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# Employee Benefits

## Market Outlook

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# Executive Summary

In 2024, employers of all sizes and industries faced several trends affecting the employee benefits market. Rising health care costs, a competitive labor market and regulatory concerns all shaped how employers navigated operational challenges. A number of these concerns, such as health care costs and labor market pressures, will persist into the new year. Further, emerging issues related to shifting demands in voluntary benefits, an increased emphasis on employee wellness, and a new presidential administration are poised to impact how employers manage benefits, attract and retain talent, and navigate new and persistent risks.

Notably, for 2025, increasing health care costs are again anticipated to reshape organizational approaches to managing employer-sponsored health care plans, particularly how employers balance offering competitive benefits with managing overall expenses. Health care inflation is expected due to several factors. For one, the ever-growing use of specialty glucagon-like peptide-1 (GLP-1) drugs for weight loss and obesity continues to drive up overall health care costs and, for 2025, could progressively be included in health plans as a response to rising employee demand. Beyond GLP-1 drugs, other specialty medications and treatments—like immunosuppressants, cell and gene therapies, biologics, and antivirals—are primed to contribute to health care spending for 2025. Rising medical spending is also expected to be driven by aging populations, more patients with chronic conditions and a labor shortage in the health care industry.

While some industries are still facing significant attraction and retention challenges, the labor market has generally shown signs of deceleration. The unemployment rate has trended up, and throughout 2024, job openings decreased, often failing to meet economist predictions. Still, despite slowing job growth and fewer openings, the labor market for 2025 could be competitive. Data regarding layoffs remains stable, indicating that employers are holding on to their workers. For job seekers, compensation is likely to be a primary driver behind career decisions, and employers should expect a greater emphasis on pay transparency and competitive benefits.

Employers are realizing that, in the face of rising health care costs and a challenging labor market, it’s crucial to offer compelling benefits. Beyond standard health insurance and retirement plans, employers are likely to maintain or offer more voluntary benefits to round off their employee benefits packages. For 2025, there are several voluntary benefits gaining traction in the market. Supplemental health benefits (e.g., accident, critical illness and hospital indemnity insurance) allow employees to manage financial risks associated with unexpected medical expenses and can be used to offset deductibles, copays and other out-of-pocket expenses. Additionally, student loan repayment assistance (which is often provided through educational assistance programs or qualified student loan match programs) can be especially attractive to younger employees looking to reduce their educational debt. Specifically, providing student loan assistance can help employers recruit and keep skilled workers. Such programs may even reduce stress, improve productivity and increase engagement among employees.

Still, for 2025, employers aren’t just focusing on compensation and are increasingly recognizing the need to emphasize employee wellness. Obesity remains a consistent concern as it is linked to chronic conditions like heart disease, Type 2 diabetes and mental health concerns—all of which directly impact an employee’s overall well-being and can lead to increased costs for employers. As in previous years, mental health is also expected to be a primary focus in 2025. Financial stress may be common among employees due to the effects of inflation, increased health care costs and widespread debt. This stress can also lead to or exacerbate mental health concerns, and employers in 2025 will be looking for ways to support their workforce.

In addition to focusing on wellness, it's worth noting that, following the 2024 election and the return of the Trump administration, employers are keeping their eyes out for imminent changes to the health care system. It remains to be seen whether Trump and the Republicans will renew the Affordable Care Act (ACA) subsidies passed through the Inflation Reduction Act. Nonrenewal of these subsidies, which are set to expire at the end of 2025, could lead to premium increases and decreased enrollment. Potential changes could also occur to Medicare and Medicaid, which could influence employer decisions regarding retiree health benefits and supplemental coverage options for those enrolled. Additionally, employers will be eager to see how Trump's platform will impact reproductive rights and family policies.

Other regulatory impacts of note for 2025 relate to health care transparency and telemedicine. New requirements to increase transparency in health care costs are being implemented to lower costs and improve the quality of health care. With regard to telemedicine, unless legislation is passed to further extend pandemic-related telehealth relief, offering telemedicine benefits (other than preventive care) at no or low cost will make employees ineligible to contribute to health savings accounts (HSAs) beginning in 2025. This could be a concern, as telemedicine remains a popular health care delivery method that can help reduce health care costs, improve employee access to quality services and provide convenience for those seeking care.

As employers read this Market Outlook, they should consider which trends have the greatest potential to impact their operations moving forward. Doing so not only allows you to anticipate and adapt to the evolving employee benefits market, but it can also help you make informed decisions about benefits offerings, cost management strategies and more.

# 2025 Outlook

This section explores important trends and challenges employers should monitor in 2025, discussing why they're important and how they might impact employers. These trends will likely impact and shape the employee benefits market throughout the upcoming year and beyond.

# The Rising Costs of Employer Health Benefits

Health care costs are projected to increase substantially in 2025. According to industry surveys and reports, employers anticipate health care costs to increase between 7%-8% in 2025. As a result, employer-sponsored health care plans will continue to cost more per employee, impacting employers and employees alike.

Current factors leading to increased costs reflect inflationary pressures that have impacted health care since 2022. Medical inflation, rising pharmacy spending and increased demand for behavioral health care services are likely to continue the rising trajectory of health care spending.

Keeping up with rising health care costs is one of the most difficult challenges for employers. Zywave's 2024 Broker Services Survey found that employers ranked mitigating health care costs as their top challenge related to employee benefits. Ongoing education about the state of health insurance can help employers understand the drivers of these cost increases and the impact on employer-sponsored health care.

## Key Drivers of Cost Increases

As 2025 approaches, employers remain curious about what factors are driving these increases. Here are some key factors impacting rising health care costs in 2025:

### *GLP-1 Drugs*

Obesity is a key factor driving higher health care costs. The Centers for Disease Control and Prevention (CDC) found that during August 2021-23, the prevalence of obesity in adults was 40.3%. Obesity is correlated with other costly chronic conditions, including Type 2 diabetes, sleep apnea and heart disease. The CDC published a report that found that in 2019, annual obesity-related medical care costs in the United States were estimated to be nearly $173 billion.

GLP-1 drugs have gained widespread popularity due to their ability to allow patients to lose weight. Although initially approved as Type 2 diabetes treatments, GLP-1 drugs, including Ozempic and Mounjaro, have been found to be effective for weight loss when paired with diet and exercise. These drugs are increasingly used by employer-sponsored health plans as a response to the impact of obesity, but they carry their own set of costs.

GLP-1 medications typically cost at least $1,000 a month and must be taken in perpetuity to achieve their benefits. This means that GLP-1 users are required to use these high-cost treatments on an ongoing basis. With GLP-1s being used by more plan participants, they are one of the key drivers of rising health care costs.

### *Specialty Medications*

Drugs that fall under categories such as immunosuppressants, cell and gene therapies (CGT), biologics and antivirals are responsible for a significant portion of overall health care spend. For example, biological drugs are one of the fastest-growing categories of pharmacy spending. According to a report published in the medical journal JAMA, biologics make up only 2% of prescriptions but account for 37% of net drug spending. Other specialty treatments, such as CGT, can carry an even greater cost. Some treatments may cost thousands of dollars per week; others can cost between $250,000 and $4.25 million for a single dose. By 2025, it's estimated that nearly 100,000 patients in the United States will be eligible for CGT, which could cost $25 billion.

