Mercer

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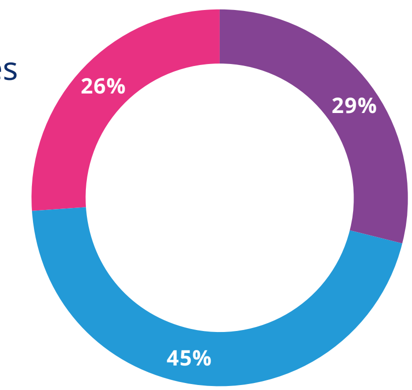
Health & Benefit Strategies for 2024 Survey Report

About the survey

The survey was designed to discover how employers will prepare for rising health care costs while continuing to adapt benefit strategies for 2024 to improve attraction and retention and better meet the needs of the whole workforce. The survey was conducted from February 14 through March 10, 2023.

In total **721 organizations** participated, from all industries and of all sizes:

- Fewer than 500 employees
- 500-4,999 employees
- 5,000 or more employees



The results in this report are based on **512 organizations with 500 or more employees**

In considering the survey results and their implications for employer health program strategy, three key themes have come into focus.

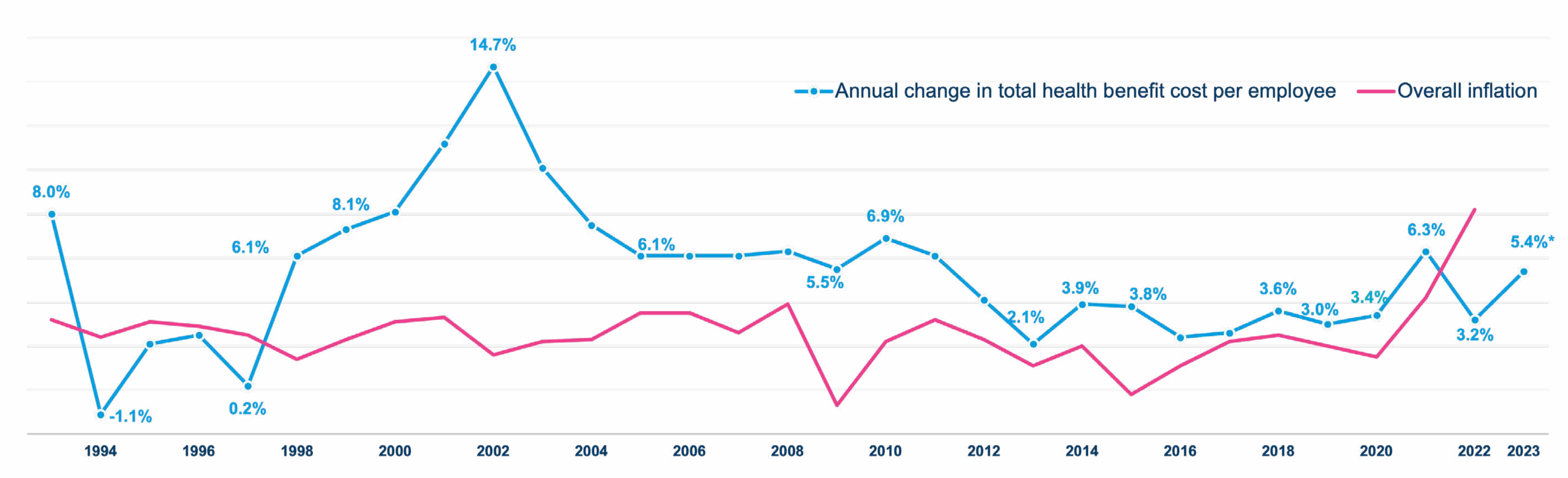
1. Plan sponsors have to prepare for the impact of inflation on their health plan costs — but with the understanding that inflation is creating financial stress for employees at all income levels, and, for low-earners, making it harder to meet normal monthly expenses, let alone medical bills. On top of that, the labor market is still very tight in many industries and HR needs to pull all levers — including health benefits — to attract and retain employees.

2. Employers are looking to enhance benefits, but they need to do it carefully. Not by adding bells and whistles, but by looking for opportunities to add value. Sometimes that means filling gaps in current offerings with more inclusive benefits. It might mean revisiting time-off policies to give employees more flexibility. And it definitely means paying close attention when employees say they need better support for their mental health, a message that is coming through loud and clear in surveys of workers.

3. Employers are looking to manage cost growth without shifting cost to employees. We'll discuss a number of strategies employers will use in 2024 to slow cost growth, with a focus on the role of virtual care.

After modest growth in plan cost last year, employers expect an increase of 5.4% in 2023 as inflation drives up healthcare prices

Change in total health benefit cost per employee compared to CPI, workers' earnings



The average per-employee cost of employer-sponsored health insurance rose by 3.2% in 2022, according to Mercer's 2022 National Survey of Employer-Sponsored Health Plans. This relatively modest increase was only about half the rate of general inflation for 2022, which ended the year at 6.5%. Typically, health benefit cost growth runs higher than the CPI. One factor holding down cost growth in 2022 was simply timing — because healthcare providers typically have mult-year contracts with health plans, employer plan sponsors were shielded from the full impact of inflation. However, we can expect that wage increases and higher supply costs in the healthcare sector will result in higher prices over the next few years as provider contracts are renewed. Employers projected an average cost increase of 5.4% for 2023, and we should be prepared for continued accelerated cost growth in 2024 and beyond.

2022 Mercer National Survey of Employer-Sponsored Health Plans
Results from 2020-2023 are based on employers with 50 or more employees. *Projected.
Source: Mercer's National Survey of Employer-Sponsored Health Plans; Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation (April); Bureau of Labor Statistics, Seasonally Adjusted Weekly Earnings from the Current Employment Statistics Survey (April).

Employers continue to prioritize benefits enhancements — and to minimize cost-shifting to employees

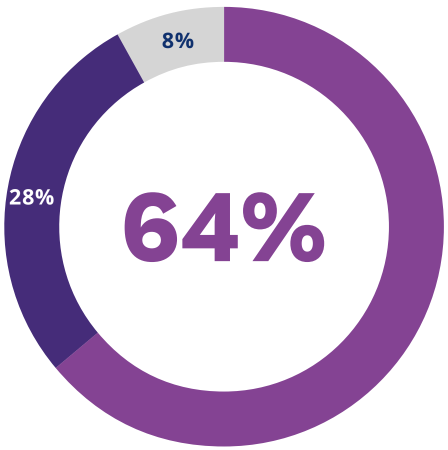
Given the outlook for faster cost growth, we might expect employers to start to pull back on health benefit offerings. However, that is not what these new survey results indicate. Nearly two-thirds — 64% — say they are planning to make enhancements to their health and well-being offerings to support attraction and retention and better meet employee needs, and over a quarter made enhancements within the past two years.

The survey also asked about plan changes that would shift more cost to employees through higher deductibles, copays, or out-of-pocket limits. While about half may make small increases, only 3% say that they will shift enough cost through plan design changes to lower their projected cost increase, and 45% will not increase cost-sharing at all.

With significant cost-shifting off the table for most employers, they will have to get creative to meet the challenge of offering benefits that employees want and need, and healthcare they can afford, while also managing cost growth.

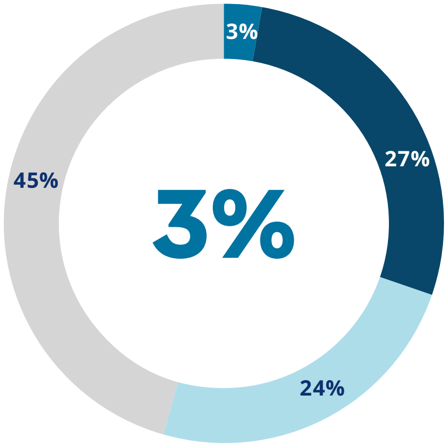
Will enhance health and well-being offerings in 2024

- Planning to make enhancements
- Not making enhancements in 2024, but did so within the past two years
- Not making enhancements



Will shift enough cost to employees via plan design changes to reduce projected health plan cost increase*

- Will raise cost-sharing enough to reduce projected cost increase
- To keep pace with the projected cost increase
- By less than the projected cost increase
- Will not raise any cost-sharing requirements

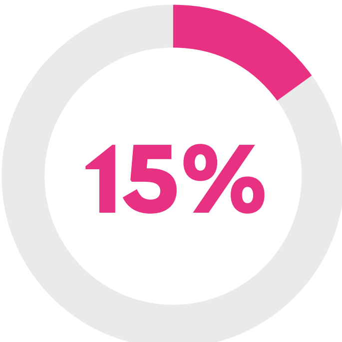


*In medical plan with the highest enrollment

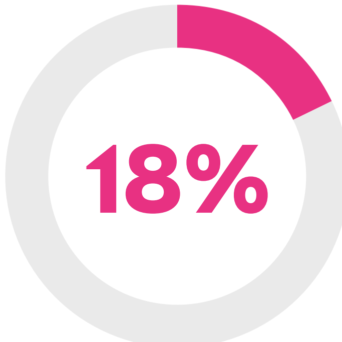
Enhancing benefits by filling gaps and addressing healthcare affordability

Boosting affordability

Helping employees keep more of their paychecks



Offer free employee-only coverage in at least one medical plan

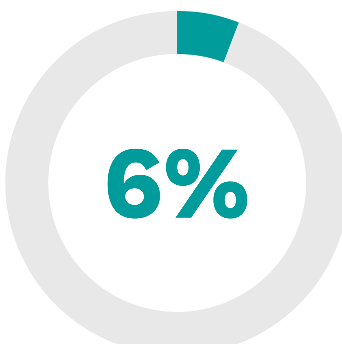


Use salary-based contributions

Removing financial barriers to seek care

Offer medical plan with no/low deductible (e.g., copay plan)

Providing cash to help pay for healthcare



Make larger HSA contributions to low-earners

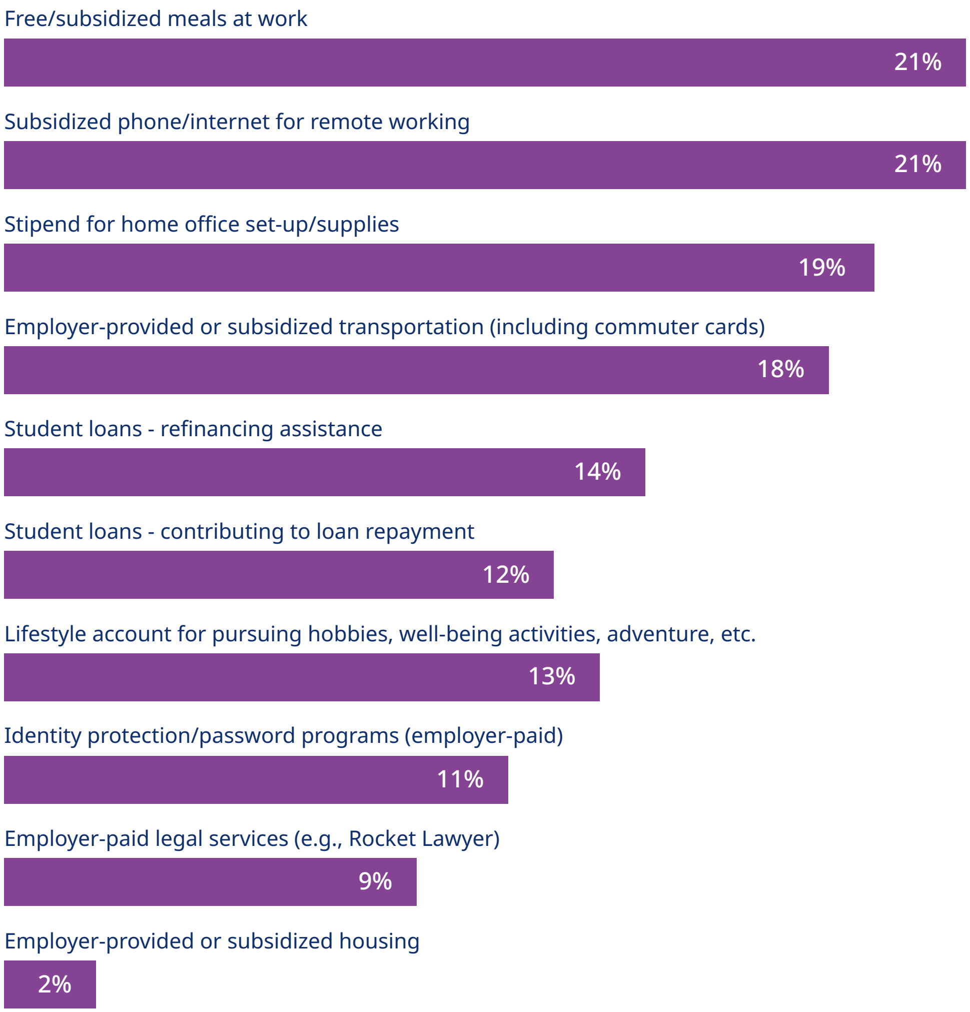
The survey asked about three ways to boost healthcare affordability. One is by lowering the cost of coverage to help employees keep more of their paychecks. Some employers (15%) are offering free employee-only coverage in at least one medical plan, up from 11% in last year's survey. Others are tying the paycheck deduction to income levels. The use of salary-based contributions rose just slightly from 17% to 18% among all large employers, but from 29% to 34% of employers with 20,000 or more employees (this finding is from the *National Survey of Employer-Sponsored Health Plans 2022*).

