



2024 Healthcare Perspectives: BOTH Employer and Employee

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WTW

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Disclaimer

WTW shares available medical and pharmacy research and the views of our consultants in our capacity as a benefits consultant. We do not practice medicine or provide medical, pharmacy, or legal advice and encourage our clients to consult with both their legal counsel and qualified health advisors as they consider implementing various health improvement and wellness initiatives.

When implementing health improvement and wellness initiatives, clients should consider the compliance implications and discuss with their legal counsel and the applicable vendor. If the vendor's services are offered through an existing medical plan, clients should ensure the terms of the program are properly disclosed to participants in plan materials. If a client offers a HSA-qualifying high deductible health plan, then HSA-eligibility issues should also be considered. If the vendor's services are offered outside of the existing medical plan(s), then the services being provided must be evaluated to determine whether the program would on its own be considered a group health plan and therefore be required independently to comply with various applicable laws (e.g., ERISA, HIPAA, COBRA, ACA, IRC).

Executive summary

01 Conflicting ambitions

Desire to improve benefits to attract and retain talent and to better reflect new workforce models, while facing cost challenges due to a weaker business environment and concerns about workforce performance.

02 Driving efficiencies

Increased focus on streamlining operations and adopting more efficient governance processes and taking more aggressive steps to improve contract terms with vendors and bundle services.

03 Enhanced portfolio

Current focus on benefits that meet employees' needs around their physical and mental health and broader wellbeing and programs that enhance employees' careers to align with flexible work environments.

04 Mismatched priorities

Employees place greater emphasis on benefits that support their long-term financial security, provide help with benefits decisions and support their families' needs. Employers recognize the need to enhance their market position in these areas.

05 Future direction

Almost all employers desire to at least be 'at market' for their broader portfolio of benefits, and an increasing number of employers are targeting an 'above market' position. Can employers achieve this amid significant cost challenges?

06 Opportunities to improve

Employers identify a need to improve in all areas of their benefits strategy, with the greatest opportunities around employee experience and analytics and reporting.



Current challenges of U.S. healthcare system

- 1 | Rising costs stress budgets
- 2 | Health system consolidation
- 3 | Surge in interest in costly anti-obesity meds
- 4 | Oncology remains the top cost driver
- 5 | Continued mental health crisis
- 6 | Limited access to quality care

Regulatory environment

Emerging trends and innovation across clinical areas

Cancer



- Number one clinical condition spend across employers
- Employer strategies include:
 - Carve-out expert medical opinions (EMOs)
 - Expansion of centers of excellence (COEs)
 - Liquid biopsy

Mental health



- Number one priority for employers after managing cost
- Employer strategies include:
 - EAP evolution and digital first models
 - Substance use disorder COEs
 - \$0 cost sharing for outpatient services
 - Loneliness and psychological safety

Cardiometabolic



- Expansion of strategies including diabetes, obesity and cardiac
- GLP-1s are the largest pain point in all clinical considerations right now
- Employers are evaluating coverage and point solutions

Family solutions



- Addressing maternity within holistic family solutions lens, including family building, support and reproductive care
- Women's health expansion
- Expanding and maintaining equitable benefits

Autoimmune



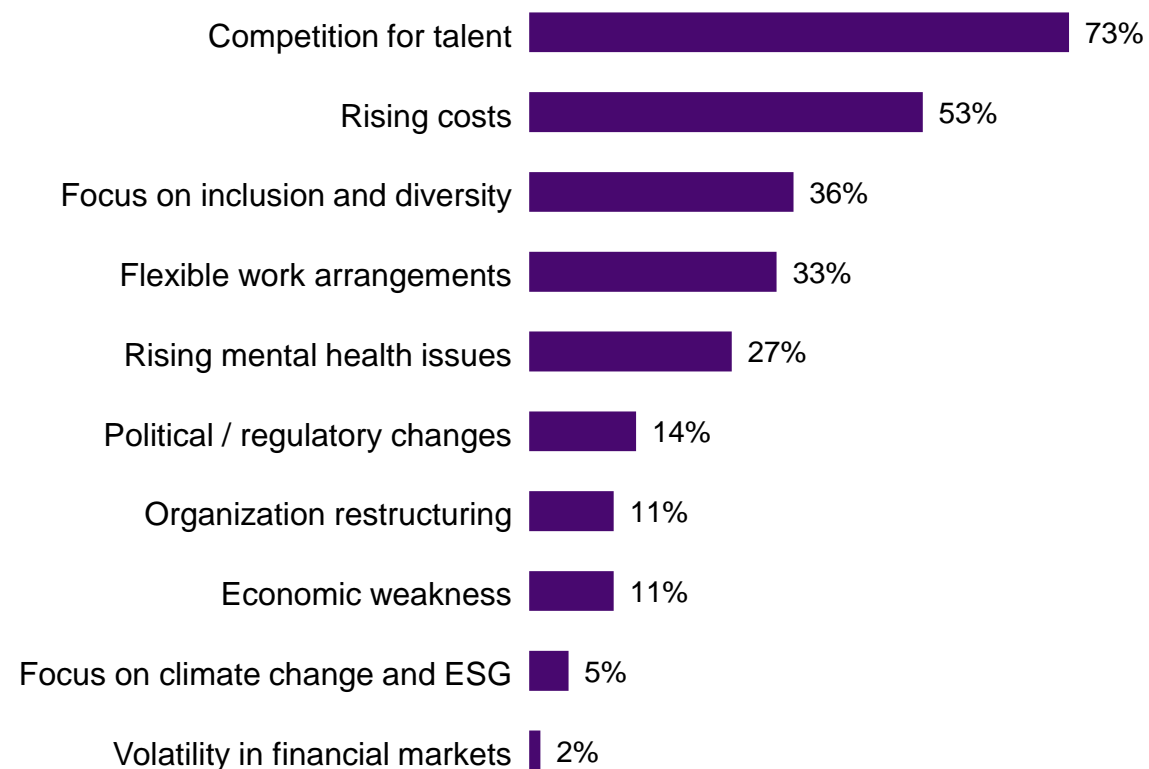
- More Humira biosimilars to be launched
- Additional biosimilar launches expected in 2024 for Simponi and Cimzia and 2025 for Stelara
- Emerging vendor market working with employers (i.e., Parsley, AndHealth)

Musculoskeletal



- Number two highest spend across the industry
- Employer strategies include:
 - COE
 - Digital physical therapy
 - Connection to mental health

Competition for talent and rising costs are the key issues influencing benefits strategy



Q: What are the key business issues influencing your organization's strategy for benefits? (Select at most 3).

Note: Percentages indicate 'Yes'. A maximum of three options could be selected. 4% for 'Other'.

Source: 2023 Benefits Trends Survey, Global, Public Sector and Education

Employers are facing significant talent challenges

They are also focused on supporting an effective workforce



73%

Attraction and retention of key talent



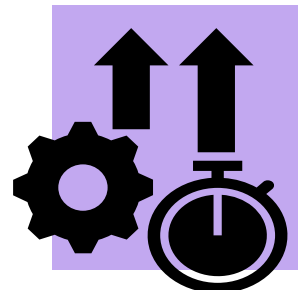
63%

Overall employee wellbeing



64%

Work engagement



44%

Employee productivity and effectiveness

Q: To what extent is your organization prioritizing actions to improve the following issues for its employees?

