Employee Benefits Health Care Trend Insights
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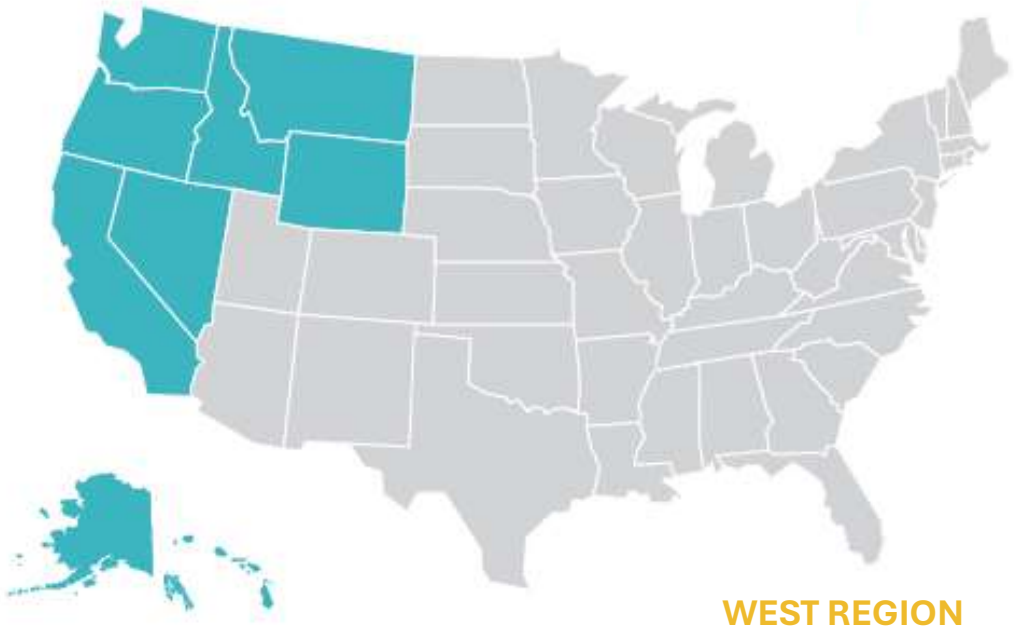
HEFFERNAN
INSURANCE BROKERS
Because You're Different

Heffernan Benefits Advisory Services
15th Annual Trend Report
2025 Trend Projections
Employee Benefits Landscape

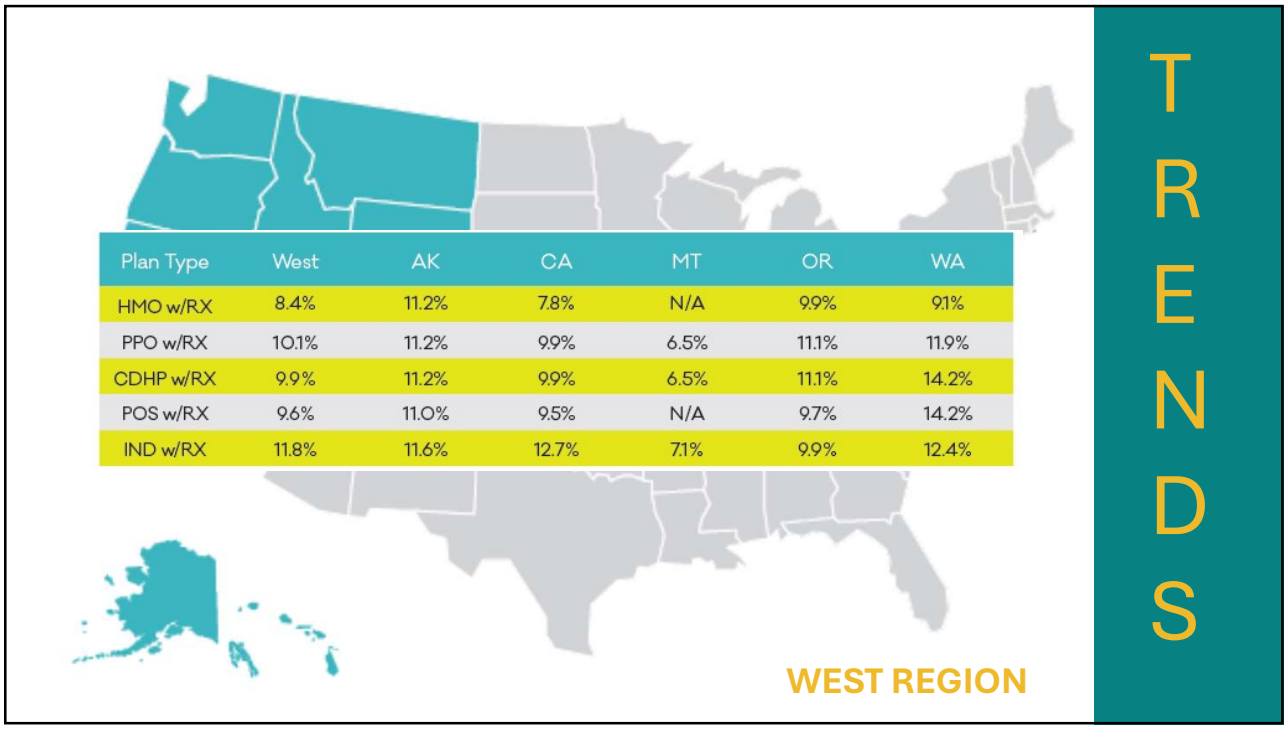
WHAT IS TREND?
WHY DO WE TRACK IT?

