Employee Benefits Report

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2024 Benefits Trends: What Employers Need to Know

As the COVID-19 pandemic recedes into the rearview mirror, employers are shifting their focus to new challenges in the benefits space. With medical costs projected to rise 8.9% in 2024, many companies will need to make difficult decisions about their health and welfare offerings. They'll also face growing pressure to support employees' financial, physical and mental well-being.

Controlling Runaway Health Care Costs

Experts predict healthcare costs will increase at nearly double the rate of inflation this year. Driving this spike are general medical inflation, demand for expensive new gene therapies, and weight loss drugs like Wegovy. As employers absorb most premium hikes to avoid passing costs to workers, managing expenses will be critical.

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Potential cost-control solutions run the gamut from integrated wellness initiatives to utilization management. Telemedicine, centers of excellence, and prescription controls may also help rein in spending. With no one-size-fits-all approach, experts recommend that employers evaluate options to find the right balance of cost and care.

This Just In ...

Your Wellness Benefits Aren't Moving the Needle on Burnout

Employee burnout has been an ongoing issue for companies, even prior to the COVID-19 pandemic. Now, nearly four years after the crisis began, professionals are still facing burnout — and employers' efforts to curb it through wellness initiatives continue to miss the mark.

The Reality of Workplace Burnout

Recent surveys have underscored the pervasive burnout employees face. According to Fiverr, 85% of business leaders now acknowledge burnout's significant impact. However, despite widespread recognition from higher-ups, professionals overwhelmingly feel they lack adequate support.

This disparity highlights the central disconnect. Employers believe they provide acceptable resources, while employees maintain that benefits fall short. Evidence indicates the latter rings truer. According to the digital health platform Wellable Labs, 62% of companies currently offer employee assistance programs (EAPs) to promote mental health, 46% provide digital tools, and 43% use education. Still, these fail to address employees' needs, with 91% saying poor mental health hinders their productivity, according to a One Medical/Workplace Intelligence study.

Why Current Approaches Miss the Mark

The issue, according to one leadership de-

The GLP-1 Decision

GLP-1 medications like Ozempic and Wegovy showed up on employers' radar screens last year as weight loss aids. Now, companies are evaluating whether to cover these pricey injections, given intense employee interest.

In an October survey, the share of employers planning GLP-1 coverage nearly doubled from the previous fall to 43%. The upside for workers' health and corporate costs from losing weight may justify the investment. Such coverage could also boost recruitment, retention, and enrollment numbers.

Of employers already funding GLP-1 drugs in 2023, most saw increased satisfaction along with a jump in plan participation. As more people learn about the treatments, demand will likely continue rising.

Financial Stress Fuels Benefits Growth

Despite cooling inflation, many consumers report depleted pandemic savings and mounting debt. Employers are responding with more financial health offerings like debt repayment programs, rainy day funds, and student loan assistance.

Industry experts note that such benefits provide outsized value, satisfying employees' immediate financial needs. With long-term security guardrails like emergency savings also in place, workers can better focus on retirement.

New provisions under the landmark SECURE Act 2.0 will further spur interest in financial wellness. As the policy's specifics crystallize, employers can leverage its flexibility for workers' benefit.

Pay Raises to Meet or Top Inflation

U.S. inflation is forecast to moderate to 2.8% in 2024, but employers aren't taking any chances. Compensation budgets are ticking up 3.8-4% on average to stay competitive amid a tight labor market. Businesses also want to acknowledge employees' financial strain after years of lacking wage growth.

Despite robust pay increases, worker buying power still trails pre-pandemic levels. Employers would be wise to monitor market data and make additional base pay or one-time adjustments as needed. Otherwise, top talent may continue jumping ship for higher salaries elsewhere.

Mental Health Benefits to Tackle Burnout and Anxiety

Experts warn this year's trends of worker burnout and election stress will drive more demand for mental and emotional health support. As political tensions and uncertainty around hot-button issues grow, conflict could also plague workplaces.

Employers should consider promoting and expanding behavioral resources like meditation apps, online therapy, and manager training. Additional paid time off for mental well-being may supplement offerings. With proactive steps to address anxiety and prevent toxicity, organizations can curtail turnover and absenteeism.

Hawaii and Illinois Forge Ahead on Pay Transparency

While most states lacked traction on pay equity legislation in 2023, both Hawaii and Illinois passed far-reaching transparency requirements. Their salary disclosure laws take effect in 2024 and 2025, respectively.

Experts forecast more states will propose mandating employers share pay scale data with candidates and employees. Some regulations may even demand regular updates on workers' positioning within those bands. Although compliance poses challenges, transparency can strengthen retention when done thoughtfully.

Forward-looking companies would do well to review their compensation frameworks in advance. Identifying and addressing hot spots proactively could pay dividends down the road.

velopment CEO, is that many companies view wellness initiatives as "required," not integral to operations. Consequently, they become HR's domain alone, fail to connect with staff meaningfully and receive only surface-level support.