Note: Percentages indicate “to a great extent” or “to a very great extent”.

Source: 2023 Benefits Trends Survey, Global, Public Sector and Education

Employers identify cost as a top challenge

Inflation and the current business environment are having an impact on benefit budgets

54%

Persistence of higher inflation



42%

Weakening economy and business environment



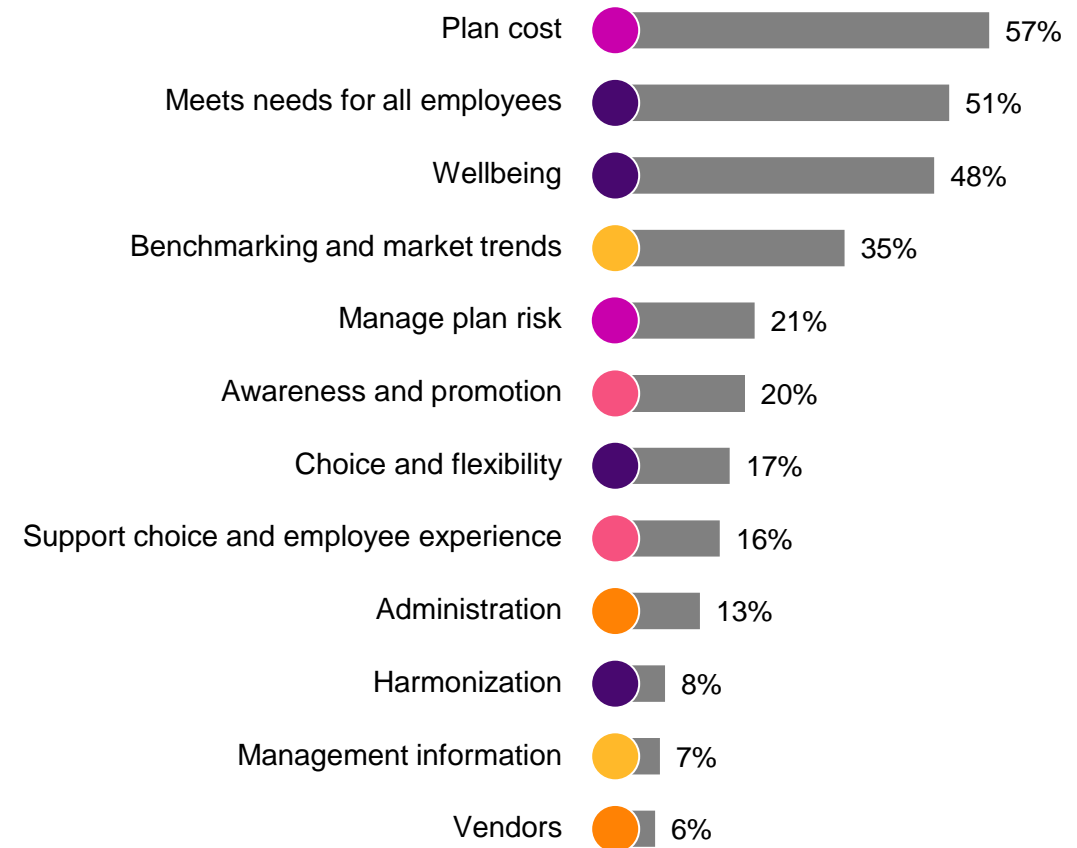
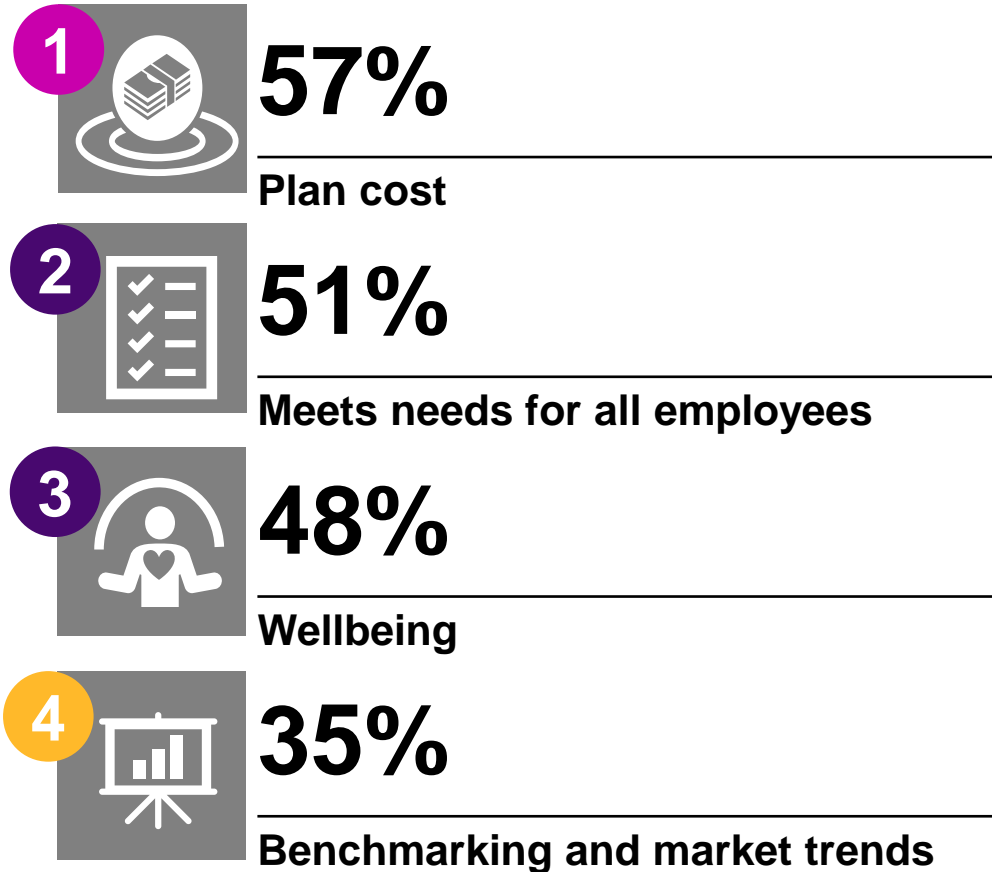
Q: To what extent do you expect the following to have a significant impact on your organization's benefits budget in the next 2 years?

Note: Percentages indicate "to a great extent" or "to a very great extent".

Source: 2023 Benefits Trends Survey, Global, Public Sector and Education

Key areas of focus for the benefits strategy

Financing and portfolio are the top areas of focus



Q: Please rank the following in order of importance, where 1 is the most important, 2 is the next most important and so on.

Note: Percentages indicate “ranked top 3”.

