Cottingham & Butler

2024 Benefit Trends Report

Table of Contents

INTRODUCTION

2024 Benefit Trend Analysis

Heading into 2024, there are several benefits trends impacting employers. While some of these trends are new, most are not, and employers have been trying to address many of the same benefits challenges for the last few years. Some employers have responded to these challenges by attempting to meet employee demands, such as offering competitive benefits or flexible work arrangements, but by and large, most employers are still struggling to find adequate solutions that balance providing the value that employees desire and the costs needed for a sustainable budget. However, understanding the latest benefits trends can help employers evaluate their offerings to best meet employee needs, respond successfully to their challenges and give them an advantage over their competitors. Proactively reacting to these trends can help keep employees happy, healthy, and loyal, without breaking the bank.

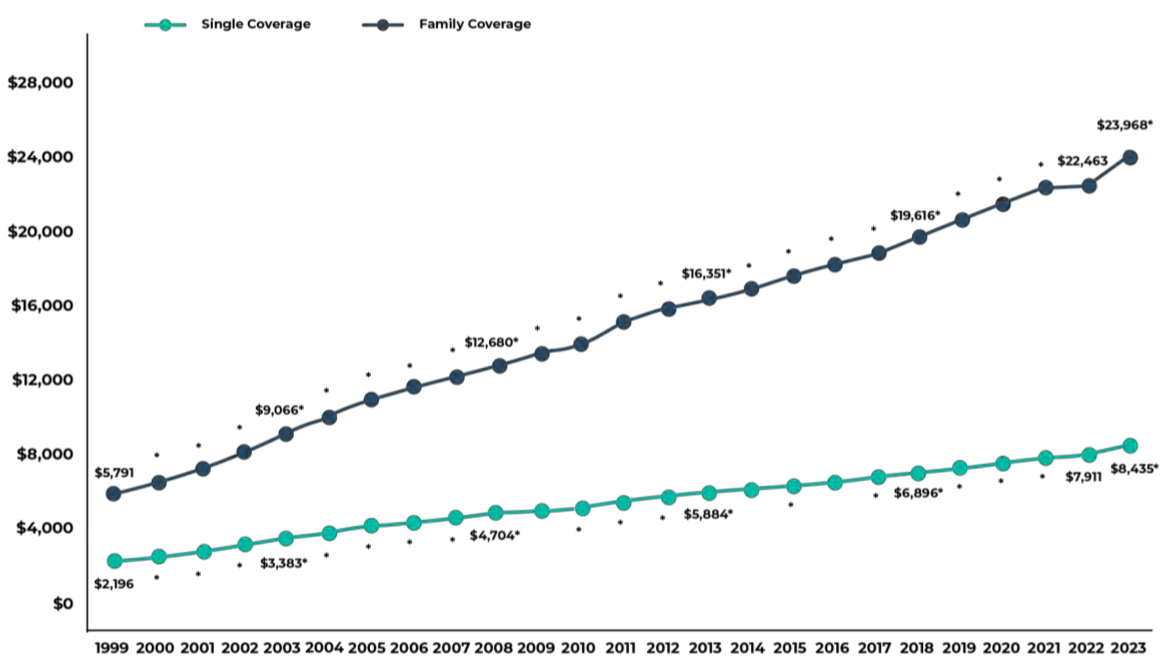
This article explores the key benefit trends organizations should incorporate into this year's strategic discussions to allow your organization to move forward during the complex economic and labor environment of 2024.

Employers Struggle to Mitigate Rising Healthcare Costs

While some may view inflation as a convenient catch-all, its impact across most aspects of our society is undeniable, particularly within the benefits space going into 2024. Concurrently, other economic factors are contributing to the uncertainty, such as the looming prospect of a recession and the potential collapse of the commercial real estate market. Notably, in 2023, nearly a quarter of all office building mortgages required refinancing, amounting to $3.1 trillion in outstanding commercial real estate loans, according to the Mortgage Bankers Association. Simultaneously, office vacancies, as reported by Cushman and Wakefield, reached a record 18.2% at the close of 2022, with minimal relief in sight.

Against the backdrop of these economic factors, employers are confronted with the challenge of escalating healthcare costs amid financial uncertainty, all within a fiercely competitive labor market.

Average Annual Premiums for Single and Family Coverage (1999-2023)



*Estimate is statistically different from estimate for the previous year shown (p < .05)

SOURCE: KFF Employer Health Benefits Survey, 2018-2023; Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2017

Finding ways to reign in rising health care costs while keeping benefits affordable is critical for employers for the foreseeable future; however, this won't be easy. Health care costs have risen sharply over the last few years and will likely continue to rise. While average costs have historically increased by 4-6% annually over the last decade, employers should expect a shaper increase of 6-8% in 2024.

This upward market shift is driven predominantly by cost pressures in hospital systems driving increases in prices to offset heightened expenses for labor and technology, drug manufacturers recouping R&D expenses for new specialty medications, the continued growth of Medicare/Medicaid enrollment that pushes more costs to employers, and industry consolidation.

- **Labor Costs** – Post-pandemic, the aftermath of staffing shortages and heightened salary demands (nearly 2.5 times historic annual labor cost growth) is now starting to hit in contract negotiations between networks and providers. Employers will now start to increasingly feel the impact of these pressures.
- **Healthcare Innovation** – Exploring cutting-edge advancements in healthcare innovation, with a focus on key areas such as Gene Therapy and personalized medicine, Immunotherapy, Remote Monitoring Technology, Robotic Surgery, GLP-1 Medications for Weight Loss, and Artificial Intelligence driving enhanced care outcomes.
- **Medicare / Medicaid** - According to the 2022 report from the RAND Corporation, the average employer-sponsored insurance plan pays about 2.24 times what Medicare pays for the same services (almost 3 times for Medicaid). Some states even experience this ratio climbing as high as almost 4 times. This is because many healthcare providers use high-cost employer rates to subsidize the low rates of Medicare/Medicaid. The accelerated growth of Medicare/Medicaid enrollment, six times faster than the overall U.S. population, is putting additional pressure on employers to subsidize more provider costs.
- **Industry Consolidation** – In both the provider and insurance sectors, consolidation of health systems into mega health systems has led to increases in prices in almost all cases for payers. Additionally, continued vertical integration of major insurance companies, Pharmacy Benefit Managers (PBMs), providers, and pharmacies is leading to decreased competition and more financial conflicts impacting payers. For instance, large PBMs simultaneously owning specialty pharmacies they profit from while also overseeing the approval of medications.