### *Total Prescription Drug Spend*

Employers consider prescription drug spending the fastest-growing component of total health care spending. Many common prescriptions are likely to increase by 4%-10%, while the growing number of patients using high-cost drugs is expected to directly impact total health care spending. Plan participants are expected to use more prescription drugs due to specific treatments gaining popularity, an increase in chronic diseases, an aging population and more patients qualifying for new treatments entering the market.

### *Chronic Health Conditions*

Around 90% of U.S. health care spend is for people with chronic and mental health conditions, according to the CDC. These chronic conditions include heart disease, stroke, cancer, diabetes, arthritis and obesity. An increasing percentage of the population has two or more chronic, high-cost diseases. In general, chronic disease is increasing in prevalence in the United States and is projected to continue to do so in 2025 and the upcoming decades.

### *Aging Population*

Life expectancy in the United States has increased significantly over the past 50 years; meanwhile, birth rates have trended down consistently. These factors contribute to a U.S. population with an average age that is slowly rising. The percentage of the U.S. population that is 65 or older continues to trend up, with over 55 million Americans over the age of 65. Estimates show that there will be almost 80 million people aged 65 and older in the United States by 2040.

In general, health care costs increase as people age. According to a report from the Centers for Medicare and Medicaid Services, per-person personal health care spending for the 65-and-older population is around five times higher than spending per child and almost 2.5 times the spending per working-age person.

### *Health Care Labor Costs*

Recent industry reports show that the current supply of health care workers does not meet the growing demand for utilization, largely driven by an aging population that requires more health care services. These market dynamics are one of the key reasons health care costs are projected to increase in 2025. This shortage is expected to be due to factors like rising health care demands, an aging workforce and high rates of burnout.

## Health Care Cost Mitigation Strategies

Health care costs will likely rise significantly in 2025, but employers will take action to lower costs. Whether it’s standard cost mitigation strategies, such as cost sharing, or new initiatives to lower pharmacy costs, employers can consider which strategies can have a tangible impact on their health care spend.

### *GLP-1 Cost Management*

To mitigate exposure to GLP-1 costs, many employers strictly cover these drugs for Type 2 diabetes. Employers who do provide coverage for weight loss offer these treatments as part of broader wellness programs, requiring prior authorization, creating exclusions to limit access to patients who may benefit most, or offering step therapy, which requires specific steps, such as using other weight-loss medications before covering GLP-1s indefinitely. Plans that do cover GLP-1s may be able to mitigate total spending by ensuring they are taking full advantage of rebates and coupons.

### *Cost Sharing*

Rising health care costs will likely be passed on to employees and employers alike. Shifting costs to employees is rarely the first option for an organization, but as cost increases continue, it will become increasingly difficult for many employers to shoulder the burden solely. To manage rising costs, many employers will raise employee contributions, resulting in higher out-of-pocket costs for plan members when they seek care.

Employers have tried to avoid cost sharing in recent years due to attraction and retention concerns. In a competitive labor market, employees had leverage to demand better compensation and benefits. However, with employee quit rates trending down, employers may shift more of the burden of rising costs to employees as they will be less likely to be concerned about any associated employee turnover.

### *Preventive Care Education*

With chronic diseases rising each year, proactive employers will focus on prevention. Chronic diseases are costly, yet many of them are preventable. Through screenings, annual checkups, immunizations and counseling, preventive care can help detect or prevent diseases and medical problems before they become more serious. Employers can focus on providing an overview of preventive care, demonstrating its value, outlining what preventive care services their health care plan offers, and offering suggestions on when to use preventive services or screenings.

### *Prescription Drug Savings Programs*

While pharmacy spending is a key factor in increasing costs, employers have several strategies available to reduce prescription drug costs. These include alternative drug channels and pricing, such as promoting drug discount cards and allowing members to buy medications from retail or “cost plus” outlets. Direct-to-consumer prescription delivery programs may also be able to lower costs for common drugs.

## Summary

Increased health care costs will continue impacting employers in 2025 and beyond. While cost reduction strategies are unlikely to bridge the gap of a 7%-8% increase, pursuing the right initiatives can make a sizeable impact on an organization’s bottom line and the financial health of its employees.

In 2025, employers must make decisions that balance the importance of offering competitive benefits with the realities of significant cost increases. For some employers, this could mean bolstering their health care offerings; others may supplement health insurance with an expanded portfolio of voluntary benefits, such as critical illness or hospital indemnity insurance.

Rising health care costs may be unavoidable, but informed employers who enact proactive cost-reduction strategies will be better prepared for the changing health care landscape in 2025.

## Health Plan Transparency

Over the last few years, several new transparency requirements have gone into effect for employer-sponsored health plans and health insurance issuers. These new transparency requirements are designed to improve the quality of health care and lower costs by making more information accessible to plan participants and the public.

Going into 2025, employers should review their compliance with applicable health plan transparency requirements, including the following:

**Self-service price comparison tool**—Health plans and issuers must make an internet-based self-service tool available to plan participants to disclose personalized pricing information for covered items and services, including prescription drugs. Cost estimates must be provided in real time based on cost-sharing information that is accurate at the time of the request. This requirement was originally effective in 2023 for 500 items and services. Beginning in 2024, price comparison information must be available for all covered items and services.

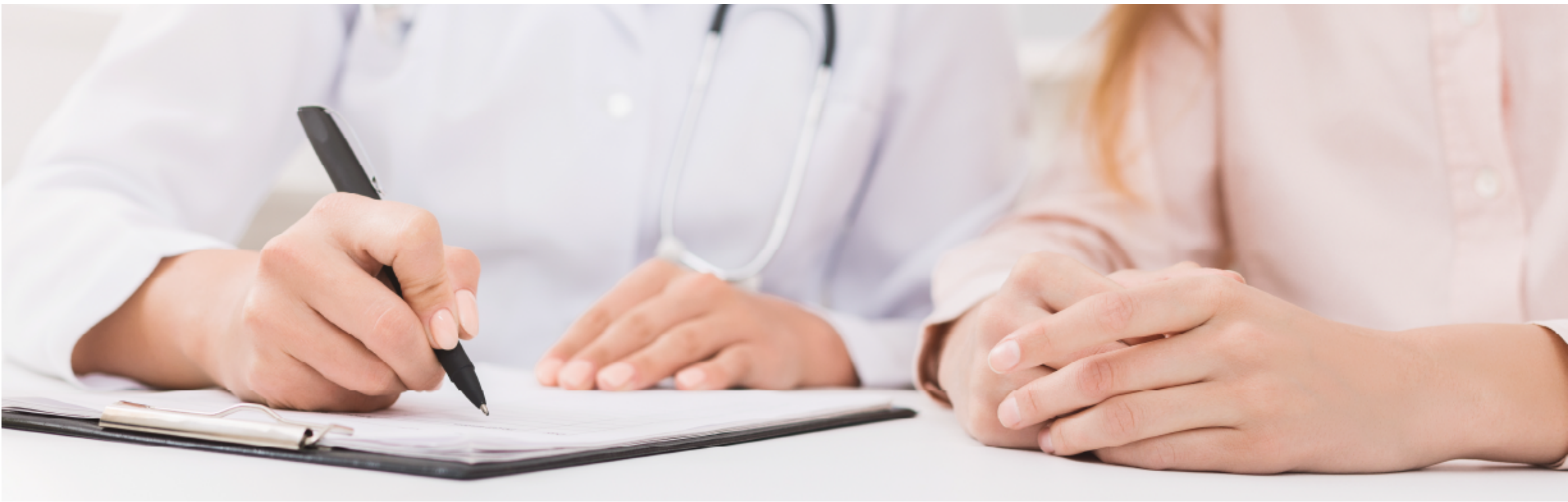
**Machine-readable files (MRFs)**—Health plans and issuers must disclose detailed pricing information in MRFs on a public website. Currently, health plans and issuers must post MRFs regarding in-network-provider negotiated rates and out-of-network allowed amounts. These files must be updated monthly to ensure the information remains accurate. The requirement to post an MRF on covered prescription drugs has been delayed.