- Expected increase in the cost for medical goods and services
- Used to develop rates / premiums
- Not the same as a renewal increase
- Varies between carriers and regions because it takes product portfolios, network costs, utilization, etc. into account

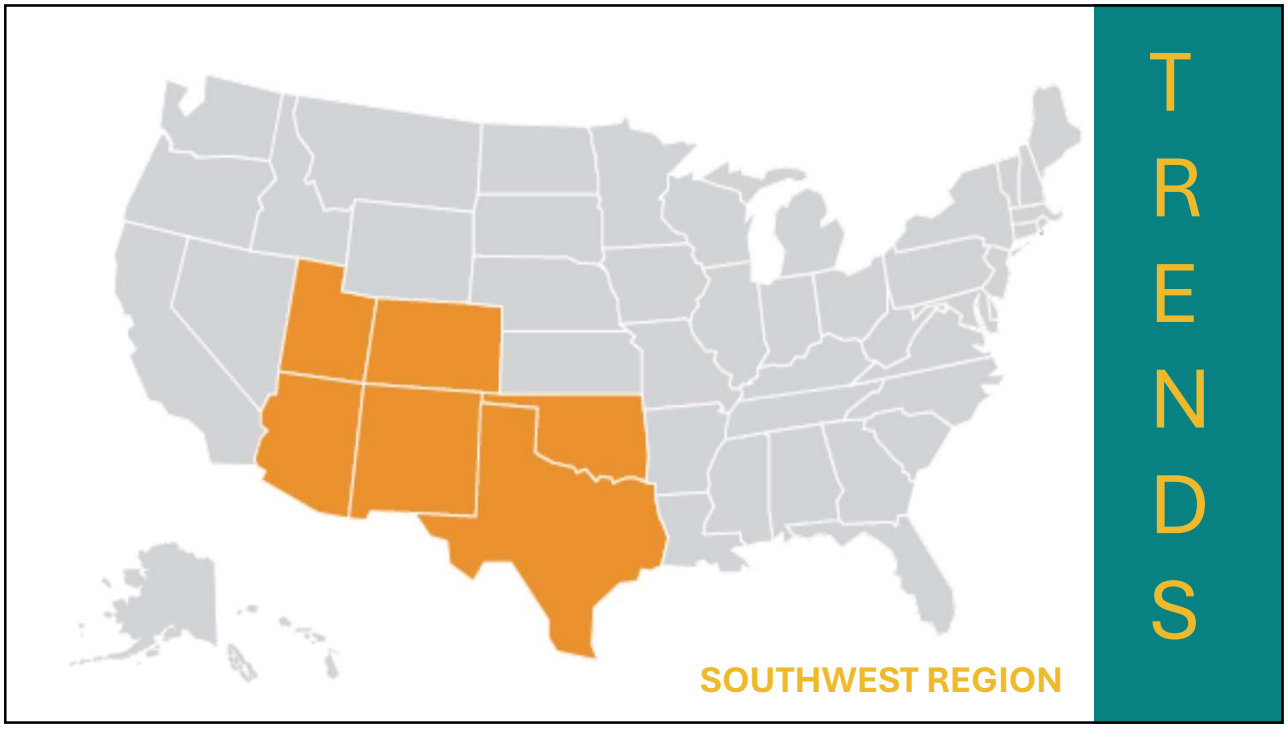


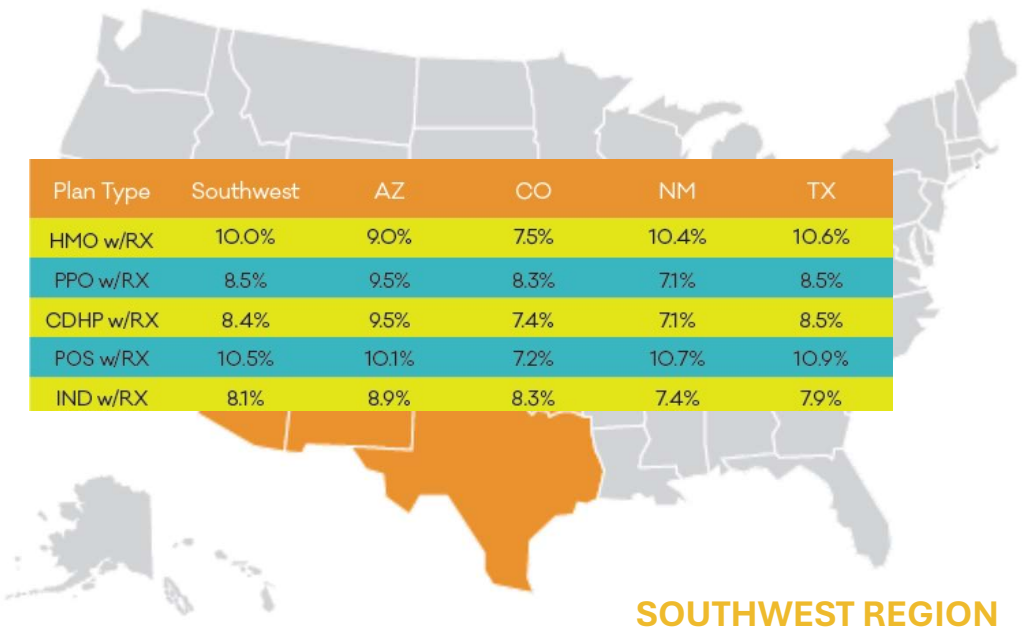
WEST REGION

TRENDS



Plan Type	West	AK	CA	MT	OR	WA
HMO w/RX	8.4%	11.2%	7.8%	N/A	9.9%	9.1%
PPO w/RX	10.1%	11.2%	9.9%	6.5%	11.1%	11.9%
CDHP w/RX	9.9%	11.2%	9.9%	6.5%	11.1%	14.2%
POS w/RX	9.6%	11.0%	9.5%	N/A	9.7%	14.2%
IND w/RX	11.8%	11.6%	12.7%	7.1%	9.9%	12.4%