To compound the above gross cost drivers, many employers will likely find it difficult to reduce or eliminate benefits due to the continued strong labor market and high employee expectations. This inability to change cost share puts even more pressure on employers to have a focused framework in place to manage healthcare costs with emphasis on strategies that manage claims and large risk driving the costs within a health plan.

Framework to Lower Healthcare Costs

To effectively address high-dollar claims driving healthcare spend, employers should focus on five strategic areas, offering tailored approaches based on whether they are fully insured or self-insured for health coverage:

- **Risk Transfer:** Deploying strategies that educate, incentivize, or guide members toward alternative insurance options (i.e. spouse's plan, parent's plan, public insurance). Many of these initiatives can be advantageous for members as well, combining educational resources with unique financial incentives tailored to higher-risk individuals. Applicable across all funding types.

- **Improve Remaining Risk:** Identify chronic conditions, foster adherence to medical guidelines (age/gender/conditions) and promote the utilization of preventative primary care. A concentrated effort on chronic conditions and encouraging preventative screenings is pivotal for any successful wellness program aiming to lower costs.
- **Optimize Utilization:** Implementing strategies that change the type of care received by members. Sample tactics include direct primary care, onsite clinics, second opinions, and utilization management by independent service provider (those without a vested interest in approvals).
- **Optimize Price:** Executing strategies that secure the lowest cost for a given service without compromising quality. This involves high-value provider incentives, direct contracting, specialty drug patient assistance programs, and exploring international drug sourcing.
- **Member Cost Share:** Creating strategies that structure how members pay for their portion of healthcare, both in payroll deductions or plan design. Redesigning of programs to amplify and align with the strategies outlined in points 1-4 is essential in shaping an effective cost-sharing design. An example of this shift could be the introduction to a no-deductible, copay only health plan that has varying prices for both a type of service or the place of service. This approach directly aligns employee costs for care with the employer's in a clear transparent manner.

Picking your partners to help design and execute the above framework **is the most important component** of managing healthcare spend. While there is no shortage in the healthcare marketplace for service providers promising the next best solution to solve all your healthcare cost problems, the reality is the vast majority fall short on producing results. While this occurs for a variety of reasons, employers can avoid many of these by asking the following questions:

What percent of my healthcare spend is this going to impact?

Many times, solutions may tout their value but may ultimately lack substantial impact. For example, solutions helping member to shop for generic medications in local markets. While valuable to members, it's important to note that generic drugs typically constitute less than 10% of the total pharmacy spend for almost any employer. Prioritizing initiatives with a more substantial impact on larger-dollar areas is important, ensuring a more meaningful contribution to overall spend reduction.

What must happen for this to succeed?

Often, solutions talk about the positive outcomes when individuals adopt them but might overlook the pitfalls most solutions have that require employee engagement. If a solution is dependent on an employee or family member engaging, it is generally a good measure to ensure your population is one that will engage or determine the necessary supporting strategies for a successful implementation. More times than not, these employee centric solutions fail due to lack of engagement and use.

Can we measure success? If so, what metrics will we use?

Every strategy should have a way to measure success. It is key to identify these metrics before the strategy's implementation, serving not only as benchmarks for success but also as guiding principles for continual improvement over time, such as monitoring enrollment percentages in a new employee app. This approach allows a quicker way to recognize shortcomings to allow for adjustments. Not every strategy implemented will end up working, but this will allow for you to save expense by making investment timelines shorter.

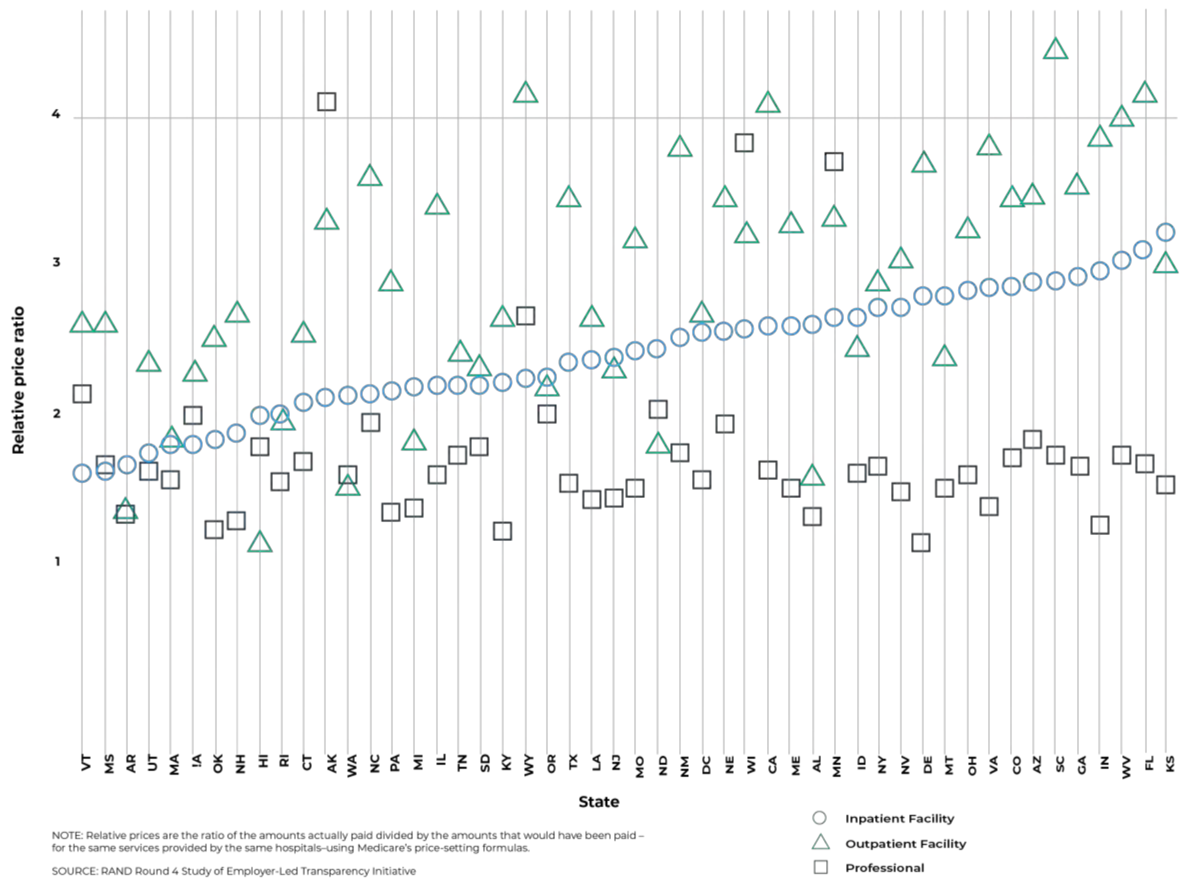
Hot Topics in Healthcare You Need to Know

Pricing Transparency – Under the Consolidated Appropriations Act, healthcare cost transparency was a key component to force both healthcare providers and provider networks to disclose their pricing. This aimed to increase free market competition in an industry historically known for being a black box. While a valiant effort by the government to solve a key issue, the provided data is not easy for the average employer to operationalize, as providers and networks have done a great job of making the data very hard to access. However, some navigation vendors have synthesized the data and are assisting consumers in making educated and incentivized healthcare purchasing decisions based on accurate data, as care within a 50-mile radius can often vary as much as 10 times between facilities. This can be seen in the chart below, at a state level, from the research institute, RAND, who also developed the Sage Transparency tool for employers to use as a guide to understand how various hospitals compare in price relative to Medicare pricing as a baseline.

