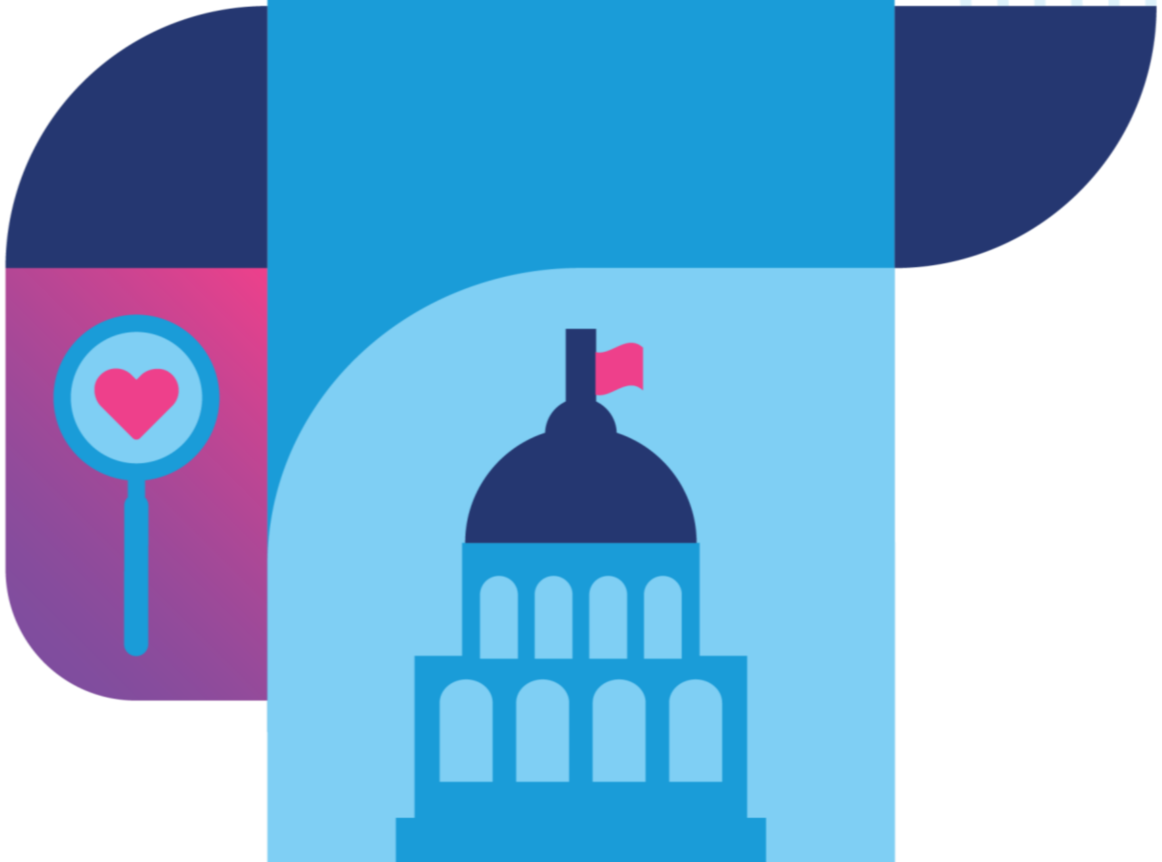
MarshMcLennan Agency

2025 Employee Health & Benefits Trends

Your future is limitless.℠

Table of contents



•Executive summary

Preparing for another year of uncertainty.

Halfway through a decade characterized by a succession of unprecedented events on the national and global scale, organizational leaders have come to expect the unexpected.

Immense pressure has been placed on employers to choose wisely and hedge their bets because of:

- The social complexities of today's workplace
- The expansion of AI in organizations
- The shifting landscape of pharmaceuticals
- The rising cost of health care

4 key themes for 2025

Bridging the generation gap

Harnessing the power of today's intergenerational workforce is mission-critical to organizational success and well-being.

Unretirement and Boomers' return to the workplace will continue to change workplace demographics for years to come.

As age gaps of 40 to 50 years between colleagues become more common, organizations must help employees find common ground and share their experience-specific insights and skills with one another.

How can employers work to bolster the multigenerational workforce?

Keeping up with the AI revolution

AI has already transformed how organizations function and will continue to drive change in all areas of the workplace.

AI holds the potential to help employers improve productivity and support employees in critical roles, but organizations should carefully plan when and how to use AI.

Organizational leaders face the double challenge of developing internal best practices and ethical guidelines for AI as well as anticipating forthcoming state and federal regulations of the technology.

How can organizations use AI to remain competitive and improve organizational functioning?

Rx reset

Employers are reconsidering their approach to pharmaceutical spending.

PBMs face scrutiny for opaque pricing models and their role in rising pharmaceutical costs.

Employers are reconsidering their PBM relationships and seeking more transparent alternatives.

Biosimilars are emerging as a potential solution, offering lower-cost options to high-priced drugs.

How can employers optimize pharmaceutical spending, and improve their employees' access to medication?

The (ever) rising costs of care

There's no end in sight to rising health care costs. Health care costs remain a significant challenge, driven by inflation, new treatments, and an aging population.

Cost-shifting strategies are growing, with some large employers considering transferring more health care costs to employees.

Employers are seeking solutions such as self-insurance and stop-loss protections to mitigate rising costs.

How can employers keep up with ballooning health care costs?

TREND # 1

Bridging the generation gap

Meet the Generations

from Boomer to Zoomer

Generations at a glance

	Boomer	X	Y	Z
Born	1946–1964	1965–1980	1981–1996	1997–2012
Ages	78–59	58–44	43–28	27–12
% of global population	21%	20%	22%	21%
% of U.S. workforce	15%	31%	36%	18%
Aspiration	Job and health security	Work-life balance	Freedom and flexibility	Security and stability
Motivated by	Company loyalty, teamwork, duty	Diversity, work-life balance, personal-professional interests rather than the company interests	Responsibility, quality of their manager, unique work experiences	Diversity, personalization, creativity, individuality
Career perspective	Achievement comes after paying one's dues; sacrifice for success	Quick to move on if employer does not meet their needs; resistant to change at work if it impacts their personal lives	Seeking challenge, growth, and development; a fun work-life balance; likely to leave a workplace if it isn't willing to change	Value stability, independence, individuality, and diversity; innovative coworkers; concerned about the future
Communication preference	More formal; in-person or phone call	Informal but direct style; email and text messages	Frequent and timely feedback; text and chat messages	In-person preferred; video calls[1,2]

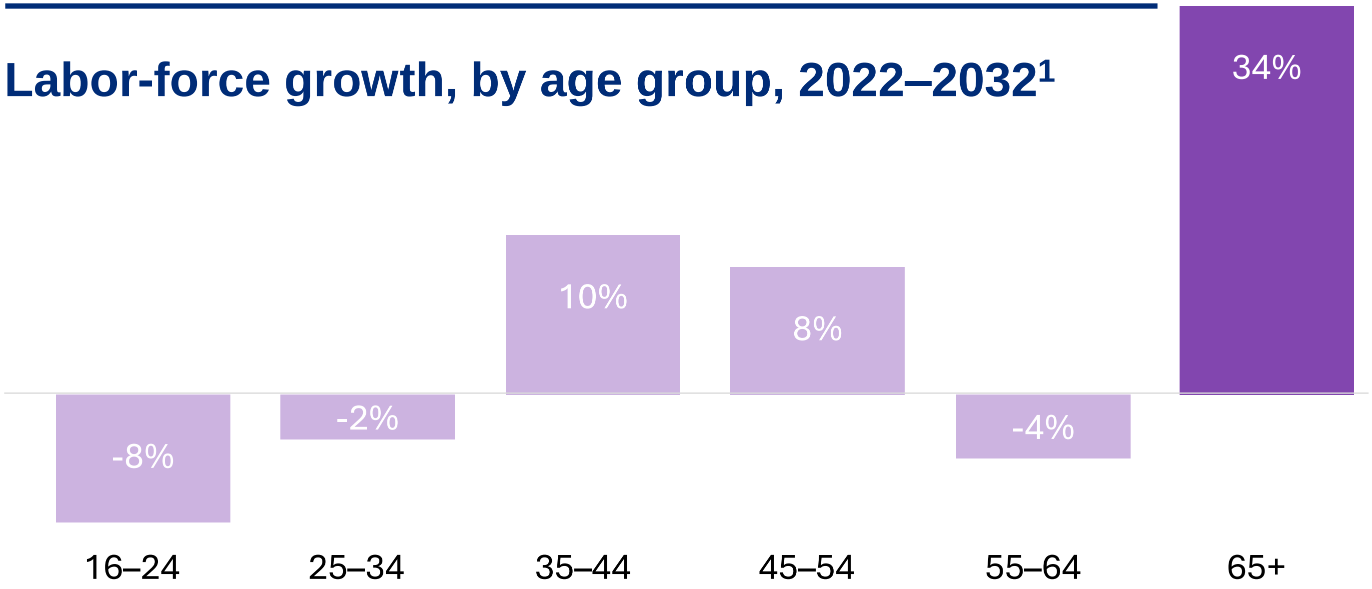
Sources: 1. **Trendlines.** *Changes in the U.S. Labor Supply*. Trendlines, 2024. 2. **Statista.** *Population Distribution in the United States in 2023, by Generation*. Statista, 2023.

The new landscape of aging in the workforce

Workers are remaining in the workforce longer than ever before.

As Boomers continue to postpone retirement or unretire, the share of workers over 65 is expected to increase by 34% by 2032. In fact, workers over 65 are the fastest-growing segment of the labor force.[1,2]

Labor-force growth, by age group, 2022–2032[1]



Sources: 1. **Harvard Business Review.** *Redesigning Retirement*. HBR, 2024. 2. **ASA.** *Workforce Monitoring Study 2024*. ASA, 2024.

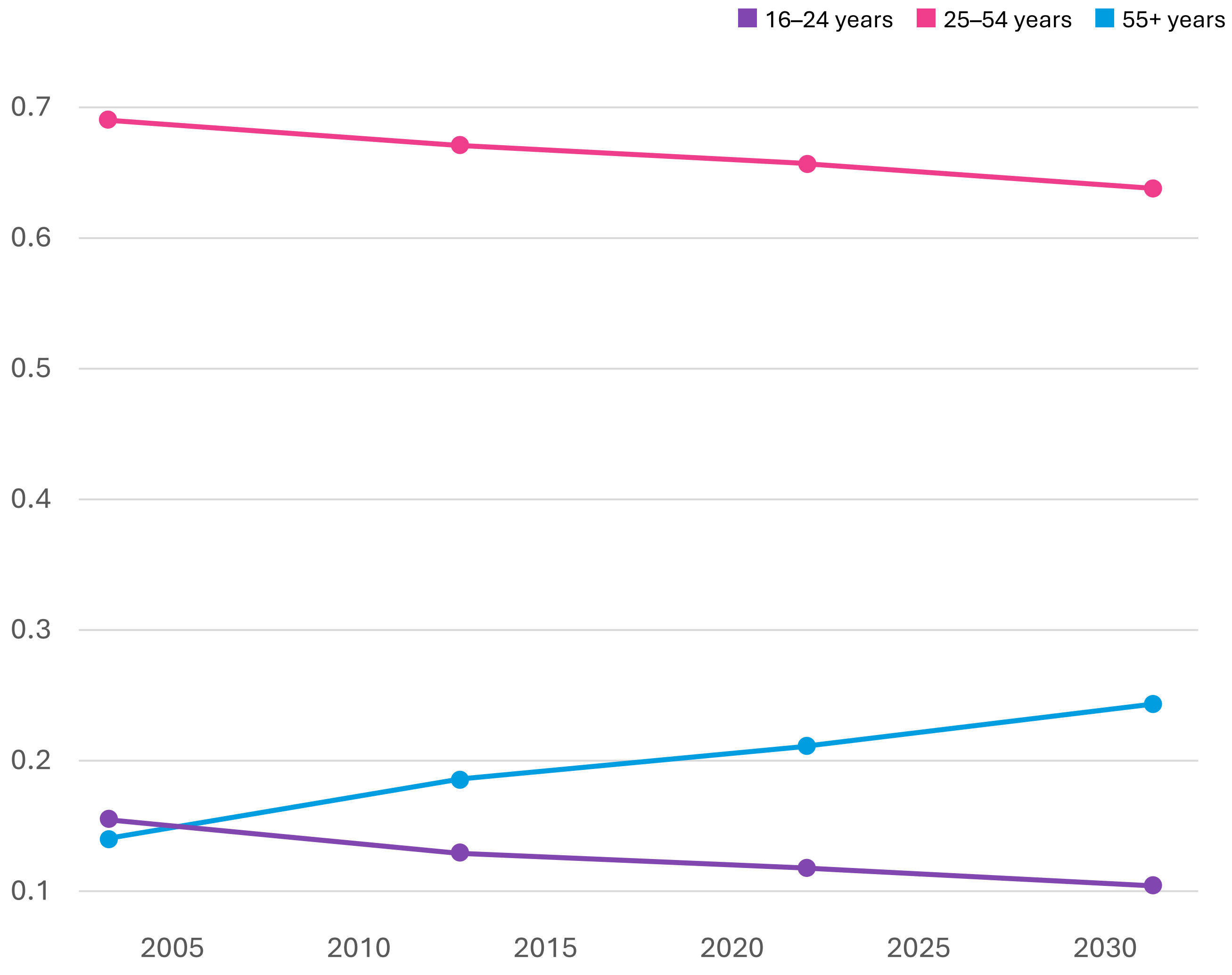
Age diversity will continue to grow in the workforce.

As people continue to retire later or reenter the workforce after retirement, **age gaps of 50+ years between employees will become more common.** The generational mix isn't going anywhere.

Fostering intergenerational understanding and collaboration will be integral to maintaining good levels of organizational health and employee morale.[2]

Sources: 1. **Bureau of Labor Statistics.** *Employment Projections*. BLS, 2024.
2. **World Economic Forum.** *Age Diversity Will Define the Workforce of the Future. Here's Why*. WEF, 2024.

Projected labor force share by age group (2003–2033)[1]



Benefits and the generations

Preferred benefits at a glance

BOOMER

- Comprehensive health care plans
- Workplace flexibility
- Retirement benefits and support with financial planning for retirement
- Wellness benefits and discounts

X

- Remote work benefits
- Flexible scheduling
- Caregiving benefits
- Retirement planning

Y

- Flexible scheduling
- Remote work benefits
- Student loan repayment
- Financial planning assistance
- Ongoing training and development
- Family leave and childcare benefits
- Fertility benefits

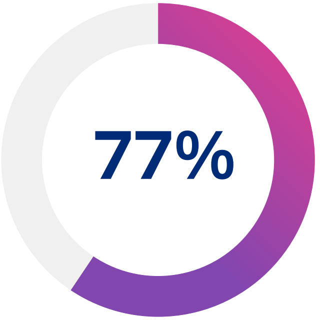
Z

- Comprehensive health care plans
- Health Savings Accounts and Flexible Spending Accounts
- Holistic health and well-being benefits, particularly mental health benefits
- Financial planning assistance
- Tuition reimbursement
- Flexible scheduling
- Remote work benefits [1,2,3]

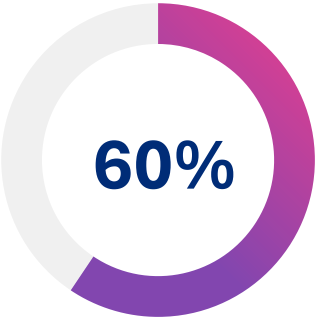
Sources: 1. **Benefitfocus.** *2024 State of Employee Benefits Report*. Benefitfocus, 2024. 2. **Aflac.** *Workplace Benefits Trends 2022-2023*. Aflac, 2023. 3. **Voya.** *Voya Survey Finds One-Third of American Workers Don't Understand the Benefits They Selected During Open Enrollment*. Voya, 2023.

Voluntary benefits are a hit with employees of all ages.

All generations of the workforce take advantage of voluntary benefits, and the majority view them as a highly attractive offering when considering a new job.



say they're more likely to work for an employer who offers voluntary benefits, such as critical illness insurance, hospital indemnity insurance, disability, or accident insurance.