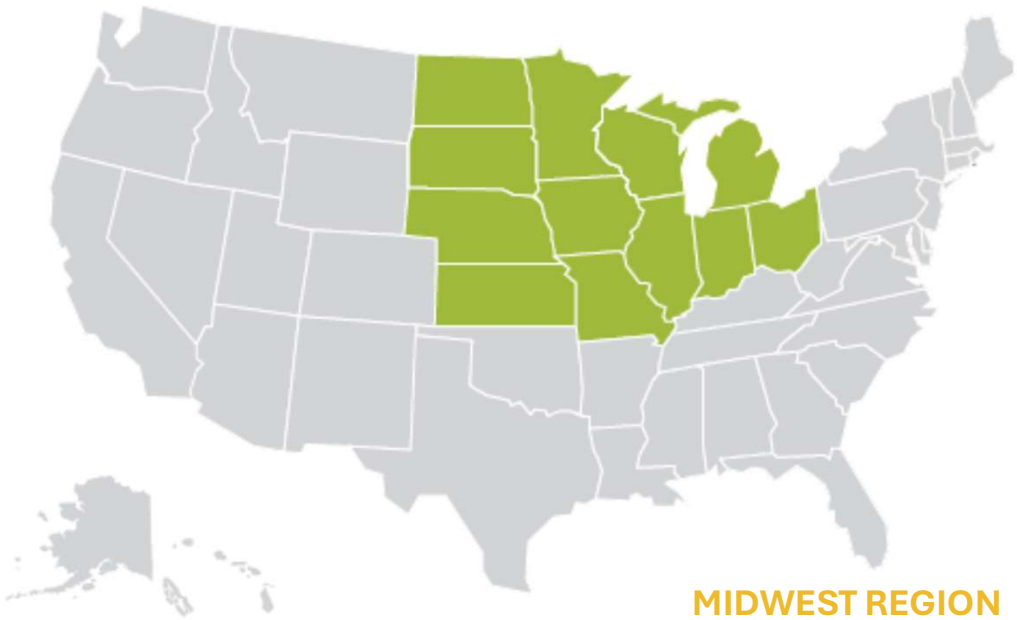




Plan Type	Southwest	AZ	CO	NM	TX
HMO w/RX	10.0%	9.0%	7.5%	10.4%	10.6%
PPO w/RX	8.5%	9.5%	8.3%	7.1%	8.5%
CDHP w/RX	8.4%	9.5%	7.4%	7.1%	8.5%
POS w/RX	10.5%	10.1%	7.2%	10.7%	10.9%
IND w/RX	8.1%	8.9%	8.3%	7.4%	7.9%