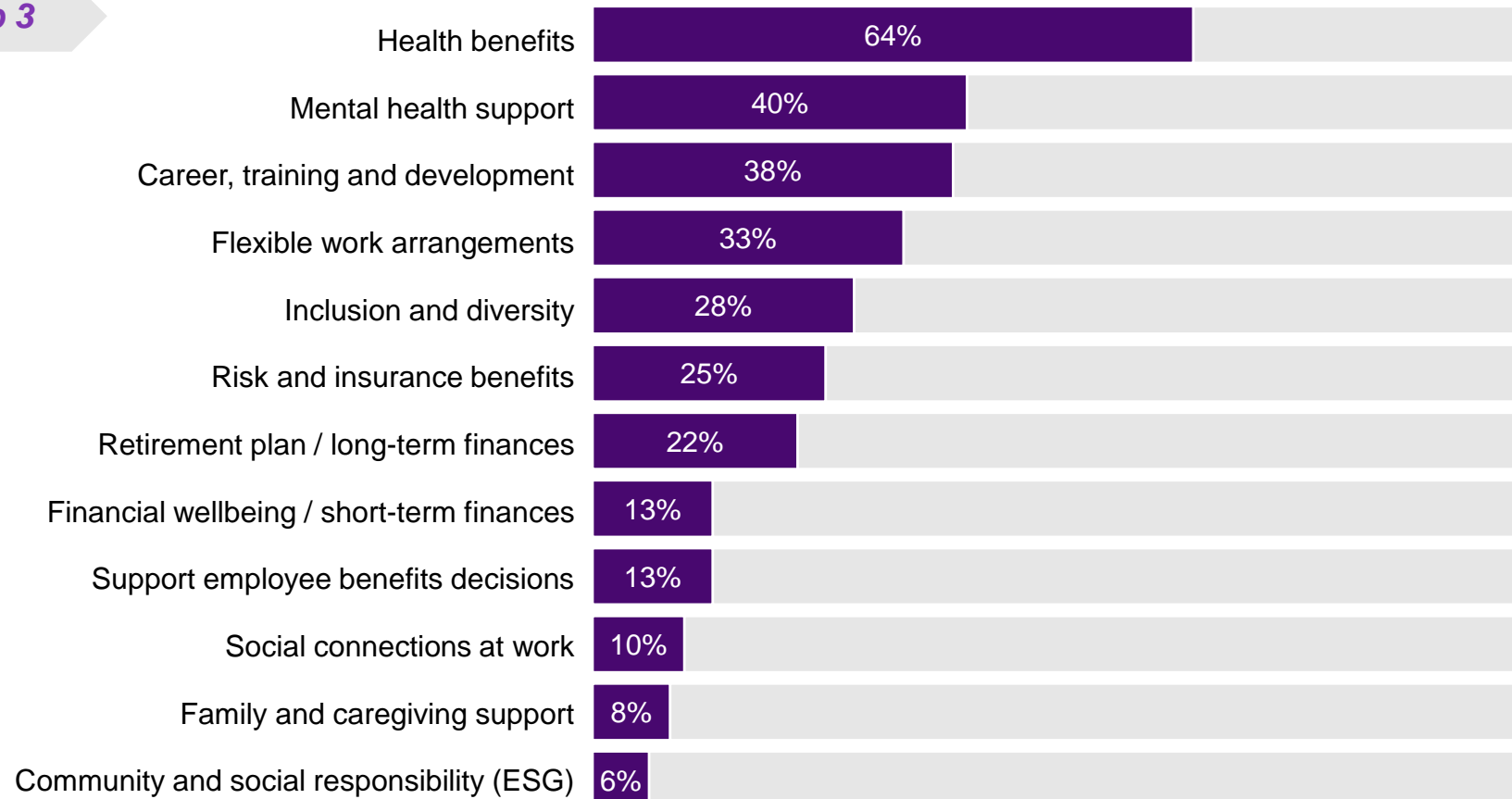
Source: 2023 Benefits Trends Survey, Global, Public Sector and Education

● Portfolio ● Financing ● Employee experience
● Administration & operations ● Analytics & reporting

What are employer priorities to support their workforce?

Portfolio focus

Ranked top 3



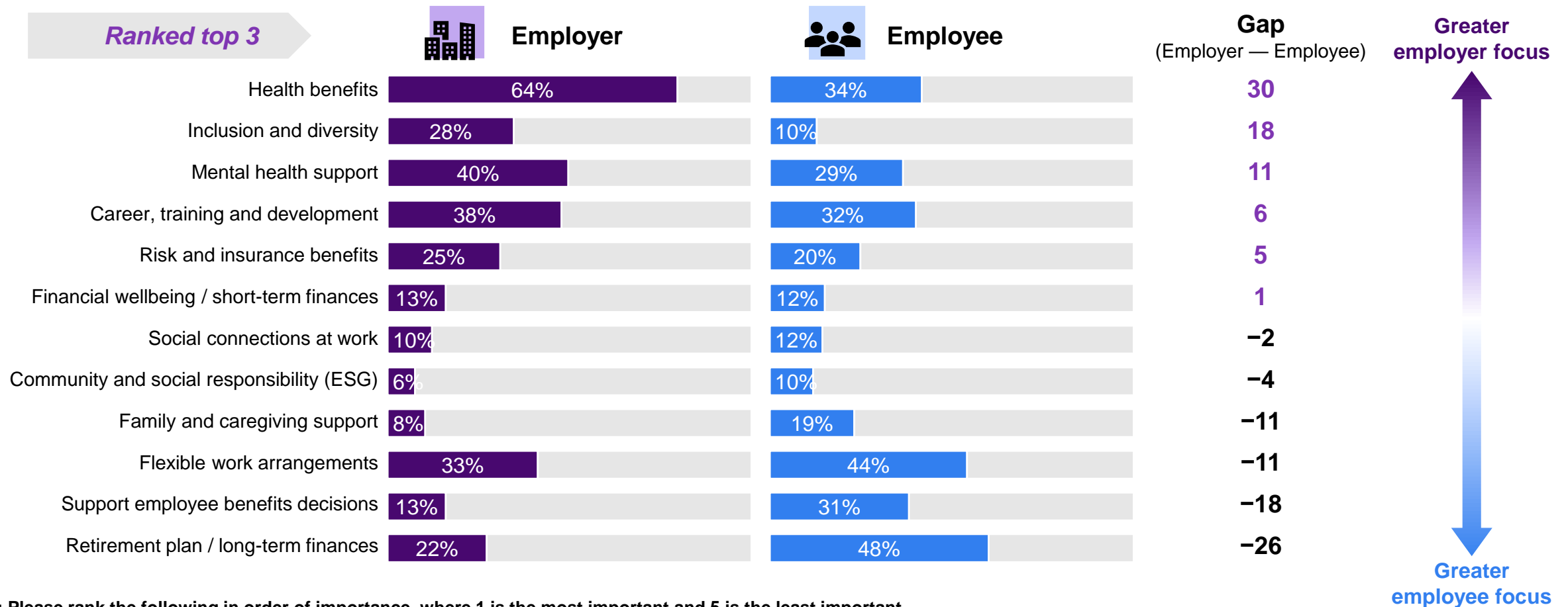
Q: Please rank the following in order of importance, where 1 is the most important and 5 is the least important.