**Surprise medical billing notices**—Health plans and issuers must comply with federal protections against surprise medical billing by limiting out-of-network cost sharing and prohibiting "balance billing" for certain types of health care services. Plans and issuers must post a notice regarding these protections on a public website and include it on each explanation of benefits (EOB) for an item or service to which the protections apply.

In addition, health plans and issuers must report information about prescription drug and health care spending to the federal government by June 1 each year, a process commonly referred to as prescription drug reporting or RxDC reporting. Health plans and issuers must also submit an attestation each year by Dec. 31, stating that their agreements with health care providers, third-party administrators (TPAs) or other service providers do not contain prohibited gag clauses that prevent the sharing of certain health care data.

Because employers do not typically have the information needed for these new transparency disclosures, they often rely on their issuers, TPAs or other third-party vendors to meet the transparency requirements. Employers should confirm that written agreements with their issuers, TPAs or other service providers have been updated to address this compliance responsibility. Employers should also monitor their service providers to confirm their plans' compliance with applicable legal requirements, including the new transparency requirements. Cautious employers may want to consider requesting vendors to provide reporting related to transparency compliance.

Most private-sector employers are subject to the Employee Retirement Income Security Act's (ERISA) fiduciary duty standards when it comes to managing their employee benefit plans. ERISA requires fiduciaries to prudently select and monitor plan service providers. A new wave of litigation has highlighted the importance of employers' adherence to their fiduciary duties when managing their group health plans. While these lawsuits are mainly focused on the management of prescription drug benefits and the selection of pharmacy benefit managers (PBMs), the same fiduciary duties apply to the selection and monitoring of other plan service providers. It has been suggested that the new price transparency disclosures may play a part in increasing the likelihood of group health plan fiduciary lawsuits by giving employees access to information about specific health care costs and spending.



In 2025, employers should watch for guidance from federal agencies regarding the implementation of additional transparency requirements for health plans and possible new transparency legislation. For example, employers should watch for regulatory guidance on advanced EOBs, which is a key transparency requirement that has not taken effect yet but federal agencies are working to implement in stages. When this requirement takes effect, health plans and issuers will need to send an EOB to covered individuals explaining the estimated cost of an item or service, including the individual's estimated cost sharing, before a scheduled service. Once this transparency requirement is fully implemented, employers should encourage employees to use it to become better health care consumers and help control health plan spending.

Employers should work with their service providers to post MRFs for prescription drugs once federal regulators provide more information. Also, employers should work with their issuers, TPAs and other service providers to ensure timely submission of the RxDC report and gag clause attestation in 2025.

In addition, employers should monitor legal developments related to increasing transparency for PBMs. Prescription drug benefits—one of the most utilized and costly elements of an employer's health plan—are typically administered by a PBM. Although PBMs have been criticized for their lack of transparency and inflated costs, they are subject to minimal federal oversight. Recently, there has been bipartisan support in Congress for reforming the PBM industry, including requiring PBMs to disclose information regarding their compensation, drug spending and rebate use to plan fiduciaries. Given the current lack of federal oversight, many states have enacted their own laws to regulate PBMs and increase transparency; however, the enforceability of these state laws remains unclear due to ongoing litigation. In 2025, employers should monitor federal and state regulation of PBMs and the potential impact on their health plans as this area of the law continues to evolve.

## Telemedicine

Telemedicine uses technology to facilitate communication between a doctor and a patient who are not in the same physical location for the purpose of medical evaluation, diagnosis and treatment. Not surprisingly, telemedicine exploded in popularity during the COVID-19 pandemic as a safe, remote health care option. With its popularity staying strong, telemedicine is expected to remain an important health care delivery method going forward.

Faced with health care costs that continue to rise year after year, employers should consider leveraging telemedicine to help control health care spending. Prescription drug spending is currently the fastest-growing driver of health care costs, but the utilization of expensive health services like emergency care and inpatient visits also adds to the cost. Employers should review their health plan coverage to confirm that it provides benefits for telemedicine. They can also educate employees on how to become better health care consumers by using telemedicine where it is appropriate and feasible.

In addition to lowering health care spending by minimizing the need for in-person visits, telemedicine offers other benefits for patients. For example, by connecting remotely, telemedicine can reach patients in rural and underserved areas where there might not be an available doctor or hospital. This can translate into cost savings by helping patients who would not normally seek routine care or preventive services remain healthy. Also, by allowing employees to access care more conveniently and efficiently, telemedicine can reduce time away from work and increase productivity.

Telemedicine benefits are often integrated into employer-sponsored health plans. In general, to comply with certain reforms under the Affordable Care Act, telemedicine benefits must be offered as a component of an employer’s health plan rather than on a stand-alone basis. This means that only employees, spouses and other dependents who participate in the employer’s health plan can be eligible for telemedicine benefits. This also means that telemedicine benefits are subject to the ERISA reporting and disclosure requirements, such as the requirement to be described in a summary plan description (SPD); continuation coverage requirements of the Consolidated Omnibus Budget Reconciliation Act; and the Health Insurance Portability and Accountability Act’s privacy and security rules for personal health information.

Employers that offer high deductible health plans (HDHPs) that are compatible with health savings accounts (HSAs) should consider how telemedicine benefits may impact employees’ HSA eligibility. To be eligible for HSA contributions, individuals cannot be covered by a health plan that provides benefits, except preventive care benefits, before the minimum HDHP deductible is satisfied for the year. For plan years beginning in 2025, the minimum HDHP deductible is $1,600 for self-only coverage and $3,300 for family coverage. Generally, individuals who are covered by telemedicine programs that provide free or reduced-cost medical benefits are not eligible for HSA contributions.

A pandemic-related relief measure temporarily allowed employers with HDHPs to provide benefits for telehealth services before plan deductibles were met. This relief became effective in 2020 and has been repeatedly extended. It currently applies to plan years beginning before Jan. 1, 2025. Absent further legislation to extend the telehealth relief, starting in 2025, providing telemedicine benefits other than just preventive care at no cost (or low cost) to participants will make them ineligible for HSA contributions. There has been bipartisan support to extend telemedicine relief for HDHPs either permanently or temporarily; however, Congress failed to extend this relief at the end of 2024. It remains to be seen if Congress will revive this relief in 2025.

Because the telehealth relief has not been extended, HDHPs that have not imposed a deductible on telehealth services will need to start doing so for the plan year beginning on or after Jan. 1, 2025. This means that employees will be required to pay the cost of telemedicine services, other than preventive care, until the HDHP deductible is satisfied. Once their HDHP deductibles have been satisfied, employees can have access to free or low-cost medical benefits without jeopardizing their HSA eligibility. Any changes to telemedicine coverage should be communicated to plan participants through an updated SPD or a summary of material modifications.