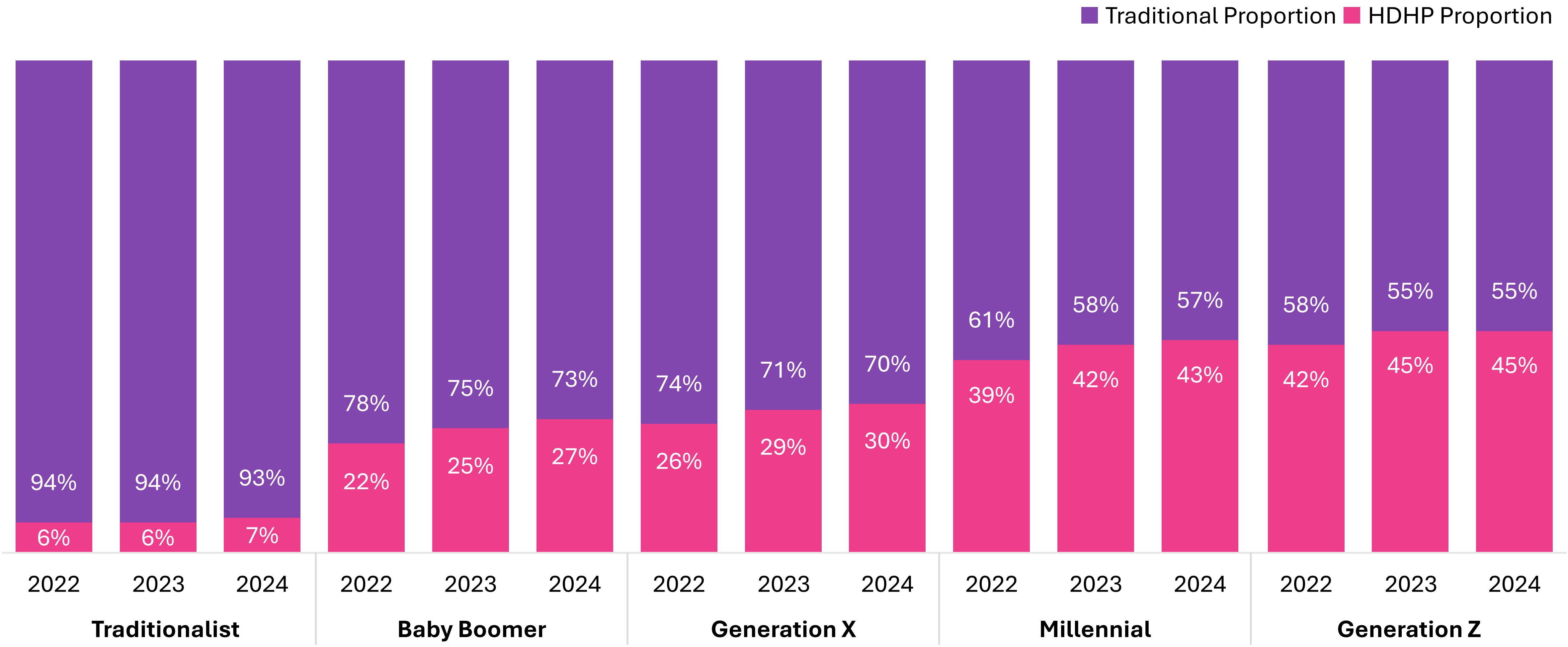


of employees say their voluntary benefits make them feel more confident in their financial security.

Sources: 1. **Benefitfocus.** *2024 State of Employee Benefits Report*. Benefitfocus, 2024.

Employee health plan participation

Year-over-year generational participation when both traditional and HDHPs are offered, plan years 2022–2024



Sources: 1. **Benefitfocus.** *2024 State of Employee Benefits Report*. Benefitfocus, 2024.

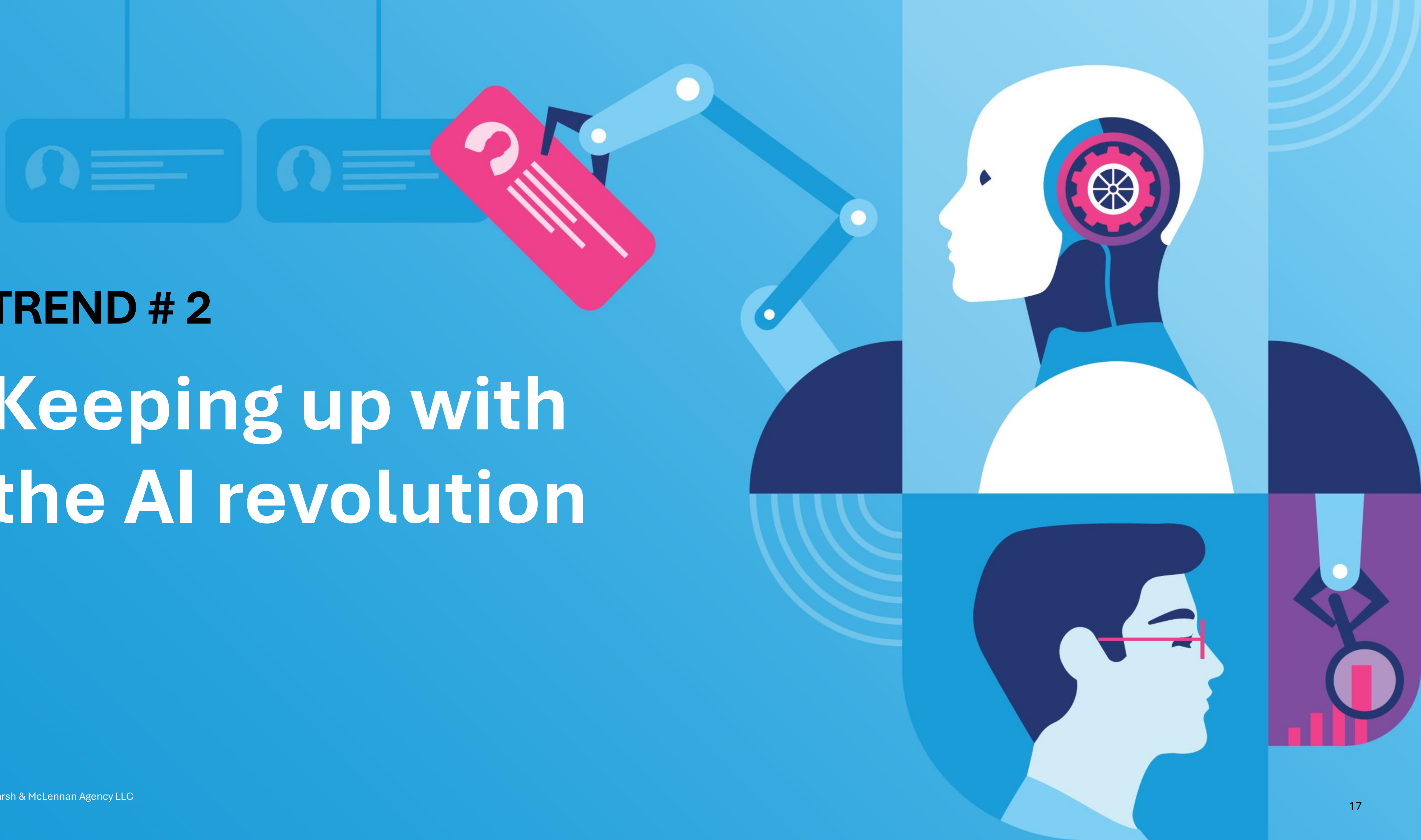
Employees from different generations bring diverse experiences, preferences, and expectations to their roles, which can significantly impact engagement, productivity, and retention.

Employers who take the time to analyze their employee base and tailor strategies accordingly—whether through voluntary benefits that appeal to specific age groups, personalized communication strategies, or flexible work arrangements—position themselves as organizations that value their people.

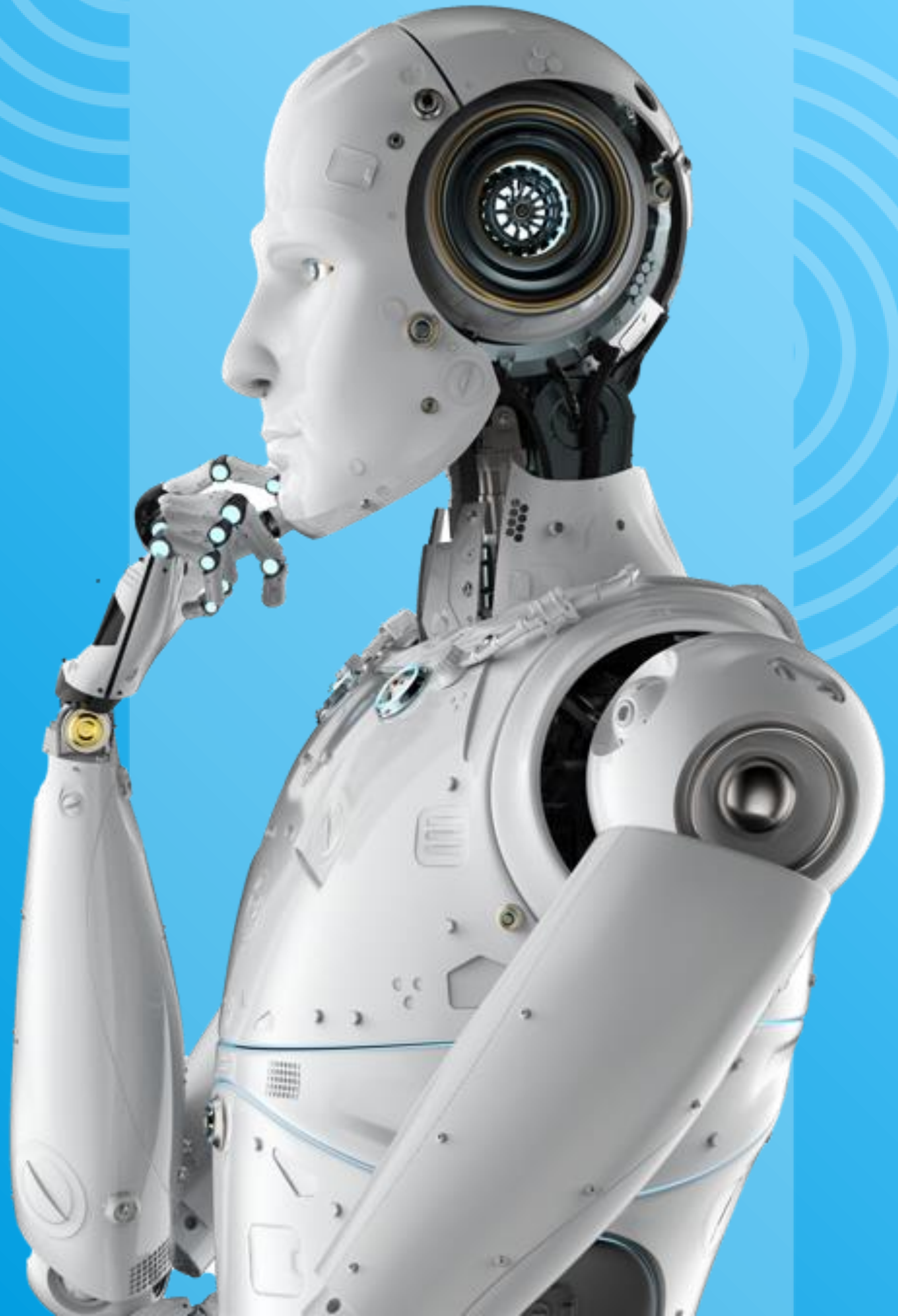
This approach not only addresses generational differences but also fosters a culture of inclusion where every employee can feel seen and supported.

TREND # 2

Keeping up with the AI revolution



Meet AI in the workplace



AI: defined

AI is an umbrella term for technologies that enable computers to learn, think, recognize patterns, and make decisions by analyzing large amounts of data.

Generative AI creates new content based on patterns learned from data to support creative or content-heavy tasks.

Decision intelligence refers to AI that helps organizations make data-driven decisions using predictive modeling and data analysis.

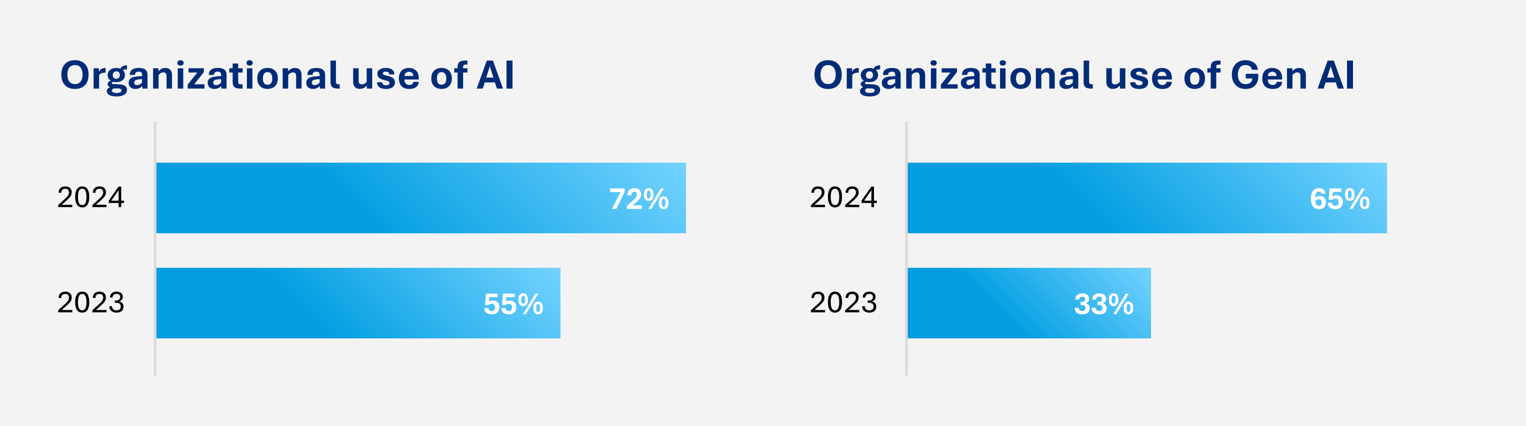
Machine learning algorithms help businesses analyze data, recognize patterns, and make predictions.

Predictive analytics uses statistical techniques and machine learning to forecast future trends based on historical data.

GPT (Generative pre-trained transformer) is an AI model that generates human-like text by learning patterns from large amounts of data. GPTs are able to write unique text, respond to questions, and carry on conversations.

All aboard the AI train

The arrival of AI and generative AI represents a significant turning point for organizations. While the technology is still in its earliest stages, its use is expanding rapidly. **Between 2023 and 2024, the number of employees whose organizations use generative AI nearly doubled.**[1]



Executives and HR leaders are under immense pressure to increase their adoption of AI—***nearly half of all executives* believe that their organization's survival depends on implementing AI and emerging tech.**[2]

Sources: **1. Mercer.** Global Talent Trends 2024. Mercer, 2024. 2. **Research Fielded by MMA in December 2024**. "How confident are you in using AI to improve your work life or role?" **3. McKinsey.** The State of AI in Early 2024: GenAI Adoption Spikes and Starts to Generate Value. *McKinsey*, 2024.