Another way to address affordability is to ease financial barriers to seeking care. High deductibles can be hard for those with little savings or chronic health conditions. Well over a third of employers offer a plan with little cost sharing when care is needed, such as a co-pay based plan.

Finally, to make a high-deductible plan more manageable, some employers are providing larger HSA contributions to employees who earn less.

Financial support for work — and living — expenses

Offer or will offer in 2024



Employers are providing other forms of support to address financial wellness. Free or subsidized meals at work are offered by 21%, and employer-provided or subsidized transportation (such as a commuter card is provided by 18%; both of these benefits may also serve to encourage employees to work onsite. At the same time, employers are also assisting those working remotely by subsidizing phone and/or internet costs (21%) or providing a stipend for setting up and maintaining a home office (19%.)

Student loans can be a major financial burden, and 12% of employers will contribute to loan repayment, while 14% provide refinancing assistance.

A small but growing number of employers are offering "lifestyle accounts" to help employees to afford non-essential — but life-enhancing — pursuits such as hobbies, well-being activities, or adventure; 13% of employers now offer a lifestyle account, up slightly from 12% last year.

Health equity starts with affordability, but some employees are less confident they can afford needed care

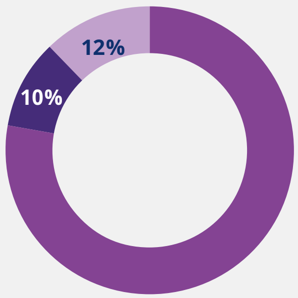
Percent of US employees who **are not confident** they can afford healthcare…

if household income is…	if gender is…	if work status is…
Median income and above: 7%	Male: 10%	Full time: 17%
Below median: 34%	Female: 29%	Part time: 28%

For employers concerned with health equity, addressing healthcare affordability is essential. An analysis of results from Mercer's Health on Demand survey of more than 2,000 US workers shows that some segments of the workforce are significantly less confident that they can afford the healthcare they need. This includes people in low-income families: 34% of those whose household income is below the median ($69,994 among survey respondents) are not confident they can afford necessary healthcare, compared to just 7% of those with HHI at the median or above. Not surprisingly, since women earn less than men on average, 29% of women, compared to 10% of men, are not confident they can afford healthcare. Finally, healthcare affordability is a concern for 28% of part-time employees, compared to 17% of full-time employees.

Mercer Survey on Health & Benefit Strategies for 2024

Taking action to improve health equity, support DEI goals



78%
of employers are currently taking action to improve health equity

Are planning to develop a strategy

Have yet to begin

Survey results suggest that employers are focused on health equity and ensuring that benefit programs help support larger DEI goals. Over three-fourths of employers are currently taking action to build a more equitable benefit program. About a fourth are collecting information on race, gender identity, or other demographics to facilitate equity analyses. Two-fifths provide advanced search functions that allow members to identify health providers they will feel comfortable with — an important step in addressing health disparities for racial and ethnic groups. Providing multilingual benefit communications is key to ensuring all employees understand and can access benefit offerings.

About two-fifths of employers have taken steps to provide equitable family-building benefits that support all kinds of families. These might include covering fertility treatment without requiring that a woman meet the clinical definition of infertile, or helping to cover surrogacy expenses.

Also of note is that 23% of employers now provide coverage for doulas, midwives, birthing centers or other alternatives. While all women can take advantage of this expanded coverage, these birthing alternatives are seen as a way to improve maternal outcomes for Black women, who have much higher maternal mortality rates than white women.

Understanding the problem

27%	Collecting information on race, gender identity, or other demographics to facilitate equity analyses

Respecting differences

40%	Ensuring members can identify providers who are acceptable to them
24%	Multi-lingual and/or communications targeted to specific populations

Providing coverages that meet diverse needs

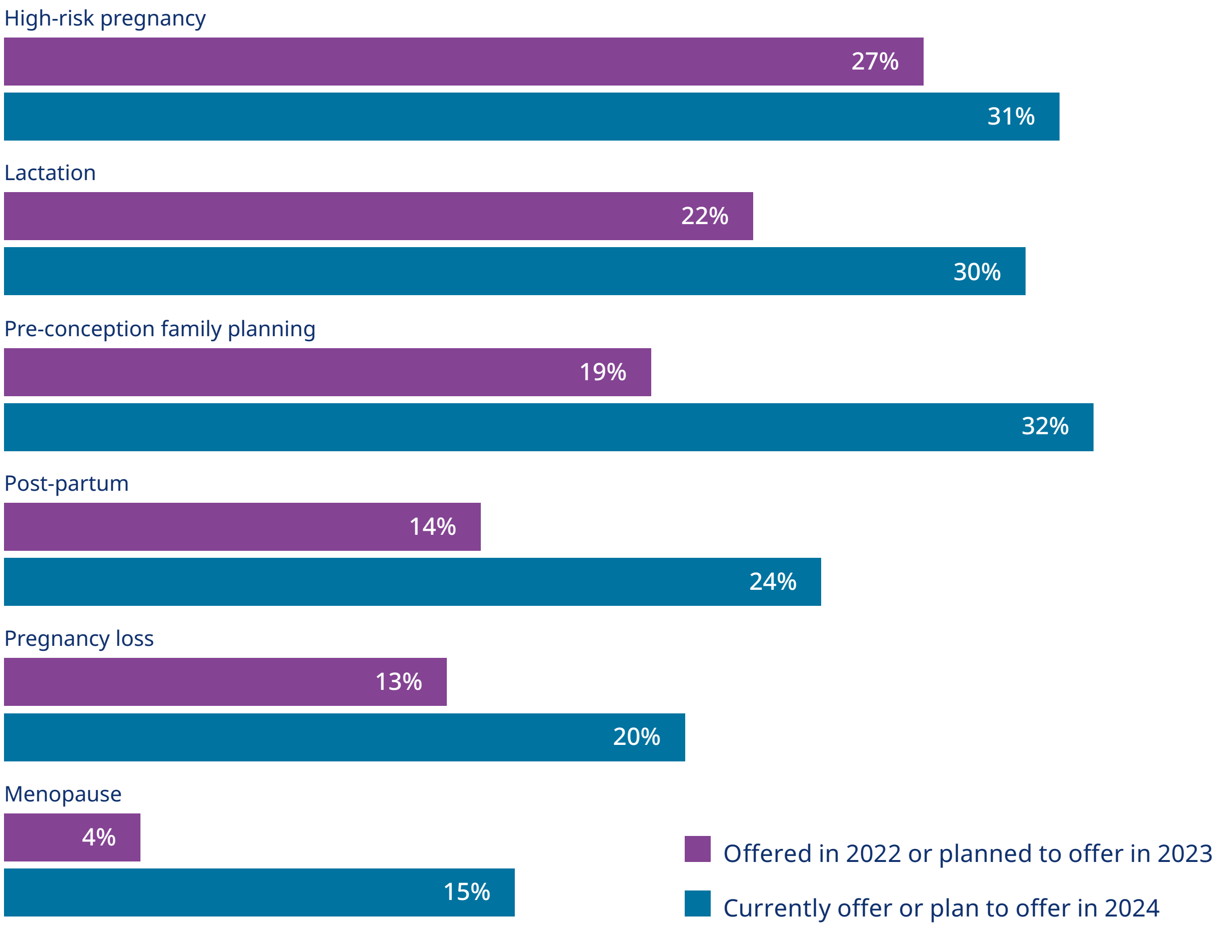
41%	Providing equitable family-building benefits
23%	Coverage for doulas, midwives, birthing centers or other alternatives to improve maternal outcomes
49%	Coverage for hearing aids

Committing to ambitious goals

20%	Meeting (or working towards meeting) the new Corporate Equality Index standards
35%	Taking other actions to improve health equity and support DEI

Employers moving quickly to add benefits or resources to support women's reproductive health

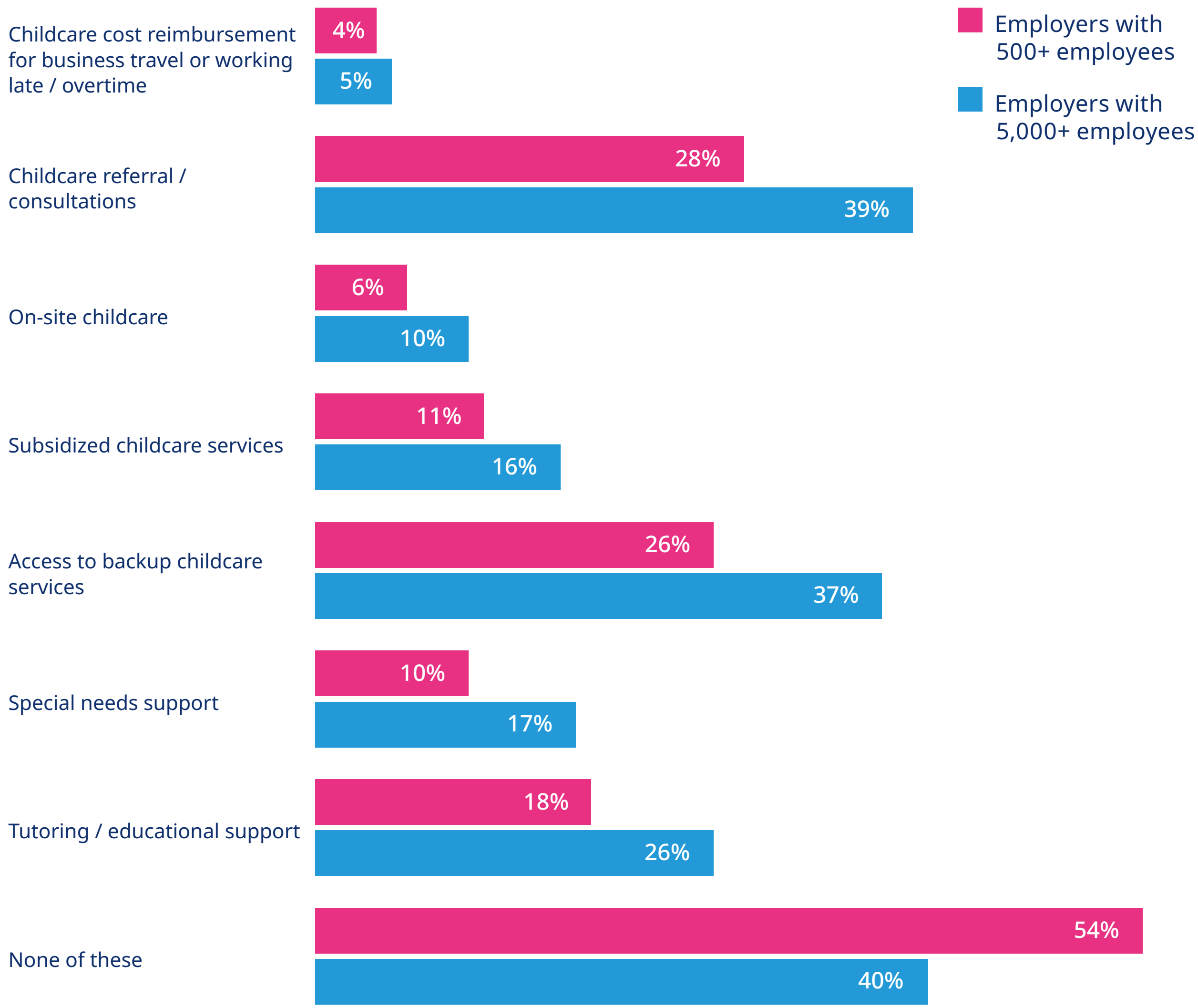
46% of employers will offer one or more of these benefits in 2024, up from 37% in 2023



Employers are also starting to focus on the special needs of women in regard to reproductive health — from preconception family planning to support during menopause. Last year 37% of employers planned to offer one or more of these specialized benefits in 2023; that number has risen to 46% for employers looking ahead to 2024. The percentage planning to offer menopause support has more than tripled since last year's survey.

