

Benefits Insights

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4 Key Trends Driving Employer Health Care Costs in 2024

Amid ongoing inflation pressures, employees and employers alike can expect their health care costs to increase in 2024. Global professional services firm Aon reported that health care costs for employers will grow by 8.5% in 2024 (to more than \$15,000 per employee), nearly double 2023's figure. In line with those findings, the Business Group on Health's 2024 Large Employer Health Care Strategy Survey predicts a 6% increase in health care costs in 2024.

All signs point to health care costs continuing to rise in 2024. This article outlines the primary drivers of health care costs and ways that employers plan to manage them.

Mental Health Challenges

Employees' mental health concerns and needs, such as depression, anxiety and substance use disorder, undoubtedly rose during the COVID-19 pandemic and continue to linger amid its aftermath.

Consider the following findings from the Business Group on Health's survey:

- Three-quarters of employers (77%) reported an increase in mental health concerns among employees in the aftermath of the pandemic, compared to 44% in 2023.
- Nearly one-fifth of employers (16%) anticipate an increase in mental health concerns in the future.

Employees and employers alike will continue to notice a prolonged impact of mental health challenges. In response, employers are expected to continue to expand access to mental health support and services, and many plan to provide more options for support and reduce cost barriers to care. Organizations may also explore manager and employee training to recognize mental health issues, anti-stigma

campaigns and flexible working arrangements so employees can discreetly seek mental health care during regular working hours.

Pharmacy Costs

In 2024, pharmacy costs will continue to impact employers significantly. In addition to high-cost drugs, relationships with pharmacy benefits managers (PBMs) are also a key concern for employers.

The Business Group on Health's survey revealed the following about prescription drugs and pharmacy costs:

- Employers experienced an increase in the median percentage of health care dollars spent on pharmacy, from 21% in 2021 to 24% in 2022.
- Most (92%) employers were concerned or very concerned about high-cost drugs in the pipeline, and 91% were concerned or very concerned about the pharmacy cost trend overall.
- Nearly three-quarters (73%) of employers say finding more transparency in PBM pricing and contracting is a priority, and 58% say they want to see additional reporting and better provider quality measurement standings.

To address rising drug costs, employers may implement pharmacy management strategies. These could include prioritizing transparent PBM practices (e.g., requesting detailed reports, auditing PBM services, requiring compensation and pricing disclosures and negotiating



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contract terms) and plan design changes to address costly medications and treatments (e.g., prior authorization, step therapy and sites of care management).

Cancer Treatment

Preventive screenings were a critical health care component disrupted during the pandemic, according to the Business Group on Health. As a result, employers are anticipating more late-stage cancers among workers.

Consider the following survey results from the Business Group on Health:

- Fifty percent of employers report cancer is the number one driver of health care costs, and 86% say it's among their top three drivers.
- Half of employers (53%) will offer a cancer-focused center of excellence approach in 2024, with an additional 23% considering this strategy by 2026.

In response to rising cancer care, employees may encourage advanced screening measures and maintain full coverage of recommended prevention and screening services. Employers are also monitoring oncology clinical advancements (e.g., biomarker testing and immunotherapies) and helping guide employees to high-quality care to improve health outcomes.

Health Care Delivery

Health care innovations, specifically on-site or near-site clinics and virtual care, gained popularity during the pandemic, and demand is starting to level out. However, such types of care continue to be critical for employees as they prioritize primary or preventive health care.

The survey by Business Group on Health discovered the following views about health care delivery:

- Fewer employers thought virtual care would significantly impact health care delivery in 2023 (64%), compared with 2021 findings (85%). Regardless, 2023's figure is still relatively high and above pre-pandemic survey results.
- Employers' number two priority for 2024 is implementing more virtual health opportunities. In addition to expanding, they'll evaluate partnerships and consider vendors that can integrate with others.

- Roughly half of employers (53%) offered on-site clinics in 2023, and the same figure is expected to do so in 2024, which likely signals a plateau in the offering. Some employers have migrated to a hybrid or remote work environment, reducing the need for health services at the workplace.

It's no surprise that the necessity of virtual health care peaked during the pandemic. Moving forward, more employers are looking to expand health care offerings to better support primary care and mental health. It comes down to prioritizing employee health outcomes.

Summary

Heightened health care costs are likely to continue impacting employers for the foreseeable future. Looking ahead to 2024, many employers are focusing on impacts related to mental health, medications, cancer and health care delivery. To combat rising costs, employers are focusing on improving employee health outcomes, reducing unnecessary services and prioritizing prevention and primary care.

Additionally, it may be advantageous for employers to focus on benefits education and employee communication. The goal is to help them understand their benefits and the best ways to utilize and maximize them. Many employees are looking for ways to stretch their hard-earned dollars further, and employers can step in to provide that much-needed guidance. In turn, employer efforts focused on preventive and proactive health care can help curb health care costs.

Contact us for more employer-sponsored health care resources.