Note: Percentages indicate 'the top 3'.

Source: 2023 Benefits Trends Survey, Global, Public Sector and Education

Alignment issues between employers and employees

Are employers delivering the benefits employees want?

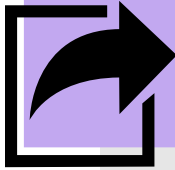


Q: Please rank the following in order of importance, where 1 is the most important and 5 is the least important.

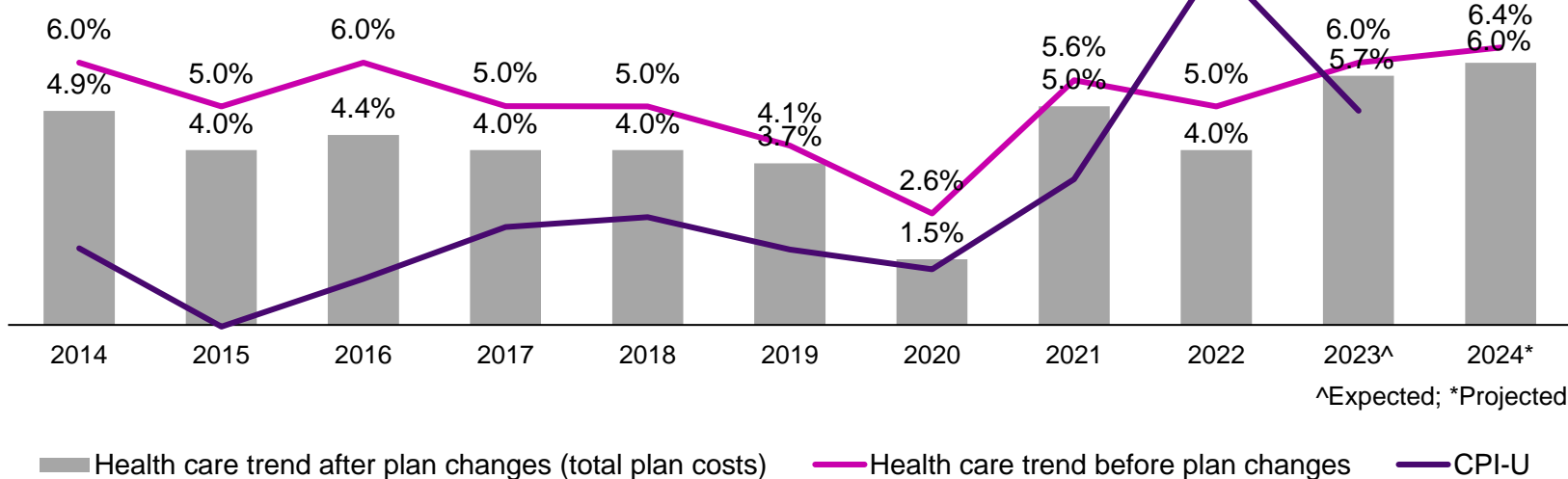
Note: Percentages indicate 'the top 3'.

Source: 2023 Benefits Trends Survey, Global, Public Sector and Education; 2022 Global Benefits Attitudes Survey, Global, Public Sector and Education

Healthcare cost increases rising but with uncertainty and variability



68% of US employers project moderate to significant healthcare cost increases over the next three years



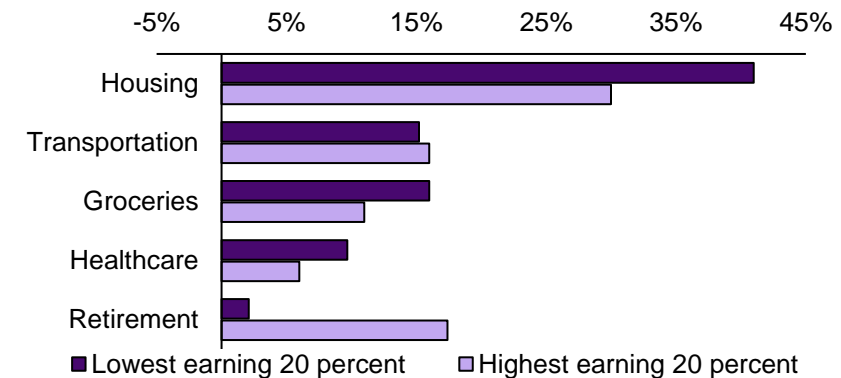
Note: Percentages of healthcare trend are **median** numbers.
 Sample: Companies with at least 1,000 employees
 Source: WTW 2023 Best Practices in Healthcare Survey; Bureau of Labor Statistics, CPI-U, CES

Key Trend Drivers

- Higher overall inflation and increased labor costs
- Provider consolidation
- Escalating drug costs
- Worsening mental health
- Worsening illness burden/Covid catch up

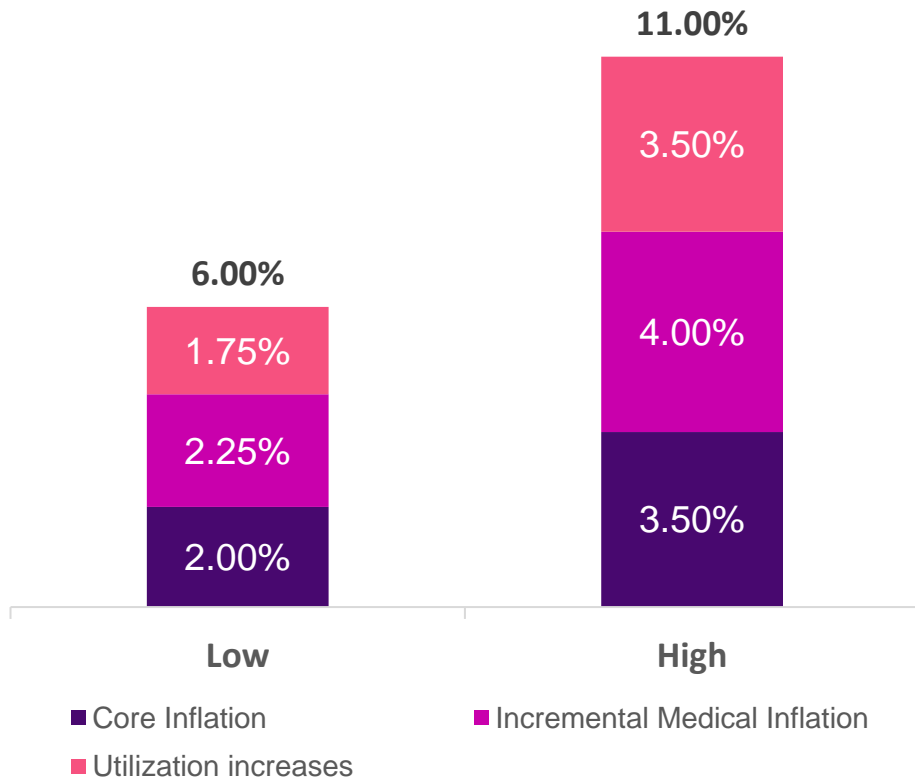
Financial Stress for Employees

Share of annual expenditures (select, 2022)