Supporting caregivers with childcare benefits and resources

Offer or will offer in 2024



The pandemic heightened our awareness of the difficulties employees face when they juggle work and caregiving responsibilities. But support for caregiving is a chronic rather than an acute need. Employers can help support caregivers for the long-term with flexibility at work (flexing when and how work gets done) and flexibility from work (leave and time-off policies). Another meaningful way to show support is with caregiving benefits such as subsidized care or resources. Among very large employers (those with 5,000 or more employees), 37% provide access to backup childcare services, 16% help subsidize childcare and 10% provide onsite childcare.

While we've seen a clear trend towards adding parental leave, it's less common for employers to provide caregiving support — which means this is an opportunity for employers to differentiate their offerings. Caregiver support can be especially valuable to less-advantaged segments of the workforce, and can support efforts to broaden an organization's diversity, equity and inclusion strategy. Where once employers may have been concerned about providing "special treatment" for caregivers, today leading employers see enhanced support for caregivers as key to recruiting and retaining the talent they need.

Focus on paid time off and work flexibility

About one in four employers provide unlimited PTO to at least some employees

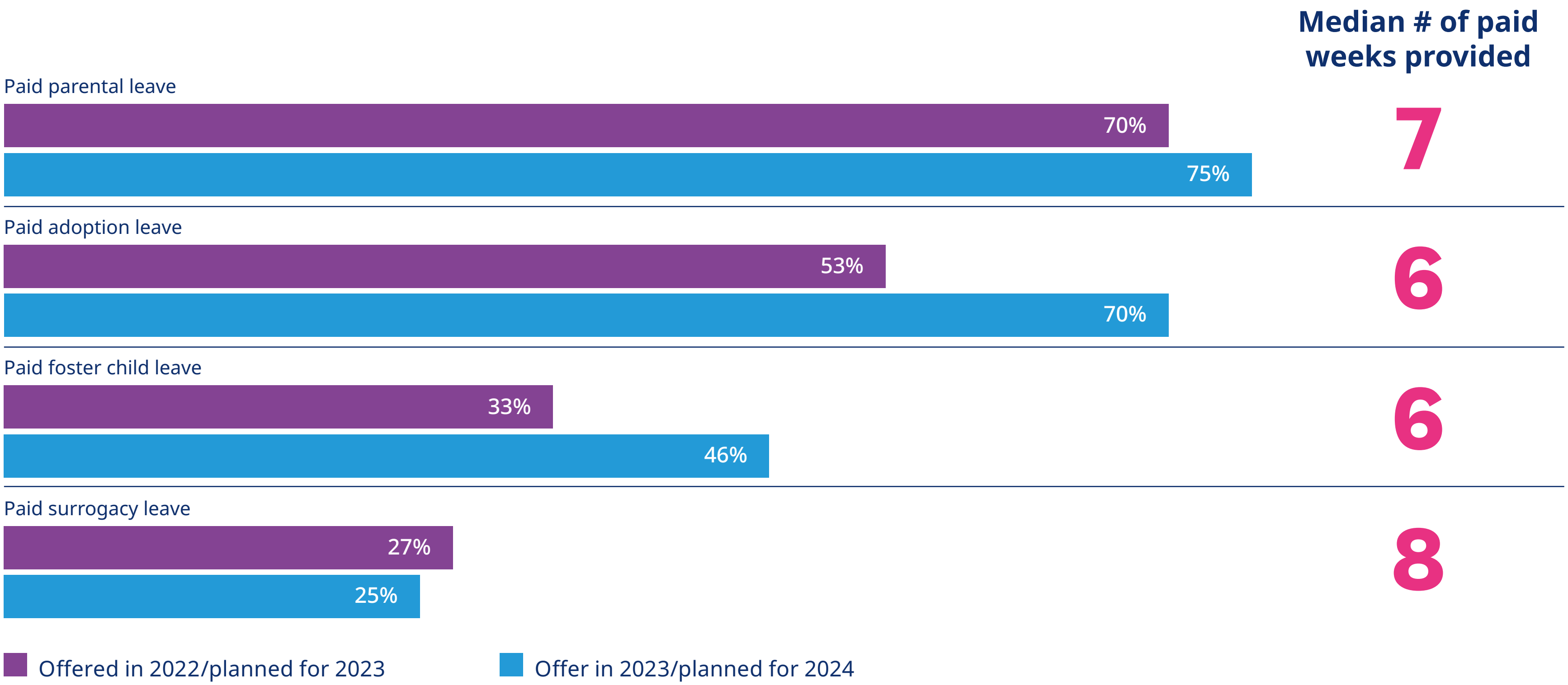
Unlimited or untracked PTO — a vacation or PTO policy without a fixed annual accrual or allowance — has seen wider adoption over the past few years. Prior to the pandemic, while many employers may have considered unlimited PTO, actual implementations were relatively rare. But the need for options and flexibility during the pandemic, as well as greater focus on liabilities for accrued but unused PTO, seems to have inspired a number of employers to try this approach. Of the employers responding to the survey, about a fourth — 27% — offer unlimited PTO to at least some employees, although only 6% offer it to all employees. It seems that this policy is continuing to slowly gain traction even in the post-pandemic era: In Mercer's 2021 Absence and Disability Management Survey, 22% of large employer respondents offered unlimited PTO to some employees, which was an increase from 15% in 2018.

In the 2021 survey, the majority of employers with unlimited PTO policies (72% reported that the amount of time off employees took was the same as it was under their prior accrued policy. It will be interesting to see how that statistic changes in the future. When employers adopt unlimited PTO for the first time, there is some "muscle memory" that leads employees to take a similar amount of time off after implementation as they did before. But as employers move further away from implementation and new hires make up a larger portion of the population, that muscle memory fades. To ensure proper usage of unlimited PTO, employers need to invest in tools and training to set expectations, including providing general guidelines for how much paid time off employees are expected to take. One innovative strategy to prevent time-off usage from dropping too much is to actually provide cash incentives to employees when they take a vacation under the unlimited PTO policy (e.g., a $500 cash bonus after the employee takes a full week off).

With more unlimited PTO programs in place, employers will soon have more evidence to evaluate the pros and cons of offering the ultimate in flexible time off.

Paid time off policies are becoming more inclusive

Growth in paid parental leave for all kinds of families

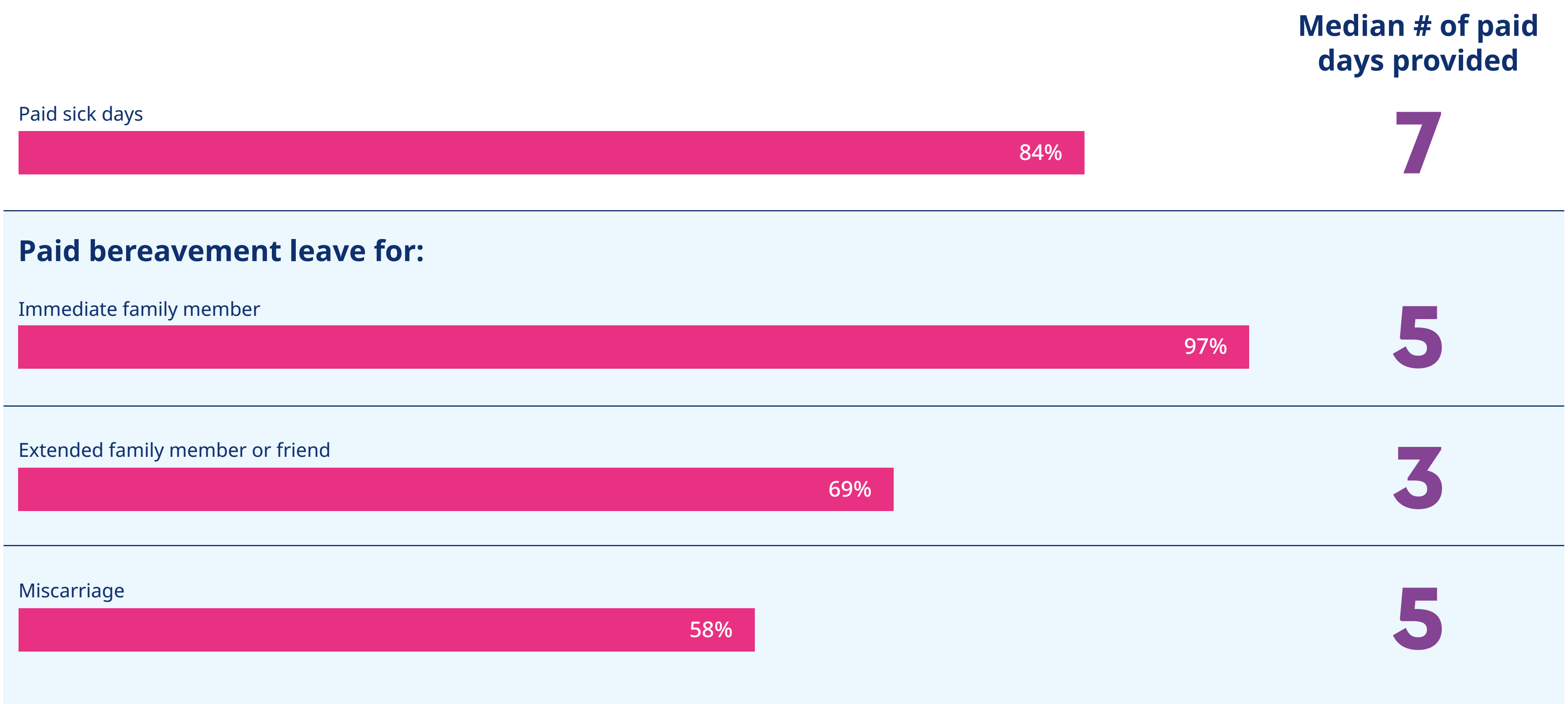


Paid parental leave is now a thoroughly mainstream benefit. Three-fourths of employers now offer paid parental leave, or plan to in 2024. In 2018, according to our *Absence and Disability Management Survey*, just 46% of large employers offered this benefit (in 2015, only 27% did so). Given the potential impact on recruitment/retention and productivity — and the expansion of complementary state-mandated paid family leave across the US — employers need to evaluate their program against fast-changing industry norms. This means considering how well policies support different kinds of families. Employers have rapidly added paid leave for parents welcoming an adopted or foster child, and a fourth provide paid surrogacy leave.

While the prevalence of paid parental leave has increased, this year marks the first time that the median number of paid weeks provided has increased. In each of our surveys since 2015, when we first started asking about paid parental leave policies, the median number of paid weeks for birth parents has been six. The increase to seven weeks is modest, but demonstrates how employers are gradually expanding the amount of time parents have to bond with a new child.

