2024 Employee Benefits Market Outlook Executive Summary

LOOKING BACK AT 2023

2023 was a difficult year for many organizations. Rising health care costs, regulatory changes, continued high inflation, the still-competitive labor market and increasing employee demands all made their own impact. Many of these trends are also expected to continue into 2024.

As a benefits broker, you're in the position to help your clients face these challenges head-on. Armed with the right information your clients can better position their organization to succeed in 2024 and beyond.

Read on to learn more about how your clients can prepare for these challenges, and challenges unique to 2024, and to gain advantage in the market.

Please note: *This is a high-level summary. A full copy of the report is available to Broker Briefcase – Benefits partners and within the Zywave Content Cloud.*

THE RISE CONTINUES: EXPECT INCREASED HEALTH CARE COSTS

Most employers expect to see a rise in health care costs each year, but the expected rise this year will be bigger than most. According to multiple industry surveys and reports, employers are anticipating a rise in health care costs between 6% and 8.5%, the largest increase in more than a decade.

TRYING TO MITIGATE HEALTH CARE COSTS?

Consider starting here.

Metal health

Employee's mental health needs rose during the pandemic and continue to linger. By expanding access to mental health support and services employers can reduce cost barriers to care for employees. Organizations can also consider mental health training, anti-stigma campaigns and flexible working arrangements that allow employees to discreetly seek mental health care during working hours.

Pharmaceutical costs

Specialty and expensive prescriptions drugs, especially diabetes and obesity drugs and cell and gene therapies (CGTs), are leading to a rise in the median price of pharmaceuticals. Employers looking to mitigate these rising costs should consider implementing pharmacy management strategies including prioritizing transparent PBM practices and plan design changes that address expensive medications and treatments.

Cancer treatment

Preventative screenings were disrupted during the pandemic, and as a result employers are expecting more late-stage cancers to be diagnosed among workers, thus resulting in an increase in the cost of cancer care. Employers should consider encouraging advanced screening measures and maintain full coverage of recommended prevention and screening services to help their employees be as proactive as possible.

Health care delivery

Virtual care and other health care innovations became the norm during the pandemic; however demand is starting to level out. But if employers are looking to prioritize primary and preventative health care, providing continued options for health care delivery will be essential for optimized employee health outcomes.

But while increased health care costs are going to stress employer's bottom line, that doesn't mean shifting the increased cost to employees is the correct answer. For the past few years, many employers have avoided increasing health care costs to boost employee retention and attraction. While shifting some costs to employees may be inevitable, employers should also look to find ways to get creative with their plan design. This can include enhancing benefit offerings and seeking additional opportunities to add value for employees and identifying ways to fill gaps in their current coverage offerings to make their plan more inclusive.

RECRUITING AND RETAINING EMPLOYEES: WHAT WILL IT TAKE?

The labor market has been a challenge for employers since the beginning of the pandemic. Employee resignations hit an all-time high in November 2021, and job openings have never been higher than March of 2022. As we look to 2024, the labor market is expected to ease slightly, but to stay competitive, employers will need to stay agile and adaptive.

So, what should employers be looking out for in 2024?

Increased compensation: The average salary increase is expected to be 4% in 2024, but that doesn't match the raises workers want. To win over talent, employers will need to consider offering more money in 2024.

Skills-based hiring: Instead of focusing on education or certification, skills-based hiring will allow employers to hire based on skills to expand their talent pool and to help find the right job candidates.

Artificial intelligence in recruiting: Reaching a wider talent pool and creating operational efficiencies for recruiting teams is going to rely on AI. But employers also need to watch for risks posed by AI including bias, errors, and discriminatory employment selection.

The "Great Gloom": Employees aren't as likely to resign in 2024 as they have been in the past, but many are increasingly unhappy with their job.

The rise of Gen Z: In 2024, there will be more members of Gen Z in the workforce than baby boomers. And they are making an impact, forcing employers to rethink their attraction and retention strategies.

Voluntary benefits: If employers can't meet employee compensation expectations, voluntary benefits are a viable alternative. Additional options include hospital indemnity insurance, pet insurance or gym memberships.

As employers are looking for **new ways to retain employees in 2024**, considering a variety of options is going to be key. From compensation to new health care benefits, and even flexible work options, all are viable options for both retention and recruitment efforts.

Student Loan Repayment

Another major factor impacting employees is student loans. With over 43.5 million Americans carrying over $1.7 trillion in student loan debt, loan repayment is front of mind for many employees. COVID-19 student loan relief expired in 2023, and now 1 in 5 Americans are facing accruing interest and restarted payments. Employers have an opportunity to support their employees with student loans, which disproportionately impacts those under 40, with student debt repayment options.

As part of the CARES pact that was passed in 2020, employers can pay employees up to $5,250 per year for student loan repayments as part of an educational assistance program. More employers are expected to take advantage of this opportunity in 2024 and can use debt repayment as a boost for employer branding and employee engagement.
Pharmaceutical costs

Reproductive Health Care Benefits

The Dobbs v. Jackson Women's Health Organization made reproductive health care benefits a key issue in 2023. That is expected to continue into 2024.