Employers should also keep cybersecurity in mind when selecting service providers for their health plans, including those that provide or facilitate telemedicine platforms. Recently, the U.S. Department of Labor (DOL) updated its cybersecurity guidance to ensure that all plans governed by ERISA, including health plans, follow best practices for protecting sensitive information. Most private-sector employers are subject to ERISA's fiduciary rules when it comes to administrating their employee benefit plans. ERISA's fiduciary rules require employers to prudently select and monitor plan service providers, such as third-party administrators. Because employers rely on health plan service providers to keep participant data confidential and secure, they should only select service providers that follow strong cybersecurity practices. Employers should review the DOL's tips for hiring a service provider with strong cybersecurity practices and incorporate these best practices into their review of potential service providers.

## Reproductive Health and Family Planning Benefits

For many employees, employer-provided family planning and reproductive health benefits matter now more than ever. The U.S. Supreme Court's *Dobbs v. Jackson Women's Health Organization* decision from 2022, which ended federal protections for abortion rights, continues to influence how employers approach these benefits heading into 2025. While abortion access remains a key focus, coverage of fertility services, particularly in-vitro fertilization (IVF), emerged as a prominent issue during the 2024 election. Studies have shown that employees who receive these benefits feel more loyal and committed to their employers, which can translate into increased employee retention and productivity.

While the new presidential administration's impact on access to reproductive health care, particularly concerning fertility benefits, remains to be seen, state laws are rapidly evolving. Moreover, some employers have already introduced benefits to help employees conceive or adopt a child. The KFF's 2024 Employer Health Benefits Survey revealed that among large employers with at least 200 workers that offer health benefits, 37% provide coverage for fertility medications in their plans with the largest enrollment, 27% provide IVF coverage, 26% provide coverage for intrauterine (artificial) insemination, 12% provide coverage for cryopreservation (sometimes referred to as egg or sperm freezing), 13% provide coverage for adoption services and 7% have coverage for other family-building services. Roughly a third of companies were unsure if their plans covered each item.

Given the current legal and political environment and the growing demand among employees for these benefits, it is no surprise that state coverage mandates for fertility services are on the rise. California is the most recent state to enact this kind of mandate, joining over 20 others. The California law will require large group health plans (generally those that cover over 100 people) to cover fertility services, including IVF, beginning July 1, 2025. Small group health plans will not be required to cover these services, but they will be required to offer such coverage beginning July 1, 2025. The law also broadens the definition of infertility to include those who cannot conceive (either as individuals or with their partners) without medical intervention, in accordance with the American Society for Reproductive Medicine's (ASRM) definition of infertility. According to the ASRM, a broader definition of infertility "reflects that all persons, regardless of marital status, sexual orientation or gender identity, deserve equal access to reproductive medicine."

Conversely, other states do not require coverage for fertility services or have more restrictive definitions of infertility. In addition, court rulings in certain states, such as Alabama, have raised questions about the potential legal liabilities of IVF providers if embryos are damaged or destroyed during the IVF process. In February 2024, an Alabama Supreme Court ruled that embryos produced during the IVF process have the same legal protections as unborn children under the state's wrongful death law. Quickly thereafter, Alabama enacted legislation to provide civil and criminal immunity to entities providing IVF services regarding the handling of embryos. Nevertheless, the case highlights the complex relationship between the legal definition of personhood and its implications for fertility services in a given state.

Another added layer of complexity involves the application of Section 1557 of the ACA and whether the way a health plan defines infertility is discriminatory under this provision. Section 1557 prohibits discrimination in covered health programs and activities based on sex, race, color, national origin, age or disability. Whether sex discrimination includes discrimination based on gender identity, sexual orientation and termination of pregnancy has been the subject of litigation dating back to when initial regulations were issued in 2016. Most recently, final regulations that were to become effective in July 2024 expanded the scope of prior regulations by providing (among other things) that sex discrimination includes discrimination based on sexual orientation and gender identity. However, federal courts have issued injunctions blocking this portion of the rule from going into effect.

In the interim, Section 1557 has been used as the grounds for discrimination in several lawsuits, where plaintiffs allege that their group health plan's terms were discriminatory against certain participants based on their sexual orientation. Some courts have found in favor of these plaintiffs, ruling that the policies in question were written in a way where a significant portion of the LGBTQI+ community could not meet the definition of infertility without incurring out-of-pocket costs (whereas their straight counterparts could). Other courts have ruled that Section 1557 does not include discrimination based on sexual orientation. The litigation surrounding Section 1557's definition of sex-based discrimination will be an area to watch in the context of reproductive health benefits heading into 2025.

As states continue to navigate these issues, it's important for employers to consider the challenges their employees may face in accessing fertility assistance services, as well as the financial strain they may experience in paying higher out-of-pocket costs without insurance coverage. Employers with employees in states without fertility coverage mandates (and particularly in states with abortion coverage restrictions) have started offering standalone reproductive health benefits, including covering related travel expenses. Others are enhancing coverage under their group health plans to ensure employees have access to reproductive health care.

Employers providing benefits for fertility care in 2025 need to assess the implications of offering these benefits as state laws continue to evolve. For fully insured health plans, the scope of benefits that may be provided depends on the specific requirements imposed at the state level. In general, self-insured health plans are not subject to state insurance laws, giving such employers more flexibility to determine the scope of these benefits. In either case, careful consideration should be given to how infertility is defined under the plan's terms, and employers should continue to closely monitor legal developments regarding the application of Section 1557. Being aware of the latest legal developments allows employers to stay compliant while providing meaningful benefits to align with their employees' needs, which can be part of a robust employee attraction and retention strategy.

## 6 Trends Shaping the Labor Market

The strong labor market momentum experienced in the last couple of years appears to be slowing down, especially this past fall. Job openings decreased throughout last year, often falling short of economists' expectations. Furthermore, layoff data is encouraging; permanent layoffs have remained unchanged, suggesting employers are holding on to their workers. Organizations will likely continue to have difficulties attracting and retaining workers, resulting in increased labor costs as they raise wages and offer competitive benefits to attract talent.

The job market has outperformed industry expectations for some time, but economists predict a hiring slowdown on the horizon. The unemployment rate is likely to stay elevated relative to recent years—which have hovered between 3%-4%. The latest market predictions show that the rate will likely rise from 4.1% to 4.4% in 2025, bouncing up from the recent cycle. As such, the labor market is expected to remain competitive in 2025. Should unemployment rates trickle up in 2025, this trend could swing some leverage that workers have gained in the last couple of years back to employers.