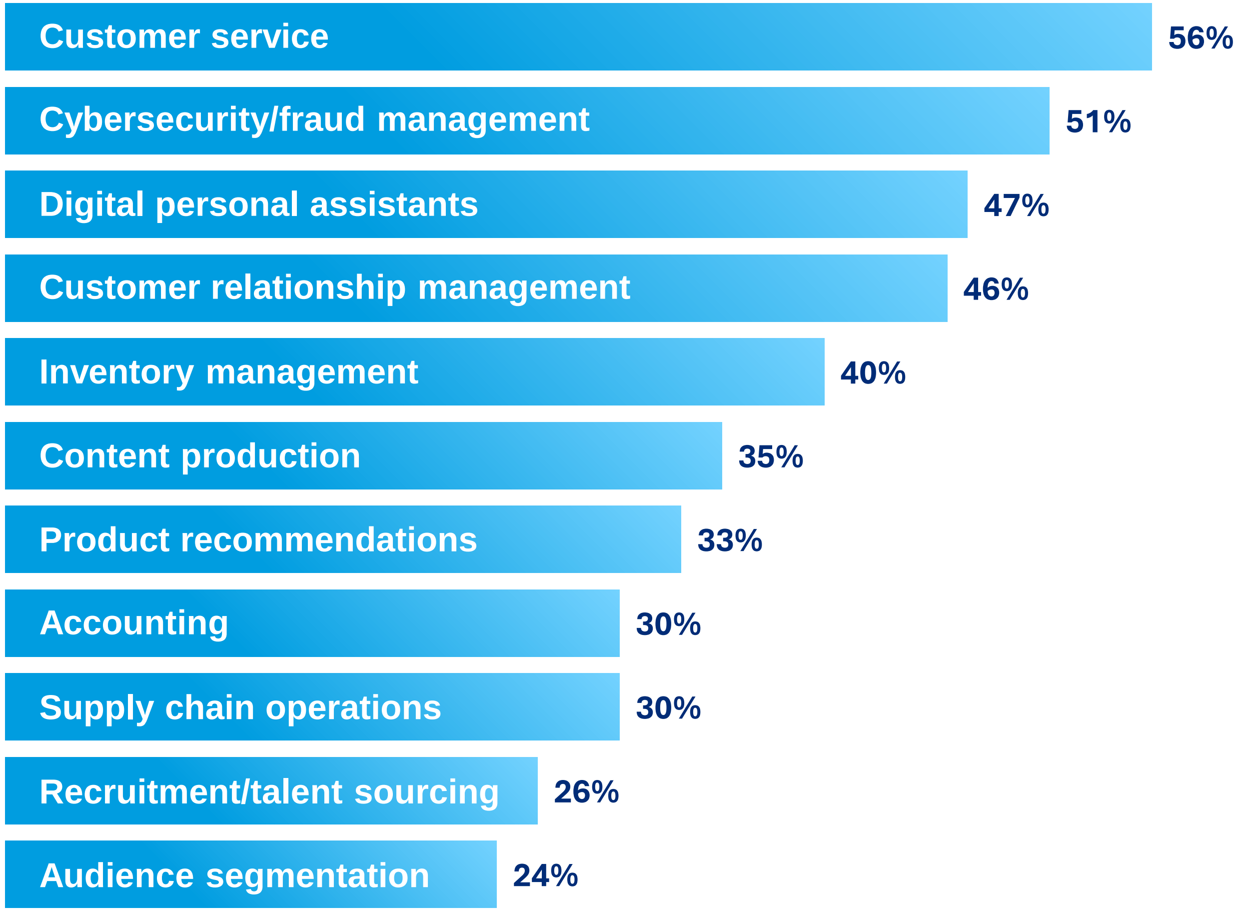
48%

of executives report that their companies will not remain in business past 2030 without AI and other emerging technologies.[1]

72%

of employees express confidence (very or extremely) in using AI to enhance their work life or role.[2]

How do organizations currently use (or plan to use) AI



We've had some very specific trainings on how to use AI in our day-to-day jobs. It's in some expected places, like the marketing team leveraging GPT in their emails and communications, streamlining our grant reviews and automating job application processes. Suddenly, there's an explosion of tools that truly will allow us to streamline processes and lighten the workload. But our company has also used it in unexpected ways. They implemented an innovative program for our automotive service technicians to give customers a real-time play-by-play of their car being serviced. AI has allowed those workers to become more effective communicators and has helped build goodwill with customers with the increased transparency and information

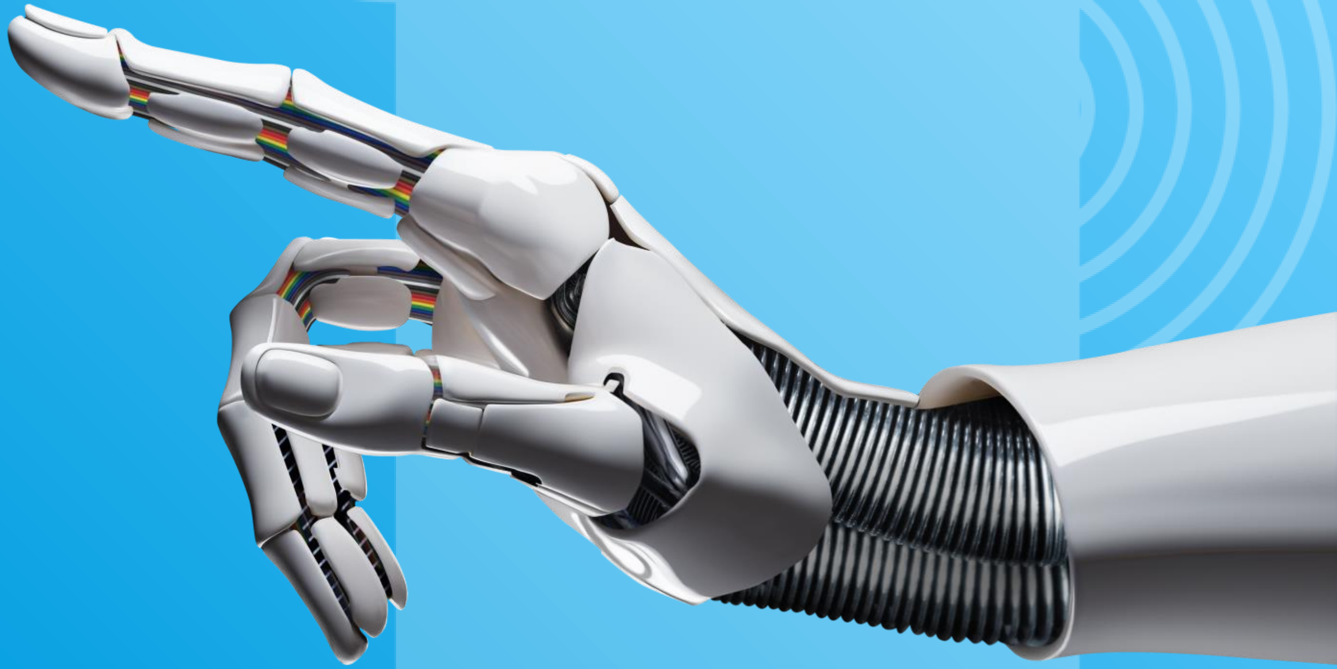
Nancy, Gen X, Minneapolis, Automotive Sales Group

Sources: 1. **Forbes**. *How Businesses Are Using Artificial Intelligence in 2024*. Forbes, 2024.

Emerging uses for AI in HR

Predictive analytics for turnover and other employee metrics	Scenario modeling in workforce situations	Employee well-being programs
Immersive training with virtual reality simulations	Personalized career pathing	Bias mitigation
Continuous feedback loops for performance	Enhanced learning and development programs	Skills gap analysis
Sentiment analysis tools	Evaluating market trends for performance	Compliance analysis for compensation, retirement plans, and ACA

Understanding AI's Impact on HR



Nevertheless, HR leaders have reservations about implementing AI.

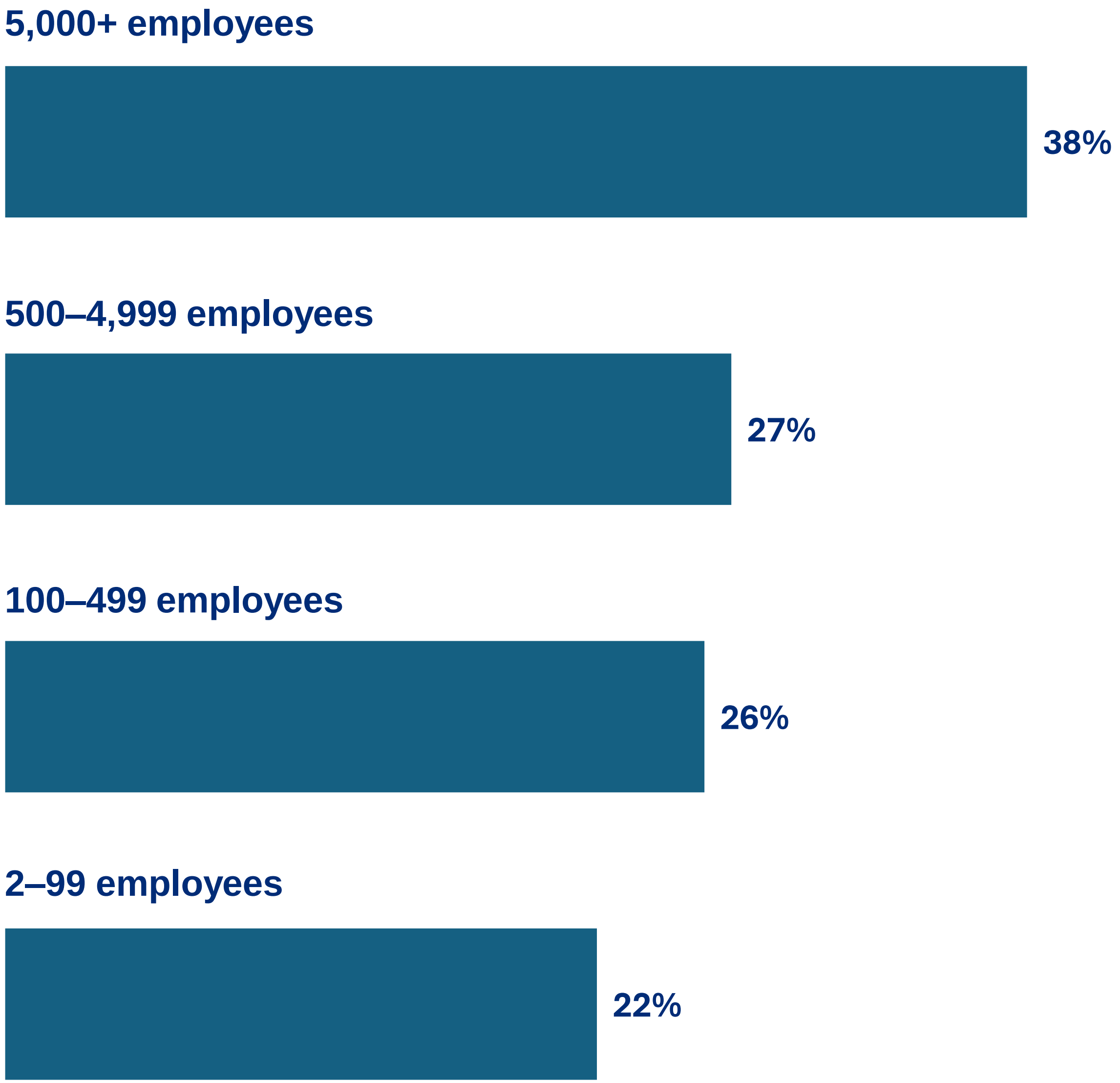
They report being **concerned about the transparency and trustworthiness** of decisions made by AI.

They also report **“not knowing where to start”** when it comes to implementing this technology in a way that delivers value.

Despite these hesitations, **76% of HR leaders believe that their companies risk compromising organizational success if they fail to adopt generative AI in the next 1 to 2 years.**[2]

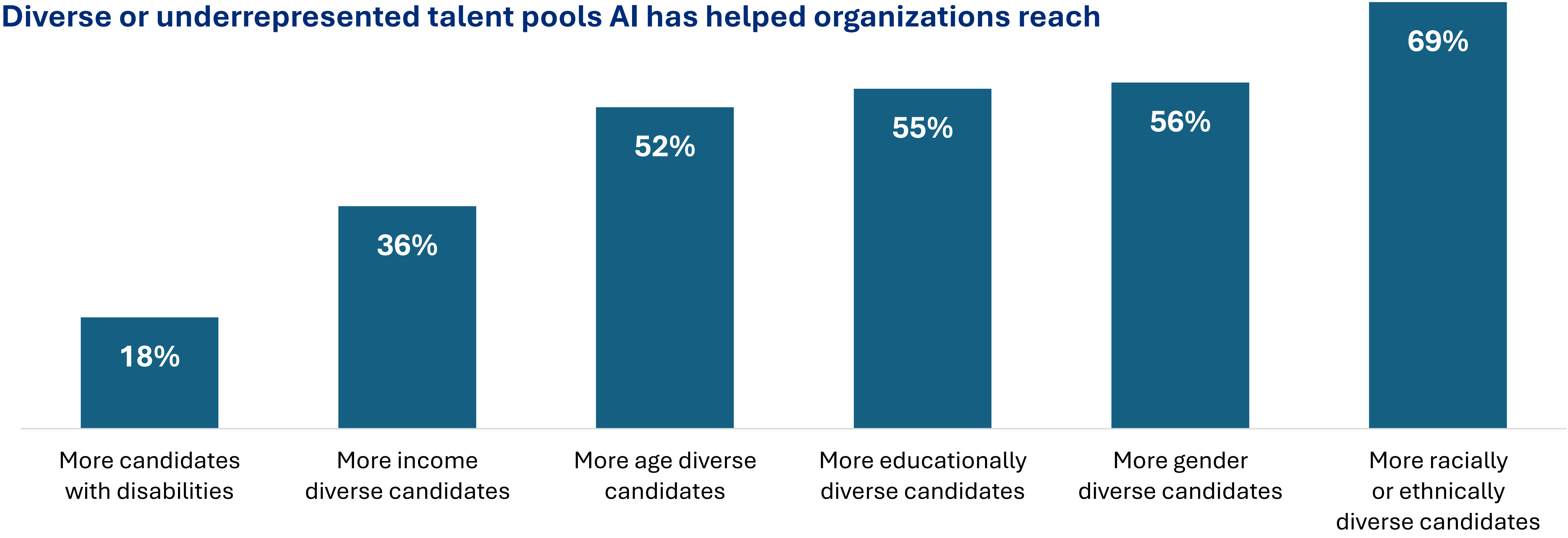
Sources: 1. **SHRM**. *2024 Talent Trends.* SHRM, 2024. 2. **Gartner.** *Top 5 Priorities for HR Leaders in 2024*. Gartner, 2024.

Current AI use by HR[1]



HR employees report that AI’s benefits go beyond efficiency gains: Nearly 1 in 3 report that AI has improved the diversity of their organization’s new hires.

Diverse or underrepresented talent pools AI has helped organizations reach



Sources: 1. **SHRM**. *2024 Talent Trends*. SHRM, 2024.

Talent, collaboration, and implementation

HR and the C-suite must be in sync.

Human resources and C-suite executives must work to strengthen ties and align visions as they lay the groundwork for integrating AI into their organizations.

Digitally-advanced organizations are leading the charge on this collaboration: nearly half of CHROs in digitally advanced organizations have partnered with executive decision-makers.

Only 31% of CHROs at organizations at the beginning of their digital journey have entered into these collaborative partnerships.[2]

68%

of executives report that the "benefits of generative AI outweigh the risks."[1]

60%

of HR leaders reported feeling uncertain about generative AI's impact on their practices.[1]

22%

of HR leaders report being "highly engaged in enterprise-wide discussions on GenAI."[1]

Sources: 1. **Gartner.** *Top 5 Priorities for HR Leaders in 2024*. Gartner, 2024. 2. **ServiceNow**. *Employee Experience Trends 2024*. ServiceNow, 2024.

It's important for the C-suite to understand HR's priorities, and vice versa, to establish ethical frameworks for AI, assess and mitigate risks, and develop implementation plans.

Failure to build strong relationships between HR Leaders and high-level executives jeopardizes the effectiveness of organizational AI initiatives.

How HR leaders and CIOs collaborate to maximize use of technology	Advanced	Beginner	All
1. Support innovation and digital transformation initiatives	62%	50%	59%
2. Align technology strategies with HR goals	56%	44%	49%
3. Increase utilization and adoption of existing technology investments	44%	40%	47%
4. Automate HR and IT cross-departmental employee processes	48%	39%	46%
5. Reduce people costs through technology	43%	43%	43%
6. Evaluate and select software and digital solutions	45%	22%	40%

Sources: 1. **ServiceNow**. *Employee Experience Trends 2024*. ServiceNow, 2024.

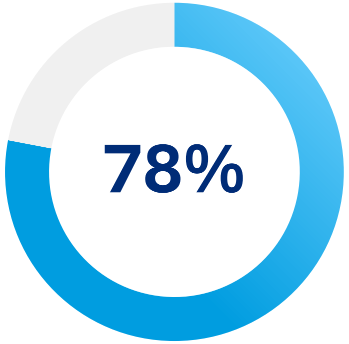
Regulations, roadblocks, and risks

Anticipating regulation, preparing for compliance

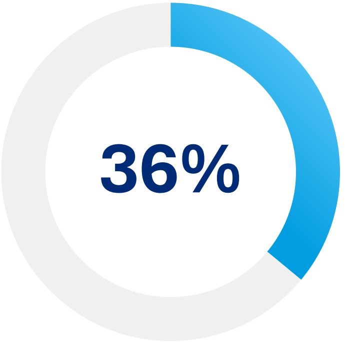
Most business leaders agree that government regulation of AI is necessary, and the consensus is that state and/or federal regulation of the technology is a forthcoming inevitability. Organizations are working to anticipate how this regulation may look in order to get a head start on compliance.

Executives and HR leaders are also working to define internal ethics guidelines governing how their organizations will use AI. Among the most important policies being defined by organizations is how employee data will be used to train generative AI models.

of organizations report that they are working on forecasting and assessing future regulatory guidelines in the United States.



of executive leaders agreed that more governmental regulation of AI is necessary.



of organizations cite concerns about regulatory compliance as a primary roadblock to developing and implementing AI.