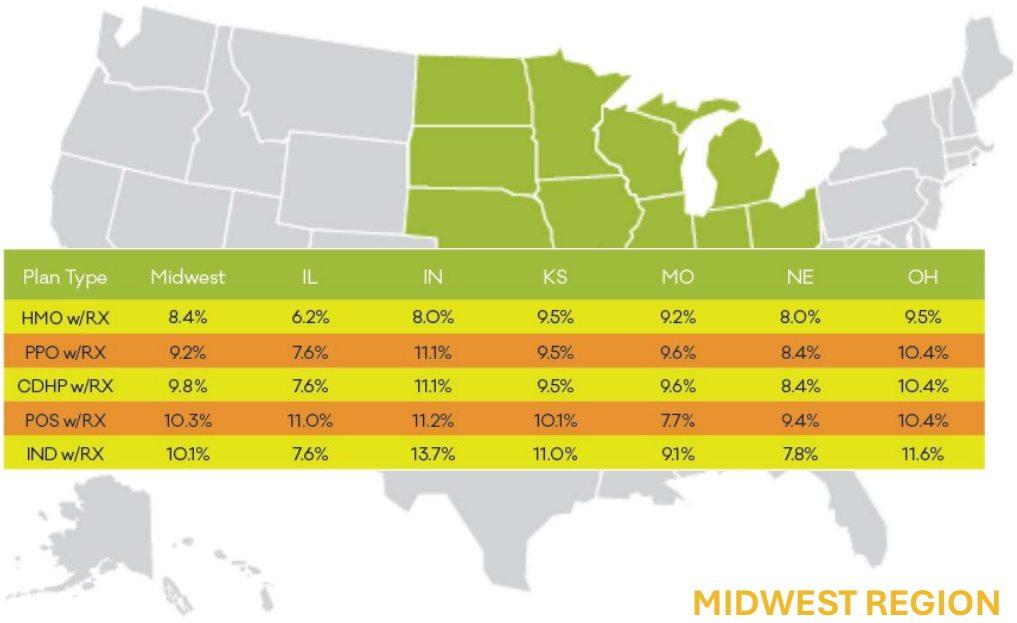
SOUTHWEST REGION

TRENDS



MIDWEST REGION

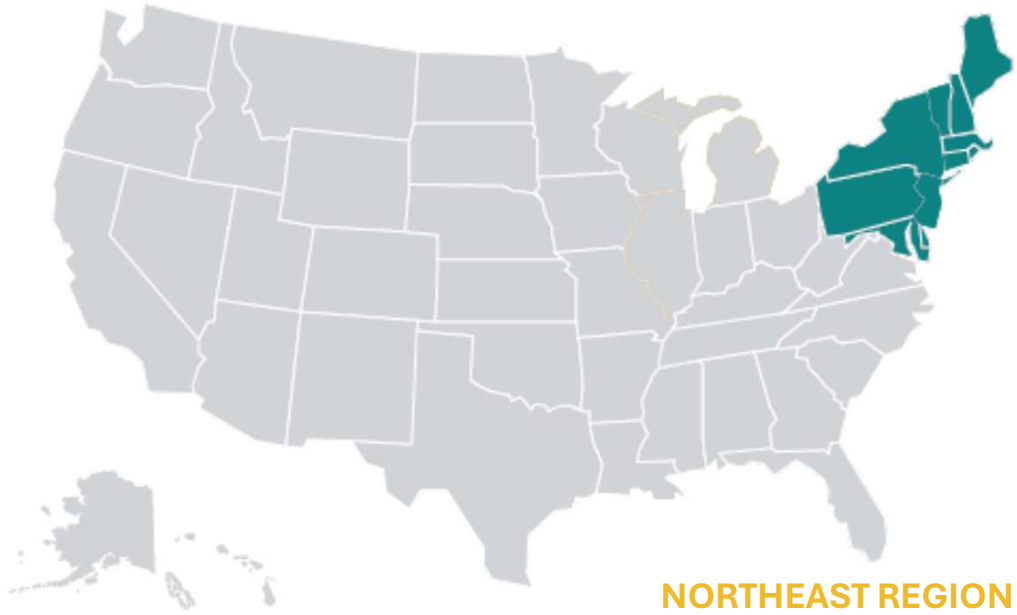
TRENDS



Plan Type	Midwest	IL	IN	KS	MO	NE	OH
HMO w/RX	8.4%	6.2%	8.0%	9.5%	9.2%	8.0%	9.5%
PPO w/RX	9.2%	7.6%	11.1%	9.5%	9.6%	8.4%	10.4%
CDHP w/RX	9.8%	7.6%	11.1%	9.5%	9.6%	8.4%	10.4%
POS w/RX	10.3%	11.0%	11.2%	10.1%	7.7%	9.4%	10.4%
IND w/RX	10.1%	7.6%	13.7%	11.0%	9.1%	7.8%	11.6%