Trend building block approach illustration

Medical/Rx combined (2023 to 2025)



Sources:
<https://www.bls.gov/news.release/cpi.nr0.htm>.
<https://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20231213.pdf>

General Inflation

- 2% is the lower bound of the Fed's December 2023 forecast
- 3.5% is slightly above the 3.4% from the Bureau of Labor Statistics' December 2023 forecast, which is on the higher end of other inflation reports
- Major externalities outside of the Fed's influence include geopolitical conflicts such as the war in Ukraine and natural disasters

Incremental Health Care Inflation

- Health care inflation is likely to revert to the historical pattern of exceeding general inflation
- Labor shortages are becoming more acute
- Expectations of future inflation written into recent three- to five-year contracts between carriers and health care providers likely to mitigate the rate of decrease once inflation begins to abate

Utilization/Service Mix

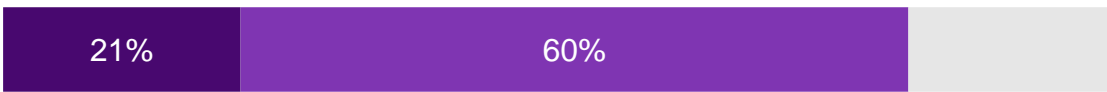
- Historically, utilization has been about 1.75% of trend
- Recent popularity of GLP-1 coverage for obesity may result in additional future utilization
- Economic downturns tend to reduce health care expenditures as incomes decline

Actions taken to address healthcare costs

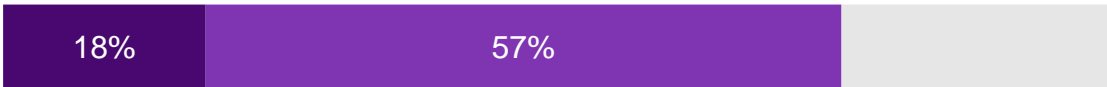


Vendor management

Implement programs and/or vendors that will reduce total costs



Take vendor/health plans out to bid through RFP to seek lower-cost provider

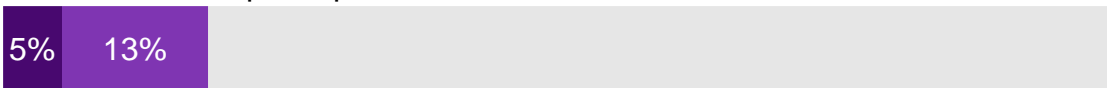


Coverage and eligibility

Eliminate or cut back on certain coverage provisions

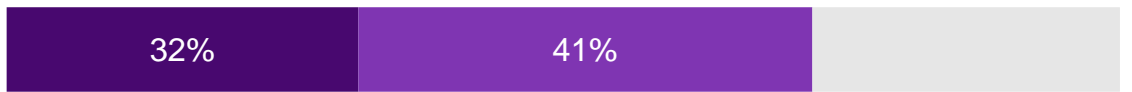


Eliminate health plan options that exceed certain overall cost or trend levels



Cost shifting and targets

Shift costs to employees through premium contributions

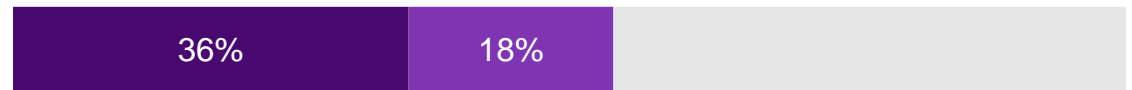


Shift costs to employees through out-of-pocket expenses in the plan design

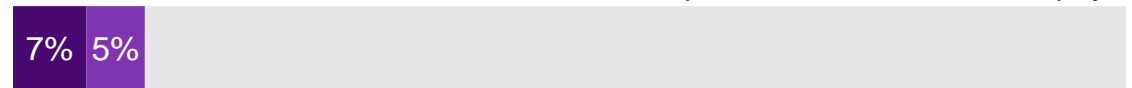


Cost absorption

Absorb additional cost without reallocating from other benefits or pay



Shift more total rewards to healthcare at the expense of other benefits or pay

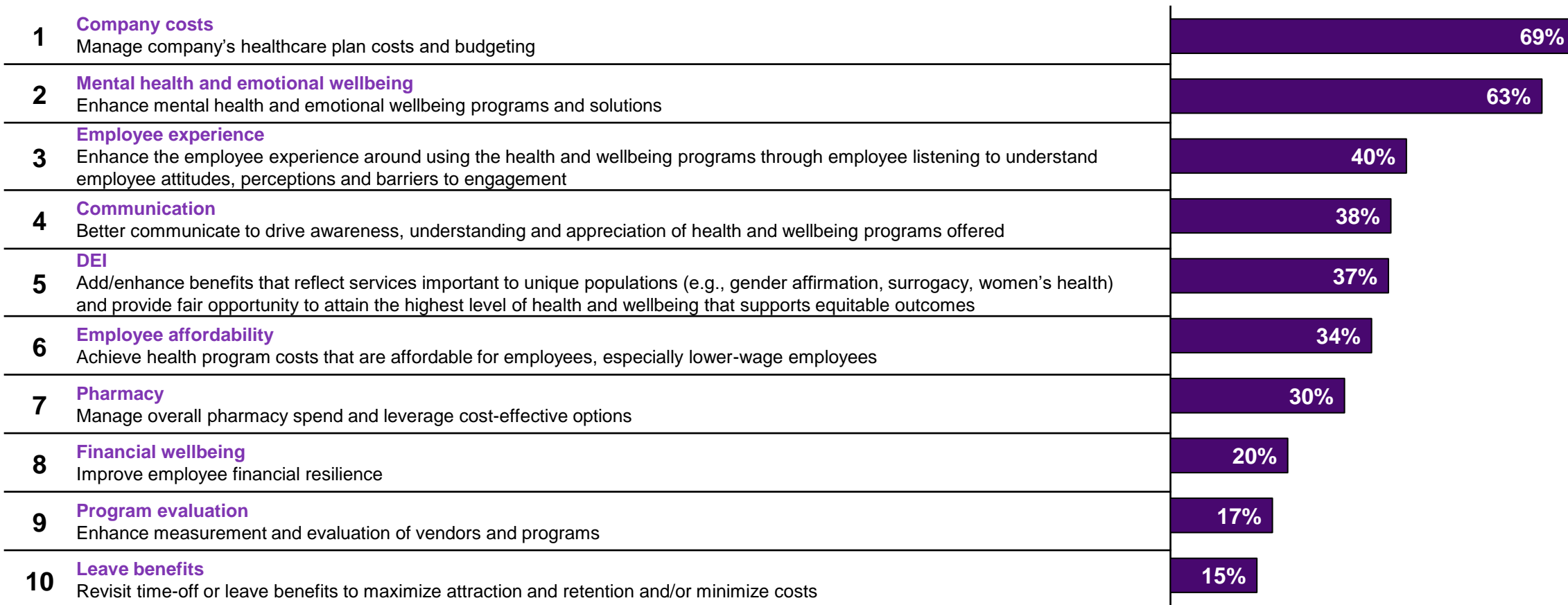


Action taken/Tactic used in 2023
 Planning or considering for 2024/2025

Source: WTW 2023 Best Practices in Healthcare Survey, Companies with 100 - 999 employees