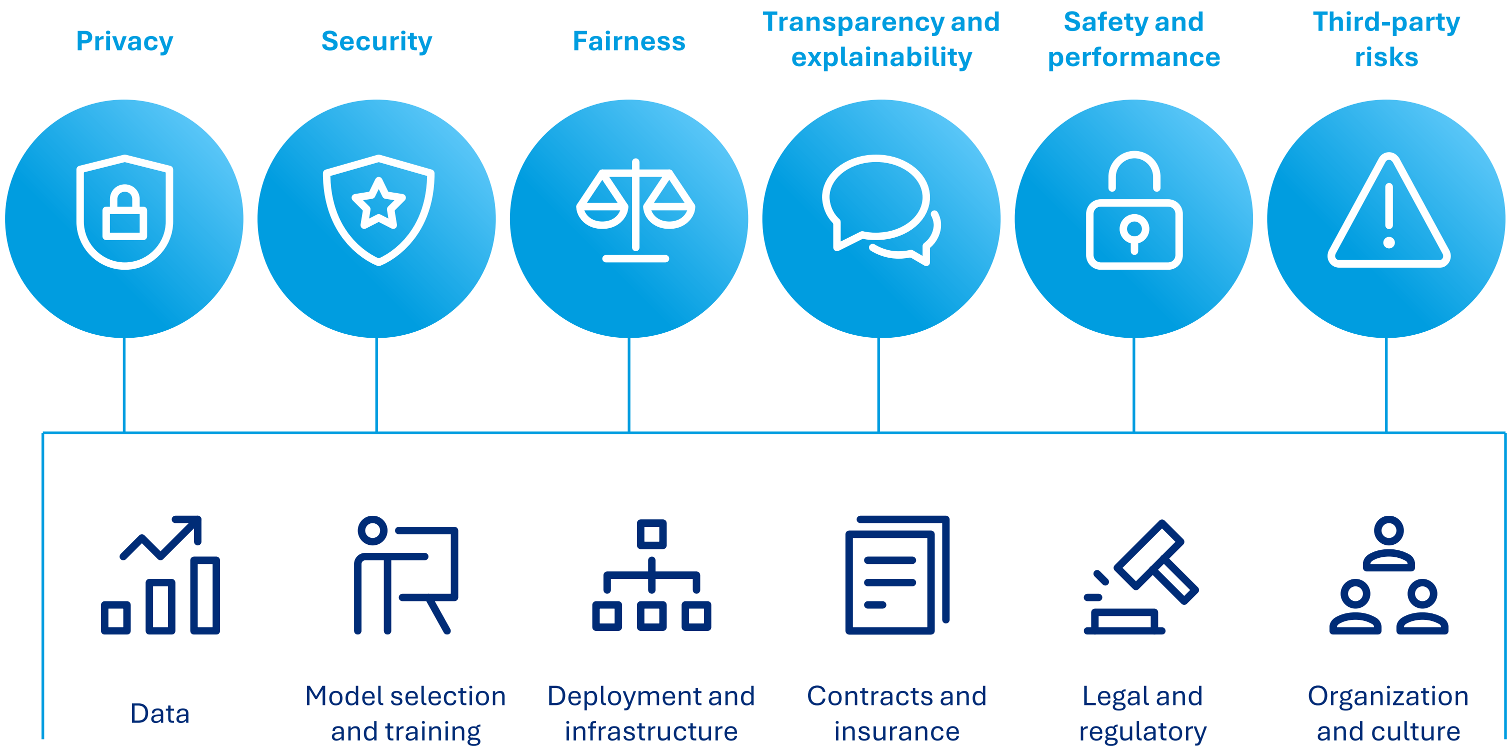
Sources: 1. **Deloitte.** *State of Generative AI in the Enterprise Quarter Three Report*. Deloitte, 2024.

Risks of AI

Organizations using AI must conduct thorough and regular audits across primary risk categories, and develop targeted KPIs to monitor progress in managing these risks.[3]

Over 40% of organizations report difficulties in defining KPIs and measuring the impact of their AI initiatives.[1]

A systematic approach to identifying AI risks examines each category of risk in each business context.[2]



Sources: 1. **Deloitte.** *State of Generative AI in the Enterprise Quarter Three Report*. Deloitte, 2024. 2. **McKinsey.** *Getting to Know—and Manage—Your Biggest AI Risks*. McKinsey, 2021. 3. **Blue River.** *Measuring the Success of AI Transformation: Key Metrics and KPIs*. Blue River, n.d.

AI is an incredible tool for the human resources department, but it's imperative for HR leaders to collaborate closely with IT to ensure that the AI tools they use are secure and maintain confidentiality.

The potential risks of exposing sensitive information, such as compensation data, in unsecured environments cannot be overstated.

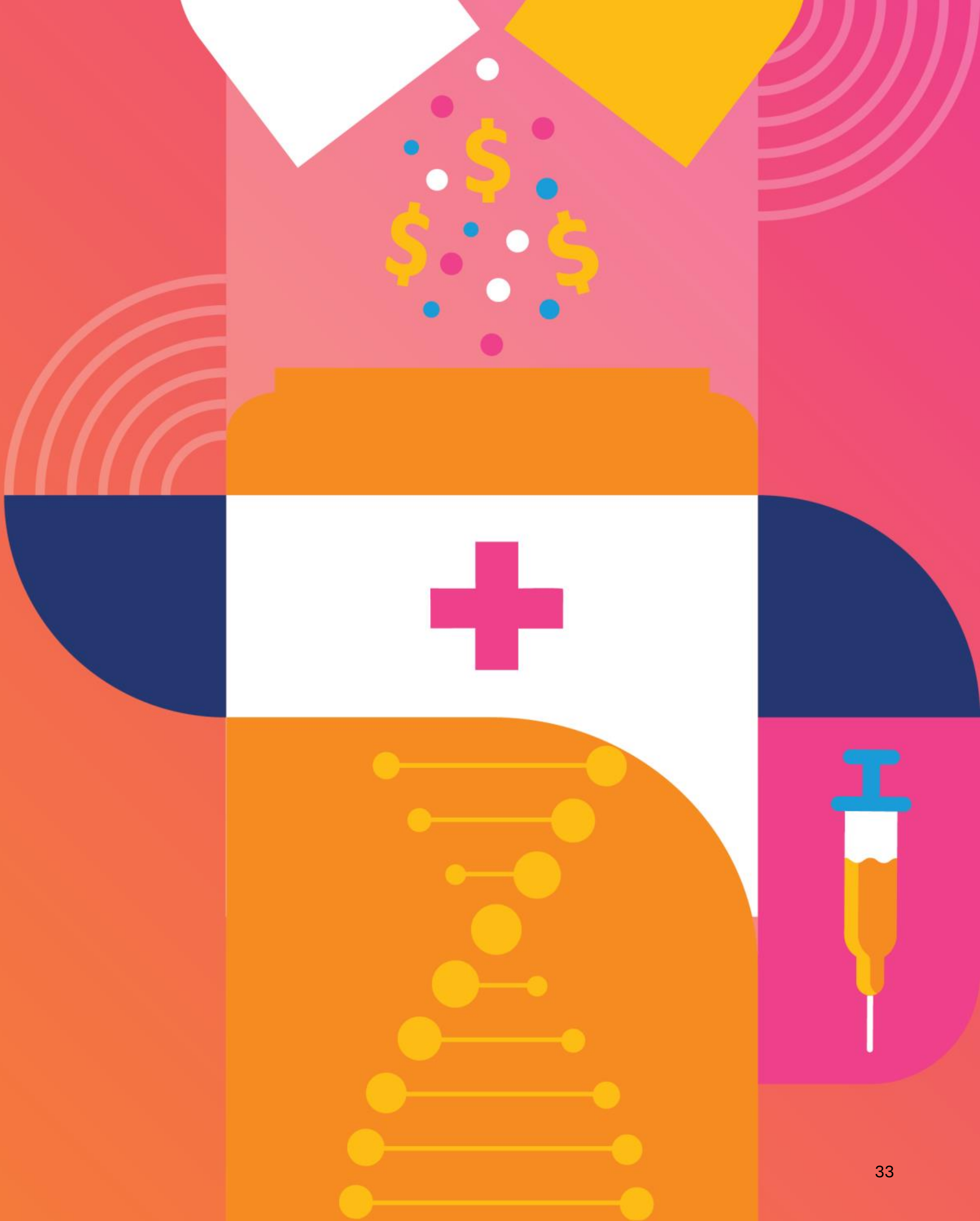
If such data were to inadvertently become public, it could inflict irreparable harm on the organization. While AI offers numerous opportunities for HR to enhance calculations, research, and employee data comparisons, leveraging these technologies in open forums poses significant risks that must be carefully managed.

Organizations should also prioritize clear communication with their employees to foster a successful integration of AI.

It's essential to articulate the company's position on AI and share the strategic direction transparently. This approach empowers employees to embrace AI, enhance their skills, and prepare for future needs within the organization.

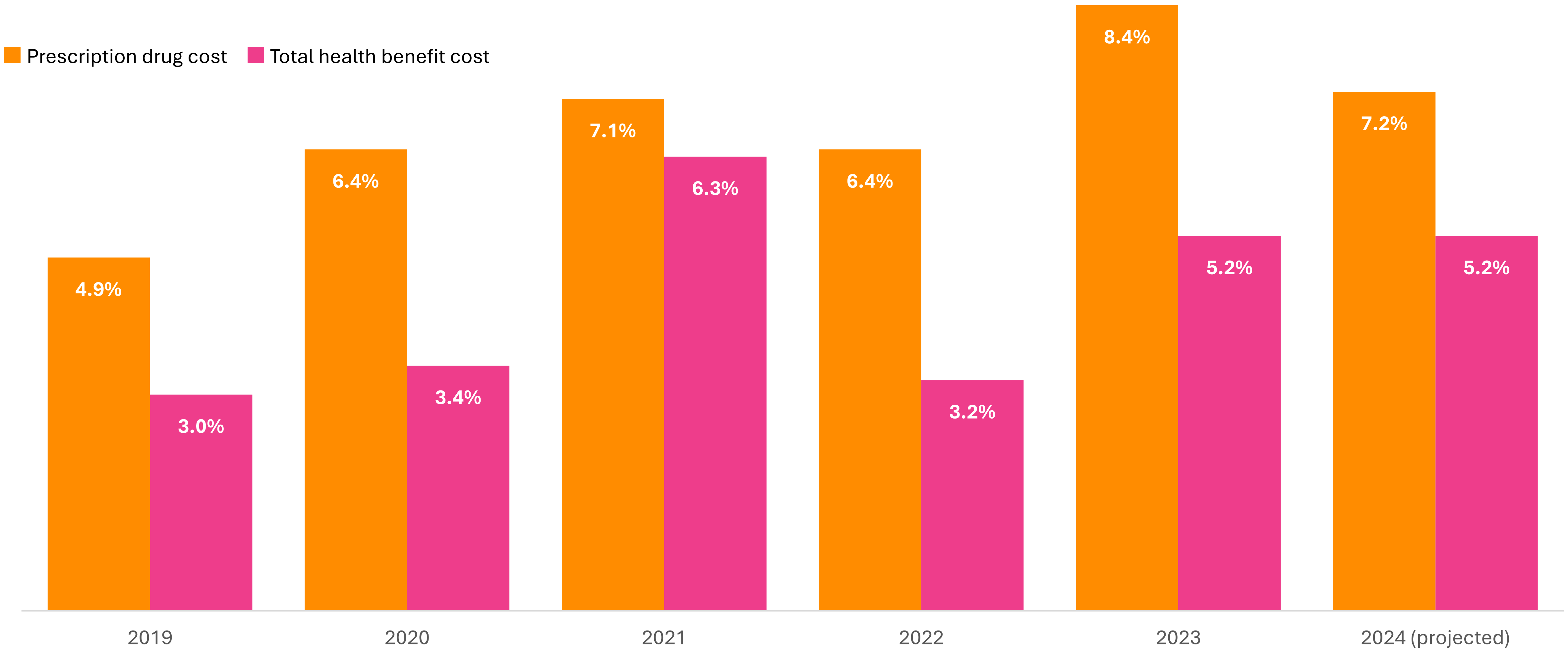
TREND #3

Rx reset



Pharmaceutical costs are the biggest driver of health care costs.

Average annual change in cost per employee



Source: **Mercer**, *National Survey of Employer-Sponsored Health Plans*, **Mercer** 2023,

PBMs under the microscope

PBMs: key concepts

While PBMs may emphasize transparency as a core principle, the reality is more complex. **Many PBMs present their pricing models in a way that obscures the costs associated with medications,** including hidden fees and rebates that can significantly impact overall expenses. This lack of clarity can lead employers to believe they are receiving better deals than they are, ultimately challenging the transparency PBMs claim to uphold.

Transparency means having clear, accessible, and detailed information about all the components that contribute to the overall cost of health care services. This includes what the PBM paid to a pharmacy for each drug, how much the PBM received in revenue for each prescription, and the cost of each component of any fees.

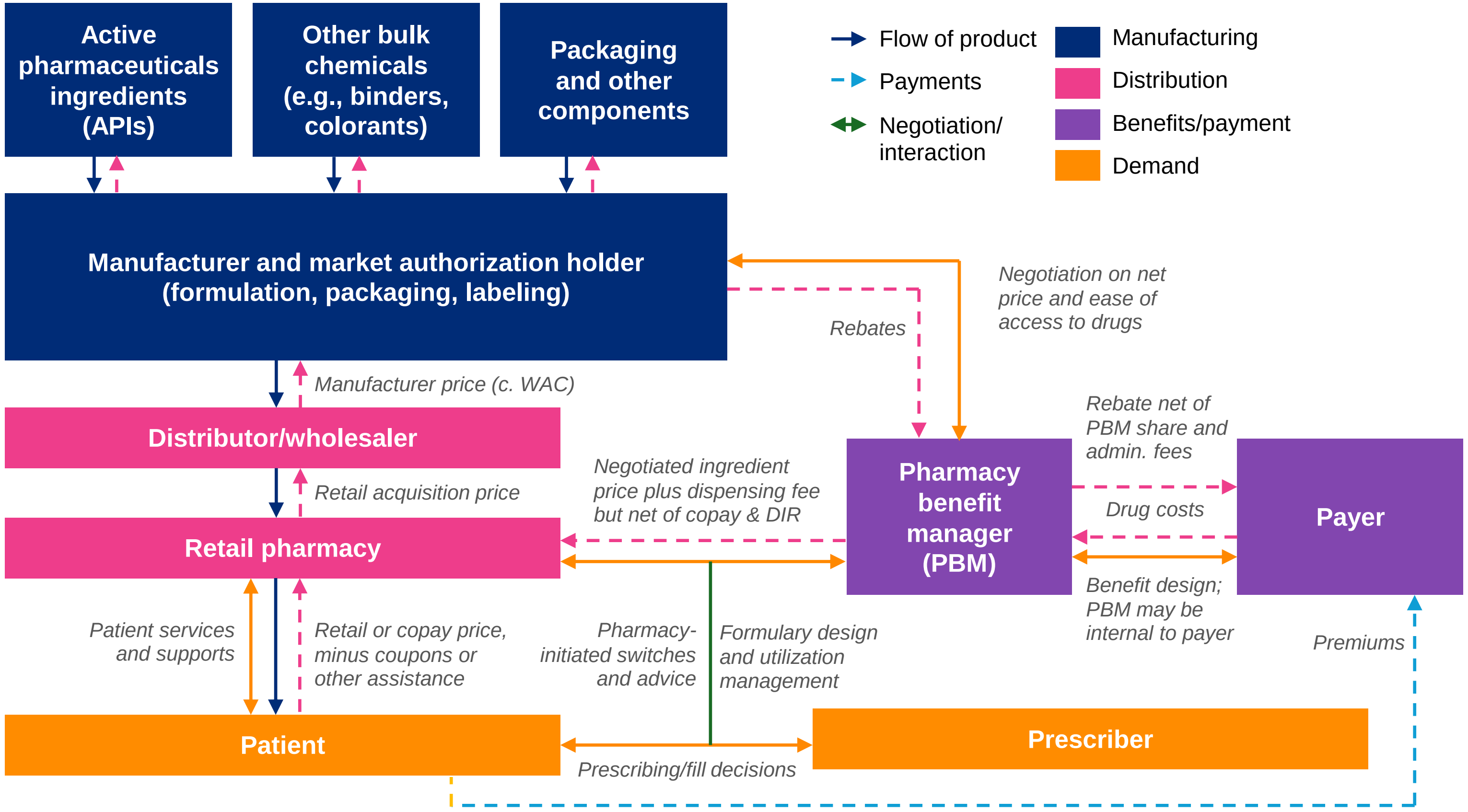
Group Purchasing Organizations (GPOs) are entities that leverage their collective purchasing power to obtain better pricing and terms. PBMs have increasingly adopted elements of the GPO model to enhance their purchasing power and reduce transparency on what they received compared to what they share.

Pass-through pricing is a practice where a company charges customers the exact amount it pays for a product or service. In the context of pharmacy benefits, pass-through pricing means that PBMs charge health plans or employers the exact amount they pay for medications while adding a service or administrative fee to cover their costs and generate profit. This differs from spread pricing, where customers are charged more than what the company paid.