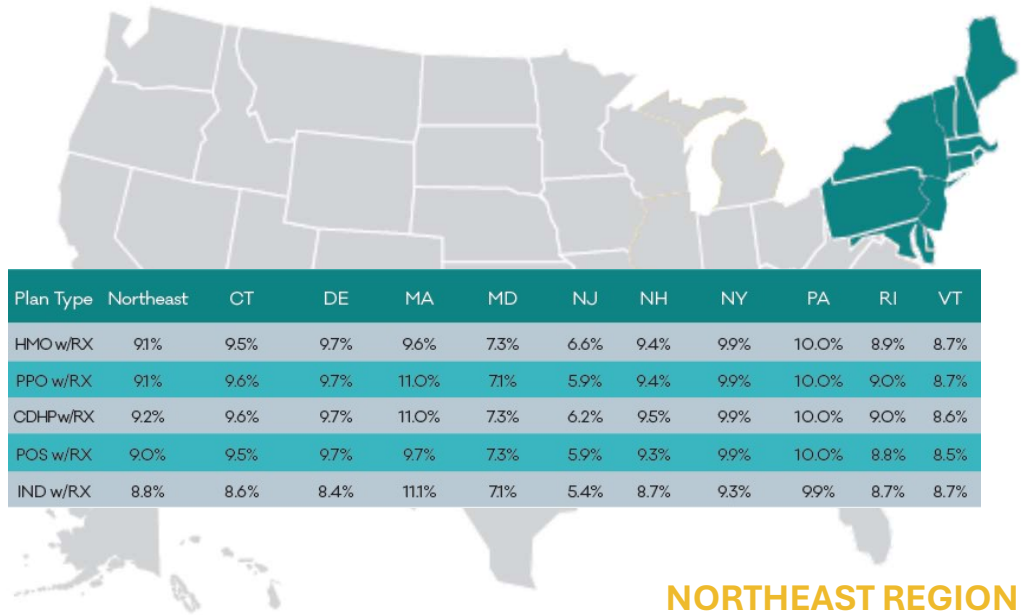
MIDWEST REGION

TRENDS



NORTHEAST REGION

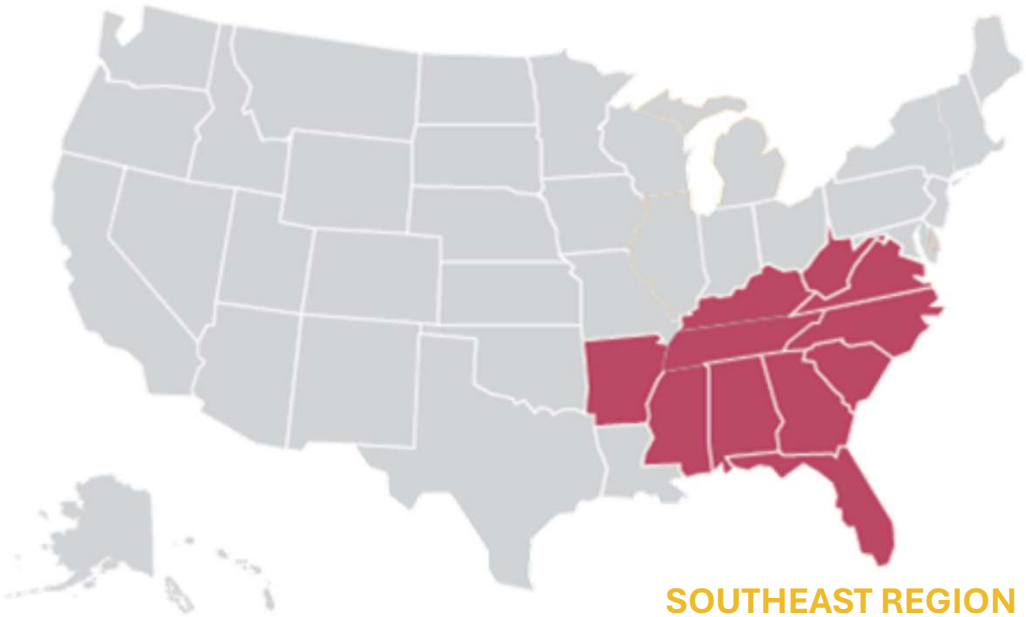
TRENDS



Plan Type	Northeast	CT	DE	MA	MD	NJ	NH	NY	PA	RI	VT
HMO w/RX	9.1%	9.5%	9.7%	9.6%	7.3%	6.6%	9.4%	9.9%	10.0%	8.9%	8.7%
PPO w/RX	9.1%	9.6%	9.7%	11.0%	7.1%	5.9%	9.4%	9.9%	10.0%	9.0%	8.7%
CDHP w/RX	9.2%	9.6%	9.7%	11.0%	7.3%	6.2%	9.5%	9.9%	10.0%	9.0%	8.6%
POS w/RX	9.0%	9.5%	9.7%	9.7%	7.3%	5.9%	9.3%	9.9%	10.0%	8.8%	8.5%
IND w/RX	8.8%	8.6%	8.4%	11.1%	7.1%	5.4%	8.7%	9.3%	9.9%	8.7%	8.7%