One solution that has been successful for Cottingham & Butler clients has been a navigation service that provides employees multiple provider options within a set geography for any time sensitive service in a Good/Better/Best categorization. This format allows employees to earn a 20-25% cash bonus when they utilize an option above their original provider choice. This can also be done in plan design, however, there are more constraints that make cash more simplistic. For example, some administrators do not allow incentives due to provider contracts, high deductible health plans that make plan design incentives overly complex, and people hitting their out-of-pocket maximum leading to lost incentives. Education alone historically has not proven to be a solution that drives action by consumers, so it is imperative to have some form of incentive.

Relative Facility and Professional Prices by State, 2020

Relative price ratio, commercial to Medicare



Alternative Provider Reimbursement Models – As an alternative model to national networks like United Healthcare or Blue Cross Blue Shield, new service providers have come to market with disruptive reimbursement models to provide lower costs to employers. Such models include Referenced Based Pricing (payments based on Medicare), Direct Contracting, Cash Based Payments, or Multi-Network Options where employees pay the full difference for broad networks without restrictions (much like Medicare Advantage). While these programs can be very different for employers, they also achieve very different results – often 10-30% lower in cost than nationally recognized insurance most employers use today. Sample solutions in this space include Centivo, Surest, Imagine360, Sidecar Health, and various boutique third party administrators.

Direct Primary Care – A subscription based primary care service that removes the fee-for-service expenses for care and instead provides unlimited, in-depth primary care services to members of an employer. This is similar to a model some larger employers have with onsite or near-site clinics but can be scaled down to even the smallest employers that have local access to providers in this model. While there is some savings in direct replacement costs of services now performed here versus a traditional hospital/clinic, the real savings come from dramatically reducing unnecessary referrals into the hospital that lead to overspending. Here is a tool to find a direct primary care provider near you.

Condition Management – The pandemic clearly outlined the risk and cost differential of having a chronic condition as a comorbidity. Post-pandemic employers are bringing back an emphasis on biometrics to help bring awareness to everyone with a condition and provide additional resources/incentives for those individuals to be adherent with their care guidelines. This has come back into the spotlight as employer's are seeing the non-compliance rates with care ballooning over 50% in some cases, even in categories like diabetes. While the primary diagnoses of most large claimants are not a chronic condition, most of these claimants will have a comorbid condition that hides outside of the reports most employer's view.

Specialty Pharmacy Carve-Out & Patient Assistance – In an effort to combat the rapid growth of specialty drugs, which accounts for over 55% of pharmacy spend,10% of total spend, employers are looking for new ways outside of increased rebates and discounts to manage costs. A few notable solutions include using manufacturer assistance dollars to offset an employers' cost and hiring independent organizations to provide prior authorization services instead of a PBM that has financial interest to approve medications. Between these solutions, employers are reducing specialty spend by 30-75%. While manufacturer assistance has been under scrutiny by some, it still proves as an effective financial strategy currently for many employers. The future, however, will likely bring a more clinical emphasis to balancing cost and value when approving certain medications, with great growth in utilization management services being moved from PBMs that have financial incentive misalignment.

Emergence of Biosimilars for Blockbuster Drugs – A *biosimilar*, or *biosimilar drug*, is a medicine that is very close in structure and function to a biologic medicine such as Humira, Stelara, and many specialty medications. These biosimilars are similar to what a generic drug version of a brand drug is, as these become available after brand medications come off of patent. In the last year the most notable medication coming off patent is Humira, with 9 current biosimilars and with one biosimilar costing 90% less than Humira's sticker price. While this is promising news, how PBMs are handling these biosimilars varies greatly, with many PBMs not structured to capture the great value available due to financial conflicts of interest in continuing to cover the traditional specialty biologic drugs. Progressive PBMs are capturing 100% of eligible biosimilar spend through carefully designed prior authorization programs.

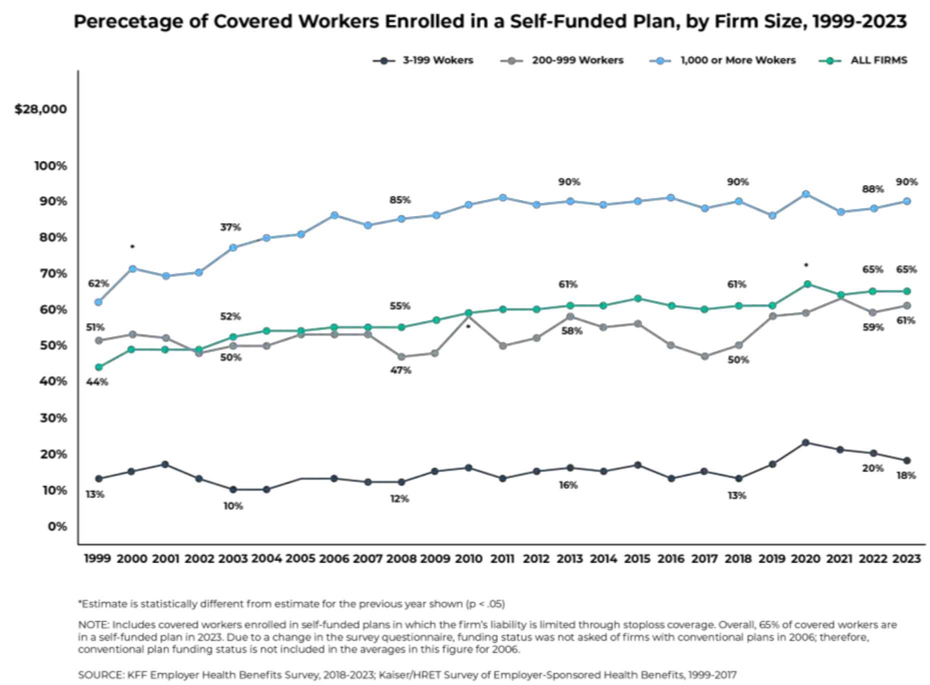
Major Drugs Patent Expiration in Upcoming Years