Spread pricing is a pricing model where a company charges customers more for a product or service than it costs to obtain it. In the context of pharmacy benefits, PBMs charge health plans or employers a higher price for medications than what they pay pharmacies. The difference between these two amounts is called the “spread.” This concept also applies to rebates, where PBMs may give employers a smaller rebate than what they receive from pharmaceutical manufacturers.

PBM pricing is too complex for any organization to solve on its own.

Typical supply chain for brand-name drugs dispensed through retail pharmacies

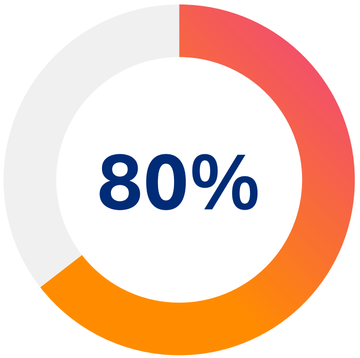


Notes: c. = circa; DIR = direct and indirect remuneration; WAC = wholesale acquisition cost. Arrows denote relationships involving the flow of product (black arrows), information or negotiation (orange arrows), and payments (green dashed arrows)

Sources: 1. **FTC.** *Pharmacy Benefit Managers: The Powerful Middlemen Inflating Drug Costs and Squeezing Main Street Pharmacies*. FTC, 2024.

Through consolidation – the “big 3” PBMs have a hold on the prescription drug market.

Cigna, CVS Caremark, and Optum Rx control roughly **80%** of prescriptions in the United States. In 2012, the figure was less than **50%**.[2]



of prescriptions in the United States are controlled by Cigna, CVS Caremark, and Optum Rx.

Sources: 1. **The New York Times**. *Overpaying for Medicine*. The New York Times, 2023.

Employers want lower pharmacy costs, but PBMs have their own definition of transparency.

While a PBM arrangement feels good when it uses pass-through pricing in a transparent model (as opposed to a traditional spread pricing contract), the level of real transparency may not align with what the employer believes they are getting. Furthermore, many PBMs that market themselves as transparent do not provide clear information on administration costs, money received by pharma, or the development of their formularies.[2]

Employer opinion: Importance of price transparency when evaluating a PBM contract[1]

	Fewer than 500 employees	500–4,999 employees	5,000 or more employees
Transparency is important and we are willing to pay more for it	13%	24%	24%
Transparency is important, but we are not willing to pay more	61%	65%	67%
Transparency is only somewhat important	24%	10%	7%
Transparency is not important	2%	<1%	2%

Sources: 1. **Mercer.** *Survey on Health & Benefit Strategies for 2025 and Tables of Survey Results*. Mercer, 2025. 2. **The New York Times.** *The Opaque Industry Secretly Inflating Prices for Prescription Drugs*. The New York Times, 2024.

Employers are ready for change.

Employers who have relied on PBMs to ease the burden of their pharmaceutical spending are reconsidering their approach to these relationships.

62%

of large group employers are working with their current PBMs on new programs in 2024 and 2025.

1/3

of the Business Group on Health's 40 member companies have changed or are considering changing their PBM.

40%

of the Business Group on Health's 40 member companies are considering implementing "transparent PBM models" in the next two years.

> **"The strategies initially developed among the largest employers with PBMs and third-party vendors often end up benefiting middle and small group employers in future years."**

Kate Moher, President of National Employee Health & Benefits, Marsh McLennan Agency

Sources: 1. **Business Group on Health.** *2025 Employer Health Care Strategy Survey*. Business Group on Health, 2025.

Employers work to manage their GLP-1 spending

Understanding different GLP-1 drugs

Glucagon-like peptide-1 (GLP-1) is a hormone that regulates blood sugar and appetite.

GLP-1 agonists such as Ozempic, Trulicity, and Victoza work by triggering insulin release, which helps lower blood sugar and A1c levels, and can result in weight loss.

The majority of GLP-1 drugs are FDA-approved for the treatment of type 2 diabetes, while fewer are FDA-approved for the treatment of obesity.[1,2]

Mounjaro, the most recent GLP-1 drug approved for type 2 diabetes, is expected to generate $4.9 billion in yearly revenue by 2026.[3]

Zepbound, approved for obesity in late 2023, is projected to generate $2.7 billion in revenue in 2024.[4]

ources: 1. **Diabetes Car**e 47(11). *Efficacy and Safety of GLP-1 Medicines for Type 2 Diabetes and Obesity*. Diabetes Care, 2024. 2. **International journal of molecular sciences**. *Emerging Role of GLP-1 Agonists in Obesity: A Comprehensive Review of Randomised Controlled Trials*. Int J Mol Sci, 2023. 3. **Fierce Pharma.** *ADA: Eli Lilly's stellar tirzepatide weight loss data tee up showdown with Novo Nordisk's Wegovy, analysts say.* Fierce Pharma. 2022, 4. **Biopharma Drive**. *Drugmakers are racing to find the next Wegovy. These obesity trials are ones to watch.* Biopharma Drive, 2024.

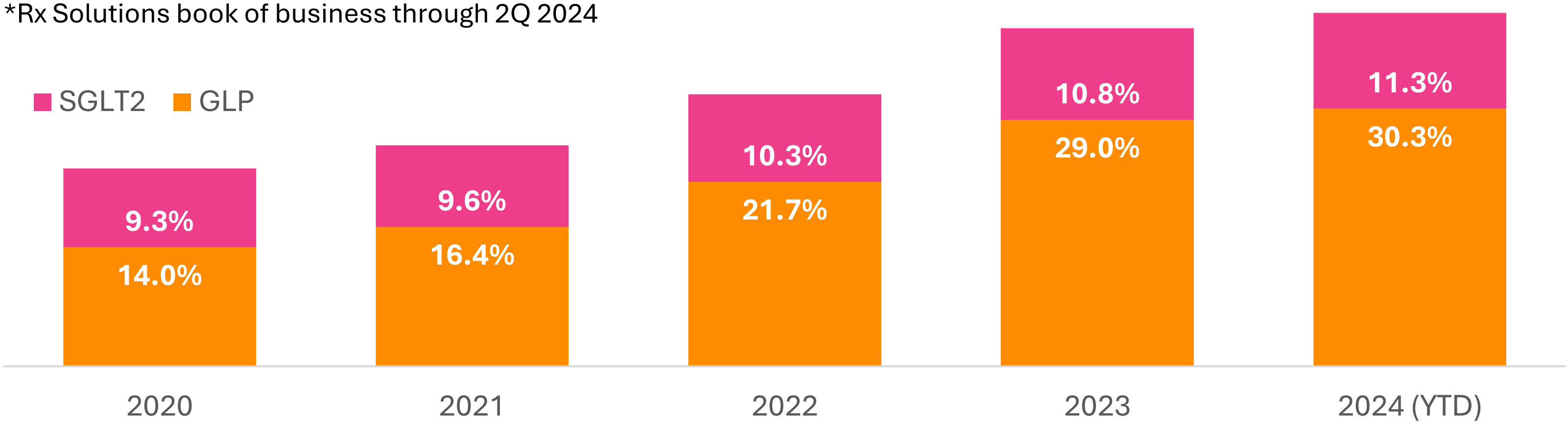
Drug Name	Indication
Ozempic	Type 2 Diabetes
Rybelsus	Type 2 Diabetes
Wegovy	Obesity
Mounjaro	Type 2 Diabetes
Zepbound	Obesity
Trulicity	Type 2 Diabetes
Victoza	Type 2 Diabetes
Saxenda	Obesity

Diabetes drug cost will continue to trend, led by growth in GLP-1 prescriptions.

In the last five years, two categories of diabetic medications, SGLT2 inhibitors and GLP-1s, have shown tremendous efficacy in diabetic patients with heart and kidney disease. Treatment guidelines have shifted toward offering these drugs as first-line treatments for patients with kidney and heart-related comorbidities. A generic version of Victoza, one of the first GLP-1 drugs to hit the market, became available in June 2024.[1]

GLP-1 and SGLT2 market share amongst diabetics[2]

*Rx Solutions book of business through 2Q 2024



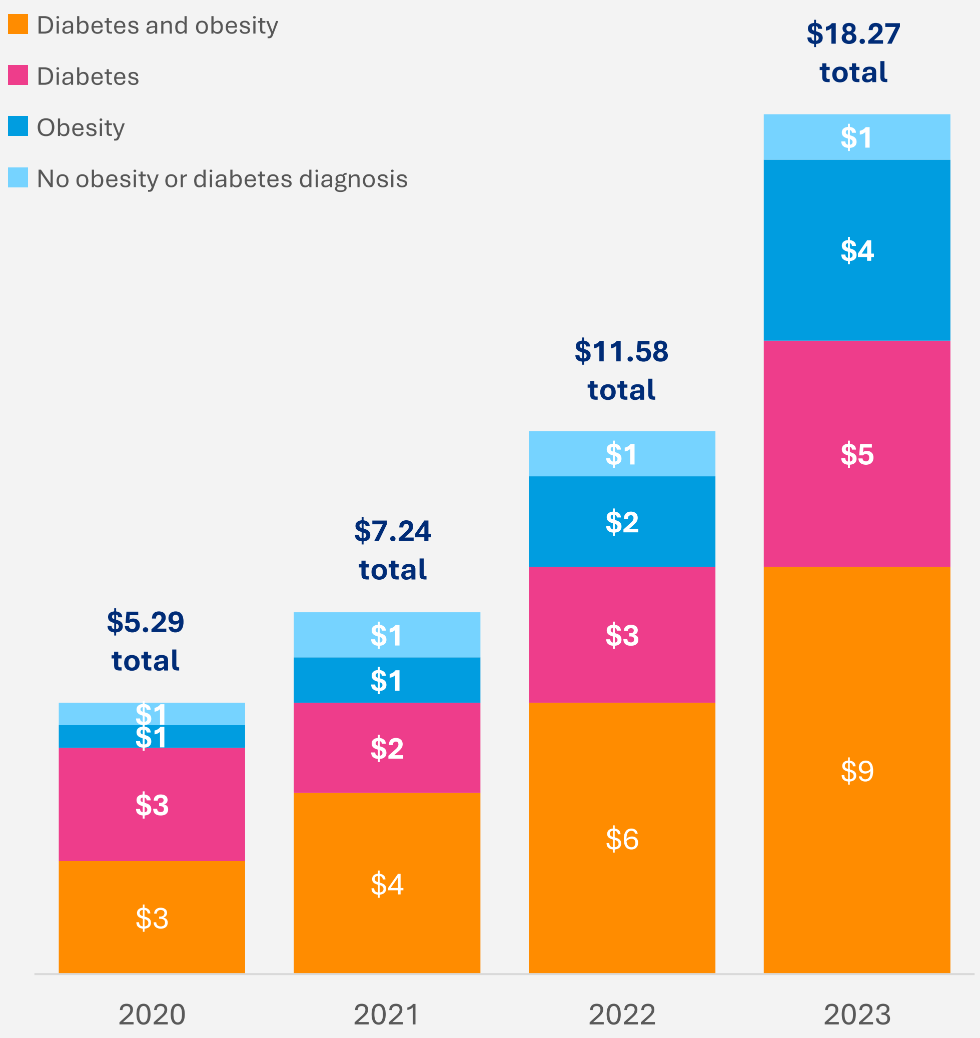
Sources: 1. **Journal of cardiovascular development and disease**, 10(8), 322. *SGLT2 Inhibitors vs. GLP-1 Agonists to Treat the Heart, the Kidneys and the Brain.* J Cardiovasc Dev Dis, 2023. 2. **MMA Rx Solutions Book of Business through 2Q 2024**

More employers cover GLP-1 treatments for obesity, despite the high cost.

Employer GLP-1 spending for obesity alone (excluding diabetes) **nearly tripled between 2021 and 2023** (from **5.9% to 16.5%**). Furthermore, **three of the top five drugs driving the net change in costs** per member per month **were GLP-1 agonists.** Despite the high cost of these medications, demand has continued to increase, and employers are reluctant to reduce coverage.

Between 2023 and 2024, **employer coverage of GLP-1 increased by 8%.** Though some employers only cover GLP-1 medications for diabetes treatment, a growing number are reconsidering this policy; **19%** of organizations that only cover GLP-1s for diabetes are considering expanding coverage to include obesity.[1,2]

GLP-1 agonist PMPM trend by condition(s)[1]



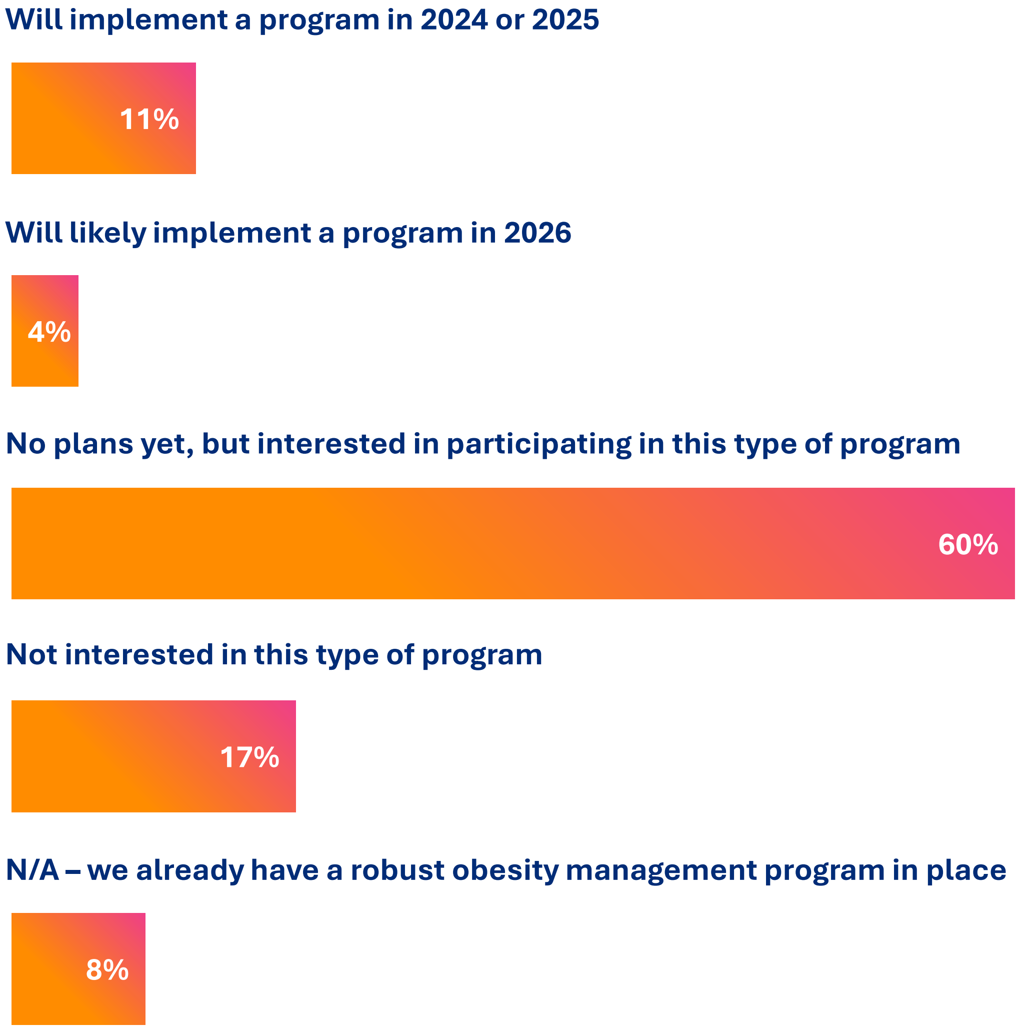
Sources: 1. **Springbuk.** *Employee Health Trends 2024*. Springbuk, 2024, 2. **SHRM**. Employer Coverage of GLP-1 Drugs Jumps. SHRM, 2024.

How can employers control GLP-1 spending?

Employers are increasing the scope of their obesity care programs, including lifestyle interventions, disease management strategies, and stop therapy protocols.

Specific measures employers are taking to control GLP-1 expenses include **restricting coverage to employees with higher BMIs,** requiring participation in **obesity management programs** before authorization, **requiring members to try more affordable weight-loss medications** before using GLP-1s, and setting **lifetime maximums on payments.**[2]

Obesity management programs[1]



Sources: 1. **Mercer.** *Survey on Health & Benefit Strategies for 2025 and Tables of Survey Results*. Mercer, 2025.
2. **HR Executive.** *Amid a Changing Landscape for GLP-1 Drugs, 8 Employer Considerations*. HR Executive, 2024.

Gene therapies and the price tag of progress

Cell Therapy

Transfer of live cells into the body

Uses cells from patient: autologous
Uses cells from donor: allogeneic

VS

Gene Therapy

Add new genes (gene addition)
Edit or remove existing genes

Genetically alter outside the body: ex vivo
Direct administration of genetic material: in vivo

Sources: 1. **Emerging Therapy Solutions,** 2024.