Last year, the HHS also proposed a rule to strengthen birth control access under the ACA, and employers should monitor the possible implementation of this rule in 2024. Even when not required employers can consider providing access to reproductive health care and contraceptives as an option to stay ahead in the tight labor market.

In addition, many employers are now offering fertility and family-building benefits in an effort to support the financial, mental and emotional well-being of their employees. Family-building benefits are appreciated and valued by employees regardless of gender identity, age, or relationship status, and can also assist with employee attraction and retention, especially within younger generations of workers.

The Return of In-Person Work

With the beginning of the pandemic in 2020, remote work became the norm. In 2023, employers responded to the tight labor market by offering employees increased flexibility, including remote and flexible work options. And although flexible working options remain popular among employees, many organizations are responding to the shift in employer dynamics in favor of employers by implementing return-to-office mandates in 2024.

However, many employers fear that pressuring employees to return to the office will result in mass resignations or reputational damage that can hamper future recruitment efforts. Many employees feel that they can remain productive while still prioritizing their personal and family responsibilities, leading to an improvement in work-life balance and general well-being. Therefore, it's uncertain how many employers will plan to continue their return-to-office plans in 2024 if employee backlash is continued.

LITIGATION, COMPLIANCE AND REGULATION CHANGES: WHAT'S NEXT?

Compliance, regulation changes and litigation are always hot topics for employers. In 2024, employment litigation is expected to increase by almost 7% in 2024, especially when it comes to class action lawsuits and cybersecurity litigation.

WHAT'S HAPPENING IN THE SUPREME COURT IN 2024?

Several consequential cases will be decided in 2024 that can impact employers going forward

Loper Bright Enterprises v. Raimondo – The Court is considering whether to overturn a long-standing precedent that allows federal agencies the wide authority to interpret federal laws and enact regulations

Acheson Hotels v. Laufer - The Court will decide whether a "tester" plaintiff has standing to sue an employer for alleged violations under the ADA when the tester has no intention of patronizing the business

Muldrow v. St. Louis – The Court will decide whether Title VII of the Civil Rights Act prohibits discrimination in lateral transfer decisions when the transfer did not result in a significant disadvantage to the employee

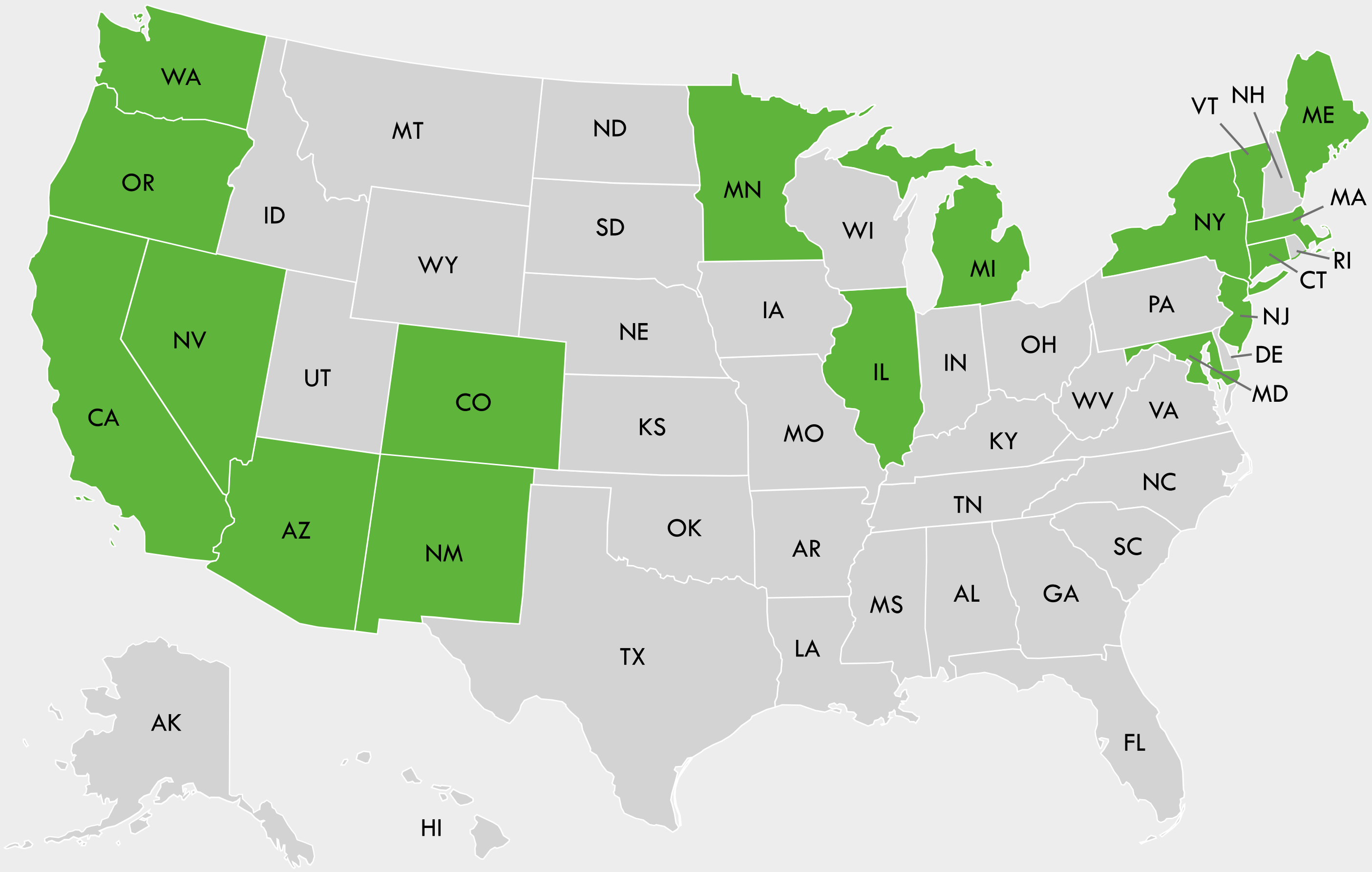
In 2023, the Supreme Court issued a series of significant decisions that altered labor and employment laws and workplace practices and are expected to do so again in 2024. But the Supreme Court isn't the only place where an impact is being made.