More C-suite involvement is required to ingrain cultural change versus quick fixes. However, HR managers themselves demonstrate burnout warning signs, indicating they lack proper training on available resources and can't recognize employees' needs. Thus, a cyclical problem persists.

To truly target burnout in sustainable ways, the issue must become a business priority like other profit drivers. Present wellness attempts — while well-intentioned — are insufficiently scalable. Instead of additional elective benefits, investments should provide behavioral health training so staff can properly identify and manage triggers.

Pensions Poised to Make Comeback?

In a move that shook up the employee benefits world, in late 2023 IBM announced that it would unfreeze pensions and terminate 401(k) matching contributions. Industry watchers now expect other major employers to follow suit.

IBM's decision reflects a growing push to improve retirement readiness after COVID-19 thwarted many workers' saving and investing plans. Although rare in the private sector, pensions offer guaranteed lifetime income that shields employees from market swings. They also require significantly less financial planning than defined contribution plans.

As consultants have more conversations with employers on the topic, 2024 or 2025 may usher in a pension resurgence. Even companies that don't take that step will likely reassess retirement offerings.

SECURE 2.0 Means Major Retirement Changes in 2024

With the start of 2024 comes a wave of substantial changes to the retirement landscape caused by the rollout of version 2.0 of the Setting Every Community Up for Retirement Enhancement (SECURE) Act, which was passed by Congress in 2022. The legislation contains provisions aimed at increasing retirement savings and preparedness for millions of U.S. workers.

Expanding Access

SECURE 2.0 includes over 90 provisions that serve to make 401(k) plans more widely available, help ease administrative burdens for employers, and tackle financial obstacles that impact retirement contributions. Currently, 68% of private sector employees have access to a workplace retirement account, according to 2022 data from the Bureau of Labor Statistics. However, almost half do not contribute. Additionally, research shows that 80% of U.S. households are not properly prepared for retirement.

The provisions within SECURE 2.0 present tools for both employers and employees to bridge these gaps. Experts advise plan sponsors to collaborate with partners to best implement the changes. Employers previously concerned about costs will find that SECURE 2.0 helps mitigate those issues regarding workplace retirement offerings.

Student Loan Relief

One notable change taking effect this year will allow employers to match a percentage of student loan payments and direct those funds into a retirement account. This applies to an employee's own student debt or loans belonging to a spouse or dependent. Employers must coordinate with their plan administrator to facilitate this new student loan matching capability.

Data shows that 67% of student borrowers say their loans prevent them from saving for retirement. By enabling both student debt payments and retirement savings simultaneously, employers can better position workers to build their nest egg while handling education expenses.

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Emergency Savings

In addition to longer-term retirement needs, many households struggle to cover unexpected expenses. Over a third of individuals do not have $400 available to handle surprise expenses, according to the Federal Reserve. Under SECURE 2.0, employers now have the option to automatically enroll staff into workplace emergency savings accounts. Employees can allocate up to 3% of their pay into these funds, accruing up to $2,500 before additional money flows into their retirement plan.

Experts state that households without adequate emergency cash reserves often take on unsustainable debt levels that jeopardize their overall financial health and retirement preparedness. Automatically funneling a portion of each paycheck into an accessible emergency account can help employees avoid this detrimental cycle while still contributing toward the future.

Penalty-Free Hardship Withdrawals

For circumstances that necessitate tapping retirement funds early, SECURE 2.0 introduces more flexibility. While early withdrawals previously incurred a 10% tax penalty, individuals can now access $1,000 annually without fees. For victims of domestic abuse, up to $10,000 or 50% of an account balance can be accessed penalty-free.

Streamlined Start-Up Retirement Plans

A key barrier for small companies offering retirement benefits is cost and administrative complications. Under 30% of businesses with less than 10 employees currently provide retirement plans. SECURE 2.0 introduces "starter" 401(k) and 403(b) plans to simplify this process.

Workers are auto-enrolled in these starter plans, allowing contributions up to $6,000 annually compared to the 2024 traditional 401(k) or 403(b) employer contribution limit of $23,000. Employers cannot match any funds within these streamlined offerings. Retirement experts state this presents an easily adoptable option for smaller firms to provide workplace retirement savings options.

Stricter New Rules Limit Independent Contractor Hiring

A new independent contractor rule from the U.S. Department of Labor (DOL) could spark an increase in misclassification lawsuits and make businesses less likely to hire gig workers, experts say.

The final rule restores a previous multifactor standard that required companies to weigh a variety of economic factors together to determine whether a worker is an employee or an independent contractor. It will take effect March 11.

Significant Changes Ahead

Many businesses are already familiar with the reinstated standard from prior to 2021. However, the regulation represents a major shift back to a more employee-friendly test that is prompting concern across various industries.