Paid time off for personal illness and bereavement

Offer or will offer in 2024



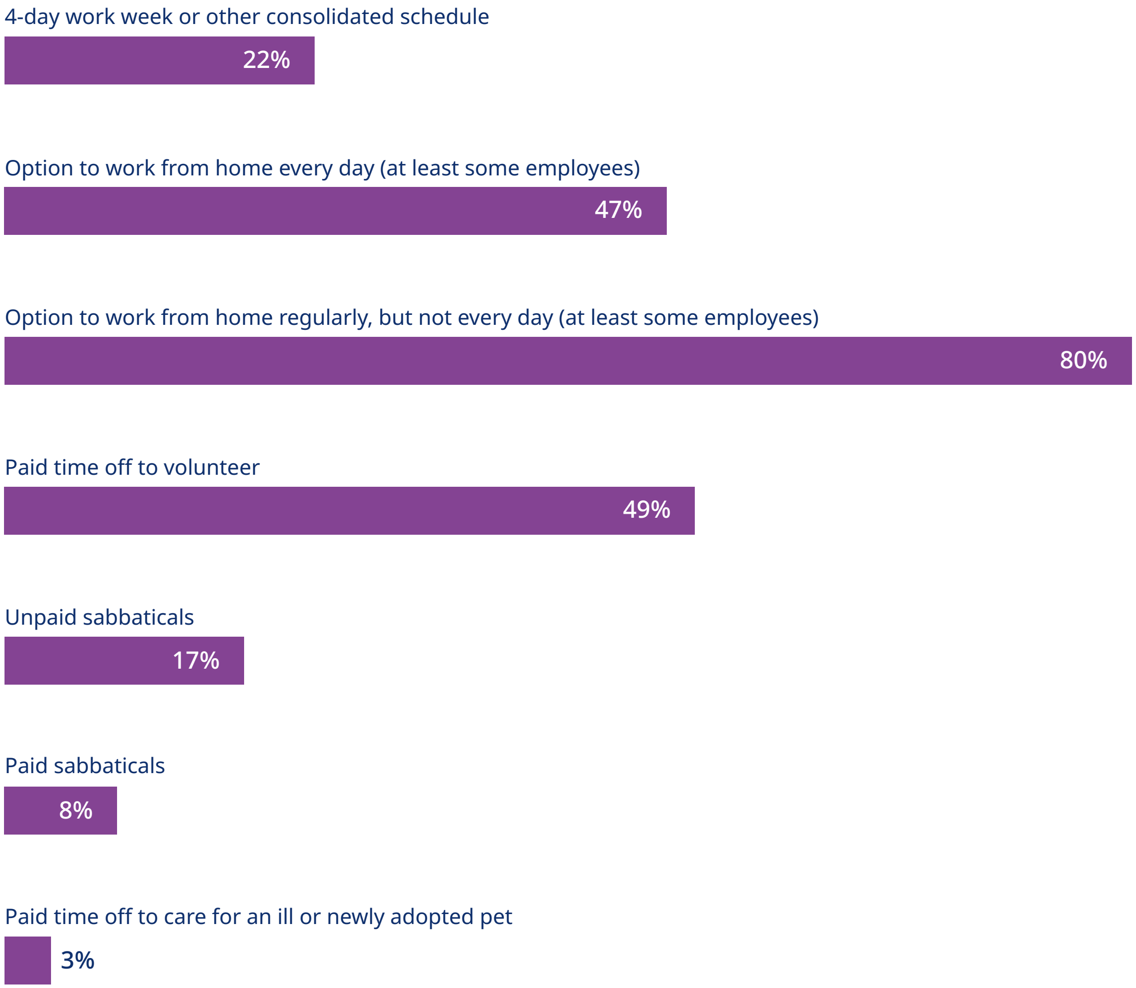
While paid sick leave is still not offered universally, it is now provided by a large majority of employers, either through a separate sick leave plan or, more commonly, under a PTO plan. The median number of days provided (including the number of days allocated for sick time in a PTO plan when the plan was established) is seven.

As employers look at paid time off through a lens of inclusivity, many are choosing to broaden their policies for bereavement leave. Paid leave for the loss of an immediate family member is provided nearly universally, and the median number of days provided is five. But, recognizing that people can also have close and meaningful relationships with extended family members or friends, over two-thirds of employers provide paid bereavement leave for these losses as well.

A more recent trend has been for employers to allow paid time off to grieve following a miscarriage or stillbirth. According to the survey, well over half provide paid bereavement leave for employees who have experienced a miscarriage, either through a separate leave policy or as part of the bereavement leave policy.

Supporting employee work/life balance

Currently offer



The pandemic introduced a shift in thinking about work/life balance and today many employees want – and increasingly, expect – more flexibility and time off than ever before.

While surveys suggest that a growing percentage of employees are reporting to work at company worksites on a given day, the “return to worksite” has been a slow process and many organizations have adopted what may be a permanent hybrid approach. Fully 80% give at least some employees the option to work from home regularly, although not every day. And nearly half give at least some employees the option to work from home everyday.

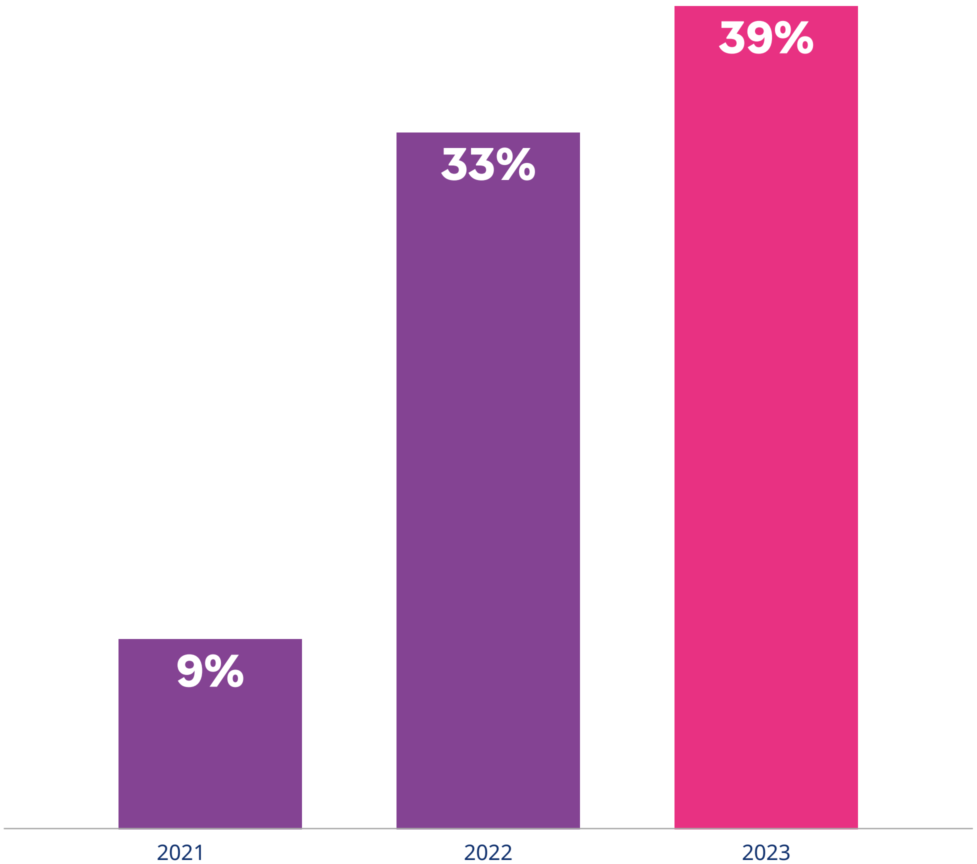
The four-day work week has been grabbing headlines as pilot projects in the UK and other countries report promising results. Four-day arrangements can be a good option for companies with workers who cannot perform their jobs remotely, such as healthcare providers, construction workers and retail staff, to name a few jobs considered “essential” and tied to location.

Sabbaticals have received some press coverage lately as a possible way to stave off burn-out and give employees the opportunity to pursue passions or develop new skills that will help in their work. Paid sabbaticals are currently provided by 8% of employers, which is a slight uptick from 7% in our 2021 *Absence and Disability Management Survey*. Unpaid sabbaticals also ticked up from 14% of employers in 2021 to 17%.

So-called “paw-ternity” paid time off policies, which allow employees to take time off upon the adoption of a new pet or to care for a sick pet, also tend to get a lot of press attention as a new, innovative leave policy. Despite the buzz, the actual prevalence of such policies is quite low, at 3% of all large employers. Among large employers in Service industries, prevalence rises to 7%.

In longer-term planning for the benefit program, it’s important to consider how leave policies balance the amount of paid time off that is discretionary versus the amount tied to a specific event. No one is questioning that adopting a new puppy or kitten can be important to an employee and may require time off from work. The question is whether that time off should come out of an employee’s paid time off allowance or under a separate policy. In addition to protecting accrued time off, establishing a separate leave policy demonstrates how important an event is to an employer. For example, employees can take time off to volunteer by using their time-off allowance, but by making it a separate policy — as 49% of survey participants do – not only is the time-off allowance untouched but it enables the employer to shine a light on something the company thinks is important.

More employers will make Juneteenth a paid company holiday in 2023



Among employers of all sizes. 2022 results from Mercer's Real-time Insights Survey, June 2022.

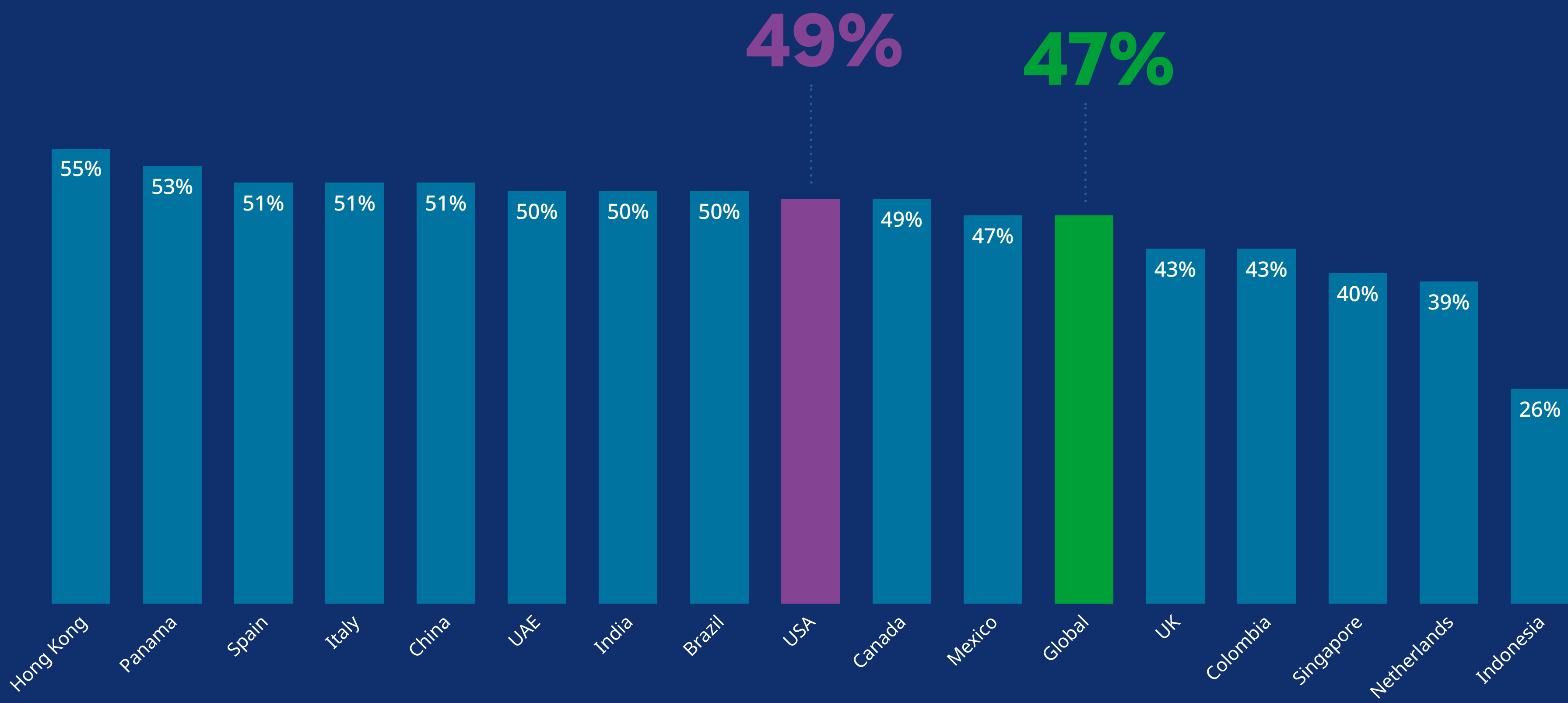
Juneteenth is the anniversary of the day in 1865 when news of the Emancipation Proclamation reached the enslaved people in Galveston, Texas, two and half years after it was signed. The first Juneteenth in 1866 was a celebration of freedom and progress, but over the many years that Juneteenth has been observed in Black communities across the country, it has come to also commemorate injustice and freedom delayed.

