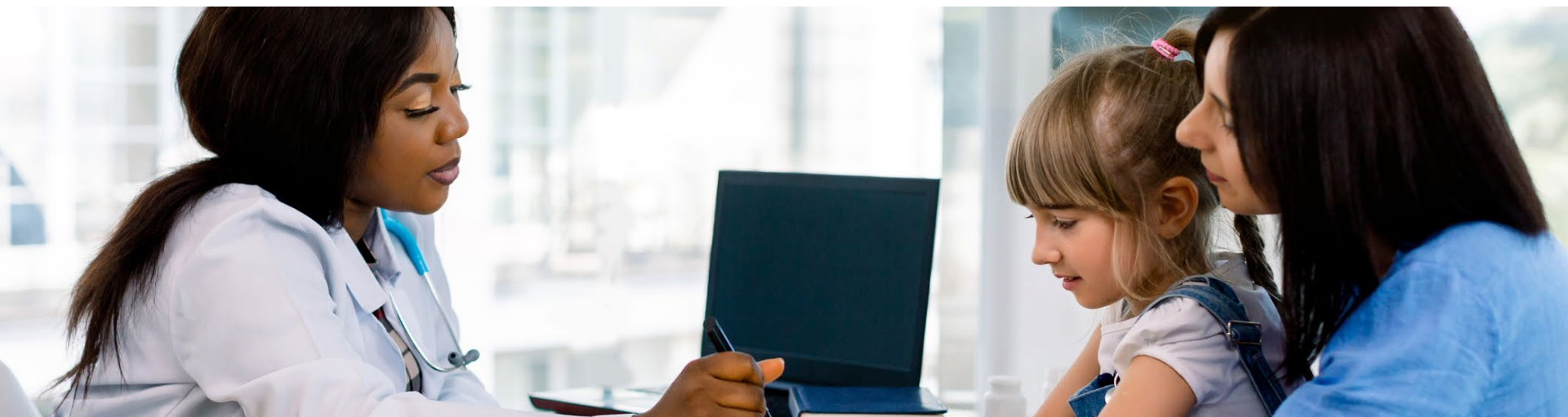
- Self-service price comparison tool
- Machine-readable files
- Surprise medical billing notices

Telemedicine

A relief measure for the COVID-19 pandemic temporarily allowed employers with high deductible health plans (HDHPs) to provide benefits for telehealth services before plan deductibles were met. This relief became effective in 2020 and has been repeatedly extended. It currently applies to plan years beginning before Jan. 1, 2025. Absent further legislation to extend the telehealth relief, starting in 2025, providing telemedicine benefits other than just preventive care at no cost (or low cost) to participants will make them ineligible for HSA contributions.

There has been bipartisan support to extend telemedicine relief for HDHPs; however, Congress failed to extend this relief at the end of 2024. It remains to be seen if Congress will revive this relief in 2025. Because the telehealth relief has not been extended, HDHPs that have not imposed a deductible on telehealth services will need to start doing so for the plan year beginning on or after Jan. 1, 2025.





Reproductive Health and Family Planning Benefits

The U.S. Supreme Court's *Dobbs v. Jackson Women's Health Organization* decision from 2022, which ended federal protections for abortion rights, continues to influence how employers approach these benefits heading into 2025. While abortion access remains a key focus, coverage of fertility services, particularly in-vitro fertilization, emerged as a prominent issue during the 2024 election.

The new presidential administration's impact on access to reproductive health care, particularly concerning fertility benefits, remains to be seen, but state laws are rapidly evolving. Employers providing benefits for fertility care in 2025 need to assess the implications of offering these benefits as state laws continue to evolve.

6 Trends Transforming the Labor Market

While some industries are still facing significant attraction and retention challenges, the labor market has generally shown signs of deceleration. The unemployment rate has trended up, and throughout 2024, job openings decreased, often failing to meet economist predictions. Still, despite slowing job growth and fewer openings, the labor market for 2025 could be competitive.

