

The Future of Health Benefits

High costs and changing demographics are pushing employers to explore new approaches and digital solutions for better recruitment and retention of employees. This transformation opens new opportunities for investors in both traditional insurance carriers and innovative solution vendors. An in-depth analysis of the 2024 Employee Health Benefits Survey (EY Parthenon - 2024) reveals the significant shift in the strategies employers are adopting for health benefits.



Key Insights

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1. Disruption is Rampant: Employers predict a 6.1% annual increase in premiums over the next three to five years, driven by higher labor costs and new, expensive drugs. This increase necessitates new cost management strategies. Additionally, workforce demographics are evolving, increasing the demand for behavioral health and other benefits.

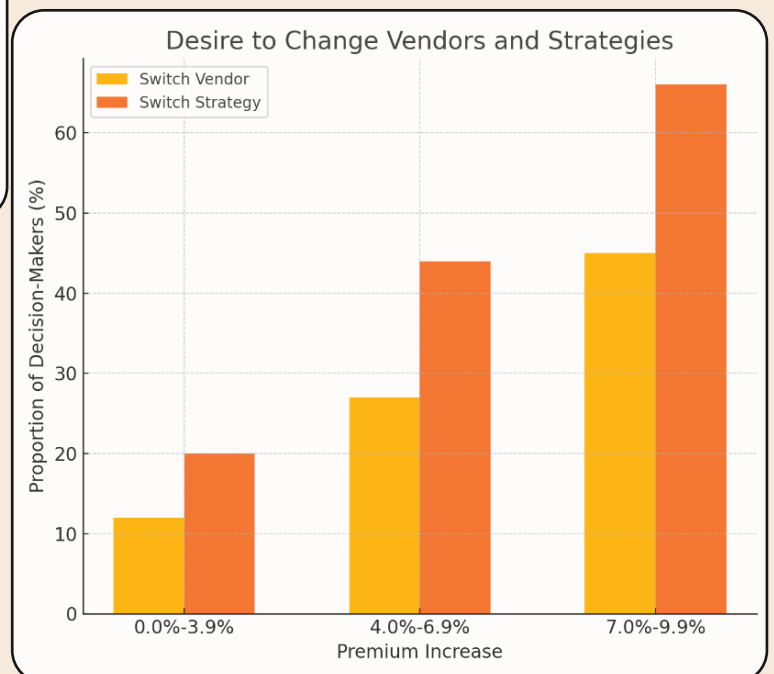
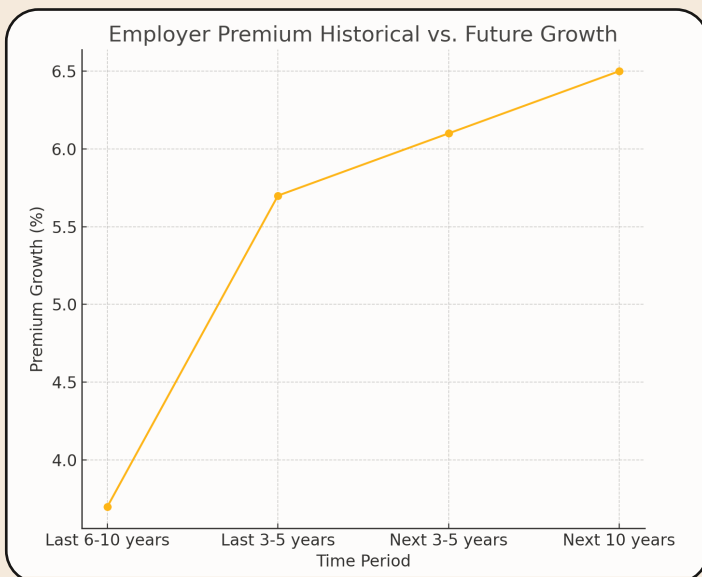
2. Intensifying Competition: With a stagnant number of full-time employees and growing self-insurance, the market is fiercely competitive, especially in the middle market of organizations with 750 to 5,000 covered lives. New entrants like digital-first TPAs are gaining traction, and nontraditional purchasing methods are becoming more popular.

3. Health Insurance Carriers Need a New Playbook: Employers demand personalized healthcare benefits. Traditional cost containment solutions must be supplemented with innovative options like reference-based pricing and care navigation to meet these demands.



Cost Increases and Employer Responses

Health insurance costs are expected to continue rising, with premiums projected to increase by 6.1% annually over the next few years, compared to the previous average of 3.7%. This increase is largely due to higher labor costs and the introduction of new, expensive medications. Employers are increasingly considering switching vendors or radically altering their benefits strategies to manage these rising costs.



Shifting Employee Priorities

In a tight labor market, employers find it challenging to implement cost-sharing strategies like high-deductible health plans. Only 38% of employers plan to further shift costs to employees, and just 15% intend to reduce their health benefit packages in the next three years. Despite this, employee exposure to benefit costs is at an all-time high due to past cost-shifting strategies.

Employers now prioritize improving employee satisfaction, health, and productivity over reducing medical and pharmacy costs when selecting benefit packages. Benefits such as behavioral health, fertility, childcare, and financial literacy are becoming increasingly important.