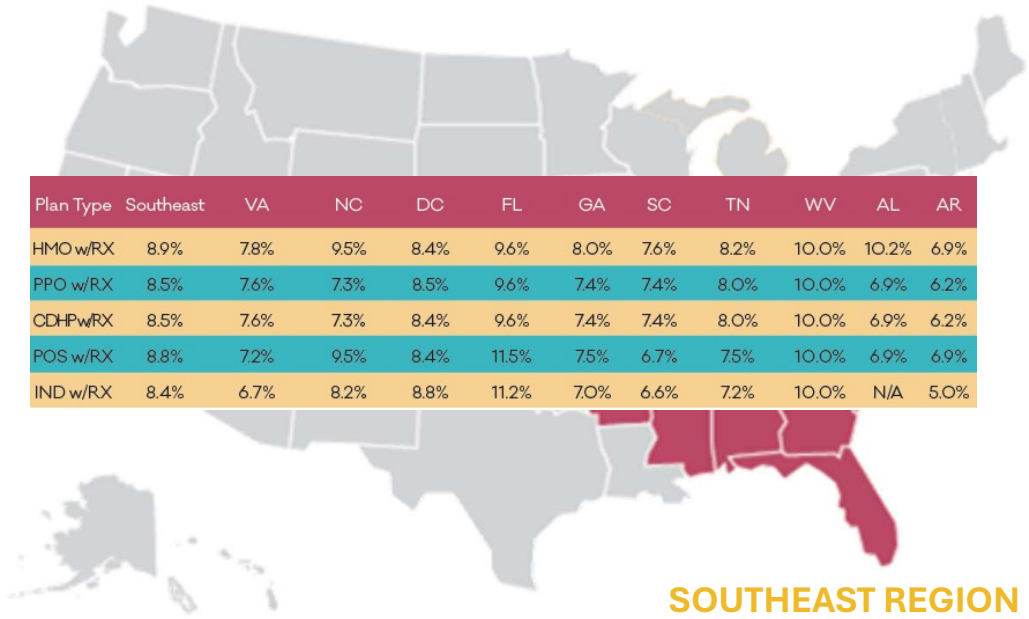
NORTHEAST REGION

TRENDS



SOUTHEAST REGION

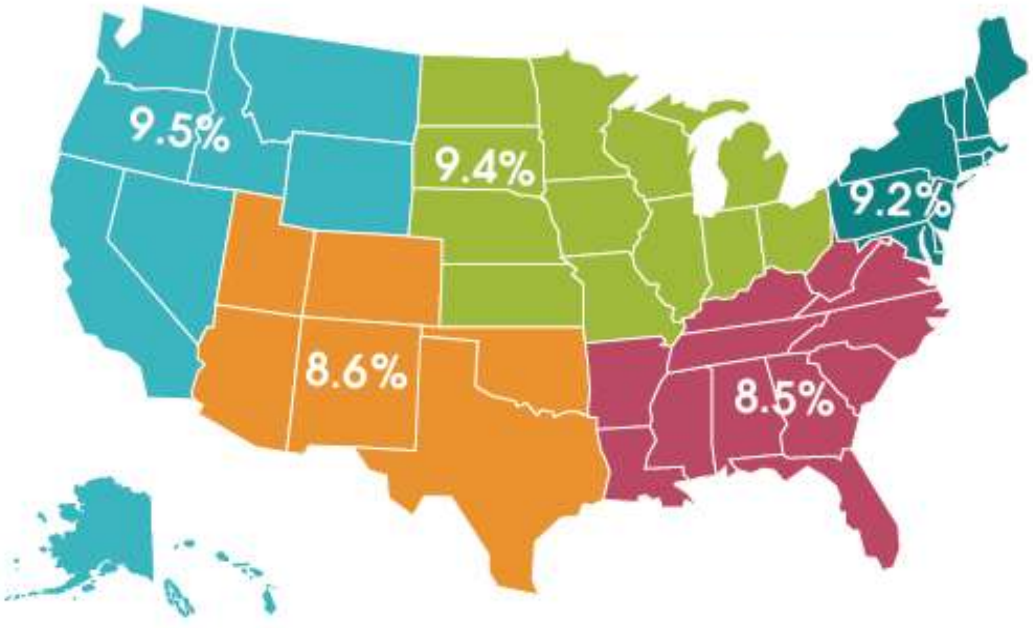
TRENDS



Plan Type	Southeast	VA	NC	DC	FL	GA	SC	TN	WV	AL	AR
HMO w/RX	8.9%	7.8%	9.5%	8.4%	9.6%	8.0%	7.6%	8.2%	10.0%	10.2%	6.9%
PPO w/RX	8.5%	7.6%	7.3%	8.5%	9.6%	7.4%	7.4%	8.0%	10.0%	6.9%	6.2%
CDHP w/RX	8.5%	7.6%	7.3%	8.4%	9.6%	7.4%	7.4%	8.0%	10.0%	6.9%	6.2%
POS w/RX	8.8%	7.2%	9.5%	8.4%	11.5%	7.5%	6.7%	7.5%	10.0%	6.9%	6.9%
IND w/RX	8.4%	6.7%	8.2%	8.8%	11.2%	7.0%	6.6%	7.2%	10.0%	N/A	5.0%

SOUTHEAST REGION

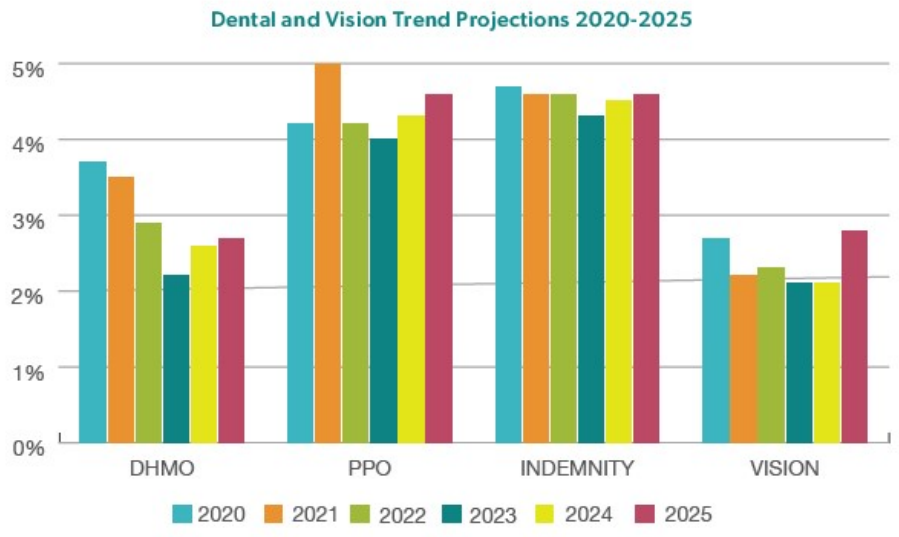
TRENDS



NATIONAL MEDICAL TREND IS 9.0%

TRENDS

TRENDS



A LOOK AT THE SELF-FUNDED MARKET

As costs have increased – more employers exploring self-funded options

More alternative funding products such as captives and level funded products – allow smaller employers to self-fund

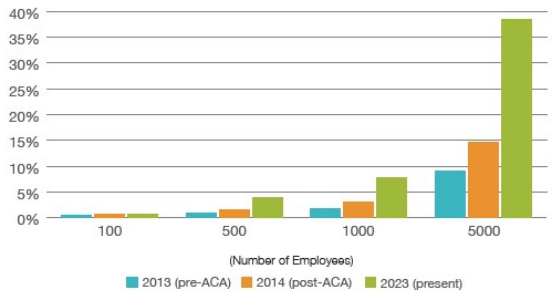
Self-Funded Direct Savings Opportunities

- On site clinics or visits
- Wellness programs
- Transplant carve-outs
- Value-based payment options
- Transparent pharmacy benefit managers models

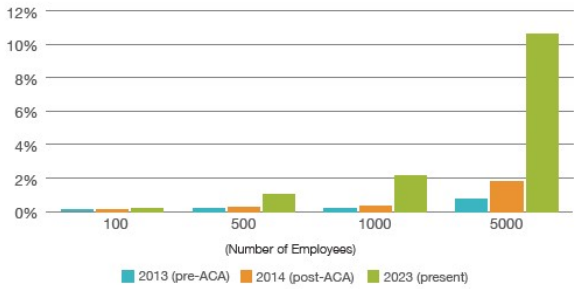
A LOOK AT THE SELF-FUNDED MARKET

Rise in Million Dollar Claims

Odds of Having a $1 Million Claim based on Number of Employees [3]



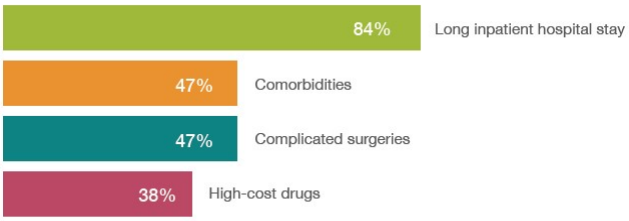
Odds of Having a $2 Million Claim based on Number of Employees [4]



A LOOK AT THE SELF-FUNDED MARKET

Rise in Million Dollar Claims

How do claims reach $1 Million?