Managing healthcare costs and mental health are the top health and wellbeing priorities over the next three years

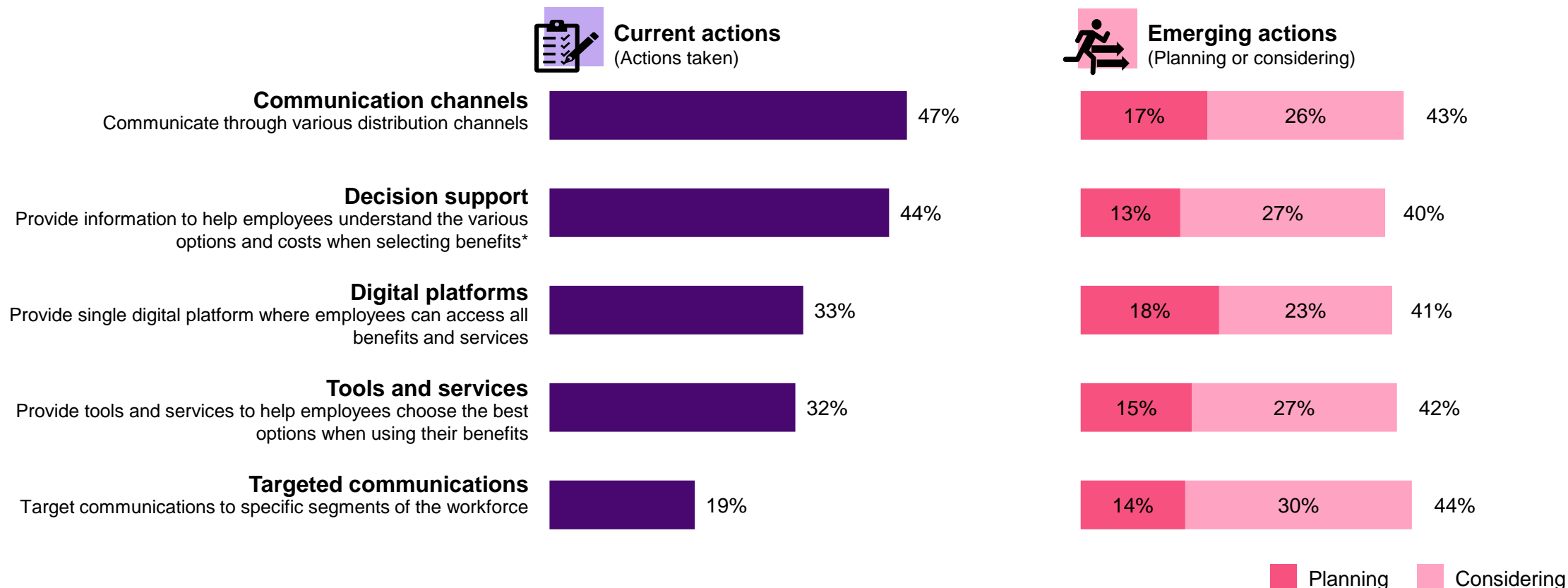
What are your organization's top health and wellbeing priorities over the next three years?



Source: WTW 2023 Best Practices in Healthcare Survey

Actions to enhance the employee experience of benefits

Employers plan to take actions across the board to enhance the employee experience



Q: Does your organization use any of the following to enhance the employee experience of benefits, or does it plan to do so in the next two years?

Note: * Not Belgium.

Source: 2023 Benefits Trends Survey, Global, Public Sector and Education

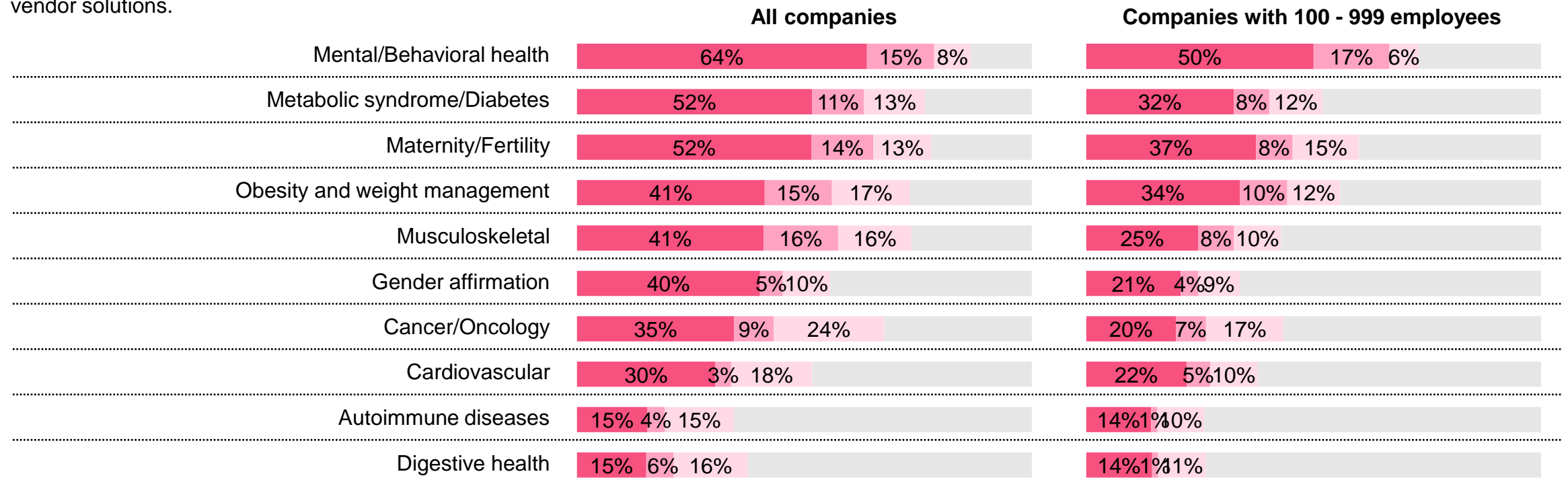
Clinical areas employers are targeting to improve member health

Cancer/oncology could see largest increase by 2025



Which of the following clinical areas has your organization acted on or planned to act on as a means of improving member health?


Actions can include revising medical or pharmacy benefits, evaluating your network strategy, offering enhanced navigation or adopting other medical management vendor solutions.