Experts say the new rule has major ramifications for the gig economy in particular. App-based platforms have typically classified their drivers and workers as independent contractors up to this point. Now, companies like Uber, Lyft, and Instacart face renewed scrutiny.

Additionally, the rule change is expected to significantly impact sectors like construction, transportation, trucking and media. Small businesses also face new compliance hurdles they may struggle to meet.

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The New Test

The updated standard does away with a 2021 regulation where two core factors — control over the work and opportunity for profit or loss — carried greater weight in classification decisions.

Instead, the DOL reinstated a "totality-of-the-circumstances" analysis with six key factors, none of which takes priority over the others:

- The degree of employer control over how the work is performed
- The worker's opportunity for profit or loss
- The amount of skill and initiative the work requires
- The permanence of the working relationship
- The worker's investment in equipment and materials
- Whether the service provided is integral to the employer's business

Other relevant factors may also come into play. Experts caution that this multifaceted approach makes worker classification more complex.

Criticisms and Concerns

The rule change prompted swift criticism from several major business groups. Opponents argue the new test unfairly favors classifying workers as employees rather than independent contractors.

They warn the added ambiguity and compliance burdens will threaten flexible earning opportunities currently available to millions through gig work. There are also predictions that the revived standard leaves companies more vulnerable to worker misclassification claims and lawsuits under the Fair Labor Standards Act.

One organization projects an initial flood of cases seeking overtime pay and benefits but expects litigation to slow over time as jurisprudence develops.

What Should Employers Do?

Experts urge employers to take proactive steps in response to the changing regulatory landscape around independent contractor hiring.

Suggested best practices include conducting an inventory of all worker classification arrangements to identify potential trouble spots.

It is also smart to review independent contractor agreements to make sure protocols are consistently followed companywide. Using class action waivers in arbitration pacts with contractors can help mitigate legal risks from the new rule.

Some advisors recommend holding off on plans to engage short-term contractors until things settle amid the uncertainty. Others contend the updated test reflects longstanding protocols that responsible employers should already be following.

Will the Rule Stick?

The final rule marks a return to an Obama-era approach after the Trump administration moved the classification framework in a more business-friendly direction.

Such oscillation has some employment attorneys, and even lawmakers, questioning the long-term staying power of the Biden administration's stance.

One business group said the Labor Department "is repealing common-sense rules" with its shift. Meanwhile, a Congressional effort is already underway to repeal the rule under the Congressional Review Act.

The concern is that continued regulatory flip-flopping in this critical area will undermine compliance and confidence. Employers are sure to keep close watch on whether this tightening of independent contractor hiring rules can withstand political and legal scrutiny.

Evolve Your Benefits as Your Workforce Ages

The makeup of the American workforce is changing drastically. As baby boomers age, the number of employees over 75 continuing to work is skyrocketing at an unprecedented rate. Employers must now reevaluate their benefits packages to meet the needs of an older, more diverse population.

A Surging Older, Somewhat More Diverse Workforce

The Bureau of Labor Statistics projects the number of workers 75 and older to climb by 96.5% over the decade starting in 2020. This equates to 8.9 million more older adults staying active in the labor force. In 2022, almost a quarter of the workforce — 23% — identify as non-white, an increase from 19.4% just 10 years prior. Employers who adapt their benefits plans to be more inclusive will be better equipped to support the evolving needs of older and minority employees.

Unique Health Concerns

A comprehensive benefits package must address the specific healthcare challenges facing maturing employees. According to the National Council on Aging, nearly 95% of adults over 65 have at least one chronic condition like heart disease or diabetes. Shockingly, 80% are managing two or more chronic illnesses simultaneously. On top of navigating these issues, 25% also have a behavioral health disorder.

As older populations require more personalized care, employers should reassess medical coverage, adding programs that enable access to health resources addressing concerns common amongst older individuals. Enhanced fitness offerings, over-the-counter allowances, and employee assistance programs are simple ways to have an outsized impact.

Holistic Wellness Solutions

Health spans far beyond just physical medical care. In a CVS Health survey, 95% of respondents 57 and older asserted that mental health deserves more societal attention. In response, employers should emphasize holistic wellness when evolving benefits packages.

Offerings like telehealth, counseling, support groups, and stress-reducing activities can make a difference. But simply offering these resources isn't enough. Companies should promote and raise awareness around programs to maximize utilization. Evaluating participation metrics and frequently surveying employees allows you to pinpoint any gaps and continue adapting your offerings. Strong work-life balance policies also demonstrate a commitment to both physical and mental well-being.

The Need for Inclusive Care

Cultural competence has become a crucial determinant of effective healthcare. Studies show marginalized racial groups experience improved patient-provider relationships, communication, and health results when seeing doctors from similar ethnic backgrounds.

As the older adult population grows increasingly diverse, experts advise employers to seek out partners actively committed to health equity. Leverage plans that help historically marginalized individuals access care within their communities. Culturally competent benefits demonstrate that you consider the needs of your whole workforce — regardless of age or race.