### 2025 Trends

The labor market is losing some momentum but not crashing. Although the employment landscape will likely remain unpredictable, employers can monitor these six trends shaping the workplaces in 2025:

1. **Competitive compensation**—Several surveys found that compensation was the top reason to look for a new job in 2024, as pressures from inflation and the cost of living shifted workers' focus. Additionally, a growing number of U.S. employers have pay transparency policies in place due to increased regulatory requirements. Transparency and rising costs may translate into more workers exploring new roles with higher salaries and more meaningful benefits.
2. **Looming turnover**—Even though employee quits trended down in 2024, an EY report found that 38% of employees are likely to leave their jobs during 2025. Like EY's report, Eagle Hill Consulting's employee retention index signaled that employee turnover could increase in early 2025. That survey revealed that millennials, male workers and baby boomers are most likely to stay in their jobs, while Generation Z (Gen Z) and female employees are likelier to leave. These reports hint that employers may need to hone their attraction and retention tactics this year to find and keep talent.
3. **The evolving role of the office**—Remote work became necessary amid the COVID-19 pandemic, but the role of the office continues to evolve. While many workers continue to embrace the flexibility and autonomy of working from home, they have less leverage over employers than they did in previous years. Organizations are starting to take their own stance on working locations. Some employers fully support remote work, some encourage occasional on-site work for the sake of collaboration and innovation, and some are introducing return-to-office (RTO) mandates. A Resume Builder survey found that 23% of employers plan to implement an RTO policy by the end of 2025, and 7% plan to do so in 2026 or later. High-profile companies Amazon and Dell have already enacted policies to require employees to be on-site five days a week, and 3M is now scaling back its remote-friendly policy to bring employees at the director level and above back to the headquarters office three times a week for "collaboration days." Reconfiguring the office

and work policies will likely remain a problem for many organizations as they balance factors such as employee satisfaction, productivity, team collaboration and real estate footprints. Regardless, it seems the trend toward more time in the office is on the horizon. A survey by real estate company JLL found that nearly half (43%) of employers expect the number of in-office days to increase by 2030. As the push for full-time, in-office work continues, it's essential for employers to balance business needs with employee preferences. The right approach will depend on the industry as well as the specific role.

4. **Shifts in workforce demographics**—Workplaces are starting to look different as millennials (born 1981-1996) and Gen Z (born 1997-2012) make up much of the workforce. Agent for the Future data predicts that by 2025, millennials will account for more than 40% of the workforce, and Gen Z will make up 27%. As such, the majority of workers and leaders are shifting and looking different from those in years past, so employers will need to strategize to attract and retain these reigning generations of workers. Generally speaking, these younger generations want to work for organizations that provide competitive pay and benefits, support their well-being and offer career development opportunities.

5. **The impact of technology**—Artificial intelligence (AI) and automation are undoubtedly changing the future of work. AI's functions have led many employers to equip workers with such tools or incorporate this technology into their organizations to enhance workflows. Employers have integrated AI into several job roles and tasks, including HR practices, customer service and software development. In fact, a World Economic Forum report estimates that by 2025, machines and algorithms will perform more current work tasks than humans. However, it also suggested that AI will create 97 million new jobs by 2025, especially in areas such as data analysis, software development and cybersecurity. AI in the workplace enables workers to focus on more engaging tasks, be more efficient and innovative, make better-informed decisions and address complicated challenges. While some mundane jobs are at risk of AI or automation, experts generally agree that more jobs will enter the labor market due to growing technologies. Many jobs that employers are hiring for in 2025 and beyond may require more advanced skill sets.

6. **Personalized learning**—Offering continuous learning and development (L&D) opportunities can help make organizations attractive places to work; however, workers want personalized opportunities. Customizing learning paths based on individual employees' roles, career aspirations, skills gaps and learning styles is critical. Fortunately, AI can help make L&D opportunities more personalized and engaging by providing real-time feedback, customizing learning paths by topics and performance, and helping identify strengths and weaknesses. Personalized learning experiences can significantly enhance motivation and retention.

These factors are likely to influence the talent market in 2025. Employers must adapt by taking inventory of how these trends may impact their workplace and prioritizing strategies to navigate the ever-evolving labor market.

## The Biggest Wellness Challenges Facing Employees in 2025

As workplaces continue to evolve, so does the understanding of employee wellness. Organizations are increasingly embracing innovative strategies to prioritize their workforce's physical, mental and financial health. While organizations may have already expanded their wellness initiatives in recent years due to the COVID-19 pandemic, there are new driving forces impacting workers' well-being that employers can address in 2025.

### Obesity and Associated Chronic Health Conditions

Obesity is a common, serious and costly chronic disease that affects many Americans. According to the CDC, in 23 states, more than 1 in 3 adults (35%) have obesity. Also, at least 1 in 5 adults (20%) in each state is currently living with obesity. Obesity can result from a combination of causes, but research continues to validate that people struggle to eat healthily and exercise regularly. Americans consume larger portions, excess sugar, fast food and less nutrient-dense foods. Furthermore, inactivity has become the new normal for many Americans as they work sedentary jobs, rely on vehicles for transportation and lack opportunities to be active in their neighborhoods. The CDC reports that only 1 in 4 U.S. adults get the physical activity they need to help reduce and prevent chronic diseases. Obesity-related conditions—such as heart disease, stroke, Type 2 diabetes and certain types of cancer—are the leading cause of preventable, premature death. In addition to being at higher risk for chronic health conditions, obesity has mental health impacts. Weight bias, stigma and shaming can result in employees having less meaningful social connections with their peers and supervisors, potentially leading to anxiety, depression and loneliness.

However, many employers recognize the connection between obesity and other serious diseases and are committed to trying to help employees lose weight. They understand the impact that obesity has on the workplace (e.g., increased health care costs and absenteeism) and want to improve employee health and well-being. While many employers offer traditional workplace wellness programs, some are expanding efforts to meet employee needs and demands. As such, employers are including popular weight loss drugs in their formularies, offering employee education, providing healthy on-site food options and encouraging preventive care.

### Living Paycheck to Paycheck

Money is a top stressor for employees, and concerns have been exacerbated by prolonged inflation pressures over the past couple of years, growing debts and skyrocketing medical costs. In fact, 62% of Americans currently live paycheck to paycheck. PYMNTS Intelligence data also revealed that people say the top reason is that they don't earn enough. Despite inflation's current downward trend, it's still recovering from a 9% year-over-year increase in 2022. Therefore, while many organizations' budgets are prepared for salary increases, they may still be insufficient to keep up with inflation.

Moreover, health care costs will increase substantially in 2025. Add all these financial responsibilities up, and it's no wonder that today's workers are worried about how they will earn a living and pay their bills. In addition to raising wages and offering competitive benefits, employers are exploring financial wellness resources, such as emergency savings funds, retirement savings, financial literacy workshops and one-on-one financial counseling. Financial wellness is a critical component of well-being and can be a competitive offering, especially as workers closely examine their salaries, medical bills and everyday expenses. Today's workers are not only asking for but now expecting these lifelines from employers.

## Workplace Stress and Burnout

Experts revealed that the American workforce is undergoing a "Great Exhaustion," as most workers say they are burnt out. While health experts used to correlate remote work with positive mental health benefits, in 2025, they're predicting equal levels of stress and burnout regardless of working location. So, unfortunately, employers shouldn't expect employee burnout to disappear anytime soon. A recent report by talent advisory firm DHR Global revealed that 82% of employees are experiencing burnout. Top drivers cited include long hours (58%), overwhelming workloads (35%), and difficulty balancing work and personal life (34%). Burnout can be caused by stress, so employers are also looking at how stress shows up in the workplace and impacts employees. A recent survey by corporate wellness platform Wellhub found that almost half (47%) of workers identify work stress as the primary cause of their deteriorating mental health—and that was consistent across most generations. Baby boomers are more concerned about inflation, while Gen Z, millennials and Generation X agreed that work was stressing them out the most.