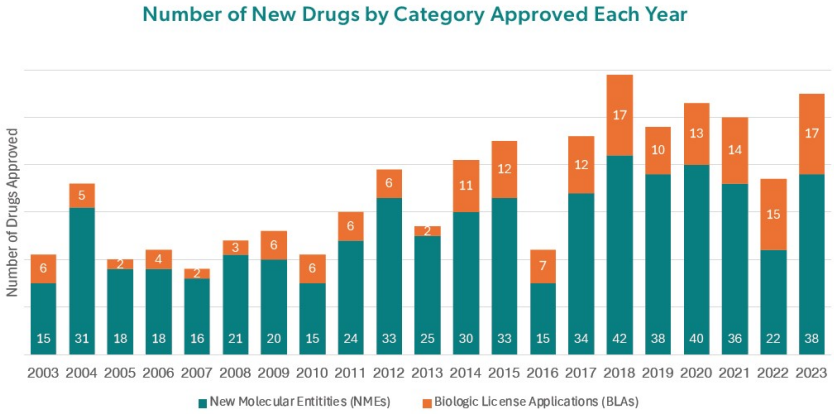
Source: Sun Life, 2024 Edition, High-cost claims and injectable drug trends analysis

- Cancer – Malignant Neoplasm
- Cancer – Leukemia/Lymphomas
- Cardiovascular Diseases
- Musculoskeletal/Connective Tissue Conditions
- Perinatal/Neonatal Care

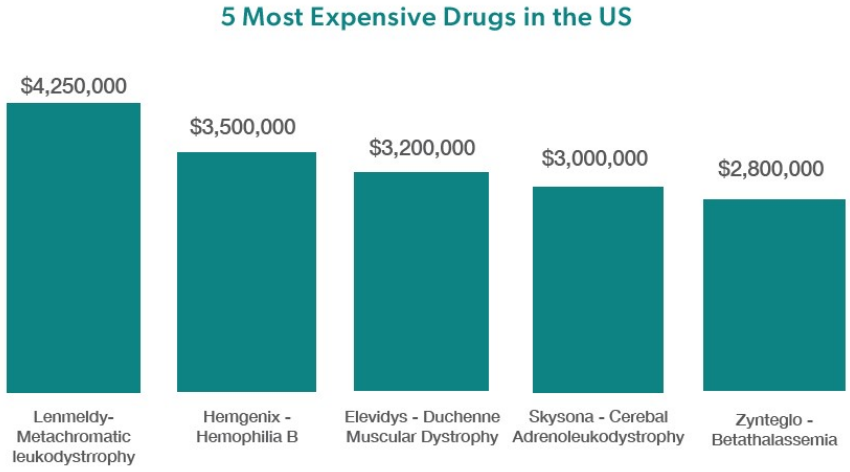
SPECIALTY PHARMACY ON THE RISE - AGAIN

Specialty Drugs used by small percentage of the population but 60% of the total drug spend and 19% of to total health expenditures

Drug Pipeline

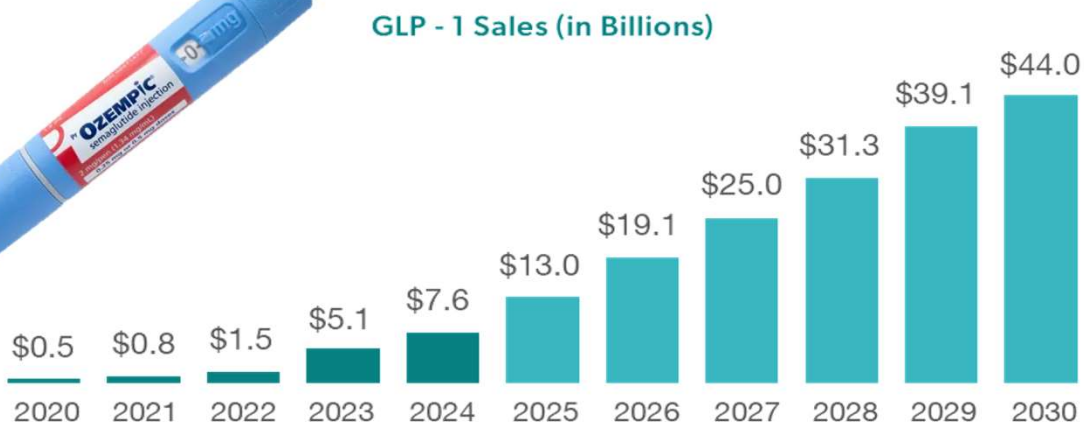


SPECIALTY PHARMACY ON THE RISE - AGAIN



SPECIALTY PHARMACY ON THE RISE - AGAIN

Rise of GLP-1s



SPECIALTY PHARMACY ON THE RISE - AGAIN

Rise of GLP-1s

Drug	Condition	Manufacturer	Leading Ingredient	Average Monthly Cost
Ozempic	Type 2 Diabetes	Novo Nordisk	Semaglutide	$935.77
Rybelsus	Type 2 Diabetes	Novo Nordisk	Semaglutide	$945.15
Mounjaro	Type 2 Diabetes	Eli Lilly and Company	Tirzepatide	$1,100.00
Trulicity	Type 2 Diabetes	Eli Lilly and Company	Dulaglutide	$977.42
Wegovy	Chronic Weight Management	Novo Nordisk	Semaglutide	$1,349.02
Saxenda	Chronic Weight Management	Novo Nordisk	Liraglutide	$1,349.02
Zepbound	Chronic Weight Management	Eli Lilly and Company	Tirzepatide	$1,059.87

SPECIALTY PHARMACY ON THE RISE - AGAIN

Saving costs through Generics and Biosimilars

Generic Drugs

- Have the same active ingredients as brand-name drugs
- Typically cost 80-85% less than the brand equivalent