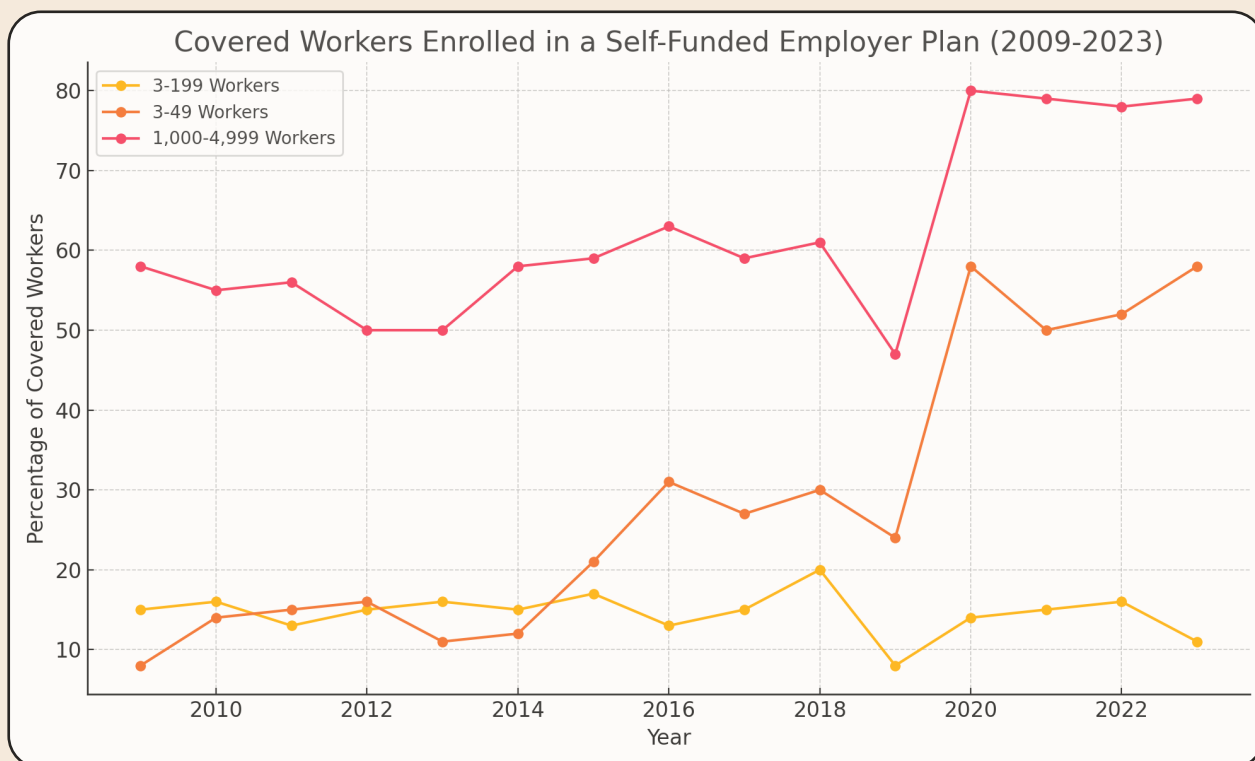


Evolution of the Competitive Landscape

Increased Adoption of Self-Insurance: Self-insurance has grown among medium and large employers since 2018, offering greater flexibility and cost control. Small and mid-sized employers are also moving towards self-funding, driven by the desire to control healthcare spend, mitigate risk, and customize benefits.

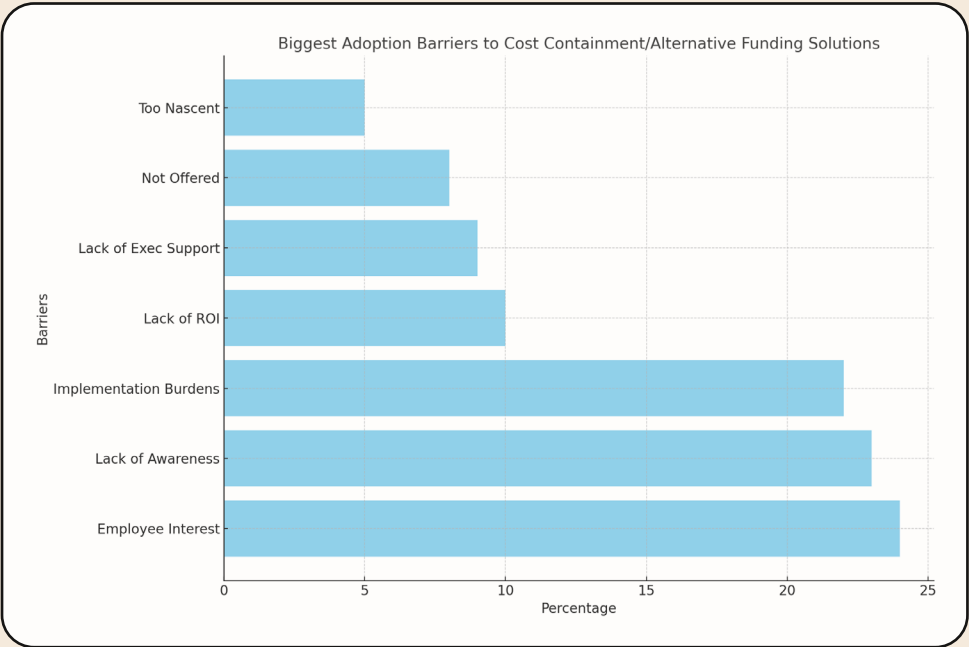
Emergence of New Competitive Zones: The market for health benefits is changing, with new approaches like ICHRAs and digital-first TPAs gaining popularity. These solutions offer employees more choice and customization, aligning with the shifting demands of the workforce.