Sky-high research and development costs are an upward driver of gene therapy prices.

A recent report in *Nature* using gene therapies approved as of December 2020 and those in late-stage clinical trials concluded that the annual cost of cell and gene therapies averaged $20.4 billion per year. The report projected that annual spending would increase to $25.3 billion in 2026, before declining to $21.0 billion in 2034.

$20.4 billion

per year is the average annual cost of cell and gene therapies.

$25.3 billion

is the projected annual spending on cell and gene therapies in 2026.

Sources: 1. **Drug Discovery and Development**. *With Prices Topping $4 Million, High Stakes Define Cell and Gene Therapy Landscape*. Drug Discovery and Development, 2023.

Cell and gene therapy costs vary, but nearly all carry high price tags.

Cell and gene therapies are revolutionizing the treatment of rare, often life-threatening diseases, offering hope to patients battling conditions like blood cancers, muscular dystrophy, and sickle cell disease. These groundbreaking therapies are transforming the landscape of healthcare, but with their immense potential comes a significant challenge: the high cost of treatment.

For many patients and their families, the question isn't whether to pursue these therapies but how to afford them. Employers, recognizing the life-changing impact of these treatments, are actively exploring ways to make them more accessible. Strategies like stop-loss protections and alternative funding solutions are being implemented to help employees and their families get the care they need without the financial burden.

Looking ahead: treatments and trends on the horizon

The GLP-1 market, valued at **$11.3 billion in 2019**, is projected to reach **$18.2 billion by 2027**, driven by a strong pipeline and ongoing innovation.

Upcoming peer-reviewed research may expand GLP-1 use into cardiovascular care, **potentially increasing employer costs**.

Both **Novo Nordisk** (manufacturer of Ozempic and Wegovy) and **Eli Lilly** are in the process of **developing oral versions of GLP-1s to improve accessibility and market reach**.

Pfizer, **Amgen**, **Structure Therapeutics,** and **Viking Therapeutics** are racing to enter the market with their own weight loss drugs. These companies are **developing drugs that target additional receptors to increase weight loss**. Some of these new treatments are designed to target additional receptors beyond GLP-1, such as GIP and glucagon, increasing their potential effectiveness for weight loss.[54]

Sources: 1. **Grandview Research**. *GLP-1 Receptor Agonist Market Trends*. Grandview Research, 2023.

Biosimilars drive down prices

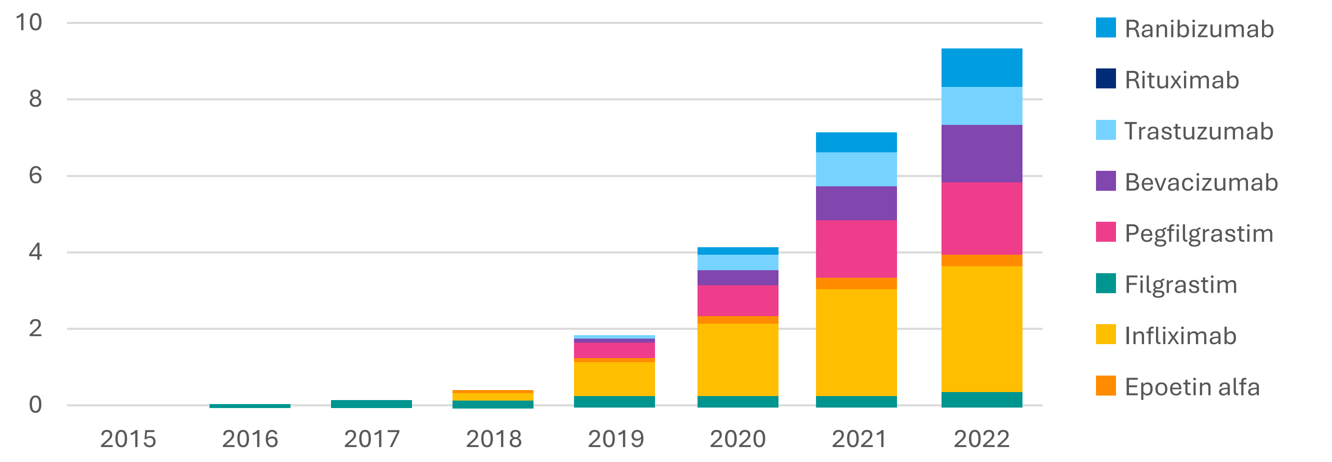
The top deflator of health care plan costs

The biosimilar market is expected to grow considerably in the coming years. These drugs have the power to reduce costs for employers and benefit plan members, particularly for high-cost specialty drugs. **Although biosimilars are relatively new to the market, they are considered the top deflator of health care plan costs.**

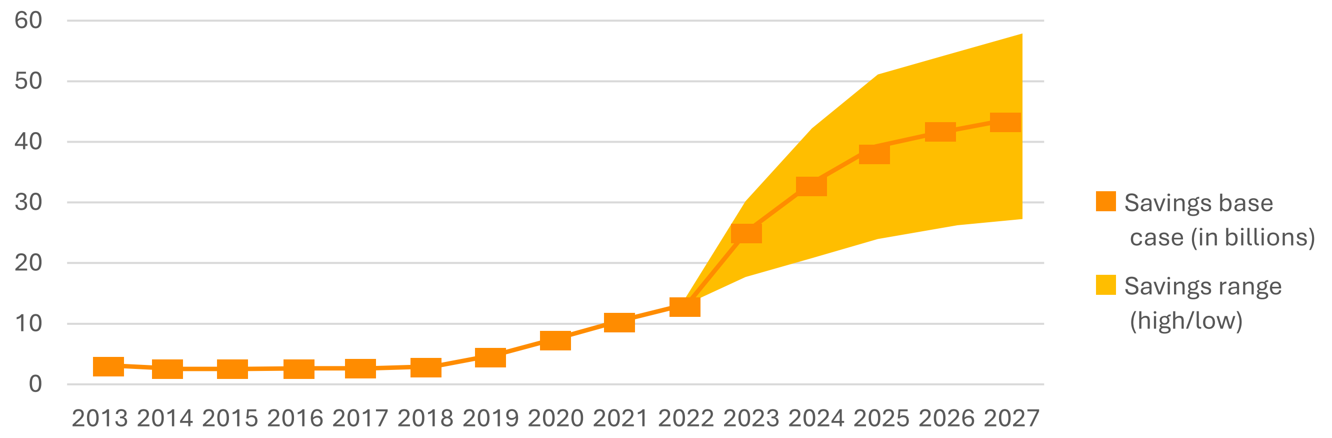
Employers must understand how to identify which PBMs are focused on driving biosimilar savings and seek the necessary expertise to accurately measure impact and achieve
maximum savings.

Sources: 1. **PWC.** *Medical Cost Trend: Behind the Numbers 2025*. PWC, 2024.

Estimated biosimilar savings 2013–2027



Estimated biosimilar savings 2013–2027



Biosimilars have disrupted pricing in cancer and specialty pharma—leading to billions in savings for members and employers.

On average, **biosimilars cost 50% less than reference products**. Biosimilars have realized over **$56 billion** in savings over the last ten years and are projected to deliver **$181 billion in savings** over the next five years. Biosimilars also increase competition, which drives down the price of name-brand pharmaceuticals by an average of **25%.**

Since the introduction of biosimilars in the oncology space, spending growth has slowed by 50%.

Cancer treatments and specialty drugs are among the principal drivers of employer health care spending; **biosimilars show incredible promise to help employers curb spending in these key categories.**[1,2,3]

Humira, which has a list price of **$7,000 per month**, is a prime example of how biosimilars can offer substantial savings for high-cost specialty drugs. Since 2022, nine biosimilars have entered the market. The most recent Humira biosimilar by Boehringer Ingelheim will be available at **$550 per month**.

Sources: 1. **Kaiser Permanente.** *Biosimilars Can Significantly Reduce Employer Pharmacy Costs. Are You Missing Out?* Kaiser Permanente, 2023. 2. **PWC.** *Medical Cost Trend: Behind the Numbers 2025*. PWC, 2024. 3. **Axios.** *GoodRx Teams with Boehringer on Humira Biosimilar.* Axios, 2024.

The pharmacy industry is at a crossroads.

Employers can navigate the complexities of pharmacy benefits, enhancing employee well-being while managing costs effectively by:

- Embracing change
- Prioritizing transparency
- Seeking independent guidance

TREND # 4

The (ever) rising cost of care

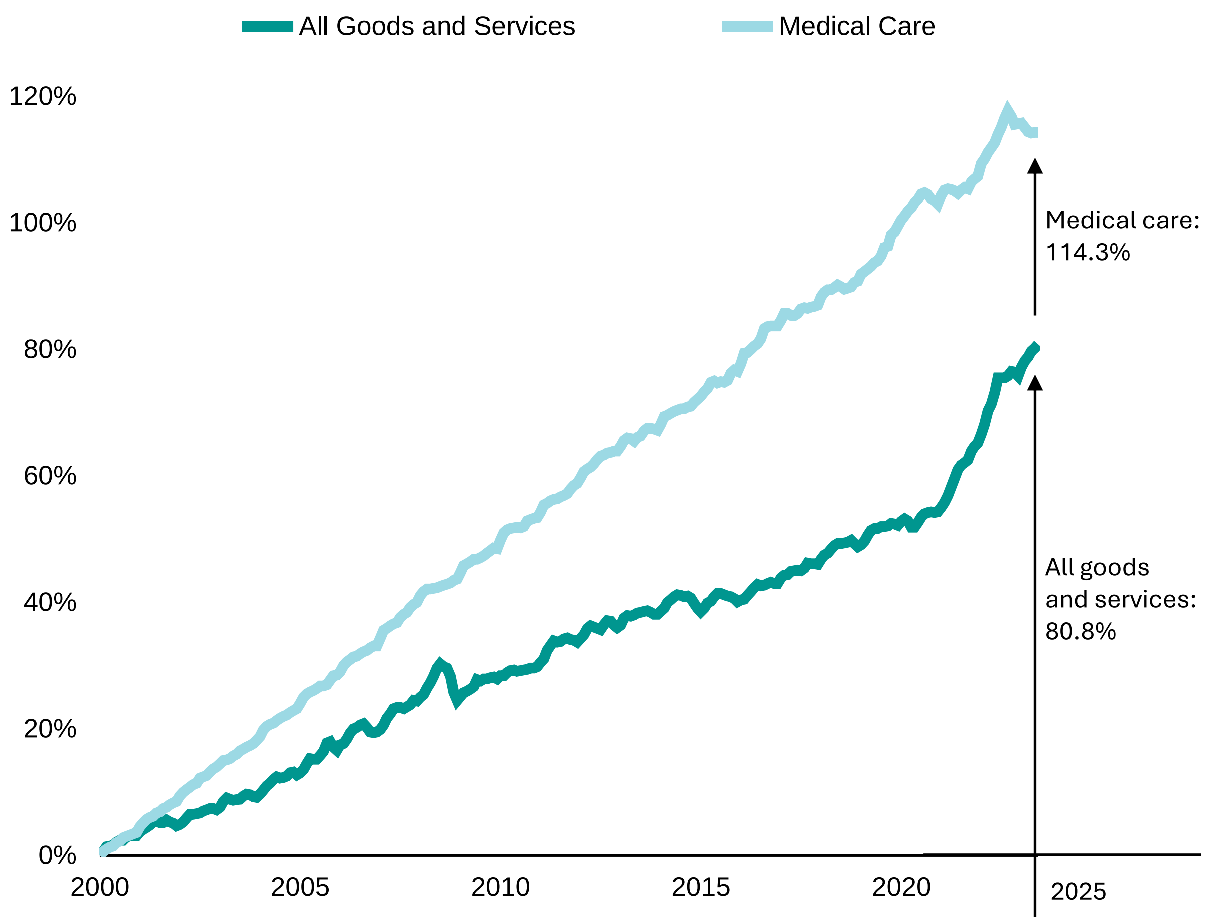
What’s driving up health care costs?

The median medical trend was 8%, with most insurers having a trend of around 7% to 10%.

In most years, medical inflation typically outpaces general economic inflation; but through much of 2021 to 2023, inflation in the rest of the economy was so high that it was outpacing growth in medical prices.

By mid-2024, general economic inflation had cooled, and medical inflation had picked up and now exceeds the growth of nonmedical prices.

Cumulative percent change in Consumer Price Index for All Urban Consumers (CPI-U) for medical care and for all goods and services, January 2000 – June 2023



Source: 1. McKinsey. *2024 EBLF CEBE Roundtable.* McKinsey, 2024.

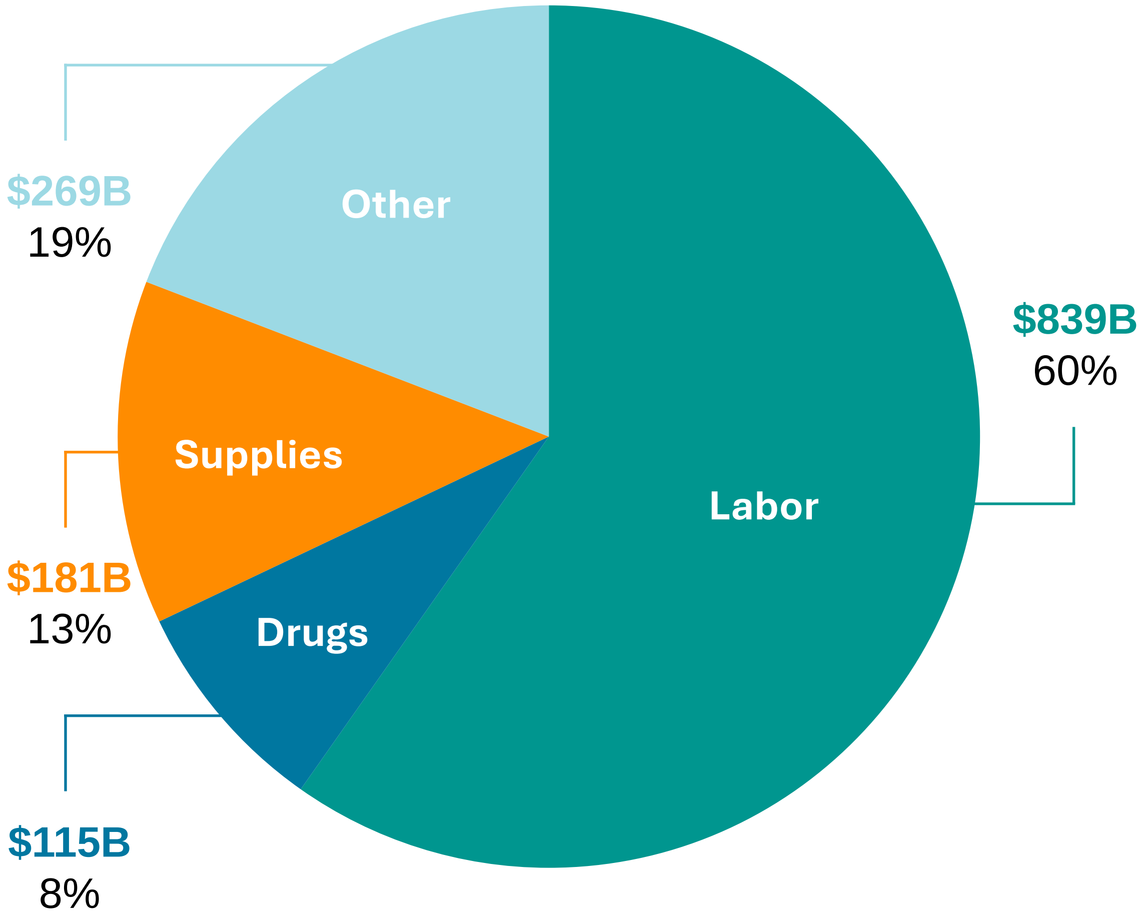
Rising hospital expenses are not driven by inflation alone.

While hospitals face rising labor, supply, and pharmaceutical costs due to inflationary forces, their increasing administrative costs can be partially attributed to practices carried out by insurance companies. Automatic claims denials and labor-intensive prior-authorization requirements translate directly into higher costs for hospitals.

It's estimated that hospitals spend $10 billion annually handling prior authorizations. Hospitals also spend $20 billion annually appealing denials—over half of this is spent on denied claims that should have been approved upon submission.[1,2,3]

Sources: 1. **AHA.** *America's Hospitals and Health Systems Continue to Face Escalating Operational Costs and Economic Pressures as They Care for Patients and Communities*. AHA, 2024. 2. **McKinsey.** *Administrative Simplification: How to Save a Quarter-Trillion Dollars in US Healthcare*. McKinsey, 2021. 3. **Premier.** *Trend Alert: Private Payers Retain Profits by Refusing or Delaying Legitimate Medical Claims*. Premier, 2024.