In an effort to prevent and alleviate rising levels of stress and burnout, more organizations are prioritizing flexible work arrangements, mental health days, realistic workload expectations and designated downtime to help employees maintain a healthy work-life balance. Employee assistance programs, counseling services, stress management workshops and digital platforms for mental health assistance are increasingly becoming key components of workplace wellness initiatives. Employees have become acquainted with using resources that their employers offer, so organizations have an opportunity to help workers access mental health care as the country faces a shortage of mental health professionals (e.g., psychologists and therapists) due to high demand. More organizations are recognizing the interconnected nature of physical, mental and financial health and are supporting employees with a holistic approach to workplace wellness.

## Summary

As these trends evolve and continue shaping employee wellness, employers can evaluate their current wellness initiatives and consider ways to improve them to better support workers in 2025. To ensure offerings and investments resonate with the workforce, it can be helpful to survey employees first and see what they find most valuable and necessary for their overall well-being. Wellness is a very personal journey, but employers have the opportunity to offer meaningful support.

## Helping Employees Pay Off Student Loan Debt

Education is largely seen as a path to higher income and greater financial well-being, but for many employees, this path has resulted in mounting student loan debt. Education debt is prevalent among people who went to college, especially younger adults. According to the most recent economic well-being survey from the Federal Reserve, 30% of all adults—representing more than 4 in 10 people who pursued education beyond high school—reported that they took out student loans for their education. As more graduates enter the workforce in 2025, it isn't surprising that many seek employee benefits to alleviate this burden. Given the significant impact the new presidential administration could have on student debt relief initiatives and as legal challenges to current debt relief programs make their way through the courts, now is the time for employers to evaluate their benefit offerings and take advantage of several ways they can help their employees pay down their student loan debts in 2025.

Student loan assistance benefits are a compelling choice for employers who want to attract and retain qualified workers and secure a competitive advantage in the labor market. Several recent legislative changes have expanded the types of benefits employers can offer. Specifically, there are two key programs employers can offer heading into 2025: educational assistance programs and qualified student loan match programs. Although educational assistance programs have been available for many years, the option to use them to pay for student loans has only been available for payments made after March 27, 2020. Under current law, this student loan provision is set to expire on Dec. 31, 2025. While a bipartisan bill has been introduced in Congress that would extend this benefit permanently, no action has been taken yet, and with a new composition of Congress in 2025, the status of the bill remains to be seen.

An educational assistance program is a separate written plan that provides educational assistance to employees. Two key requirements are that these programs must be in writing and that they cannot discriminate in favor of highly compensated employees. Traditionally, educational assistance programs have been used to pay for employees' books, equipment, supplies, fees, tuition and other education expenses. However, at least throughout 2025, they can also be used to pay principal and interest on an employee's qualified education loans. Payments made directly to the lender, as well as those made to the employee, may qualify. In most cases, educational benefits are excluded from federal income tax withholding, Social Security tax, Medicare tax and federal employment (or FUTA) tax. By law, tax-free benefits under an educational assistance program are limited to $5,250 per employee per year, and assistance provided above this level is typically taxable as wages.

On the other hand, qualified student loan match programs allow employers that sponsor 401(k) plans, 403(b) plans, governmental 457(b) plans or SIMPLE individual retirement account plans to provide matching contributions based on employees' qualified student loan payments rather than only on elective contributions to the retirement plan. While the option to offer this program became available in 2024, various plan administration questions were left open for employers who wanted to offer it. In August 2024, the IRS released much-needed implementation guidance for employers seeking to offer a qualified student loan match program. The guidance addressed a variety of plan administration issues, such as applicable eligibility rules (including dollar and timing limitations), employee certification requirements, procedures a plan may adopt and applicable nondiscrimination testing. The guidance also provided a clear definition of what constitutes a qualified student loan payment. Specifically, qualified student loan payments are those that are made and certified by an employee during a plan year in repayment of a qualified education loan to pay for qualified higher education expenses of the employee, their spouse or their dependents, which do not exceed certain applicable limits when aggregated with other payments for the year. The guidance applies for plan years beginning after Dec. 31, 2024, so employers wishing to offer this benefit in 2025 should review and adhere to the implementation guidance in consultation with their benefits counsel while monitoring for proposed regulations from the U.S. Department of the Treasury and the IRS. Plan sponsors may rely on the guidance until those proposed regulations are issued.

When student loan debt causes stress to employees, it can not only reduce workplace productivity, performance and morale, but it may also lead to high employee turnover rates as workers seek employers with better student loan assistance programs or higher compensation packages. As employees increasingly look to their employers for student loan assistance, employers who don't already have these types of debt relief programs may want to consider establishing them in 2025, especially given the expiration date surrounding the student loan provision for educational assistance programs and the shifting political landscape. By offering student loan support, employers can show employees they are valued and provide them with much-needed financial assistance and support, which may increase employee productivity, engagement and happiness.

## GLP-1s and Biosimilars Reshape Prescription Drug Market

Inflation, additional treatment options approved by the U.S. Food and Drug Administration (FDA) and increased utilization of high-cost medications led to rising drug costs in 2024. In 2025, the transformation of the prescription drug market will continue due to many of the same factors, as well as changes to Medicare Part D and the potential for PBM reform.

The following are some of the most significant trends that are reshaping the prescription drug market.

### GLP-1 Drugs

GLP-1 drugs have gained rapid popularity from plan participants eager to lose weight and improve their overall health. Mounjaro (which has the active ingredient tirzepatide), Ozempic and Rybelsus (which both use the active ingredient semaglutide) are approved for treating diabetes but are commonly prescribed off-label for weight loss. Zepbound (tirzepatide) and Wegovy (semaglutide) are drugs that use the same active ingredients but are approved to treat obesity for qualifying patients.

While most health care plans cover GLP-1s for qualifying Type 2 diabetes patients, employers are much more hesitant to cover them for weight loss. GLP-1 treatments can contribute to a healthier workforce, potentially leading to both direct and indirect cost savings. Research indicates that obese and overweight employees tend to incur higher health care expenses and contribute to increased absenteeism and higher workers' compensation risks. Despite the benefits of these treatments and the increasing employee demand for GLP-1 drugs, not all employers are racing to offer coverage. The high cost of these medications—combined with the need for ongoing, long-term usage—presents a

significant financial commitment that some employers are unwilling to make.

KFF's 2024 Employer Health Benefits Survey found that 18% of firms with over 200 employees reported covering GLP-1 drugs when used primarily for weight loss. Of these firms, 53% required a specific condition or had a requirement for coverage. Among the firms from KFF's survey that do not provide coverage for GLP-1s for weight loss, over half (62%) are "not likely" to begin covering these medications for weight loss within the next 12 months, while only 24% are "somewhat likely" or "very likely" to do so.

In addition to treating Type 2 diabetes and obesity, the active ingredients in these medications have shown the potential for treating other conditions, including Alzheimer's disease, heart disease and sleep apnea. While these use cases are still undergoing clinical trials for approval, the potential applications of GLP-1s could lead to these costly drugs being used to treat even more patients.

The popularity of these drugs is likely to increase in 2025 as more patients become aware of GLP-1s and take action to improve their health.