In Mercer's 2021 *Absence and Disability Management Survey*, conducted shortly before Juneteenth was declared a federal holiday, 9% of all respondents had made Juneteenth a paid holiday. This year, 39% of companies will provide Juneteenth as a paid holiday. With many employers undertaking long-term initiatives to address diversity, equity and inclusion, adding Juneteenth as a paid holiday is a fast and highly visible way to signal commitment to this work.

Focus on behavioral health care

Nearly half of employees report feeling stressed in everyday life

(Strongly Agree + Agree)



Health on Demand is a large survey of workers around the world that provides the employee perspective on important benefit issues. It asks employees how they are doing today and what they would most want from their employers to support their health and well-being. What is clear from the most recent survey, conducted in late 2022, is that employees around the world are feeling stressed in everyday life.

Mercer Survey on Health & Benefit Strategies for 2024

In the US, 49% of the more than 2,000 workers surveyed reported feeling stressed. The many ways that stress impacts both physical and mental health have been clearly demonstrated — which is why this statistic is top of mind for many employers in long-term planning for their health and well-being programs.

Behavioral health issues affecting the workplace

Considered a concern/serious concern (4 or 5 on scale of 1-5)

68%
Job-related stress
19% say it's a serious concern

67%
Depression/Anxiety
21% say it's a serious concern

59%
Financial stress
12% say it's a serious concern

32%
Alcohol problems
8% say it's a serious concern

25%
Opioid use
8% say it's a serious concern

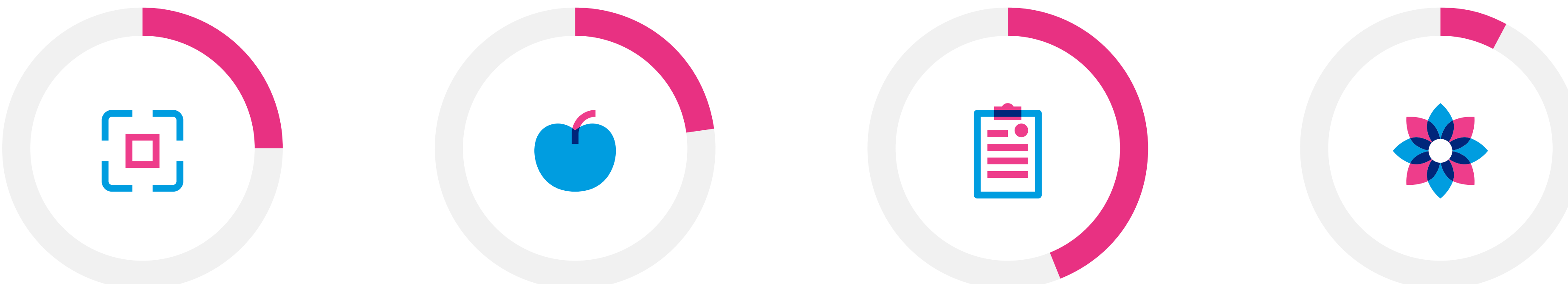
23%
Other substance use (e.g., marijuana, cocaine)
8% say it's a serious concern

US employers are well aware of the mental health challenges affecting their workers as we emerge from the long crisis of the pandemic into an uncertain economy, high inflation, escalating climate events, social discord at home and war in Europe. The level of job-related stress, depression/anxiety, and financial stress among workers are each considered a concern or serious concern by a majority of employers.

About a third of employers say alcohol use is a concern or serious concern, and opioid or other substance use disorders are a concern or serious concern for about a fourth.

Most employers have recently assessed employee behavioral health needs, or plan to

Have assessed employee behavioral health needs within the past two years using:



25%
Employee surveys/ focus groups

23%
Health assessments

44%
Claims analysis

8%
Anxiety/depression screenings

An additional 12% plan to conduct some type of assessment of employee behavioral health needs in 2023 or 2024. Only 23% have not recently assessed needs and have no specific plans to do so.

The survey found that many employers have recently assessed or plan to assess the mental health needs of their unique populations. A quarter of employers are conducting employee surveys or hosting focus groups to gather this type of information. While some employers may use internal HR resources for this type of information gathering, others use a more formal process and engage an outside resource to facilitate it. About a fourth learn about mental health needs on health assessments.

Importantly, 44% are conducting claims analyses to better understand what services employees are using, how they're using them, and for what reasons. This type of analysis can both provide an indication of the behavioral health issues in the population and identify gaps in benefit utilization across different employee segments, helping to inform future strategy.

Effectiveness of actions taken to increase behavioral healthcare utilization or create a more supportive environment

			Of those taking action:	
		Have taken this action within the past 3 years	Has been effective or very effective	Has been fairly effective
1	Added supplemental network for virtual or in-person care	42%	69%	22%
2	Enhanced or expanded EAP	69%	59%	25%
3	Took steps to increase screenings for mental health and/or substance abuse	19%	58%	33%
4	Implemented manager training in recognizing BH issues and steering to resources	36%	49%	30%
5	Conducted campaign to reduce stigma and encourage use of BH resources	49%	46%	33%
6	Added digital or in-person resources for managing stress/building resiliency	58%	44%	29%

The survey asked employers to rate the effectiveness of actions they have taken within the past few years to increase behavioral healthcare utilization and create a work environment that is supportive of mental and emotional health. Enhancing or expanding the EAP was the most common action taken — over two-thirds of survey respondents have enhanced their EAP services. This might include increasing the number of sessions. Where three to five sessions was once the norm, many employers are now offering eight to 10 sessions, or even more. Other enhancements include the ability to schedule an appointment with a provider online, and integration with the health plan to allow for continuity of care if sessions beyond those EAP sessions are needed. The majority of employers that have recently enhanced their EAP services believe that doing so has been effective or very effective (59%).

Still, the top-rated action was adding a supplemental provider network for virtual or in-person care, which directly addresses the shortage of behavioral health providers and makes it easier for people to get care when they need it. About two-fifths of employers have added a supplemental network within the past few years; of those, 69% say it has been an effective or very effective strategy.

While only about a fifth of employers either offer or encourage mental health and substance abuse screenings, the majority that do believe this has been effective. Screenings can help uncover and address issues at the earliest possible stage.

Nearly half of employers have conducted anti-stigma campaigns to help employees feel comfortable utilizing behavioral health services. Some organizations involve members of the C suite in these campaigns to reinforce leadership support, and perhaps even to talk about a personal experience with using mental health resources. About a third of employers are training managers to recognize behavioral health concerns so they can connect employees to resources before the concerns become acute. While it can be hard to measure the success of actions intended to change company culture, nearly half of the employers that have used either strategy believe it has been effective or very effective.

Room for improvement in supporting those with substance use disorders

Employee communications

29%	Communications to raise awareness of substance use issues, treatment, and/or resources

Asking more from vendors

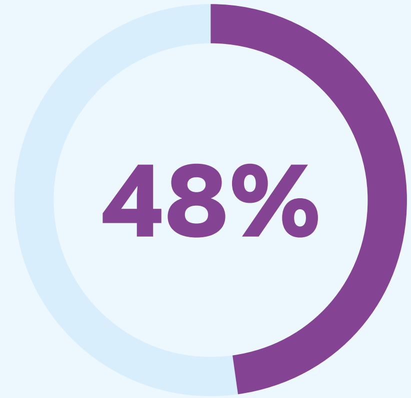
16%	Have pushed medical, dental, and/or pharmacy plans to monitor prescribing behavior of network providers
18%	Have pushed pharmacy benefit manager to use evidence-based formulary for pain medications

Plan design to meet needs, steer to quality care

13%	Plan design supports screening patients for substance use
20%	Plan design includes coverage for medication-assisted treatment
6%	Have taken steps to reduce use of out-of-network treatment facilities

Continuity of care

4%	Have addressed continuity of care from treatment into the recovery phase, including leave policies and “step down” care in the local community
6%	Have evaluated effectiveness of return to work programs for employees returning after substance use treatment



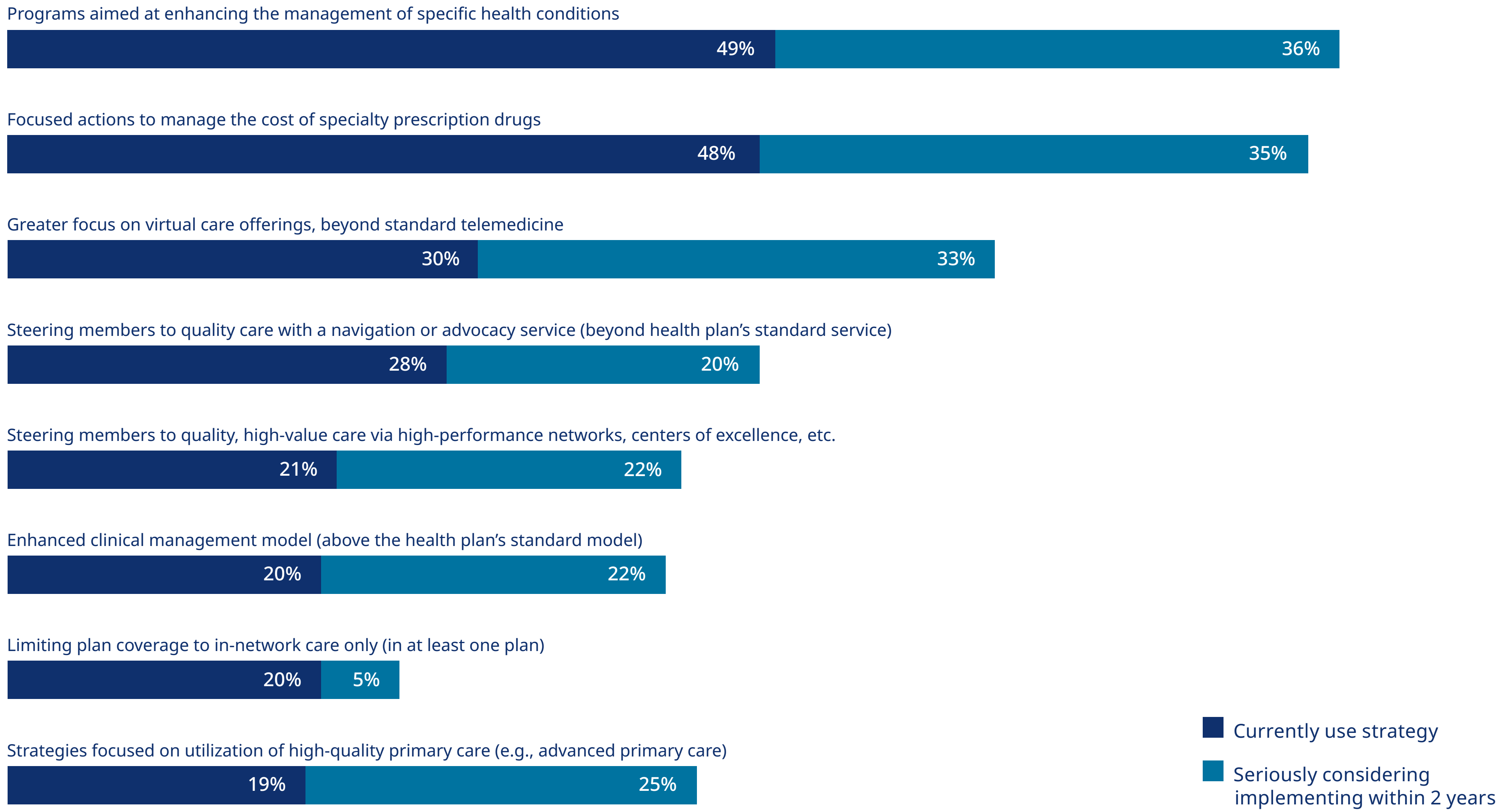
of employers have not taken any of these steps to address substance use in the workforce

Alcohol and substance use disorders became both more common and more severe during the pandemic. While about third of employers say that alcohol use is a problem in their workforce, and about a fourth are concerned about opioid or other substance use, relatively few have taken action beyond awareness campaigns to provide support for employees with these disorders. Medication-assisted treatment of opioid and other substance use disorders has been shown to be an effective form of treatment, yet only 20% of employers say that MAT is covered in their health plans.