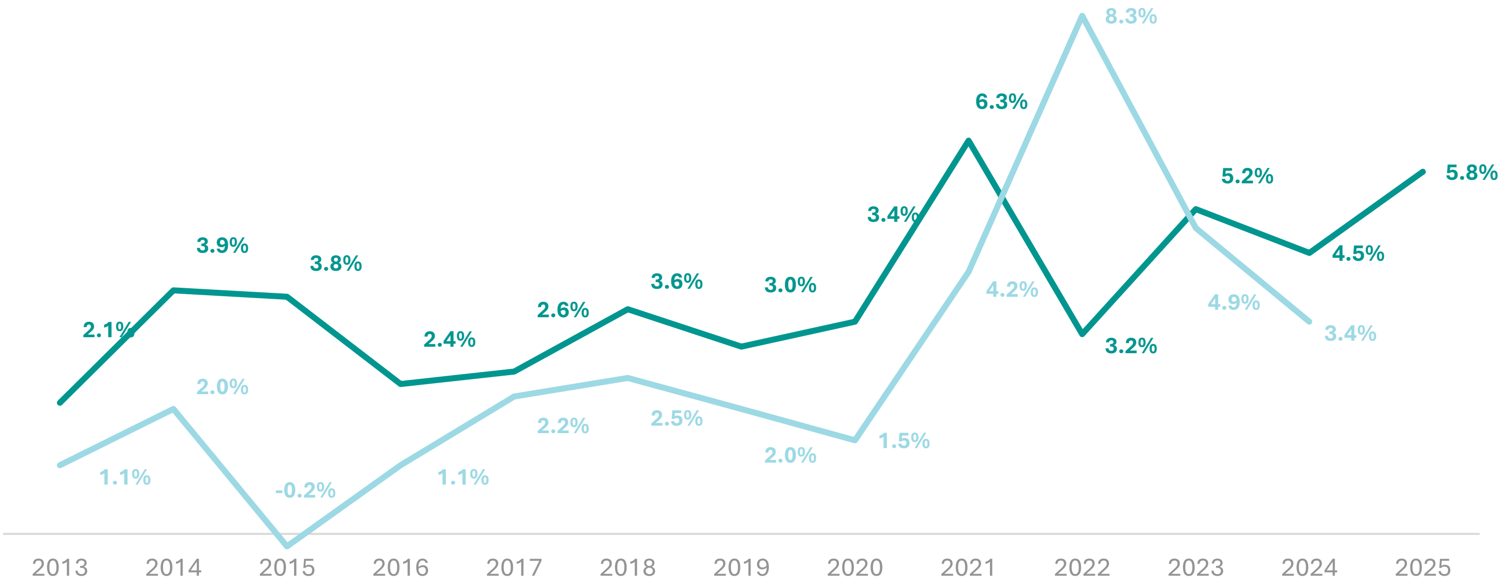
Labor constitutes the largest percentage of hospital expenses.[1]



Note: Average expenses estimated by Strata Decision Technology median 2023 values across all hospital spending. Labor is inclusive of purchased services and professional fees.

Based on projections, 2025 would be the third consecutive year of health benefit cost increases above 5%.

Health benefit costs rose by 4.5% in 2024, with an increase of 5.8% predicted for 2025 (change in total health benefit cost per employee compared to CPI).[1]



Source: **1. Mercer**. *National Survey of Employer-Sponsored Health Plans.* Mercer, 2024. 2. **Mercer**. *Employers Expect Third Consecutive Years of Health Benefit Cost Increases Above 5 Percent in 2025.* Mercer, 2024.

5.8%

is the projected increase in health benefit costs for 2025, even after accounting for planned cost-reduction measures.

7%

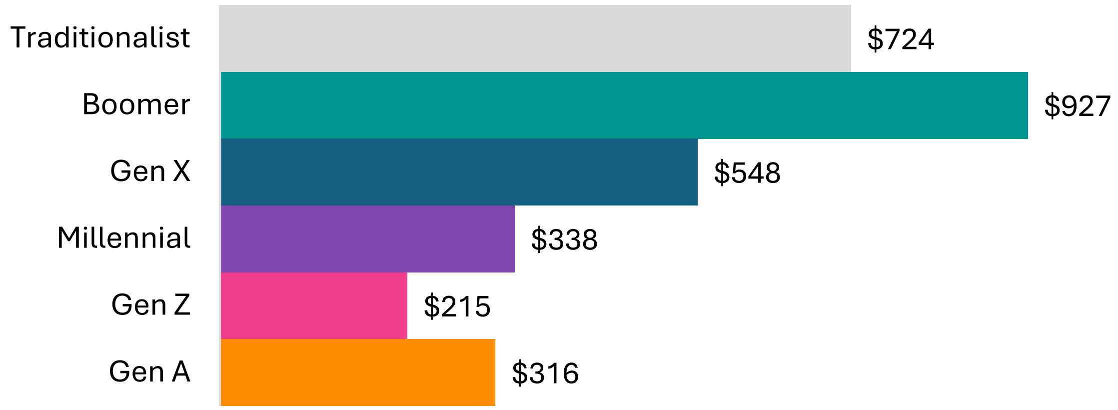
is the average amount employers estimate their costs would increase if they took no action to lower their costs.

9%

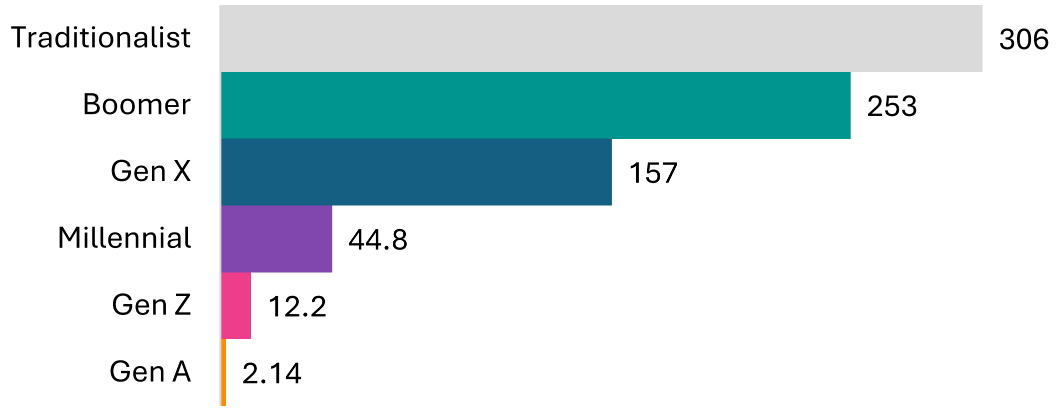
is the average expected cost increase for employers with <499 employees. Larger employers appear to be better protected against price increases than smaller employers.[2]

Chronic conditions by generation

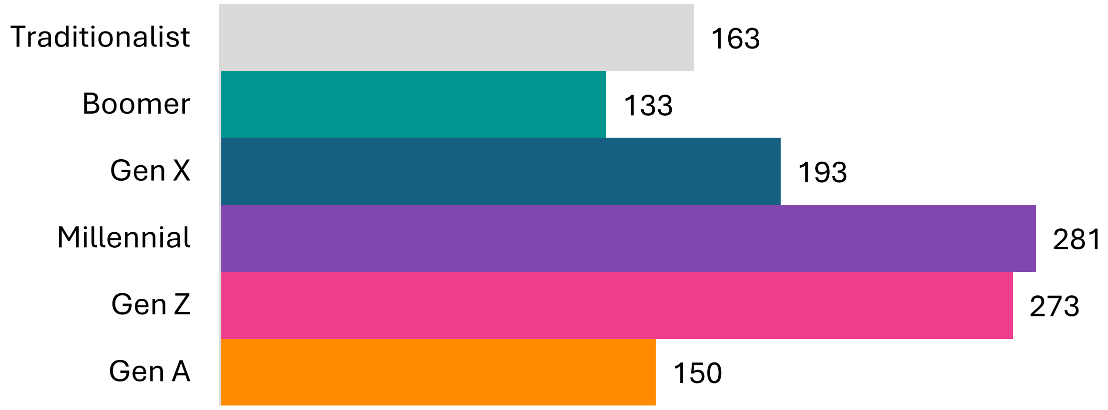
Medical costs paid per member per month by generation



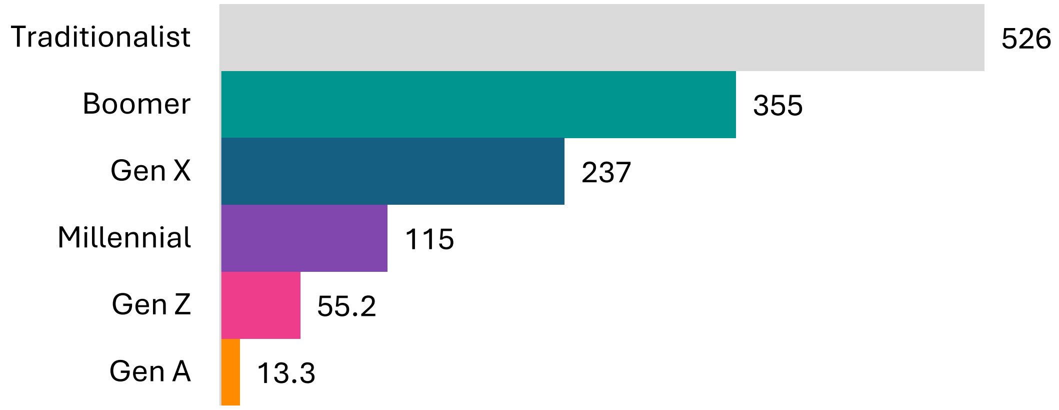
Members with diabetes
(per 1,000 members)



Members with behavioral health conditions
(per 1,000 members)



Members with chronic musculoskeletal conditions
(per 1,000 members)



Sources: 1. **MMA.** 2025 MMA Planning and Analytics for Total Health. MMA, 2024.

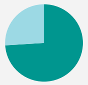
Top conditions of members with a chronic condition (ages 5–18)

ICD-10 diagnosis section (CMS) (primary diagnosis)	Count distinct members with medical claims
Attention-deficit hyperactivity disorders	10,429
Other anxiety disorders	8,750
Vasomotor and allergic rhinitis	6,234
Asthma	5,964
Chronic diseases of tonsils and adenoids	2,785
Pervasive developmental disorders	2,495
Major depressive disorder, recurrent	2,373
Specific developmental disorders of speech and language	2,167
Atopic dermatitis	2,145

Sources: 1. **MMA.** MMA Planning and Analytics for Total Health. MMA, 2024.

3 costliest chronic conditions

3 illnesses cost employers the most per member per month.

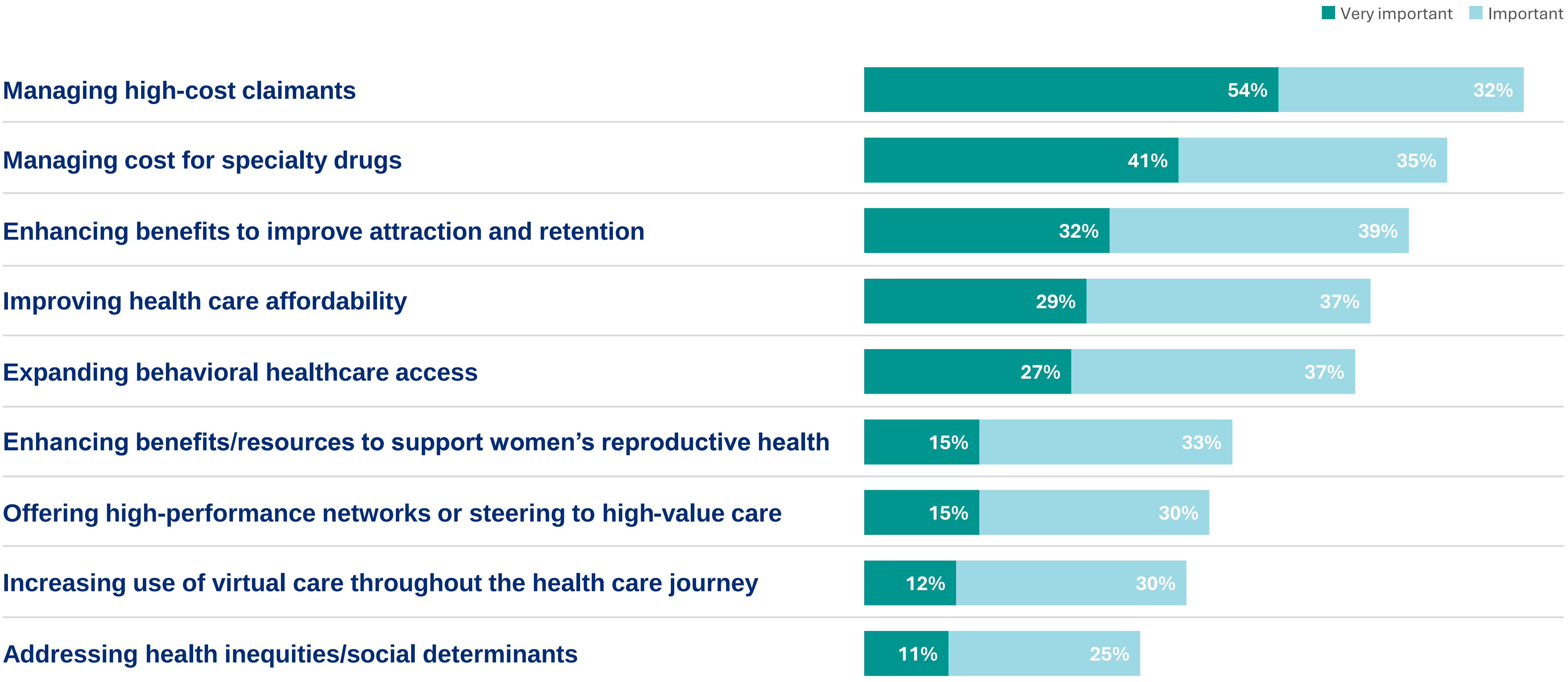
	1	2	3
	Musculoskeletal conditions Affecting the bones, muscles, joints, and certain connective tissues	**Neoplasms** Abnormal tissue growths, such as moles and tumors	**Circulatory disorders** Affecting the heart and blood vessels
Top diagnoses	Spinal arthritis Osteoarthritis Musculoskeletal pain	Benign tumors Breast cancer Secondary malignancies	Cardiac dysrhythmias Other heart diseases Nonspecific chest pain
Average PMPM cost	$52	$43	$43
Highest % of total spend by demographic	 **54%** Women  **74%** Gen X and Boomers	 **56%** Women  **80%** Gen X and Boomers	 **64%** Men  **45%** Boomers

Sources: 1. **United Healthcare**. Breaking down the conditions raising employer health care costs. UHC, 2024

How can employers keep up with costs?

Most important strategies for the next 3–5 years

Employers with 500 or more employees



Sources: 1. **Mercer.** *2024 Survey Results: Boosting Benefits, Managing Cost.* Mercer, 2024.

Employers want better reporting and analytics tools from insurance carriers.