## Biologics and Biosimilars

Biologics are medications made from living organisms, such as sugars, proteins and DNA. They treat a range of conditions, such as cancer, psoriasis, rheumatoid arthritis and inflammatory bowel diseases. Although these drugs offer innovative and effective options for treating complex health conditions, they carry high costs.

Biosimilars are an emerging category of biological medications. These treatments are similar to a reference drug, which is an existing biologic that was previously approved by the FDA. For a biosimilar to be approved, there must be no meaningful differences in safety and effectiveness from the original biologic. Compared with original biologics, biosimilars are lower-cost, allowing greater patient access. New biosimilars are gaining FDA approval and entering the market each year. As of 2024, over 60 biosimilars have been approved.

A 2023 report from IQVIA found that, in the past 10 years, $36 billion of biosimilar spending has saved $56 billion on original biologics. These savings could total over $180 billion in the next five years. Biosimilars have the potential to help reduce costs in a prescription drug market that is otherwise experiencing significant inflationary pressure. However, the widespread adoption of biosimilars in the drug market has had its share of challenges related to drug exclusivity rights, active patents, approval processes and inconsistent success rates for developing biosimilars. Looking ahead, the total biologics industry is projected to expand. Industry projections show that the market size is expected to grow from a current expenditure of around $450 billion to almost $850 billion over the next decade.

## Cell and Gene Therapies

Advanced treatments, such as CGT, are designed to treat conditions like blood and lung cancer, sickle cell anemia and spinal muscular atrophy. These therapies demonstrate significant medical advancement but come with a high price tag.

CGT operates uniquely compared to other treatments. CGT is generally administered once or twice over a patient's lifetime. With most prescription drugs, the treatment is administered and paid for over time as the prescription is filled. With CGT, payment occurs upfront, and the patient experiences health benefits over time. Some insurance and pharmaceutical companies may offer nontraditional payment models, such as risk-sharing arrangements, performance-based payments that are determined by the effectiveness of the treatment, and other installation models that spread out the cost of the treatment.

The FDA has approved around 40 CGT products. The agency is expected to approve between 10 and 20 treatments in 2025, and hundreds more are currently in clinical trials and could become available in the coming years. With more individuals eligible each year for treatments like CGT, employers will need to make decisions about coverage and mitigating cost exposures.

### Medicare Part D Changes

As a result of the Inflation Reduction Act, the Medicare Drug Price Negotiation Program allows the federal government to negotiate the prices of drugs for Medicare-eligible individuals. The first round of negotiations concluded, and the new pricing is effective Jan. 1, 2026. Medicare will select up to 15 more drugs covered under Part D for negotiation in 2027 by Feb. 1, 2025.

In addition, beginning in 2025, Medicare Part D plans will include a $2,000 cap on prescription drugs covered by the plan. This means that if plan participants incur $2,000 in out-of-pocket spending on covered drugs, eligible individuals will not have to pay for any additional drug costs for the remainder of the year. This will impact 53 million of the 67 million Medicare beneficiaries enrolled in Medicare Part D plans, including employer-sponsored plans. As a result, employer-sponsored group health plans that are required to offer creditable coverage are likely to experience increases in prescription drug costs.

### PBM Reform

PBMs—entities that act as an intermediary between stakeholders in the pharmacy benefits marketplace—are currently in the spotlight as employers focus on ways to reduce costs while providing plan participants access to the treatments they need. PBMs function to lower drug costs by leveraging group purchasing, using volume discounts and passing on discounts from rebates. However, PBMs have received criticism due to transparency and pricing practices.

There is broad support for revamping PBM practices, such as increasing transparency on rebates, detaching drug prices from PBM compensation and expediting generic drugs for some high-cost prescriptions. Individual states have enacted laws that adopted more regulations of PBMs, but there is bipartisan support for increased federal regulations that could impact how PBMs operate. In addition, there is pending litigation related to PBMs that could gain traction in federal courts in 2025. In general, PBM reform will be an area for employers to monitor this year.

### Summary

The prescription drug market will continue to evolve in 2025 as costs rise and more specialty medications enter the market. Employees with common chronic conditions such as obesity and Type 2 diabetes now have access to more treatment options, and patients with advanced conditions such as cancer also have access to new medical treatments. However, these treatments won’t reach all employer-sponsored health plans. Emerging treatment options will require employers to determine which new prescription drug options they offer employees and how to do so cost-effectively.

In 2025, employer efforts will likely turn to understanding these growing categories of specialty drugs, adjusting plan formularies and managing prescription drug benefits to balance workforce needs with the reality of rising drug costs.

## Popular 2025 Voluntary Benefits

As health care costs continue to rise, so does the demand for voluntary benefits. Since many employers find it increasingly difficult to provide employees with a complete benefits package, voluntary benefits have become an ideal solution to round off their offerings. Voluntary benefits supplement traditional benefits like health insurance and are available to employees for elective purchase. Voluntary benefits are offered through an employer but paid fully or partially by employees through automatic payroll deductions. They allow employers to offer attractive employee benefits without added cost to the company.

According to a 2024 report by benefits administration platform Benefitfocus, nearly 8 out of 10 employees said they are likelier to work for an employer offering voluntary benefits. Employees find such benefits attractive because they have a variety of insurance options available conveniently in one place, often with lower premiums than individual policies they would have bought themselves. These extra perks also allow for more personalization that can help satisfy the unique needs of each worker, especially in today's multigenerational workforce. Furthermore, many voluntary offerings are health-related and can supplement health insurance, which can be attractive at a time when health care costs are rising and many are struggling to afford care and services. The following sections outline the voluntary benefits that are experiencing significant growth or are expected to be notable in 2025.

**Supplemental health benefits**—Supplemental health insurance policies have increased as employees navigate changing health care insurance laws and rising medical debt. KFF estimates that nearly 1 in 12 American adults owe medical debt—a total of at least $220 billion. While many debts are expected and predictable, medical debt is often not when it results from an accident or illness. More Americans are struggling with their medical bills; in fact, a Federal Reserve report revealed that 37% of adults can't afford a $400 emergency bill.

Accident, critical illness and hospital indemnity insurance stand out as more employees become interested in ways to help offset unexpected deductibles, copays, coinsurance and other expenses when faced with an accident, serious illness or hospital stay. These insurance policies are excluded from most federal health and benefits law provisions that apply to major medical insurance. As such, supplemental plans can serve as affordable ways for employees to fill coverage gaps and give them peace of mind in the event of an accident, serious condition or hospital stay. As Americans face another year of rising health care costs, these benefits can provide a low-cost option to gain more coverage.

**Student loan repayment assistance**—The Pew Research Center reported that 1 in 4 U.S. adults under 40 have student loan debt. Educational assistance programs have traditionally been used to pay for employees' books, supplies, tuition and other education-related expenses. However, these programs can now also be used to pay principal and interest on an employee's qualified education loans. Payments made directly to the lender, as well as those made to the employee, may qualify.

The ability to use educational assistance programs to pay for student loans is set to expire Dec. 31, 2025. Until then, employers can offer up to $5,250 in student loan repayment benefits tax-free. As employees increasingly look to their employers for student loan assistance, employers who don't have an educational assistance program may want to consider establishing one to take advantage of the current student loan provision before it expires.