To address rising cost without shifting cost, employers are thinking *value*

Thus far, we've focused on the actions employers are taking to ensure they are offering competitive, attractive, and inclusive benefits that support employee well-being. But, as we've said, employers must also prepare for faster health cost growth ahead. In their planning for 2024, they are pursuing cost management strategies that can slow cost growth over the longer term while minimizing cost shifting to employees.

Strategies employers are using to slow health cost growth — without shifting cost to employees



As shown in the graph on the previous page, the top strategies that employers have implemented or are seriously considering implementing within two years range from condition management to actions to slow specialty drug cost growth to steering employees to high-value care.

Programs to improve health condition management

The use of targeted programs aimed at specific health conditions (e.g., diabetes, musculoskeletal issues, pain management has gained traction in recent years as a way to achieve better outcomes and lower costs. Currently, 49% of employers responding to the survey offer these types of programs, and another 36% are seriously considering it. In addition, 20% of employers have adopted enhanced clinical management models beyond the standard health plan model, with another 22% seriously considering it. This is a marked increase from last year's survey*, when just 12% of employers had either implemented enhanced clinical management or were considering it. Employers with 20,000 or more employees are out in front in using enhanced clinical management; 44% currently have it in place.

Managing the cost of specialty prescription drugs

Specialty biotech drugs have revolutionized treatments for conditions such as HIV, multiple sclerosis, cancer and rare genetic conditions. They are also very expensive, and in recent years employers have reported double-digit increases in their specialty drug costs. So it's not surprising that 48% of employers surveyed say they are taking focused action to manage specialty drug costs. This might include plan design changes to steer patients to a specialty pharmacy; focusing on the site of care; seeking support from drug manufacturers to lower member out-of-pocket costs; demanding integrated care management from PBMs and health plans; and mitigating claims risk via authorization programs, stop loss coverage or captives. In the next section, we'll discuss actions they are taking to manage three specific classes of drugs.

Steering employees to high-value care — including virtual care

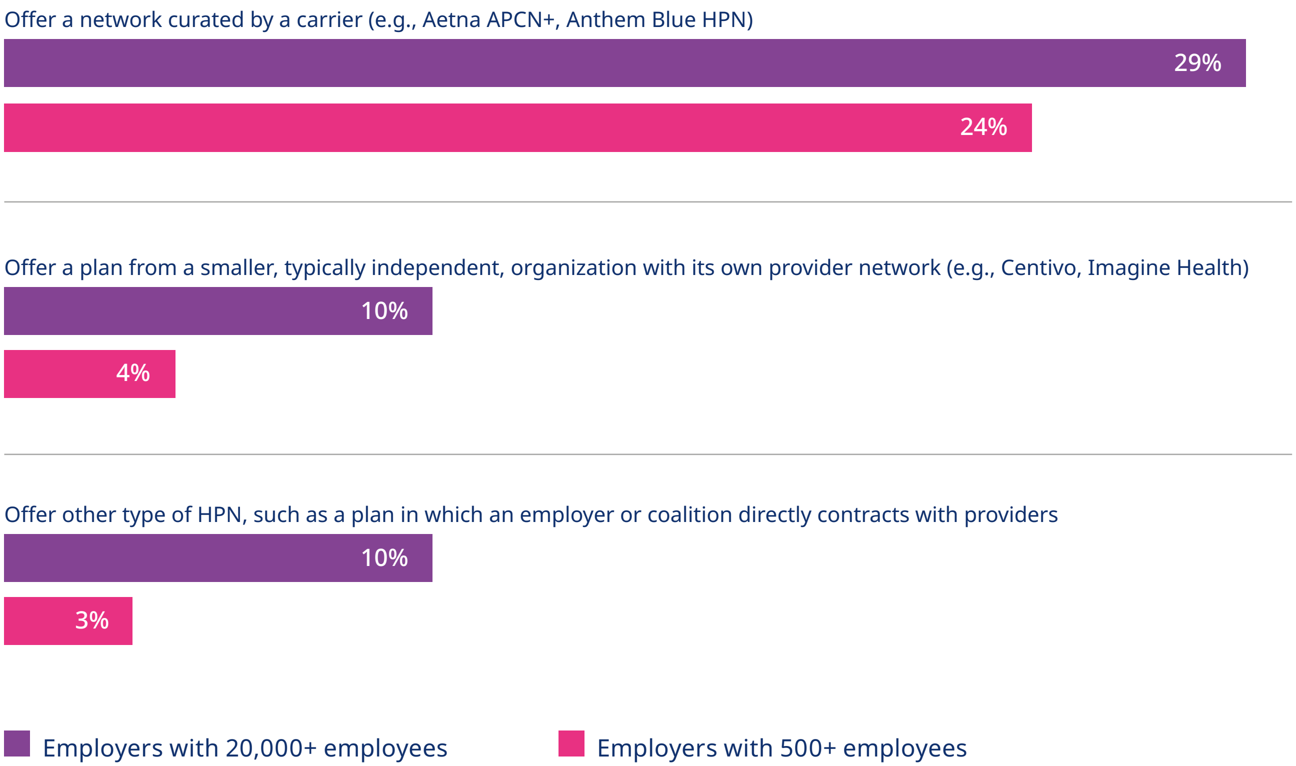
Almost a third of employers (30% say that expanding the use of virtual care beyond traditional telemedicine is part of their overall strategy to slow cost growth without shifting cost to employees — and another 33% are seriously considering it. We'll discuss specific actions they are taking later in this section.

About a fifth of all large employers in the survey (21% are using various network strategies, including alternative networks, high-performance networks and COEs, to steer employees to high-value care. Among employers with 20,000 or more employees, this figure jumps to 46%. These approaches deliver savings by focusing on the quality and efficiency of a provider network, rather than its breadth. Navigation or advocacy services can also be used to steer employees to higher-value care: 28% of all large employers, and 46% of those with 20,000 or more employees use this approach. There was a significant increase in the use of advanced primary care. Still a relatively new strategy, 19% of large employers have adopted it already, with another 25% considering it, suggesting it is poised to grow quickly. Research has shown that primary care can deliver greater healthcare value through its focus on prevention, early detection and steerage to high-quality, cost-effective specialists, and new options that promote the use of quality primary care are flooding into the market. Among employers with 20,000 or more employees, 29% have an advanced primary care model in place.

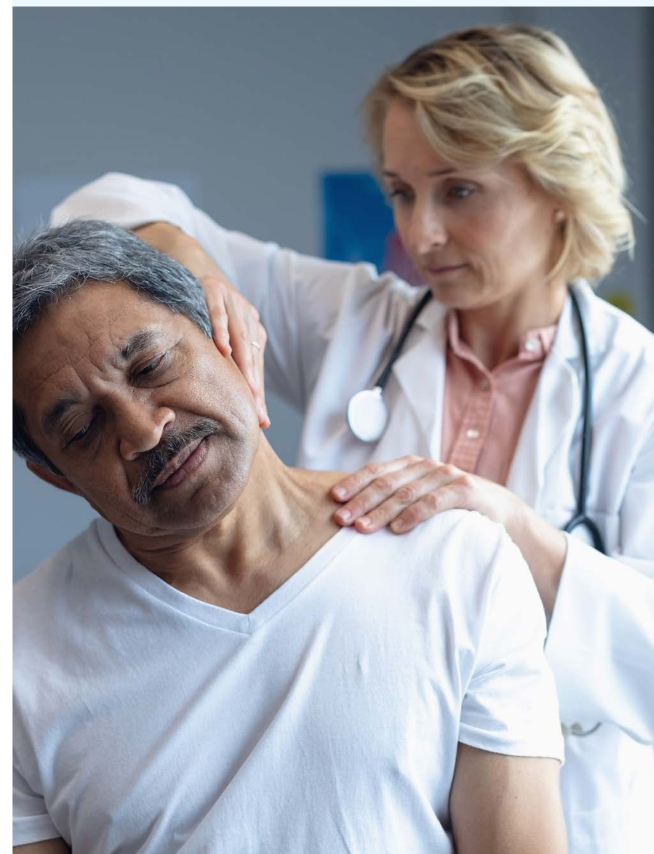
*Mercer's Survey on 3 Big Issues for Health Programs

High-performance networks aim for better outcomes, less waste

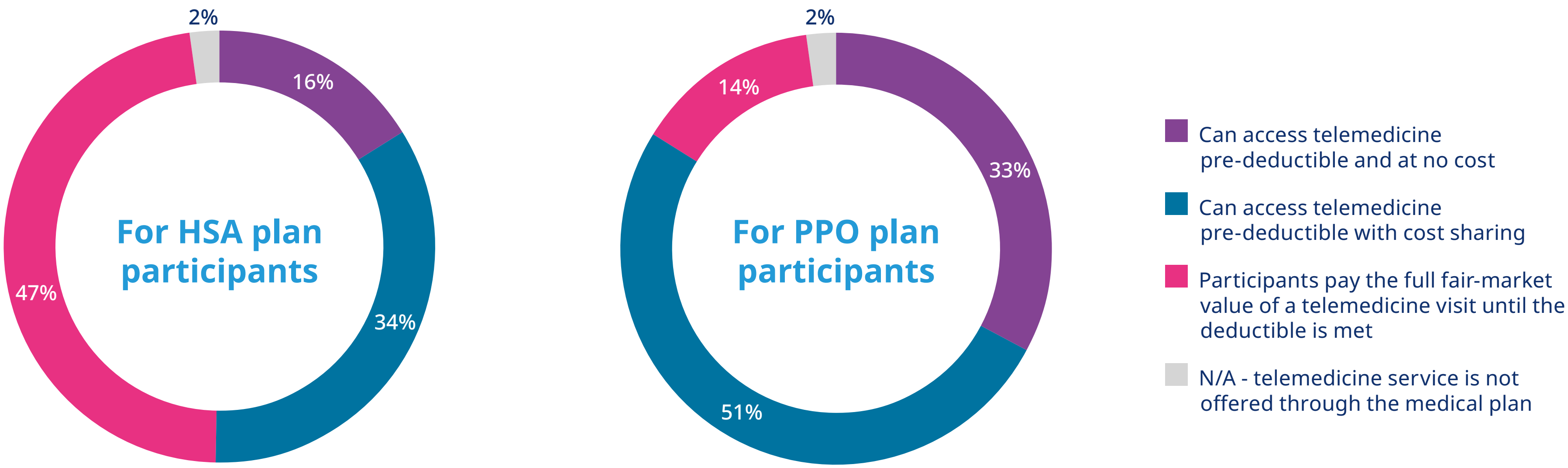
Implementing a high-performance network strategy can be disruptive for plan members. But communicating the value of a network in which all providers meet higher standards can help — as can offering lower cost-sharing. While carrier-based networks are by far the most common, HPNs designed and managed by independent vendors are gaining traction, especially among the largest employers.



Network strategy is one of the key levers to impact healthcare costs and we're seeing growing interest in network configurations that differ from the traditional broad PPO network.



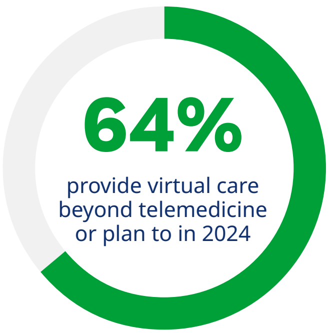
Telemedicine cost-sharing requirements



During the pandemic, the majority of employers that offered employees a telemedicine service for acute care waived cost-sharing requirements to encourage employees to seek care virtually rather than in-person. Today, about a third of employers with PPOs continue to cover telemedicine at 100% on a pre-deductible basis. While the public health emergency measure that permitted employers with HSA plans to cover telemedicine visits on a pre-deductible basis without affecting participants' HSA eligibility has been extended, only 16% of HSA plan sponsors provide free coverage on a pre-deductible basis.