Off Patent	Next 3 Years	Next Decade
Humira	Revlimid	Keytruda
Januvia	Eylea	Eliquis
Victoza	Stelara	Opdivo
	Prolia	Dolutegravir
	Cosentyx	Ibrance
	Entyvio	Trulicity

GLP-1 Medications for Weight Loss – Television audiences are likely familiar with pharmaceutical advertisements featuring drugs such as Ozempic, Mounjaro, Weygovy, or Trulicity. These medications have garnered attention for their documented efficacy in facilitating significant weight loss—exceeding 10% of body weight—without the need for exercise or dietary modifications. However, most of these drugs were originally indicated for diabetes and it wasn't until after trials began that they discovered significant weight loss was a side effect. Thus, with most employer plans excluding weight loss medications due to cosmetic exclusions, many people have been accessing these medications improperly diagnosed as a diabetic or for those that are diabetic, jumping from lower cost medications like metformin to achieve the weight loss promised. At a price tag of $12,000-$16,000 annually, many employers are looking to justify long term financial savings to approve these medications to appease employee demand. However, caution should be had as several studies show only a $3,000-$4,000 average reduction in healthcare expenses when people get to an ideal weight versus being severely obese. The balance of appeasing employee demands and healthcare costs in this area will be a major priority in 2024.

Gene Therapy – Cell and gene therapies, which cure or treat a condition by inactivating, introducing, or replacing a modified or new gene, continue to gain prevalence in the pharmaceutical world. Today, these options represent nearly 5 billion in total spending in the U.S., with the total spend expected to reach 12 billion by 2025. While most gene therapy drugs currently in the pipeline cost between 2 million and 3 million, this innovative approach is expected to be a leading factor in elevated overall costs. To date this area has had limited impact on insurance markets due to very low frequency, however, this is an area that will start to have impact in the next few years on insurance rates. For 2024, strategies like maximum rate caps and "no new laser" provisions in stoploss policies should be ensured, as one of these medications can dramatically impact your plan without those policies in place.

Stoploss Captives – Historically only larger employers with several hundred employees have taken advantage of the financial efficiency of self-insurance, saving 5-8% on average by taking some risk in paying for claims instead of an insurance company. This dynamic has changed in the last few years with 18% of smaller employers now self-insured, as stoploss captives have emerged as a stable way for smaller organizations to self-insure like larger organizations, but without a risk of volatility from a bad year or an ongoing large claimant that historically made self-insurance a challenging endeavor for smaller organizations. The captive concept of purchasing large risk insurance with a pool of other employers not only has stabilized the risk but has allowed smaller organizations to self-insure with predictable costs. Captives have been a vehicle for currently self-insured organizations to stabilize their stoploss expense, or in some captives, join a progressive group of employers to outperform the standard stoploss market and reduce stoploss costs that have trended 10%+ annually.



Individual Coverage Health Reimbursement Arrangements – Also known as an ICHRA, these new reimbursement accounts are setup as a replacement for traditional group health insurance. Instead of providing employees a tax-free stipend to help pay for individual healthcare coverage they buy directly from a health insurance company. They get to pick the network they want, the plan design they want, and ultimately the amount coming out of their paycheck – while the employer simply funds a flat dollar amount towards each month's premium. While the uptick of ICHRAs have mainly come from employers with less than 100 employees, savvy larger employer has started to utilize these alternatives in the following situations to lower the cost of insurance due to favorable underwriting from the individual healthcare marketplace:

- Low participation of eligible employees – only those that need care take the plan
- High Medicare eligible enrollment on group health plan
- Very large ongoing claimants on health plan driving unsustainable increases
- Multiple HMOs in a local geography
- Multiple locations or divisions with one location or division driving cost increases
- If you find your organization fitting any of the above categories, being educated on ICHRAs and how they can be used strategically will be an advantage for your business.

Perception Is Reality: Prioritizing What Employees Want

With four separate generations now working side by side together, the workforce is evolving. Millennials currently make up the majority of employees in America. Having weathered two financial crises before turning 40, many carry a substantial student debt burden—averaging over $42,000. With soring house prices and extremely high interest rates, the dream of owning a home feels out of reach for many of them. Conversely, a significant portion of employees will be over 65 by 2030, with around 20% of the entire workforce currently experiencing menopause-related needs. Recognizing these diverse circumstances and addressing employees' unique needs is crucial.

Today, most employers lean on survey data from both external and internal sources to help build a strategy to improve employee value. While these methods have provided some insights in the past, there are many downfalls that most companies have experienced over time in using these traditional methods:

External Peer Benchmarking

- Demonstrates actions taken by other companies without emphasizing the level of employee engagement or interest.
- The methodology for each survey varies significantly, and the outcomes may not consistently align with your competitors.
- Comparing with others adopts a "follow the leader" mindset rather than fostering a "being the leader" approach.

Internal Employee Surveying

- Evaluating satisfaction on specific items without considering trade-offs results in unrealistic expectations regarding subsequent actions.
- Low participation rate amongst employees – too lengthy, lack of technology, lack of action historically
- Hard to prioritize actions and communicate results simply.

Given those traditional struggles, forward-thinking organizations are looking for new ways to better understand their employees’ desires and implement strategies focused in those areas. A few emerging solutions we have seen recently include:

Pulse Surveying – Rather than annual surveys, employers are using tools to do single question pulse surveys 1 to 5 times each week to gather insights from employees on all things related to the employee experience. This includes questions about their manager, their compensation/benefits, leadership in the company, their workload, their training, and many other aspects of what drives retention of employees based on engagement research.

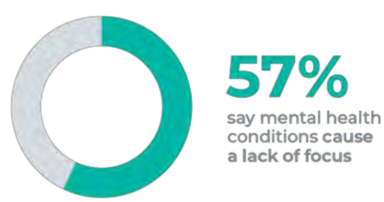
Employee Preference Surveying – Conjoint analysis is a mathematical survey structure that was utilized by marketing research firms helping retailers prioritize consumer preferences on products, such as do people prefer bigger TVs or higher quality TVs. Conjoint analysis, much like Cottingham & Butler's benefit preference solution, BenefitWave, is now being used by leading employers to restructure their compensation and benefit programs to better align with employee preferences in an objective way. These surveys are sophisticated to setup, but results are incredibly simple to digest and are being used to set priorities for employers on where to invest to drive greater perceived value by employees within their specific business.