In March of 2023, the ACA's preventative care mandate was struck down as unconstitutional by the U.S. District Court for the Northern District of Texas. However, the Biden administration is appealing the Court's decision. In the meantime, federal agencies are looking to expand the ACA's preventative care mandate to include over-the-counter products in 2024, and to expand access to contraceptives by narrowing the exemptions to the ACA's contraceptive coverage mandate.

Paid Leave Expansion

Along with the new federal and state laws and regulations that happened in 2023 came the expansion of paid leave requirements. By the end of 2023, local and state-mandated paid leave had a strong foothold across the country, and adoption is expected to grow in 2024. That means many organizations will be subject to paid leave requirements, increasing their compliance and administrative burdens.

STATES WITH MANDATED PAID SICK LEAVE AS OF JANUARY 1, 2024



Employers that are not already subject to state or local sick leave requirements need to pay attention to any legislative momentum in their respective areas to ensure that they're complying with any new regulations that are passed. Those that are already subject to leave laws, including paid sick, medical or family leave programs, need to keep watch for expansions to those regulations, including for reproductive loss, bereavement, organ donation and public health emergencies.

EEOC Enforcement

In 2023 the EEOC vastly increased its enforcement efforts and by the end of the year reported a 52% increase in lawsuit filings over 2022. This trend is expected to continue into 2024. With the increased EEOC activity, employers need to ensure that they have a strong understanding of their legal obligations related to discrimination laws and are proactively preventing workplace administration.

Last year the EEOC also released its Strategic Enforcement Plan (SEP) for 2024-2028 and is focusing on discrimination against vulnerable populations. According to the SEP, in the next five years the EEOC will be **prioritizing the following subjects:**

Eliminating barriers in recruitment and hiring

Protecting vulnerable workers and persons in underserved communities from employment discrimination

Addressing selected emerging and developing issues

Advancing equal pay for all workers

Preserving access to the legal system

Preventing and remedying systemic discrimination

Also announced was a partnership with the DOL's Wage and Hour Division, which will enhance federal enforcement of laws and regulations through improved coordination and communication between the DOL and EEOC.

DOL Overtime Rules

The DOL announced a new proposed rule to amend current requirements that executive, administrative and professional employees must satisfy to be exempt from the Fair Labor Standards Act in August 2023. The new rule is expected to become final in early 2024 and will extend overtime protections to almost 4 million more workers throughout the country. However, the rule is expected to be challenged in court by states and business groups before it is implemented.

If implemented, exempt employee pay would have to be increased to $55,068, or employees would have to be shifted to hourly pay. The DOL expects that the new rule will transfer $1.2 billion in wages to employees because of new overtime premiums or projected pay increases.

Employers should also note that an employee's job title is not enough to determine whether or not an employee is exempt. With the new rule, employers can prepare by auditing their exempt employee job duties, and determining whether their duties and responsibilities satisfy the FLSA's duties test for exempt employees.

CONCLUSION

The challenges of 2023 are going to return in 2024. Some are familiar, but others have evolved and become more complex. Employers need to put a focus on employee health and wellbeing, accommodating employee needs, embracing cost-effective benefits strategies, and prioritizing attraction and retention of skilled workers.

To learn more, the complete 2024 Employee Benefits Market Outlook is available to partners with Content Cloud and Broker Briefcase – Benefits. With these tools Zywave leads the insurance industry with the most expansive employee benefits content library in the market – featuring thousands of trusted industry resources on topics ranging from health care to compliance to employee wellness and more. To learn more about how Zywave's Content Cloud can help you drive client and prospect education and engagement, email us at marketing@zywave.com.