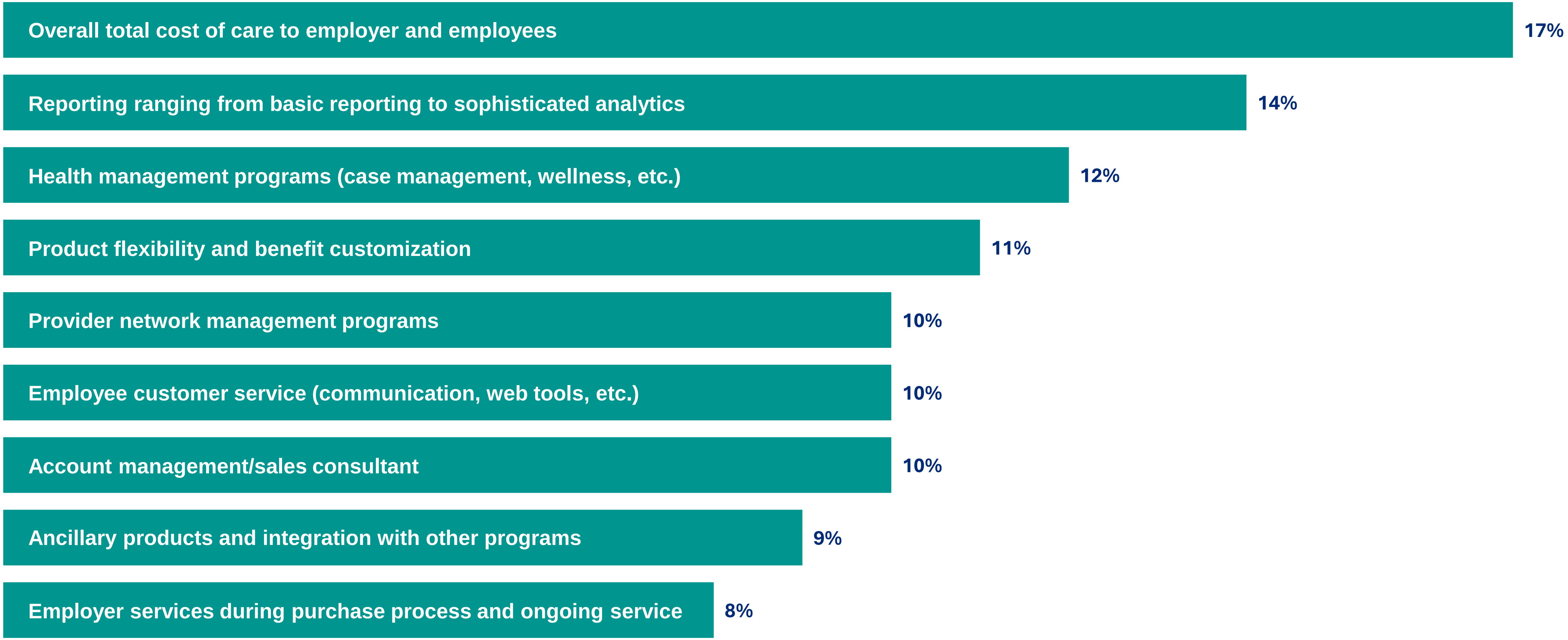
While the total cost of care for employers and employees is the top area of dissatisfaction with insurance carriers, respondents also indicated **dissatisfaction with their insurers' reporting options and value-added analytics.**

Employers want to improve their understanding of their health care spending. Comprehensive reporting and data analytics give them precise, granular information to make highly targeted changes to their plans. These tools also help employers personalize benefits and improve the employee benefits experience.[1,2]

Sources: 1. **BenefitsPRO.** *Workers Want More Health Benefit Options, Employers Concerned About Cost, Survey Finds*. BenefitsPRO, 2024. 2. **McKinsey.** *2024 EBLF CEBE Roundtable*. McKinsey, 2024.

Areas of dissatisfaction with insurance carrier

Percent of all respondents



Sources: 1. **McKinsey.** *2024 EBLF CEBE Roundtable*. McKinsey, 2024.

There are 20+ benefits levers that can deliver savings

Estimated level of savings by cost containment lever, % of total spend, assumes an average group with 500 employees

- 10%+ level of saving, % of total spend
- 5–10% level of saving, % of total spend
- 0–5% level of saving, % of total spend

1. Reference-based pricing (20-30%)
2. High-performance network (10-15%)

3. Captives (5-10%)
4. Tired network (5-10%)
5. Network sculpting (5-10%)

6. Contribution strategy (1–5%)
7. Optimize total cost of TPA contract (1–5%)
8. Direct provider contracting (1–5%)
9. Trend and performance guarantee (1–3%)
10. Program integrity (1–5%)
11. Concierge advocacy (0–3%)
12. Wellness program (0–1%)
13. Condition-specific benefit design (2–4%)
14. CM/ DM (2-–4%)
15. Site of care (1–5%)
16. Value-based care (2–5%)
17. Center of Excellence (1–3%)
18. Episode-based payments (0–2%)
19. Advanced primary care (0–2%)
20. HMO (2–5%)
21. Specialty Rx network (2.5–5%)
22. PBM contract optimization (1–4%)
23. Partial fill program (0–1%)
24. Formulary design (1–2%)

Values reflect estimates assuming an average employer's characteristics and plan richness; savings could vary meaningfully depending on employer (e.g., extent to which each lever is deployed, level of current benefits, etc.).

Sources: 1. **McKinsey.** *2024 EBLF CEBE Roundtable*. McKinsey, 2024.

HPNs become an increasingly attractive solution to rising costs.

High-performance networks (HPNs) are growing in popularity among employers as a top cost-containment lever. HPNs connect employees with quality (high-performance), cost-efficient health care providers. It's estimated that **employers can reduce their total health care spending by 10%–15% by using an HPN**. An HPN is an umbrella term that includes high-performance network offerings from national carriers such as Aetna, Anthem, and Cigna as well as health plans offered by independent start-up vendors such as Centivo and Imagine.

		Currently in place/ planned for 2025	Considering for 2025 or 2026
1	**National carrier high-performance network**[2] Typically, an overlay on a major carrier's broader PPO network	17%	25%
2	**Independent vendor high-performance network** Not including traditional HMOs	2%	11%
3	**Other high-performance network plan** Traditional HMO, regional health plan, reference-based pricing plan, etc.	20%	15%

The use of independent vendor HPNs is expected to increase dramatically between 2025 and 2026.[1]

Sources: 1. **McKinsey.** *2024 EBLF CEBE Roundtable*. McKinsey, 2024. 2. **Mercer.** *Survey on Health & Benefit Strategies for 2025 and Tables of Survey Results*. Mercer, 2025.

The power of reference-based pricing

Reference-based pricing establishes fixed maximum prices for medical services.

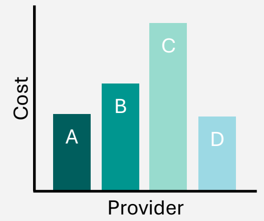
These prices are typically calculated using average Medicare rates.

This model gives price transparency both for employers and employees, eliminating “surprise costs” and encouraging fair pricing practices.

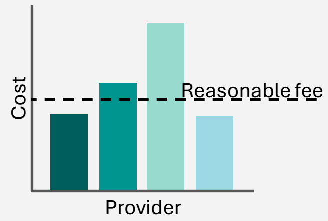
Reference-based pricing can save employers 20%–30% annually in health care costs. It also encourages employee engagement and improves employee health outcomes. When used in conjunction with robust data analytics and reporting tools, reference-based pricing can help employers create more accurate forecasts of how their health care spending will grow in the coming years.[1,2,3]

Sources: 1. **NOVA.** *Reference-Based Pricing for Employee Health Plans: 6 Advantages*. NOVA, 2024. 2. **BenefitsPRO.** *Reference-Based Pricing Can Keep Your Benefit Costs Down*. BenefitsPRO, 2022. 3. **Healthcomp.** *Demystifying Reference-Based Pricing (RBP): A Path to Transparent and Cost-Efficient Healthcare*. Healthcomp, 2023. 4. **Conner, Strong and Buckelew.** *Answer These 6 Questions to See If Reference-Based Pricing Can Lower Your Healthcare Costs*. Conner, Strong and Buckelew, 2023.

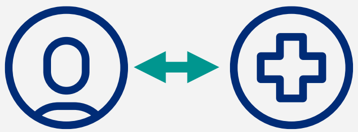
How reference-based pricing works[4]



Providers set wide-ranging price points for identical medical services



RBP allows employers to set a limit on how much they will pay for these services



A third-party administrator negotiates the pricing with hospitals

Employees pay their regular co-pay

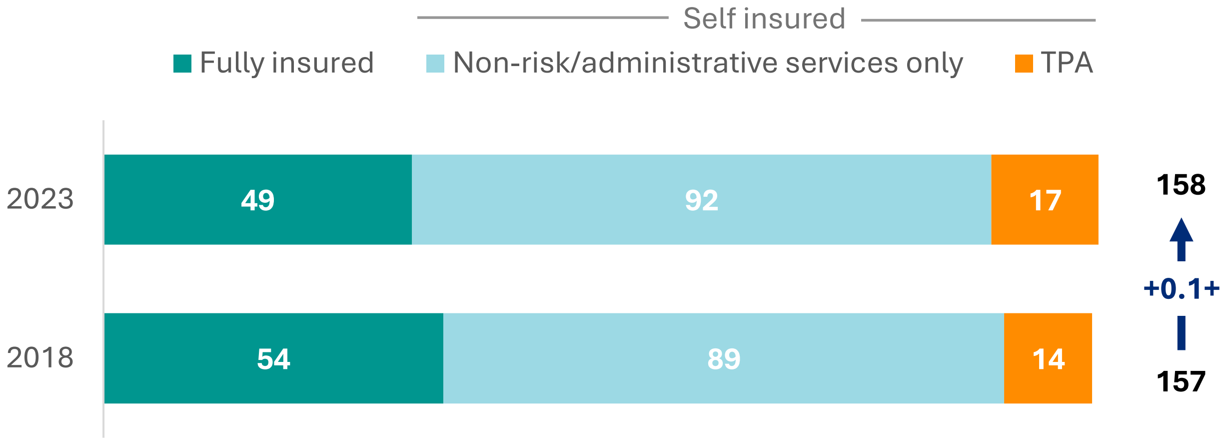
More organizations opting to self-insure.

Nearly 70% of people with employer-sponsored health insurance are self-insured, an increase of 5% since 2018. Self-funded insurance plans give employers complete transparency and control over their health care costs in exchange for assuming greater risk and responsibility in administering their plans.

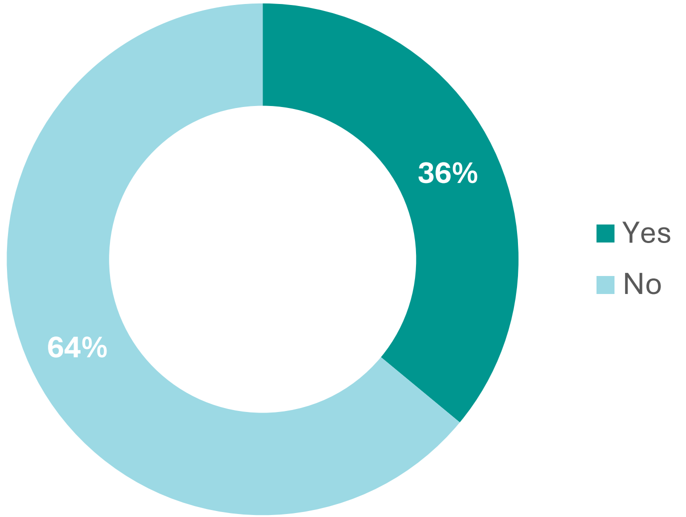
Self-funded insurance also eliminates the risk of undisclosed fees and conflicts of interest between employers and their insurance carriers. Brokers and benefits consultants are increasingly encouraging fully insured organizations to adopt self-insured models.

Sources: 1. **McKinsey.** *2024 EBLF CEBE Roundtable*. McKinsey, 2024.

Employer-driven lives by type (in millions)



% of FI customers for whom broker/benefit consultants recommend SI



How much can self-insurance reduce health care costs?

Properly managed self-funded programs can save employers **8%–10%** in the long-term.

Savings breakdown:

2%–3% No state taxes on self-insured plans*
3%–8% No carrier margins

**Stop-loss insurance is subject to state taxes.*

Without dynamic, data-driven administration of self-funded insurance plans, savings can be minimal, or the cost of self-insuring can even exceed that of fully insured plans.

Stop-loss protections are also an essential part of protecting the savings reaped through self-funded insurance. **87% of employers** have at least one stop-loss claim in place with their TPA.[1,2]

Sources: 1. **Woodruff Sawyer.** *Self-Funded Health Plans: Breaking the Myths to Find Cost Savings*. Woodruff Sawyer, 2023. 2. **Sun Life.** *High-Cost Claims and Injectable Drug Trends Analysis 2024 Edition*. Sun Life, 2024. 3. **Medcost Blog.** *How to Manage Health Costs.* Medcost, 2015. 4. **Health Affairs.** *Enrollment Trends in Self-Funded Employer-Sponsored Insurance, 2015 and 2021*. Health Affairs, 2023.

Savings will vary from employer to employer—and some individual costs may increase.

Up to 80% of the costs associated with self-funded insurance are variable; the cost of self-funded insurance for employers can vary (sometimes significantly) from year to year.

While the transparency offered by self-funded insurance protects employers from undisclosed fees, self-funded insurance may lead to higher costs for certain procedures and hospitalizations. This is because self-insurers lack the bargaining leverage of fully insured plans.[3,4]

Will employers be forced to cut benefits?

Once unthinkable, employers now weigh reducing benefits or shifting more costs to employees.

While early post-pandemic years saw employers going to great lengths to avoid shifting more health care costs to employees, this trend appears to be halting. **95% of employers** reported that they are considering reducing benefits if costs increase by 4% or more. Since nearly all estimates of cost increases in the coming years exceed this mark, the majority of employers will be confronted with this decision in the near future.

14% of large employers say it is "very likely" that they will raise employee deductibles or out-of-pocket maximums in 2025. Another 31% reported that it is "likely."[1,2]

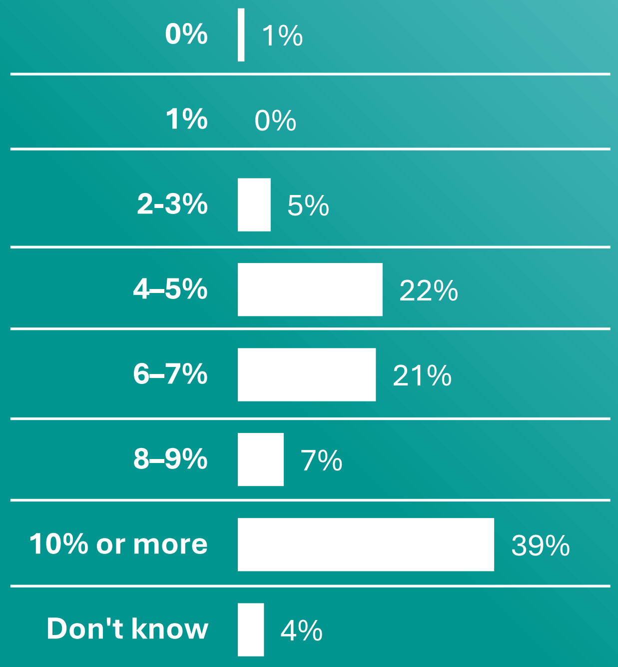
50%+

of employers say that inflation affected which benefits they were able to offer in 2024.[3]

64%

of employers expect health care costs to rise by 7% or more this year.[1]

At what point would the annual increase for health benefits trigger your organization to act (e.g., reduction in benefits or other strategies)?[1]



Sources: 1. **McKinsey.** *2024 EBLF CEBE Roundtable*. McKinsey, 2024. 2. **Mercer.** *Survey on Health & Benefit Strategies for 2025 and Tables of Survey Results*. Mercer, 2025. 3. **SHRM.** *Inflation, Economic Concerns Biting into Benefits Offerings*. SHRM, 2024.

The existential risks of cutting or reducing benefits

With the U.S. labor market still tight, employers who shift more health care costs to employees risk their ability to attract and retain top talent.

Furthermore, reducing or eliminating benefits compromises organizational well-being by worsening employee health, lowering workplace morale, and raising employee stress levels.

Employers should carefully weigh any short-term cost savings from cutting or reducing benefits against the long-term harm of these decisions.

In order for organizations to remain competitive in the hiring marketplace, benefits must be a top priority.[1,2]

Sources: 1. **Mercer.** *Optimizing Benefits Costs: Three Successful Initiatives*. Mercer, 2023. 2. **HRReporter.** *Why Employee Benefits Should Not Be Cut in a Recession*. HRReporter, 2023.

As health care costs continue to rise, it’s clear that traditional approaches to managing benefits may no longer suffice.

Solutions like high-performance networks, which focus on providers with proven cost efficiency and better outcomes, and the expanded use of telehealth for specialist visits offer practical ways to reduce expenses without compromising care.

These approaches not only address immediate cost concerns but also help employers stay competitive in attracting and retaining talent through smarter, more efficient benefit designs.

Furthermore, it can’t be overstated how great the opportunity is for employers to make informed health care decisions based on the data available with the introduction of Transparency in Coverage regulations.

By analyzing machine-readable files and leveraging tools that provide cost and quality insights, employers can identify more cost-effective networks and providers tailored to their workforce’s unique needs.

> **Employers really need to look beyond the insurance carriers and the traditional fee-for-service model to find solutions to address access, quality, and the cost of care. Technology, health care transparency, and the ability to take appropriate risks have laid the groundwork for transformation.**

Peter Schultz, FSA, FCA, MAAA
Vice President, Actuarial & Underwriting Services

Maximize health care cost management

MMA's team of dedicated experts are committed to crafting innovative solutions that manage costs effectively and pave the way for sustainable health care benefits.

MMAPATH℠
Planning & Analytics for Total Health

MMA RX SOLUTIONS℠

MMA NETWORKSELECT℠

Actuarial and Underwriting
Analytics and reporting
Financial services
Renewal predictions

Captives

Self-funding alternatives

Stop Loss Center of Excellence

MarshMcLennan Agency

A business of Marsh McLennan

MarshMMA.com