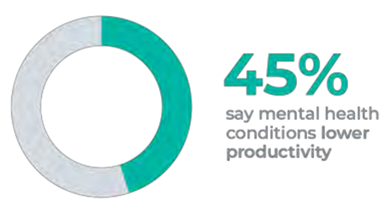
Remaining responsive to employee needs has a three-fold impact for employers. First, it demonstrates genuine care for employees' thoughts and requirements, reinforcing a culture of continuous improvement and adaptability. Secondly, it acts as an early warning system, identifying potential issues before they become deeply rooted problems. Lastly, it's a strategic financial move, allocating resources where they are most desired or needed by employees. For instance, comprehensive mental health plans or access to HSA's and Flex Spending Accounts might hold greater importance to employees than providing lower deductible health plans. The key is to ask and understand, providing a tailored benefits package that resonates with the workforce's preferences and priorities.

Additional Key Benefits Taking Center Stage in 2024

Behavioral Health

A notable 81% of employees express the belief that employers bear a responsibility to actively contribute to the management of their mental health, as indicated by Headspace Health's Attitude Towards Mental Health Report 2022. Given the fact that 1 in 5 employees likely to have a need for support in a given year, this can make sense that they look to their employer for support, but there is also value for employers from a productivity standpoint that also exists. According to the Business Group on Health employees report that 62% of absenteeism is due to mental health and 45% claim that their mental health impacts their presenteeism.





A contemporary development in this sphere involves the implementation of app-based support systems, focused workshops, and resource groups specifically tailored for mental health. Employers are increasingly recognizing the significance of digital mental health tools, such as Talkspace, Headspace, Ginger, or SpringHealth to offer on-demand assistance, and are incorporating these offerings into their comprehensive benefits packages. This approach reflects a commitment to addressing the escalating focus on mental health support within the broader framework of employee well-being, although the results of such programs are still in infancy to study longer term results at this point.

Additionally, some employers are realizing immediate benefits of smaller actions outside of just offering new apps or benefits, like bringing mental health offerings to the forefront of their benefits guides —a departure from past practices where mental health services were positioned deeper in the document, if they were in there at all. Additionally, many employers are making mental health resources a common topic of company updates to ensure the stigma behind such benefits is reduced as much as possible. Many of these cultural influencing actions you can utilize in your organization without added costs can be found in the Mental Health Playbook by the Health Action Alliance.

Paid Time Off / Paid Leave

Several employers expanded their leave policies in response to the COVID-19 pandemic, including increasing paid leave; however, in 2022, many organizations reversed course and reduced some leave benefits to pre-pandemic levels. Despite this, many states have enacted laws to provide paid family and medical leave, and more are expected to do so in the near future. Currently, 11 states and the District of Columbia have state-run, mandatory paid family and medical leave programs that cover most private sector employees. Some of these laws have or will become effective in 2023. Other states, including New Hampshire and Vermont, have enacted voluntary paid leave laws. As a result, paid leave laws will soon impact more employers. Therefore, employers who are or will soon be subject to paid leave laws should ensure their workplace policies are compliant with 2024 requirements.

For employers not subject to paid leave requirements, now is a critical time for employers to consider their leave policies. Providing employees with paid leave is an effective way to support employee well-being and strengthen their attraction and retention efforts.

Paid leave can include:

- Medical leave, covering a worker’s own serious health condition
- Parental leave, covering bonding with a new child (may also be referred to as maternity leave, paternity leave or bonding leave)
- Caregiving leave, covering caring for a loved one with a serious health condition
- Deployment-related leave, covering needs in connection with a loved one’s current or impending active duty military service
- Safe leave, covering needs when a worker or their loved one is a victim of sexual or domestic violence
- Bereavement Leave, time following the loss of family member or friend to grieve and attend services

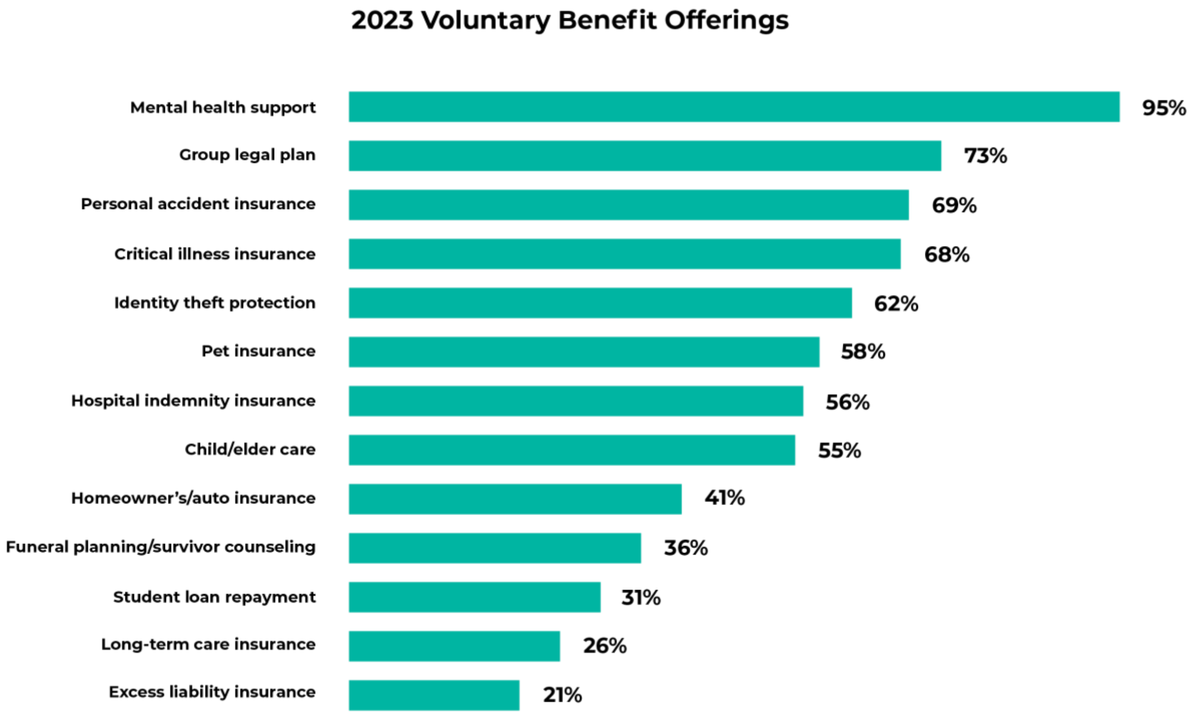
While not all of these might be offered by the majority of employers today, here are some notably growing leave benefits according to the SHRM 2023 Benefit's Survey:

Benefit Type	2021	2023
Paid Maternity Leave	35%	40%
Paid Paternity Leave	27%	32%
Paid Paternal Leave	33%	39%
Paid Adoption Leave	29%	34%
Paid Leave Above FMLA	36%	39%
Religious Holiday Accommodation	27%	34%

In addition to the paid leaves mentioned above, paid time off is another benefit that should be evaluated in parallel with other leave policies. Based on many of the surveys our team has assisted employers within the last year, Paid Time Off is often the most valued benefit to employees by a sizable margin and is something employers should consider heavily re-evaluating in 2024. In fact, it is such a popular topic in general that some employers have started incorporating set unpaid time off in addition to paid time off as a way for employees to effectively "buy more PTO" as a response to employee demand in the category.