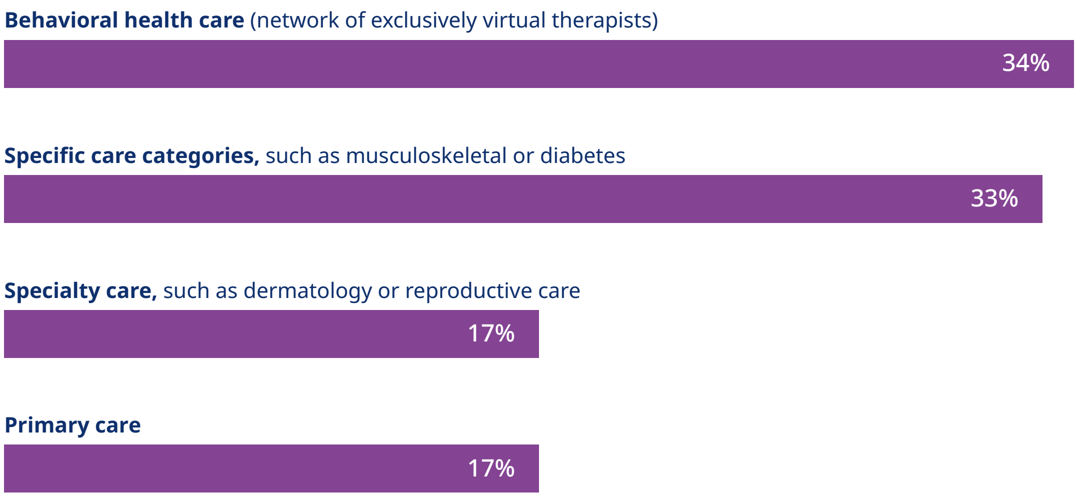
While removing cost-sharing requirements has a clear cost impact to the plan sponsor, members who have a plan that covers telemedicine with no cost sharing have greater access to care, which could reduce absenteeism and help employees to better manage their health, ultimately yielding positive results for the employer.

Expanding virtual care beyond traditional telemedicine



Telemedicine for acute care is a nearly universal offering. But today nearly two-thirds of sponsors provide other virtual solutions to address a broader range of healthcare needs

Virtual care solutions offered or planned for 2024*



Nearly two-thirds of employers — 64% — say that they have expanded their virtual care offerings beyond telemedicine, or will do so in 2024. One of the primary areas where employers are deploying a virtual care strategy is for behavioral health care, both to address the problem of limited access to behavioral health care providers and also to make it easier and more convenient for members to visit with a provider.

As discussed earlier, a top cost-management strategy is to address specific health conditions like diabetes and musculoskeletal issues in the population, and this graph shows that 33% of respondents are delivering these types of solutions via virtual care. Employers are also adding virtual provider networks of specialists, such as for dermatology, reproductive care, and even cardiology.

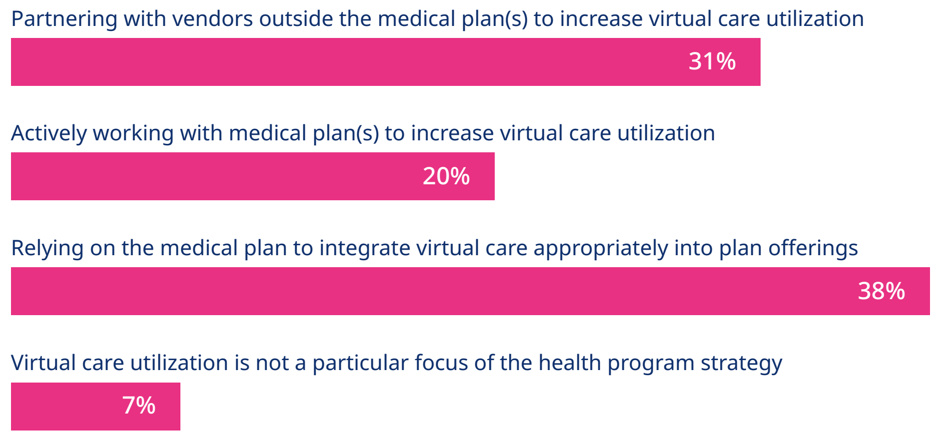
Virtual primary care — beyond the acute, episodic care provided by traditional telemedicine providers — is being offered by 17% of employers. This can include regular annual check-up visits, reviews of lab tests and blood work, and advice on health management topics like weight management, nutrition, and mental health.

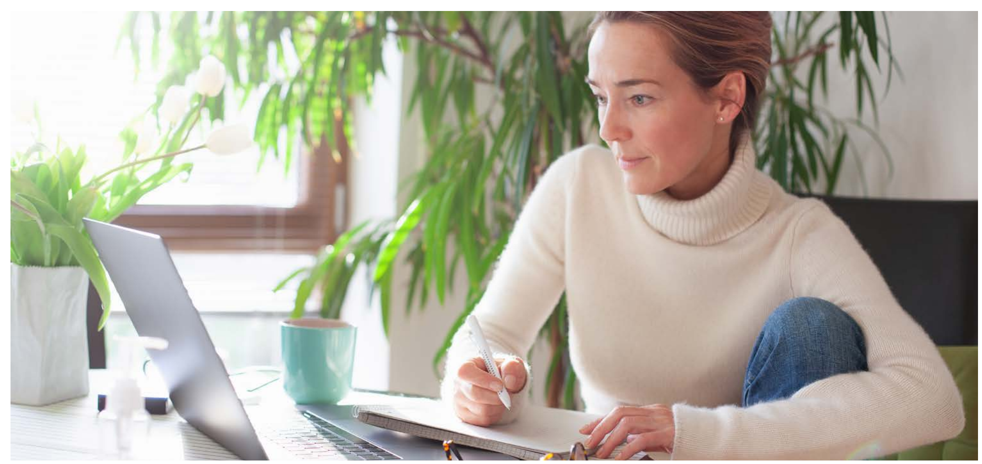
About half of employers offering virtual care beyond telemedicine are actively working with vendor partners to integrate virtual care into their health programs

Primary approach toward integrating virtual care in the health program

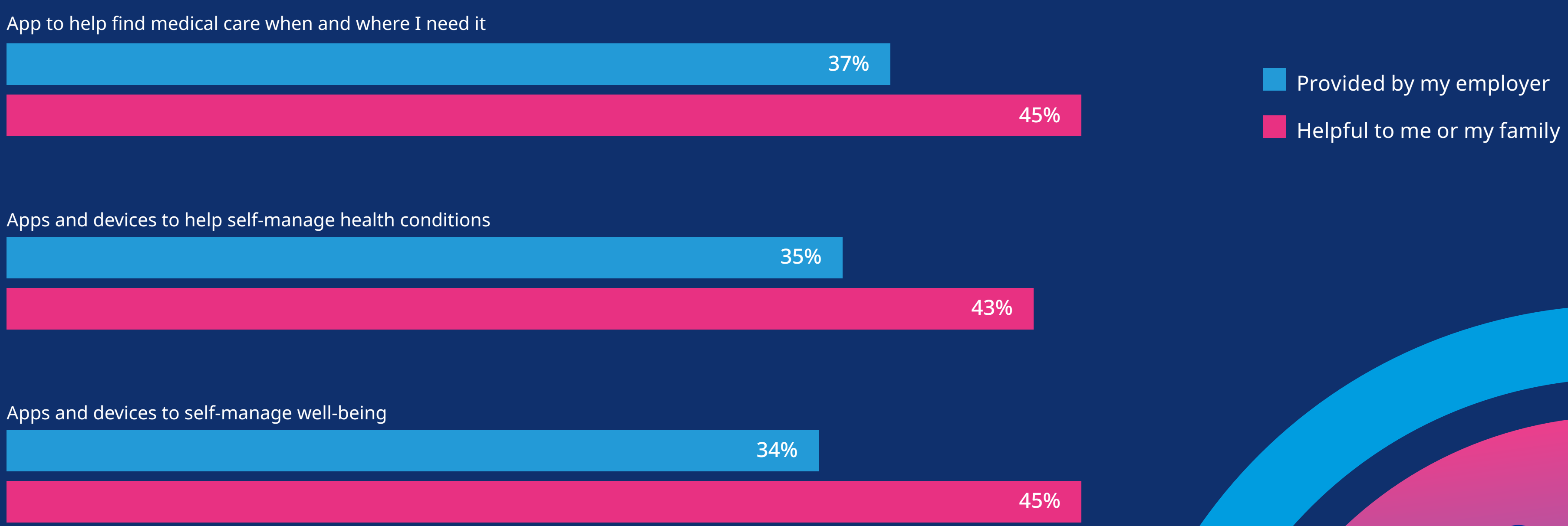
The survey asked employers that are expanding virtual care offerings beyond traditional telemedicine about their primary approach. About half are actively working with either vendors outside the medical plan (31% or with their medical plans (20% to expand the use of virtual care. While 38% say they are relying on their medical plans to take the lead in this area, that doesn't mean they are not interested in expanding the role of virtual care — only 7% say that virtual care is not a particular focus of their health program strategy.

The virtual care space is still immature, and all parties (medical plans, established vendors, and disruptors) are seeking to claim their market share. The survey results indicate that there's no clear winner (yet in terms of whether health plans or independent vendors will be seen as the standard bearers in virtual care delivery for employer health programs. Exploring virtual care opportunities should be a component of strategic planning for the foreseeable future. This might include keeping a running inventory of all the virtual care offerings available to employees and periodically checking for gaps. It's also important for employers to ask health plans and health solution vendors to share their virtual care expansion plans and roadmap.





Many employees find digital health benefits helpful — or believe they would be helpful



What's clear from our Health on Demand survey of workers is that a growing number of US employees are already using virtual care or are open to it. The survey asked about apps to help find care, to self-manage health conditions, and to self-manage well-being. In each case, the percentage of employees who said they would find the solution helpful for them or their families exceeded the percentage who said they currently have access to the solution through their employer.

Mercer Survey on Health & Benefit Strategies for 2024

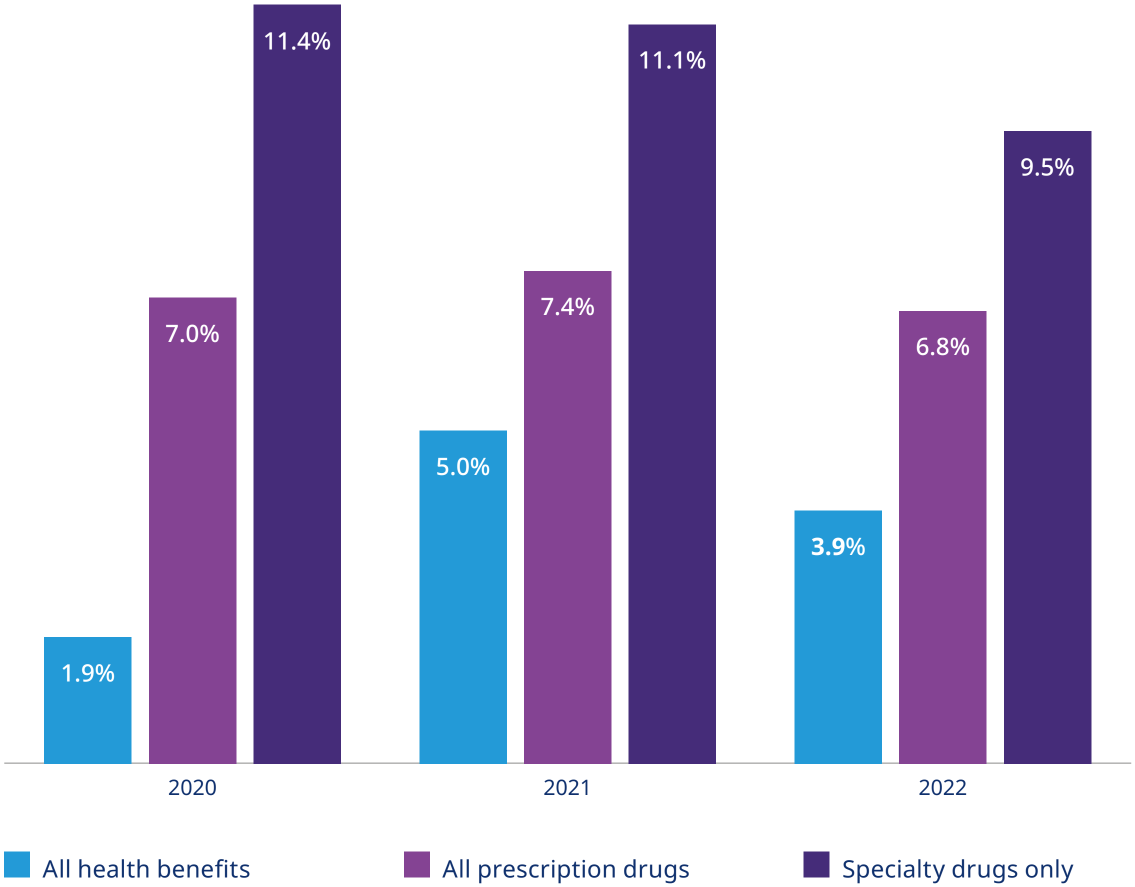
Focus on Rx benefits

Managing pharmacy cost is a complex proposition that is getting more complex every year. The biggest challenge on the horizon is the introduction of super-high-cost gene and cellular therapies; this will be the focus of pharmacy and medical plan strategies for years to come. The survey asked about more immediate issues that employers need to consider in their planning for 2024:

- **Managing off-label utilization of Ozempic and other GLP-1 drugs**
- **Handling fertility treatment medication when a specialty vendor is used to provide care**
- **Preparing for the release of Humira biosimilars**

Driven by specialty drugs, Rx cost is growing at nearly twice the rate of overall health benefit cost

Average annual change in benefit cost per employee



Prescription drugs remained a cost driver for employers in 2022, with cost for prescription drugs rising 6.8%, or nearly twice as fast as overall health benefit costs. This is largely due to growth in cost for specialty drugs, such as those used to treat complex medical conditions like cancer and autoimmune disorders. Large employers reported that spending on specialty drugs rose by nearly 10% in 2022, and still higher increases are expected as more breakthrough gene and cellular therapies enter the market, with the FDA estimating that by 2025 it will be approving 10 to 20 gene and cell therapy products per year.