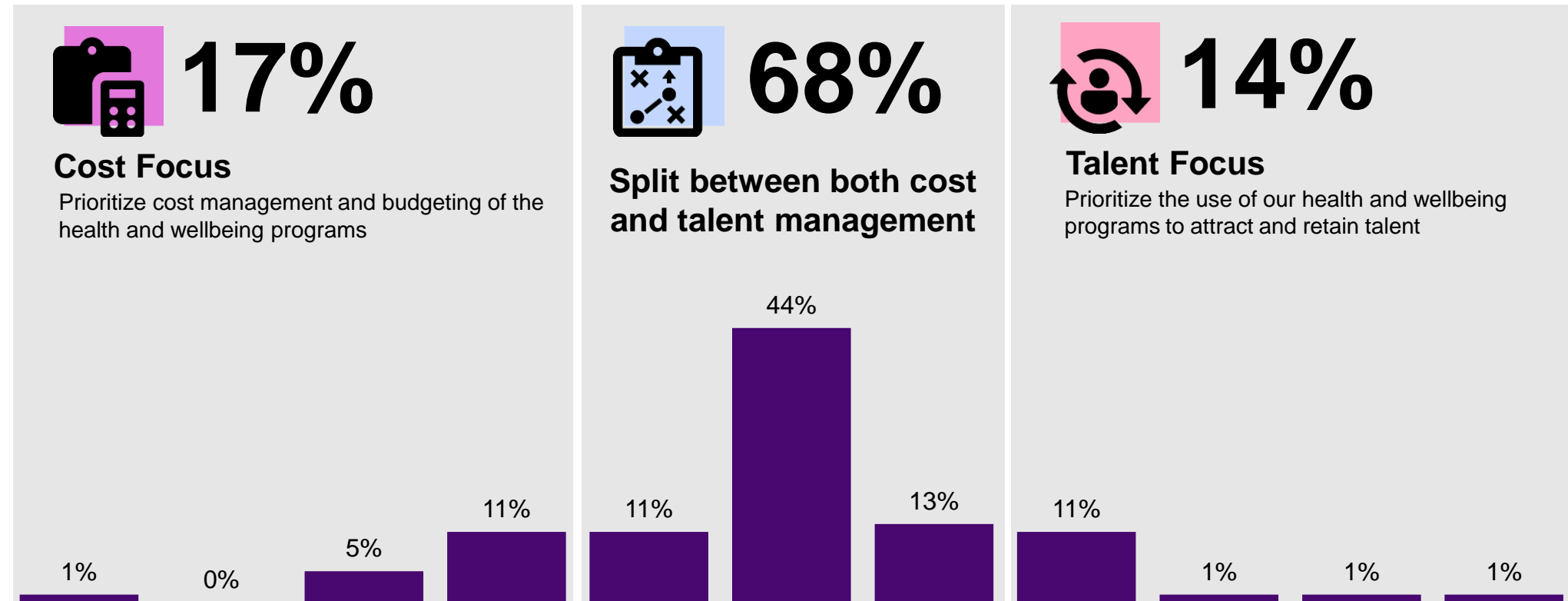


■ Action taken/Tactic used in 2023
 ■ Planning for 2024
 ■ Considering for 2025

Source: WTW 2023 Best Practices in Healthcare Survey

Despite clear cost pressures, most employers remain focused on balancing cost and talent needs

 To what extent is your company's health and wellbeing strategy focused on cost management (cost focus) or focused on enhancing the program to support your attraction and retention goals (talent focus)?



Note: Percentages may not sum up to 100% due to rounding.
 Source: WTW 2023 Best Practices in Healthcare Survey, Companies with 100 - 999 employees

Pharmacy

Major pharmacy trends

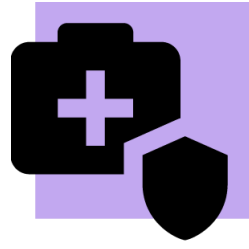
Pharmacy is a top area to manage costs



44%

(39% planning for 2024/2025)

Evaluate and address **specialty drug costs and utilization** that are paid through the medical benefit



31%

(19% planning for 2024/2025)

Have **plan coverage exclusions** or **higher cost sharing for high-cost/low-value medications**



20%

(24% planning for 2024/2025)

Provide coverage for **anti-obesity medications**; three-fifths (62%) of those that provide coverage have, will or are considering access restrictions



18%

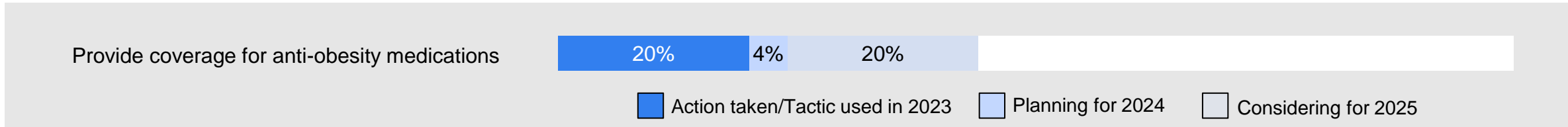
(16% planning for 2024/2025)

Require employees **to switch to biosimilars** when available by 2025

Source: WTW 2023 Best Practices in Healthcare Survey, Companies with 100 - 999 employees

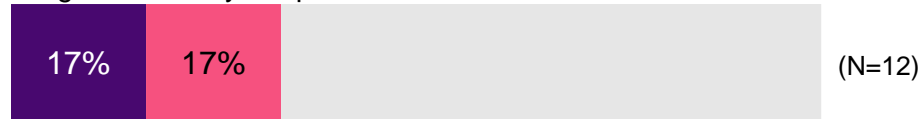
Coverage for anti-obesity medications

Majority of employers who provide coverage currently have or plan to adopt coverage restrictions

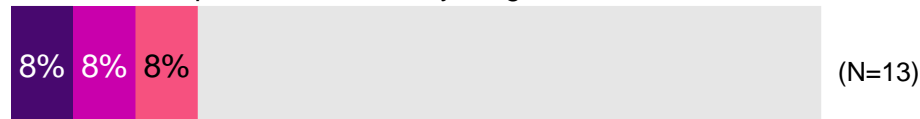


? Does your organization currently or plan to apply any of the following to your anti-obesity medication coverage?*

Adopt formulary restrictions to limit the number of anti-obesity drugs covered by the plan



Restrict access until attempt medically supervised diets or a trial of less-expensive anti-obesity drugs



Action taken/Tactic used in 2023
 Planning for 2024
 Considering for 2025

? What is the minimum level of BMI that your organization will approve access to anti-obesity medications?*