Voluntary Benefits

Over the past decade, voluntary benefits have gained considerable traction. These benefits have become important elements of a competitive benefits package, as employees increasingly expect them. The ongoing challenges presented by the war for talent, and escalating inflation have further heightened the demand for voluntary benefits. These benefits play a crucial role in helping employees safeguard against unforeseen events, manage expenses, and enhance overall well-being. According to Goldman Sachs, offer rates by their corporate partners have eclipsed 50% of employers for several notable benefits like accident, critical illness, ID theft, and legal. Others continue to climb the ranks as well, which we also see reflected in the offerings of our own clients at Cottingham & Butler.



During the period from 2020 to 2024, notable increases in non-medical and voluntary benefits have reshaped the employee benefits landscape. Leading the pack with increases were Child & Elder Care Assistance up 177%, Hospital Indemnity surged by 152%, while Pet Insurance and Critical Illness both experience substantial 120% increases. These trends underscore the evolving priorities of today's workforce, emphasizing the importance of tailoring benefits to address diverse needs and enhance overall employee well-being.

While these benefits are great options to offer employees without a cost to the organization, how they are designed to minimize issues when used, how they are communicated to employees, and how they integrate into your benefit administration system are often key areas overlooked by employers when rolling out these offerings. Without doing adequate preparation in these areas, these benefits might cause more pain than value.

Women's Reproductive Health Benefits

The U.S. Supreme Court's decision in Dobbs v. Jackson Women's Health Organization to overturn Roe v. Wade— ending federal protections for abortion rights and permitting states to implement their own regulations— continues to impact employee benefits considerations into 2024. The Supreme Court's ruling eliminating the federal constitutional right to abortion care has led to a patchwork of state laws on this type of health care; several states banned or restricted insurance coverage for abortion, while others require plans to cover the procedure. Legal challenges to these laws are currently ongoing, and more are expected going forward, making it unclear what the landscape will look like in the near future. This has created challenges for employers as they try to find ways to support their employees' needs and provide competitive benefits. As a result, employers must carefully evaluate any reproductive health-related benefit offered under their group health plans to ensure full compliance with applicable laws and restrictions.

While the Supreme Court's ruling has presented several important considerations for employers providing abortion-related benefits, it has also brought a renewed focus on reproductive health and family-building benefits. Many larger employers, such as Walmart and Target, have embraced fertility and family-planning benefits. This seems to be part of a broader trend of employers offering benefits that employees say they need, like mental health and financial planning resources. According to Maven Clinic's State of Fertility & Family Benefits in 2023 report, 87% of HR professionals said they recognized family benefits are "extremely important" to current and prospective employees and 63% said they planned to increase family health benefits within the next few years. The same report revealed that 30% of employees are currently expecting a child or hope to grow their family within the next couple of years. Additionally, 43% said they expect to need fertility treatments, adoption services and surrogacy services to do so.

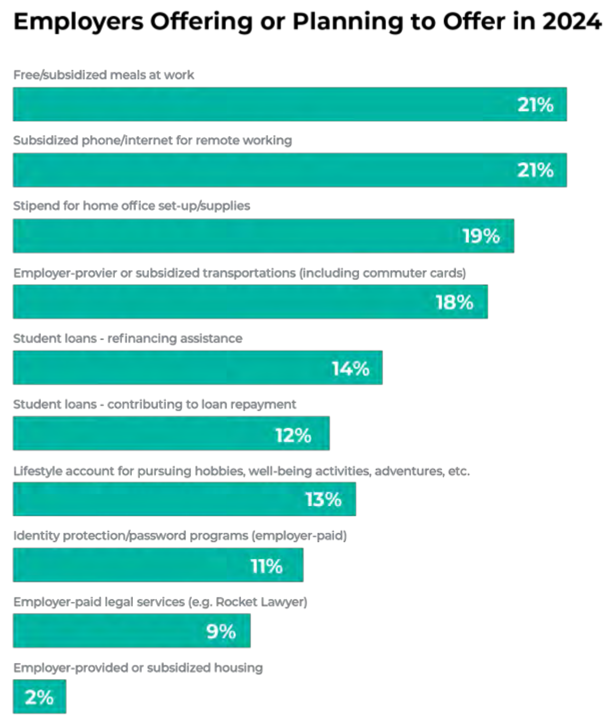
Many employers are doing more to support their employees through every stage of their family-building process. For example, employers are increasingly providing employees with family-friendly benefits, such as paid parental leave, paid adoption leave, surrogacy benefits, hormone replacement therapy and doula care. Others are providing specialized benefits to support women's reproductive health by offering the following benefits:

- Family planning assistance
- High-risk pregnancy care
- Pregnancy, lactation, postpartum and menopause support
- Travel benefits

These benefits can have a significant impact on an employee's productivity, happiness and overall well-being. Family-building benefits can also strengthen an organization's attraction and retention efforts, improve employees' quality of life, and create an inclusive, healthy workplace. As workers continue to struggle financially because of inflation and other economic concerns, family-building benefits have become even more important since they can provide individuals and families with vital medical and economic support, enabling them to safely achieve their family-planning goals. In 2024, employers have a great opportunity to impact employees on and off the job by offering or expanding family-building benefits.