Biosimilar Drugs

- Are lower-priced alternatives to brand name biologic drugs
- Very similar to a biologic drug but not exactly the same
- Have no clinical or meaningful difference in terms of safety or efficacy

SPECIALTY PHARMACY ON THE RISE - AGAIN

Saving costs through Generics and Biosimilars

HUMIRA

- Top-selling drug in the world – made $200 billion
- Original patent expiration date was 2016. Came off patent in 2023
- Price rose 30 times during its time under patent. Most notably after 2016.
- The first biosimilar, Amjevita, hit the market in January 2023, 8 more followed 6 months later
- October 2023 Amjevita had $23 million in sales, Humira had $9.4 billion

SPECIALTY PHARMACY ON THE RISE - AGAIN

Saving costs through Generics and Biosimilars

HUMIRA

Physicians not wanting to modify a course of treatment

Humira was still getting preferential treatment on formularies;

PBMs slow to update

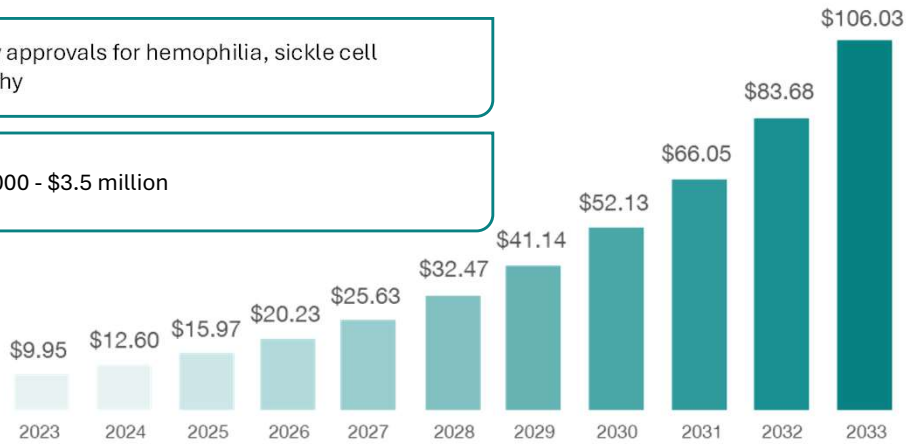
SPECIALTY PHARMACY ON THE RISE - AGAIN

Cell and Gene Therapy

Mostly cancer treatments, new approvals for hemophilia, sickle cell disease, spinal muscular atrophy

Extremely high price tag $250,000 - $3.5 million

CGT Manufacturing Market Size (USD Billion)



SPECIALTY PHARMACY ON THE RISE - AGAIN

Cell and Gene Therapy – Why is it so expensive?

- Very high manufacturing cost – 5x more costly to develop than a traditional drug
- Shortage of skilled workers to develop and manufacture these drugs
- Can only be produced in small quantities
- Demand outpacing supply

THE TENSION BETWEEN RISING HEALTH CARE COSTS AND EMPLOYEE SATISFACTION

Costs continuing to escalate key drivers the same as last year, inflation and shortage of medical providers, specialty drug costs

Escalating costs are causing providers to seek higher compensation may result in network changes and/or disruptions

Despite rising costs, employers still expected to offer a robust, flexible comprehensive benefits package that includes more than just core benefits – cannot push costs onto employee

THE TENSION BETWEEN RISING HEALTH CARE COSTS AND EMPLOYEE SATISFACTION

Employee Retention is Paramount

Why Do Employees Stay?

- Competitive total rewards, including compensation and benefits
- Employee engagement and motivation
- Meaningful work
- Professional development opportunities

Why Do Employees Leave?

- Burnout and personal well-being
- Insufficient total rewards, including compensation and benefits
- Lack of appreciation or recognition
- Lack of professional development opportunities

THE TENSION BETWEEN RISING HEALTH CARE COSTS AND EMPLOYEE SATISFACTION

Critical Benefits for Employers to Offer

Mental Health Benefits beyond the core medical plan including telemedicine that includes online therapy

EAP plan to combat burnout, stress, substance abuse, and mental illnesses

THE TENSION BETWEEN RISING HEALTH CARE COSTS AND EMPLOYEE SATISFACTION

Critical Benefits for Employers to Offer

Flexible Work Arrangements

- Remote/hybrid work schedules
- Compressed work weeks
- Flextime programs
- Part-time
- Job sharing
  - ➢Child and Elderly Care-giving Roles

THE TENSION BETWEEN RISING HEALTH CARE COSTS AND EMPLOYEE SATISFACTION

Critical Benefits for Employers to Offer

Voluntary Benefits

- Pet Insurance
- Lifestyle Spending Accounts
- Identity Theft Protection
- Financial Wellness Planning

Offering voluntary benefits is a meaningful way to add more value to a compensation package without raising costs.

THE TENSION BETWEEN RISING HEALTH CARE COSTS AND EMPLOYEE SATISFACTION

Personalization of Benefits

Benefits is a key expense, make sure that the benefits being offered are adding value

Important to get a feel for the needs of the employees and how they need their benefits communicated to them

ARTIFICIAL INTELLIGENCE AND EMPLOYEE BENEFITS

Ways AI Can Improve Benefits

- Better understanding of the workforce
- Guide through decision making process
- Communicating and educating employees about their benefits
- Relief to the HR team

KEY INSIGHTS

- High prospective trend increases for 2025, 9% nationally.
- Alternative funding solutions are increasing as a result of the multi-year high increases, presenting more cost-saving solutions to employers
- Specialty drugs continue to have a significant impact on employee benefits
- Understand the landscape of employee benefits, what employees want and what is driving costs