Adoption of Defined Contribution Models: Defined contribution models like ICHRAs allow employers to provide fixed amounts for employees to choose their health insurance. This model is particularly appealing to smaller employers and is expected to cover at least 11 million lives by 2030.



Strategic Considerations for Employers

Barriers to Adoption: The main barriers to adopting new cost containment and alternative funding solutions are concerns about employee satisfaction, lack of awareness, and demonstrated ROI.



Customer Archetypes: Your competitors vary in their priorities and strategies for health benefits. Understanding these differences is crucial for maintain a competitive position. BIS can help you understand these differences and help guide you to a competitive health benefits strategy.

	Cost-motivated "I am most concerned about the monthly costs."				Traditionalist "I want to stay within the standard framework."				Protective "I want to find the right balance of benefits and costs."				Consumer-directed "I want employees to feel engaged in their own health."				Innovative "I view health care plans and services as a strategic asset."			
Typical size of employer	Small (<500)	Medium (500-1,500)	Large (1,500-5,000)	Jumbo (>5,000)	Small (<500)	Medium (500-1,500)	Large (1,500-5,000)	Jumbo (>5,000)	Small (<500)	Medium (500-1,500)	Large (1,500-5,000)	Jumbo (>5,000)	Small (<500)	Medium (500-1,500)	Large (1,500-5,000)	Jumbo (>5,000)	Small (<500)	Medium (500-1,500)	Large (1,500-5,000)	Jumbo (>5,000)
Cost vs. employee satisfaction prioritization																				
Key cost containment solutions of interest/ use today	<ol style="list-style-type: none">1. Limit available benefits2. Reference-based pricing3. Narrow networks4. Health/wellness incentives				<ol style="list-style-type: none">1. Disease management programs2. Stop-loss insurance				<ol style="list-style-type: none">1. Health/wellness incentives2. Disease management programs3. Offer on-site clinics4. Stop-loss insurance5. Care navigation/advocacy				<ol style="list-style-type: none">1. Disease management programs2. Alternative care settings3. Shift cost to employees4. Health/wellness incentives5. Offer on-site clinics6. Digital therapeutics				<ol style="list-style-type: none">1. Alternative care settings2. Care navigation/advocacy3. Reference-based pricing4. Narrow networks5. Digital therapeutics6. AI-enabled administration7. AI-enabled population health			

Source: 2024 EY-Parthenon Employee Health Benefits Survey, EY-Parthenon analysis.

Key Takeaways for Decision Makers

Rising Costs and Need for Innovation:

Employers need to innovate to manage the escalating costs of healthcare. By leveraging digital solutions and personalized benefits, organizations can effectively control expenses while boosting employee satisfaction.

Competitive Market Dynamics:

The shift towards self-insurance and the adoption of new benefit models like ICHRAs and digital-first TPAs are transforming the competitive landscape. Employers and insurers must pay attention to these changes to maintain a competitive edge.

Employee-Centric Benefits:

Prioritizing benefits that enhance employee satisfaction and productivity is crucial. Investing in comprehensive health packages, including mental health, fertility, and financial literacy, can help attract and retain top talent.

Strategic Planning:

Insurers should focus on understanding their customer base and offering tailored solutions. Emphasizing cost containment, care navigation, and digital health solutions can address current market needs and drive future growth. If your broker is not helping you make these strategic decisions, it may be time to look for a new broker.





As the landscape of employee health benefits continues to evolve, it is crucial to stay ahead of the curve. The insights from this 2024 Employee Health Benefits Survey highlight the need for innovative strategies and customized solutions to meet the diverse needs of your workforce.

Why Partner with BIS Benefits?

Satisfaction

We strive for total client satisfaction.

Employees

We value, recognize and appreciate each employee as an integral part of our team.

Relationships

We build long-term strategic partnership with clients, vendors, and carriers.

Value

We provide the highest quality products and services at competitive rates.

Integrity

We do what is right, just and fair in all circumstances.

Never Give Up

We are diligent in our negotiations on behalf of our clients.

Gratitude

We are grateful for opportunities to serve our clients, communities and one another.

Get in Touch

Ready to review your employee health benefits strategy? Connect with BIS Benefits today to explore how our innovative solutions can help you manage costs, improve employee satisfaction, and stay competitive in a dynamic market.

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Let BIS Benefits be your trusted partner in navigating the future of employee health benefits. Together, we can build a healthier, more productive workforce.