Financial Benefits

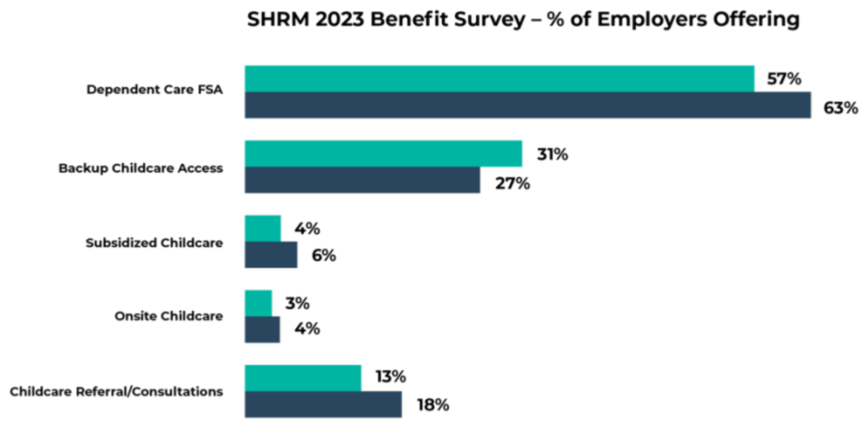
According to a 2023 survey by Mercer, employers are actively enhancing financial well-being through a range of supportive initiatives. These include offering free or subsidized meals at work (21%), providing assistance with phone and internet costs for remote work (21%), and granting stipends for home office setup (19%). Transportation benefits, including commuter cards, are provided by 18% of employers, potentially encouraging on-site work engagement. Additionally, employers address student loan challenges with 14% offering refinancing assistance and 12% contributing to loan repayment. A growing trend involves the provision of "lifestyle accounts" (13%) to support employees in pursuing nonessential but enriching activities. Some employers also prioritize identity protection/password programs (11%) and employer-paid legal services (9%). A smaller percentage (2%) extends the unique benefit of employer-provided or subsidized housing. This multifaceted approach underscores a commitment to comprehensive financial wellness and a positive work experience.



Another new benefit that has come on the scene are Lifestyle Savings Accounts (LSAs), although they currently are offered by very few employers. LSAs, also known as lifestyle benefit programs or wellness spending accounts, enable employers to reimburse employees for defined expenses, providing flexibility to address individual needs. LSAs contribute to streamlining vendor management, addressing concerns expressed by HR leaders managing various vendor relationships. These after-tax accounts, exclusively funded by the employer, offer a unique way for employers to fund a variety of benefits that employees of all ages and needs can utilize. Some sample reimbursable expenses for these accounts can include things like gym memberships, childcare, tuition, health coaching, travel, or pretty much anything an employer wants to reimburse as an eligible expense. Said another way, these accounts are like cash bonuses, but with limitations on what an employee must use the funds for as designed by the employer.

Childcare

The challenges faced by employees in balancing work and caregiving responsibilities have become particularly pronounced in the wake of the pandemic. It's crucial to recognize that the need for caregiving support is not a transient issue but rather a persistent one. Employers play a pivotal role in providing sustained assistance to caregivers by implementing both workplace flexibility (allowing variations in when and how work is performed) and flexibility away from work (establishing comprehensive leave and time-off policies).



One impactful method of demonstrating long-term support is through the provision of caregiving benefits, such as Dependent Care Flexible Spending Accounts, Backup Childcare, Subsidized Childcare, Childcare Referrals, or even Onsite Care. Notably, all of these benefits with the exception of backup childcare options have declined in offer rate since 2021 according to SHRM, which is quite alarming considering the need in the workforce today both for employees and for employers looking to stay fully staffed.

While there has been a discernible shift towards the inclusion of parental leave in many workplaces, the provision of specific support for caregivers remains less common. Consequently, there exists a valuable opportunity for employers to distinguish themselves by addressing this critical aspect of employee well-being. It's important to recognize that caregiver support can be particularly beneficial for less-advantaged segments of the workforce, contributing significantly to an organization's diversity, equity, and inclusion strategy. In the contemporary landscape, leading employers are increasingly understanding that enhanced support for caregivers is not just an altruistic gesture but a strategic imperative for talent recruitment and retention. Contrary to past concerns about perceived "special treatment" for caregivers, forward-thinking organizations now recognize that such support is integral to securing the diverse and skilled workforce they need for sustained success.

AI Aims to Improve Benefits Administration

In 2023, artificial intelligence (AI) made its way into many workplaces nationwide and is revolutionizing how organizations operate and make decisions. Employers are searching for ways to leverage this technology's ability to create efficiencies, enhance workflows, streamline operations, and improve customer experience. This technology has the potential to help employers streamline employee benefits administration, thus reducing costs, increasing accuracy, and improving compliance. AI can improve and enhance employers' benefits administration by:

Streamlining Benefits Administration – AI can help automate manual, repetitive tasks, such as open enrollment, eligibility verification, claims processing and plan design. By automating these tasks, organizations can reduce their administrative burdens and improve accuracy.

Boosting Employee Self-service – AI chatbots can support employees by answering benefits-related questions, guiding them through enrollment and resolving potential issues. Utilizing AI technology can improve benefits accessibility and help employees to better manage their benefits on their own.

Personalizing Benefits Offerings – Employers can tailor their offerings to meet employee needs and preferences with the help of AI. These systems can sift through large amounts of data, such as demographic information, employee health records and health care utilization, to better personalize an organization's benefits offerings.

Providing Decision Support – AI tools can empower employees to make informed benefits-related decisions by analyzing individual health and utilization data and providing tailored recommendations.

Improving Compliance and Risk Management – Complying with benefits requirements and regulations can be challenging and often creates large administrative burdens for organizations as they try to stay informed and up to date on any changes. AI technology can monitor legislative changes and automate compliance updates in an organization's benefits administration systems.

Delivering Predictive Analytics and Cost Optimization – AI tools can also help organizations forecast future benefits trends and needs by analyzing market data and historical trends. This can enable employers to make more informed decisions regarding plan designs and modifications, adjust benefits offerings to better suit employee needs and negotiate better rates.

While many employers have embraced AI technology to aid in benefits administration, more employers are expected to follow suit in 2024 and beyond. However, employers must proceed with caution when implementing AI tools because these systems' capabilities are limited by the information used to train them.

Additionally, these tools may inadvertently reveal employee health information or make decisions that lead to biased or discriminatory outcomes. AI-generated errors like these can be costly, subjecting organizations to government audits, fines, and penalties. Understanding how this technology works and ensuring human oversight can help organizations anticipate and address potential issues before they become problems.

Because AI technology in the workplace is still largely unregulated, there are many gray areas employers must navigate. Laws and regulations haven't kept up with employers' acceptance and incorporation of this technology. While many existing laws address AI-related issues, as a whole, such technology is a relatively new legal area. There's currently a patchwork of federal and state regulations that address aspects of using AI tools in the employment context and benefits administration; however, legal issues related to these tools will likely continue to emerge as AI technology develops and becomes more advanced. Therefore, employers should stay current on all applicable laws and regulations impacting AI systems. Employers should consider establishing governance policies and procedures to evaluate and monitor AI tools as well as assess their long-term impacts. This can help ensure that organizations use AI tools responsibly and integrate such technology to complement human activity in the workplace in 2024 and beyond.