Expect these trends to transform the labor market in 2025:



Workers' desire for competitive compensation



Higher employee turnover rates



More employers requiring a return to the office



Generation Z transforming the workplace



Employers' adoption of AI and automation



Personalized learning and development plans



The Biggest Wellness Challenges Facing Employees in 2025

As workplaces continue to evolve, so does the understanding of employee wellness. Organizations are increasingly embracing innovative strategies to prioritize their workforce's physical, mental and financial health. Although organizations may have already expanded their wellness initiatives in recent years due to the COVID-19 pandemic, there are new driving forces impacting workers' well-being that employers can address in 2025.

Expect these wellness challenges to be on the minds of employees in 2025:

- Obesity and associated health conditions impacting more employees
- Workers living paycheck to paycheck
- Widespread workplace stress and burnout

Helping Employees Pay Off Student Loan Debt

Education is largely seen as a path to higher income and greater financial well-being, but for many employees, this path has resulted in mounting student loan debt. Education debt is prevalent among people who went to college, especially younger adults. According to the most recent economic well-being survey from the Federal Reserve, 30% of all adults—representing more than 4 in 10 people who pursued education beyond high school—reported taking out student loans for their education.

There are two key programs employers can offer heading into 2025: educational assistance programs and qualified student loan match programs. Although educational assistance programs have been available for many years, the option to use them to pay for student loans has only been available for payments made after March 27, 2020. Under current law, this student loan provision is set to expire on Dec. 31, 2025. While a bipartisan bill has been introduced in Congress that would extend this benefit permanently, no action has been taken yet, and with a new composition of Congress in 2025, the status of the bill remains to be seen.

GLP-1s and Biosimilars Reshape Prescription Drug Market

Inflation, additional treatment options approved by the U.S. Food and Drug Administration (FDA) and increased utilization of high-cost medications led to rising drug costs in 2024. In 2025, the transformation of the prescription drug market will continue due to many of the same factors.

The following are some of the most significant trends that are reshaping the prescription drug market this year:

- GLP-1 drugs continue to grow in popularity.
- Biosimilars allow for cost-savings and greater patient access to biologic treatments.
- Cell and gene therapies gain momentum as more treatments are approved by the FDA.
- The Medicare Drug Price Negotiation Program continues for drugs covered under Medicare Part D.
- Pharmacy benefit manager reform gains momentum.



Popular 2025 Voluntary Benefits

As health care costs continue to rise, so does the demand for voluntary benefits. These benefits supplement traditional benefits like health insurance and are available to employees for elective purchase.

The following voluntary benefits are experiencing significant growth or are expected to be notable in 2025:

- Accident
- Critical illness
- Hospital indemnity
- Student loan repayment assistance
- Cybersecurity
- Identify theft protection

The New Administration's Impact on Employee Benefits and Health Care

Former President Donald Trump has won a second presidential term. Although specific policy objectives that may be enacted are not yet clear, employers can look to President-elect Trump's campaign policies and initiatives that he took during his first term in office as an indication of what is to come.

As with most presidents, a new administration is likely to bring changes to employee benefits and health care. Employers are keeping their eyes out for imminent changes to the health care system.

It remains to be seen whether Trump and the Republicans will renew the Affordable Care Act subsidies passed through the Inflation Reduction Act. Nonrenewal of these subsidies, which are set to expire at the end of 2025, could lead to premium increases and decreased enrollment.



The New Administration's Impact on Employee Benefits and Health Care (Cont.)

Potential changes could also occur to Medicare and Medicaid, which could influence employer decisions regarding retiree health benefits and supplemental coverage options for those enrolled. Additionally, employers will be eager to see how Trump's platform will impact reproductive rights and family policies.

Any suggested developments are purely speculative, as all changes to employee benefits and health care will require legislation, presidential action or agency activity. Employers should continue to monitor the impact of the Trump administration, as well as state and local activity, to stay apprised of potential changes.



Summary

The employee benefits market is expected to undergo significant shifts in 2025. For employers, there will be a continued need to offer competitive compensation and benefits packages not only to attract new employees but also to help current employees offset the pressures of rising health care costs. Ultimately, 2025 will require employers to be strategic and adaptable as they navigate imminent challenges.

Please contact us for a full copy of the 2025 Employee Benefits Market Outlook.