**Cybersecurity and identify theft protection**—Cybersecurity breaches are on the rise, and attacks are becoming increasingly sophisticated. According to cybersecurity provider Check Point, average weekly cyberattacks per organization reached an all-time high during the third quarter of 2024, a 75% increase from the same time frame in 2023. Social engineering attacks, deepfake technology and artificial intelligence attacks are changing cybersecurity, and employers and employees alike want to do more to protect themselves from evolving modern virtual threats. Aside from employees' personal lives, cybersecurity threats can also impact their work lives, as more people log on to work at home or remote locations and use their mobile devices while on the go.

**Term life insurance**—Financial security is a goal for many Americans; this includes being prepared for the death of a loved one. The majority of (80%) Americans are concerned about being financially prepared in the event of a premature death, yet almost 30% do not own life insurance, according to life insurance company Guardian. Organizations often offer a base-level group term life insurance that is paid partially or fully by the employer, then give an option for the employee to add more coverage. Group life insurance may seem like an easy decision for employees since the employer has already done the research and selected policy options. Employer-provided life insurance demonstrates a company's commitment to the welfare of its employees beyond their day-to-day work responsibilities.

**Legal plans and services**—Legal plan voluntary benefits are widely applicable because there is a myriad of reasons why an employee might need assistance. Like other voluntary benefits, legal plans and services can support and enhance employees' lives outside of work as they deal with personal issues. Offering a group legal plan can help reduce employee stress, time away from work and work time that is used for personal legal issues. These benefits can help in various situations, including common service categories like telephone advice, estate planning documents, real estate matters, financial matters, the leasing or purchasing of a vehicle, traffic offenses and criminal matters. Legal assistance through their benefits can help employees feel more secure and financially prepared should they experience a life event in which they need help.

Voluntary benefits are helpful add-ons that can round out any benefits package. They help provide value to employees without raising employers' costs, making them powerful tools for attraction and retention. These extra perks also allow for more personalization to help satisfy each worker's unique needs.

## The New Administration's Impact on Employee Benefits and Health Care

Former President Donald Trump has won a second presidential term. Although specific policy objectives that may be enacted remain to be seen, employers can look to President-elect Trump's campaign policies and initiatives that Trump took during his first term in office as an indication of what is to come. Furthermore, the Republican party will have majority control of the U.S. Senate and retain a narrow margin in the U.S. House of Representatives, which can significantly impact legislation passed in the upcoming term.

As with most presidents, a new administration is likely to bring changes to employee benefits and health care. The following sections summarize related topics gathered from Trump's official platforms, previous public policy records and public statements on relevant issues. Any insights are purely informational and do not indicate or predict future policy.

- **ACA**—During his first term, Trump's administration pursued attempts to replace or partially repeal the ACA. A full repeal or replacement is unlikely in the upcoming term, as the ACA has grown in popularity and was not a campaign talking point like it was in 2016. However, the Trump administration will make decisions that will impact the future of the ACA.

  The Biden administration passed the Inflation Reduction Act in 2022, which was largely focused on COVID-19-related relief but also included ACA subsidies. The subsidies cut premiums for millions of plan participants and increased overall enrollment. These subsidies were extended for three years through the end of 2025. Unless Congress chooses to extend them in 2025, they are set to expire at the end of the year. Industry experts suspect that the enhanced subsidies on the ACA that are set to expire at the end of 2025 will be less likely for renewal with a Trump administration. Without the subsidies, enrollment will likely suffer as premiums skyrocket. Additionally, the new administration could alter the ACA in other ways, such as eliminating employer mandate penalties or simplifying the reporting requirements. While large-scale federal legislation does not appear to be likely, the new administration may impact the future of the ACA on a smaller scale.

- **Medicare**—According to Trump's platform, his administration will "protect Medicare." The platform also plans to shift resources back to at-home senior care. During Trump's previous term, enhancements were made to Medicare Advantage plans, including increasing access to telehealth and expanding supplemental benefits for seniors with chronic diseases.

  In 2020, the Trump administration capped insulin to $35 per month through 2023 for qualifying Medicare Part D plans. Not all Part D plans participated. Next, the Biden administration passed a broader $35 insulin cap for Medicare participants through the Medicare Drug Price Negotiation Program. The Trump platform has indicated it will work to lower health care costs for health care and prescription drugs. While the Medicare program negotiations are currently set to continue, many are speculating about how these price negotiations might change under a Trump presidency.

- **Medicaid**—Medicaid is the third-largest program in the federal budget. While Trump campaigned on preserving Social Security and Medicare, Medicaid was not a key talking point for his campaign. Given Social Security and Medicare cuts are unlikely, reductions in Medicaid spending may become necessary to fund Trump's tax cuts. Trump has previously supported efforts to cap or reduce Medicaid financing. With a narrowly Republican-controlled Congress, Trump may have a path to making significant changes to the program.

- **Prescription drug pricing**—President-elect Trump has not yet specified his strategy with regard to drug pricing, but his past policies, along with the continued bipartisan efforts on making drugs more affordable, indicate that drug pricing will likely remain in the spotlight. The president-elect has expressed support for reforming the practices of PBMs. Trump previously targeted PBMs with a plan to eliminate the rebate business structure but ultimately chose not to pursue the policy during his first term.

- **Reproductive rights**—The Trump platform opposes late-term abortion while supporting policies that advance prenatal care and access to birth control and in vitro fertilization. Furthermore, Trump views abortion as an issue for states to decide. Trump has stated that he is against a national abortion ban.

  While federal legislation related to abortion would require a bill passed by Congress, President-elect Trump may choose to effect change through executive order, possibly impacting the delivery and distribution of abortion medications. Trump could decide to undo presidential actions from Biden intended to expand access to abortion services. To date, Trump's campaign hasn't offered a clear indication that it will pursue such action.

- **Family policies**—Trump's campaign showed support for the three main family policies: paid leave, child care and the child tax credit. Specifically, he favors offering paid family leave, reducing the cost of child care and increasing the child tax credit. The child tax credit has the most bipartisan support of the three major family policies. The Trump campaign provided detailed plans to grow the child tax credit, expressing that only parents who meet income tax requirements should receive a credit.

The latest election results may bring significant changes to employee benefits for the next four years and possibly beyond. While only potential implications from a second Trump administration are highlighted here, the recent state and local elections can also significantly impact benefits providers across the country and the employers with which they work.

Any suggested developments are purely speculative, as all changes to employee benefits and health care will require legislation, presidential action or agency activity. Employers should continue to monitor the impact of the Trump administration, as well as state and local activity, to stay apprised of potential changes.

# Conclusion

The employee benefits market is expected to undergo significant shifts as we enter 2025. For employers, there will be a continued need to offer competitive compensation and benefits packages not only to attract new employees, but help current employees offset the pressures of rising health care costs as well. A strategic focus on voluntary benefits can also be a great way to bolster your benefits offerings, add value for your employees and potentially improve retention in a hard labor market.

Beyond these financial incentives, it’s equally important that employers continue to take a holistic approach to employee well-being, prioritizing their worker’s physical and mental health. Doing so can help foster a resilient and engaged workforce.

Ultimately, 2025 will require employers to be strategic and adaptable as they navigate imminent challenges. As always, United Benefits Group, Llc is here to help as a trusted advisor, providing up-to-date information on the latest developments and supplemental resources employers can use to educate themselves and their employees. Reach out to learn more.