Pay Transparency Continues to Grow

It's becoming clear that pay transparency is not a passing trend. Pay transparency is the practice of an employer openly communicating pay-related information through established methods to current and prospective employees. Despite many employers' reluctance to embrace pay transparency—because it can reveal unintended pay gaps and trigger questions from current employees— the practice is expected to become the norm in 2024. At the start of 2023, a fifth of all U.S. workers were covered by pay transparency laws. In 2021, Colorado was the first jurisdiction to enact such laws. Since then, many states and localities have enacted their own pay transparency laws, including:

- California
- Cincinnati, Ohio
- Connecticut
- Ithaca, New York
- Jersey City, New Jersey
- Maryland
- Nevada
- New York City
- Rhode Island
- Toledo, Ohio
- Washington
- Westchester County, New York

Even if employers are currently unaffected by pay transparency mandates, they should consider developing strategies to address this issue since pay transparency likely already impacts them directly or indirectly. Employers can protect themselves and help ensure compliance with applicable laws by understanding applicable pay transparency requirements and regularly reviewing job postings. Pay transparency laws present distinct compliance challenges for employers subject to them since they vary depending on the state or locality.

Not only are more states and localities implementing pay transparency laws, but pay transparency is also becoming more important to workers. Employees overwhelmingly support pay transparency because it can help them to avoid applying for jobs, they wouldn't accept due to low pay, negotiate for better salaries, and build trust with their employers. It also helps hold employers accountable for providing similar wages for similar roles. According to recent data from global employment website Monster, 98% of employees said employers should disclose pay ranges in job postings, with more than half saying they'd refuse to apply for jobs that do not disclose pay ranges, even in states where pay transparency isn't legally required. Since applicants and employees value pay transparency, employers can benefit from providing pay-related information even when not required to do so; those who offer pay transparency tend to receive more applicants and save time and money in recruitment efforts by ensuring candidates don't reject job offers due to insufficient pay.

Pay Equity

This nationwide normalization of pay transparency and recent dramatic increase in equal pay litigation is also leading employers to prioritize pay equity. Despite this increased focus, many employers may not know where to begin when implementing pay equity measures. For most employers, utilizing pay equity audits is the likely answer and continue to be one of the fastest growing trends for employers in the area of Compensation. These audits can be a powerful tool for employers to evaluate and ensure they comply with federal, state, and local pay equity laws – while also serving as a step forward towards transparency to employees despite other pay practices that may not be fully transparent yet.

A pay equity audit is the process of analyzing compensation data of employees doing similar work within an organization. It can be an effective tool for providing employers with information to identify pay disparities among workers. Performing pay equity audits can help employers determine if any pay discrepancies are based on legitimate, nondiscriminatory reasons, such as seniority or education. If pay discrepancies cannot be explained by nondiscriminatory reasons, the audit allows employers to correct them. The purpose of pay equity audits goes beyond just identifying whether pay disparities exist but helps explain why they exist. This can include reviewing specific pay decisions and policies. Such audits can help employers evaluate and improve their compensation practices, address pay gaps and limit potential legal risks. In some states, conducting a self-audit of pay practices can protect employers against legal claims based on pay inequities.

Battle Over Remote and Hybrid Work Continues

Remote and hybrid work arrangements were widely embraced by employers and employees at the outset of the COVID-19 pandemic. As lockdown orders lifted, many employers continued to offer these flexible work arrangements for various reasons, including acquiescing to employee demands during a tight labor market. Although remote and hybrid work is expected to continue to play an integral role in the work landscape, there have been some significant changes to these arrangements in the last year. These changes will likely continue to change and evolve throughout 2024, as employers are concerned that remote and hybrid work arrangements have led to a drop in employee production. This has put productivity as a top priority for many organizations in 2024.

According to a Microsoft survey, 85% of leaders believe hybrid work has made it difficult to be confident that employees are productive, despite 87% of employees reporting they are productive at work; only 12% of senior leaders have full confidence their employees are productive.

Many employers believe that having employees return to in-office work will boost workforce productivity. Organizations also believe that activities such as culture building, collaboration, employee engagement, mentoring and innovation are easier in in-office settings. However, the COVID-19 pandemic caused many workers to reprioritize work as an aspect of their life instead of the main focus. Additionally, remote and hybrid work arrangements allowed employees to experience the benefits of working from home. Many have come to prefer these flexible work arrangements because they feel they can remain productive at work but have more resources and personal time for families and hobbies by not having to commute. This has allowed many employees to improve their work-life balance and general well-being.

While many employers requested that employees return to in-office work in 2022, they started requiring it in 2023. Organizations attempted to leverage the economic downturn to force employees to return to the office. However, as employers request or require employees to return to in-person work, many have refused or are not fully complying. Large corporations like Amazon, Apple and Twitter are currently struggling with workers refusing to follow return- to-office (RTO) orders. Employee refusals have caused some organizations to change course and soften RTO orders; others have doubled down on their efforts to have employees return, threatening to terminate those that don't return. The return-to-work battle that has been simmering for the last few years seems to be nearing a boiling point, leaving many employers in a difficult position.

Employees' refusal to return to the office has highlighted the different understanding between employees and employers as to the purpose of the office. It has also signaled a significant change in work culture and employee expectations. While the majority of U.S. workers do not work from home, for those who do, there's currently a battle about where they'll work in the future. By considering the reasons why employers want employees to return to in- office work and communicating those reasons to employees, employers are more likely to experience less pushback from employees. Employers can also consider the following strategies when asking employees to return to the office:

- Determine the reasons why employees need to return.
- Obtain employee input.
- Provide clear guidelines.
- Support employees during the transition.

Whether employers embrace flexible work arrangements or ask employees to return to the office, it's important they help employees to find ways to help improve their mental health and well-being. This can enable employees to feel happier and more productive regardless of where and how they work.

Key Compliance Items & Employer Takeaways

In 2024, employers continue to deal with many of the same challenges they've faced for several years. It's vital for employers to find ways to meet these challenges in practical and cost-effective ways, especially as the U.S. economy remains in flux. While the best strategies will vary by workplace, being aware of current benefits trends in this report can guide employers as they strategize and take action. Recognizing these trends can help employers to respond in meaningful ways to help keep employees healthier, happier and more productive.

For more information on today's benefits trends and support in building a multi-year strategy to support your own organization's core objectives, the Cottingham & Butler team is here to help. Be sure to connect with us on LinkedIn, Facebook, and stay tuned for our upcoming events that will focus on many of these hot topics.

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