Addressing off-label use of weight-loss medications intended for diabetes management

Have taken special actions to manage utilization of GLP-1 drugs such as Ozempic

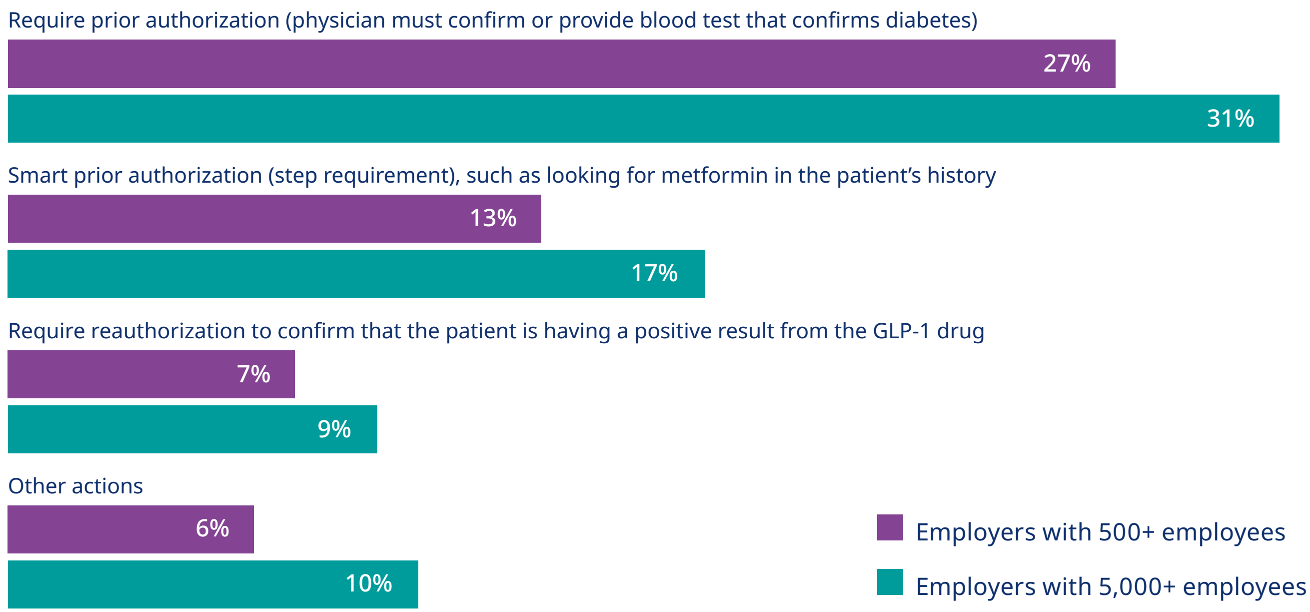
40%

Employers with 500+ employees

52%

Employers with 5,000+ employees

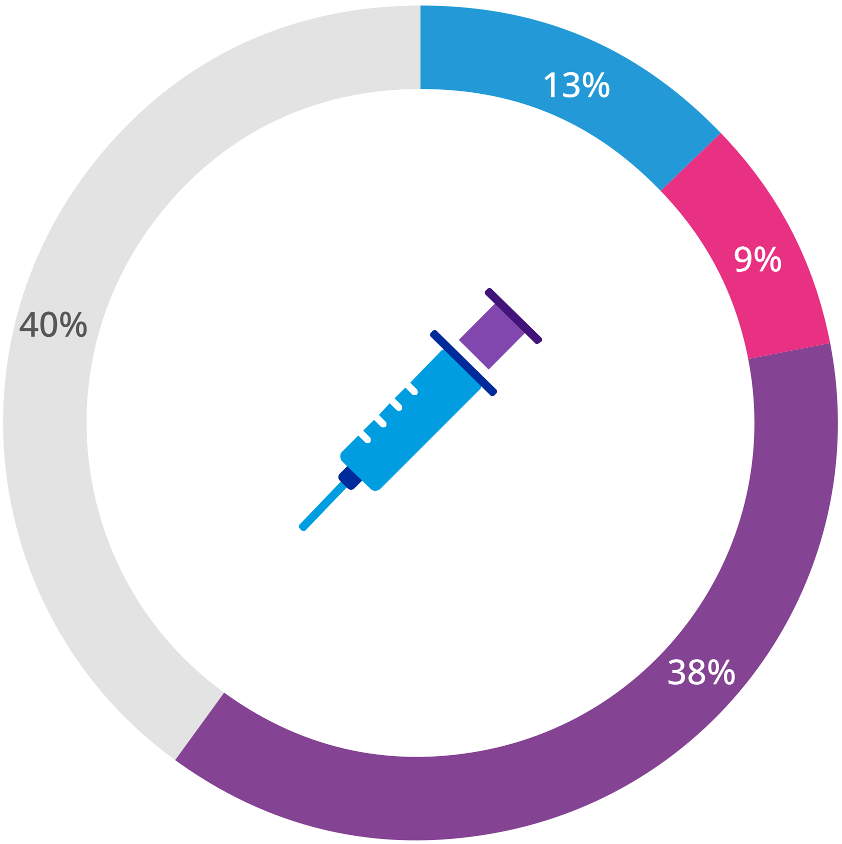
Actions taken



The off-label use of Ozempic and similar drugs for weight loss has become something of a cultural phenomenon. With growing awareness of this in the general population, many plan sponsors are taking some action to manage off-label use — 40% of all large employers, and 52% of those with 5,000 or more employees.

One reason some employers have hesitated to manage these GLP-1 drugs more aggressively is the potential impact on rebates from the drug manufacturer. Additionally, they have been concerned with patient disruption if all claims were to require prior authorization. But as vendors have introduced more "smart" prior authorization options, which allow patients to bypass the prior authorization if their history illustrates they are truly diabetic (and with less impact on rebates for the class), employers may now feel more comfortable with higher levels of management.

Covering fertility drugs when a specialty vendor is used



Use a specialty vendor that provides both services and medications

Use a specialty vendor, but fertility medications are covered through the pharmacy plan

Cover fertility services, but do not use a specialty vendor

Do not cover fertility services

As we've discussed, over the past few years employers have focused on inclusive family building benefits and on women's reproductive health. This is evidenced in marked growth in coverage for fertility treatment or in coverage enhancements, such as modifying the maximum benefit amount or number of cycles allowed. Some employers are engaging specialty vendors to provide the benefit, which has implications for pharmacy costs.

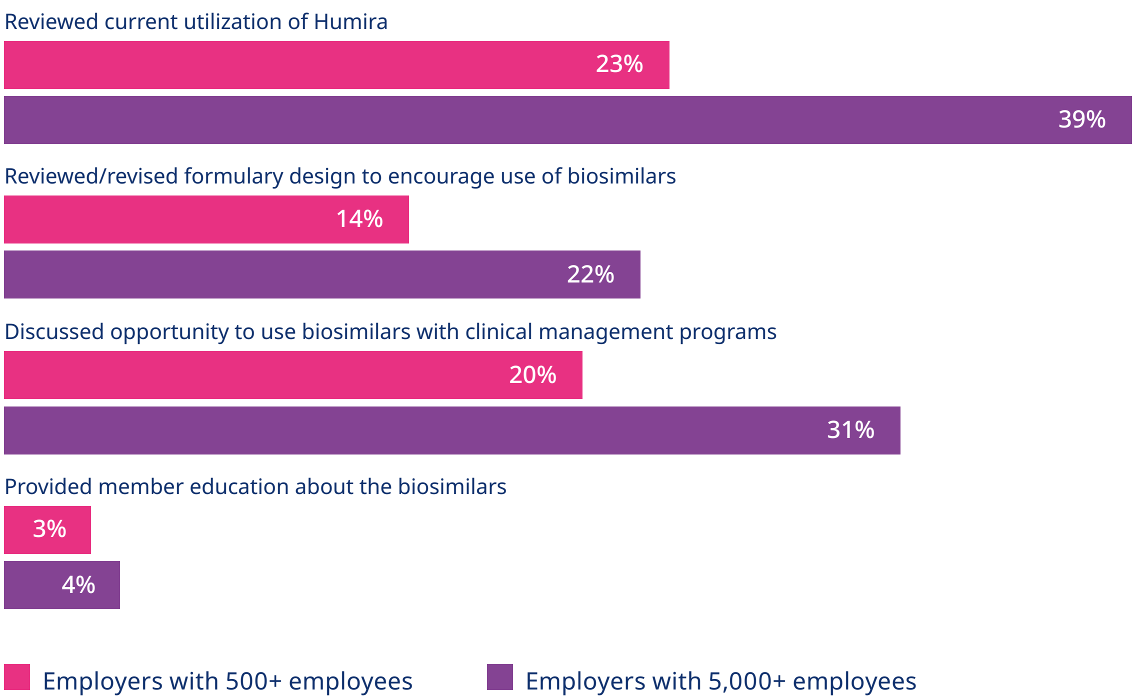
About a fifth of employers use a specialty vendor to provide fertility services — 13% say that the vendor provides both services and medication, while 9% say fertility medications are covered through the pharmacy plan. Employers considering working with a fertility vendor should conduct a financial analysis to compare the fertility vendor's pricing/guarantees to those of the PBM prior to making a decision. Employers carving out fertility medications from their pharmacy plan need to consider potential pharmacy contract implications such as negative impact on rebate guarantees. Fertility vendors typically bake the drug rebate value into the overall drug cost (vs providing a separate rebate and can add in savings estimates for areas such as waste management that should be validated.

Steps toward achieving savings with new Humira biosimilars

The majority of employers have taken (or plan to take) specific actions to help ensure cost savings when biosimilars for Humira enter the market.

Among employers with 5,000 or more employees, only 34% say they will leave this development to their medical plan/PBM to handle.

Actions taken



In an important development for plan sponsors and patients dealing with the high cost of drugs used to manage autoimmune conditions such as rheumatoid arthritis, biosimilars for one such drug, Humira, will be available this year. Biosimilars are very similar, typically lower-cost versions of brand-name drugs. Currently Humira tops the list of drug expenditures for most plan sponsors.

Strategies to maximize savings from the availability of biosimilars are still largely being driven by the PBMs in terms of their formulary positioning. However, because sponsors are very aware of the potential savings associated with the release of biosimilars for Humira, the pressure is on the PBMs to illustrate that, net of rebates, Humira is still the lowest-cost option for payers. As additional biosimilars are released later this year, some of which will be directly interchangeable by pharmacists, employers will want to revisit these formulary decisions by the PBMs.

Staying on top of these developments is important not only because additional biosimilars will launch for Humira, but also because biosimilars for another highly utilized drug, Stelara, which is used to treat inflammatory conditions like psoriasis, are possible late this year, and will drive more opportunity for plan management.

Mercer Survey on Health & Benefit Strategies for 2024

Employers will be challenged to absorb higher cost increases, but with inflation stressing their employees' household finances, budget concerns must be balanced with healthcare affordability and the need to offer attractive benefits

1 Plan for faster cost growth

2 Get creative! Find ways to add value for *your* population

3 Network strategies and virtual care offer win-win cost savings