No BMI restriction



Between 27 and 34.9



Between 35 and 39.9

0%

40+

0%

Higher BMI requirement than FDA guidelines

Other

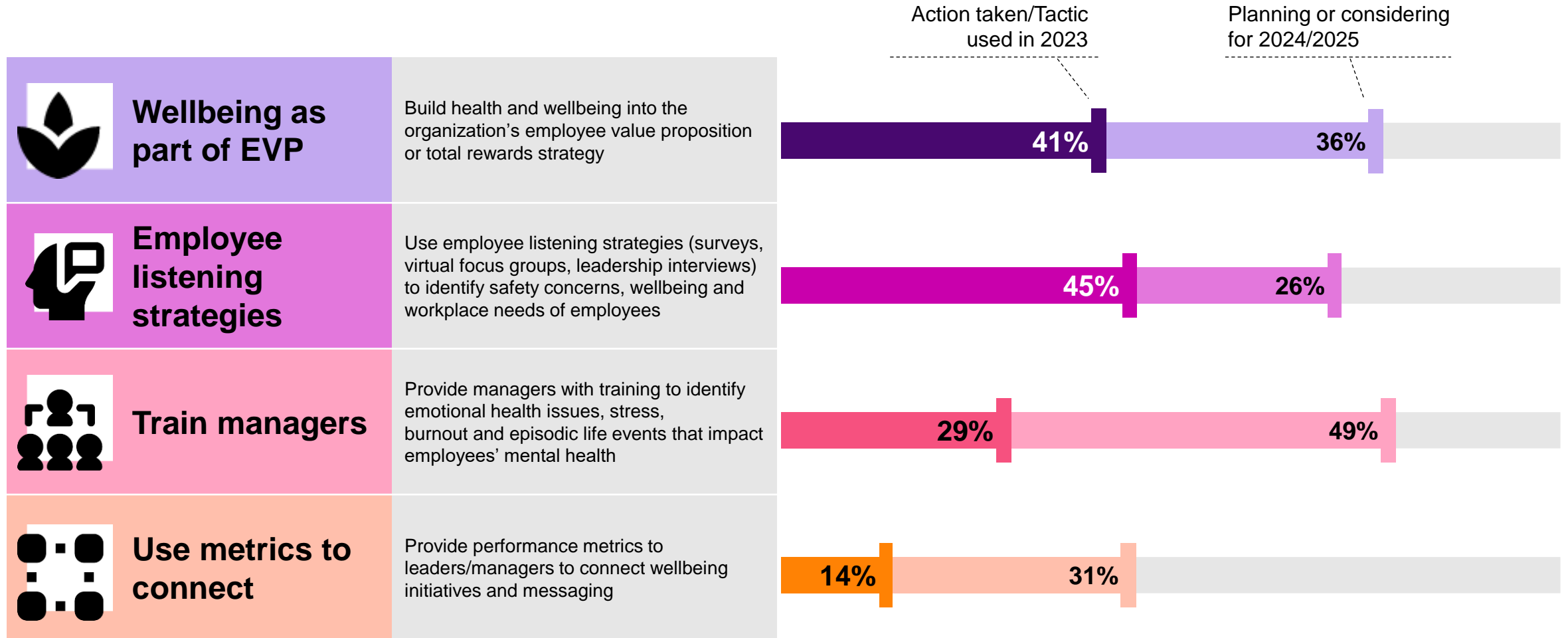


(N=12)

Note: *Based on respondents who have provided coverage for anti-obesity medications
 Source: WTW 2023 Best Practices in Healthcare Survey, Companies with 100 - 999 employees

Wellbeing

Employers move to integrate wellbeing into their culture



Source: WTW 2023 Best Practices in Healthcare Survey, Companies with 100 - 999 employees

Wellbeing

How does your wellbeing strategy impact your employee and business performance?



Why

Employee wellbeing has never been more critical.

28%

of employees have high social wellbeing scores, down from 41% pre-pandemic¹

The impact

to Employers:



Three times more highly engaged employees



Higher revenue per employee



Lower annual healthcare costs

to Employees:



Seven times fewer highly stressed employees



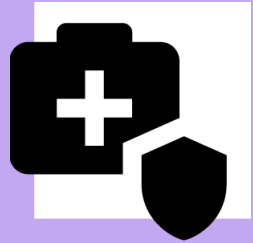
Fewer unexpected days missed per year



Less likely to work past 70

¹Source: 2022 Global Benefits Attitudes Survey, U.S.

Most employers offer a wellness platform to deliver programs and incentives today and don't plan to eliminate it in three years



51%

employers have offered a wellness platform to deliver programs and incentives at any point over the last three years

48%

Offer a wellness platform today.

3% have eliminated

44%

Offer a wellness plan today and plan to offer over the next three years

4% plan to eliminate over the next three years

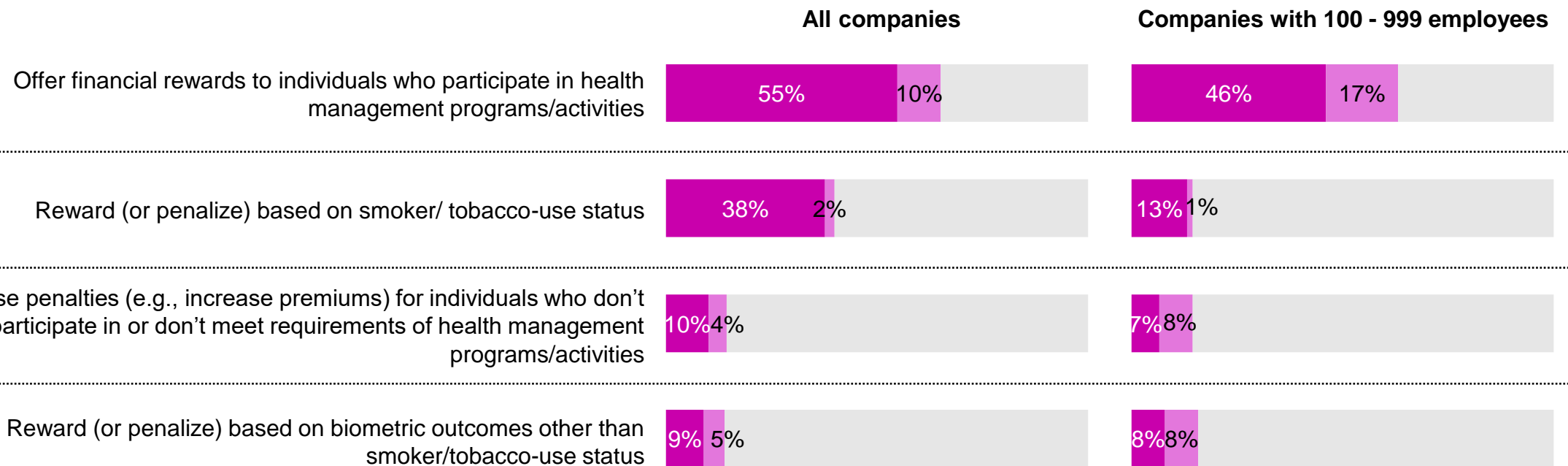
Notes: Based on all companies

Source: WTW 2023 Best Practices in Healthcare Survey, Companies with 100 - 999 employees

Employers use financial rewards to encourage healthy lifestyles



Which specific incentives does your organization have in place or plan to have in place over the next few years to encourage healthy lifestyles?



Source: WTW 2023 Best Practices in Healthcare Survey

■ Action taken/Tactic used in 2023 ■ Planning or considering for 2024/2025

Wrap up and questions

What does it all mean?

As employers:

- Prepare for higher healthcare costs than you've seen in the recent past
- Find ways to engage your employees to retain talent
- Review claims and utilization to see if there are areas that need extra attention, e.g., cancer screenings, diabetes, musculoskeletal, weight loss

