Employee Benefits Report

HEFFERNAN ELITE BENEFITS INSURANCE SERVICES LLC

Denise P. Caldwell (President)
Heffernan Elite Benefits Insurance Services

CA License #0805171
1350 Carlback Avenue, 1st Floor
Walnut Creek, CA 94596

Phone: (925) 363-5433, Fax: (925) 363-5080
Email: denise@heffelite.com
License No: 0N09229

Volume 23 · Number 10

OCTOBER 2025

Administration

Mental Health Benefits Go Mainstream: What Employers Need to Know

Once considered a niche offering or a reactive add-on, mental health benefits have now moved to the center of the employee experience. In 2025, nearly half of U.S. employers offer some form of mental health support beyond traditional EAPs—a sharp rise from just 30% in 2023. This shift isn't just cultural; it's strategic.

From Perk to Priority

The pandemic may have accelerated awareness, but the momentum hasn't slowed. Today's workforce—especially Gen Z and Millennials—expects mental health support as a baseline, not a bonus. According to a recent SHRM survey, 62% of employees say mental health resources influence their decision to stay with an employer. That's not just sentiment—it's retention strategy.

continued on next page - 2

This Just In ...

Core Coverage Sees a Comeback in 2025

Workplace life insurance and disability benefits are experiencing a resurgence in 2025, with growth projections exceeding historical norms and signaling renewed interest in foundational coverage.

According to LIMRA's latest workplace benefits sales survey, long-term disability insurance is projected to grow by 3.8%, surpassing its historical average of 2.7%. Short-term disability is expected to hit 4.0%, edging past its pre-pandemic benchmark of 3.8%. Meanwhile, workplace life insurance is forecasted to grow by 3%, nearly matching its historical average of 3.1%.

This uptick reflects a strategic shift among employers. With economic uncertainty still lingering and the labor market remaining tight, organizations are doubling down on core benefits to reinforce retention and employee trust. "We're cautiously optimistic about workplace benefits in 2025," said Anita Potter, assistant vice president at LIMRA. "Employers are focusing on employee-retention strategies, and 45% have added one or more benefits in the past two years".

What's Being Offered

Modern mental health benefits go far beyond counseling hotlines. Employers are investing in:

- Teletherapy platforms with on-demand access to licensed professionals
- Mental health apps offering mindfulness, Cognitive Behavioral Therapy (CBT) tools, and stress tracking
- Dedicated mental health days separate from PTO
- Manager training to recognize and respond to mental health challenges
- Peer support networks and anonymous forums for shared experiences

Some companies are even integrating mental health into their medical plan design—waiving copays for therapy or embedding behavioral health into primary care.

ROI: More Than Morale

While the human case for mental health support is clear, the business case is gaining traction. Studies show that untreated mental health issues cost employers billions annually in lost productivity, absenteeism, and turnover. By contrast, companies that invest in mental health see measurable gains in engagement, performance, and loyalty.

Challenges Ahead

Despite progress, gaps remain. Access and equity are still concerns—especially for hourly workers, remote teams, and employees in rural areas. Stigma, while reduced, hasn't disappeared. And benefits managers face the challenge of evaluating vendors in a crowded, fast-evolving marketplace.

To navigate these challenges, many employers are turning to brokers and consultants for guidance on:

- **Vendor vetting:** Ensuring platforms are clinically sound and data-secure
- **Utilization metrics:** Tracking engagement without compromising privacy
- **Cultural fit:** Aligning offerings with workforce demographics and values

What Benefits Managers Can Do Now

- **Audit your current offerings:** Are they accessible, inclusive, and well-communicated?
- **Engage employees:** Use surveys or focus groups to understand real needs
- **Train managers:** Equip leaders to support mental health without overstepping
- **Partner strategically:** Work with your broker to identify scalable, evidence-based solutions

The renewed focus on disability and life insurance also aligns with broader trends in personalization and financial wellness. As benefits portfolios expand to include mental health, caregiving, and supplemental health products, core coverage remains a bedrock—especially for multigenerational workforces seeking stability and protection.

For benefits managers, this signals a clear opportunity: revisit the fundamentals, highlight the value of income protection, and ensure life and disability offerings are positioned not just as insurance—but as strategic tools for workforce resilience.

Final Thought

Mental health benefits are no longer a checkbox—they're a cornerstone of modern workforce strategy. For benefits managers, the opportunity is clear: lead with empathy, invest with intention, and build a culture where mental health is not just supported—but expected.

Balancing Benefits Costs with Talent Strategy in 2025

In today's competitive labor market, benefits managers are walking a tightrope: controlling rising costs while delivering packages that attract and retain top talent. According to SHRM's 2025 Employee Benefits Survey, this balancing act is now one of the most pressing challenges facing HR leaders.

Health care remains the cornerstone, with 88% of employers rating it as "very" or "extremely important". But as premiums climb and inflation continues to pressure budgets, many organizations are rethinking how to deliver value without overspending. High-deductible health plans (HDHPs) linked to Health Savings Accounts (HSAs) are gaining traction, with employer contributions rising to an average of $1,059 for individuals and $1,735 for families in 2025. Meanwhile, Health Reimbursement Arrangements (HRAs) are declining, suggesting a shift toward more employee-controlled options.

Yet cost containment alone won't win the talent war. Gen Z and Millennials—now the majority of the workforce—are demanding more than just traditional coverage. They want flexibility, purpose, and personalization. SHRM's data shows that 68% of employers offer flexible work arrangements, including hybrid schedules, flexible hours, and stipends for home office setups. These offerings are no longer perks—they're expectations.

Mental health support is another area where cost meets strategy. While structured wellness programs have declined from 53% in 2021 to just 39% in 2025, benefits managers are finding new ways to meet demand. Teletherapy platforms, mental health apps, and dedicated mental health days are becoming standard, especially among employers targeting younger talent.

Financial wellness is also on the rise, with student loan repayment assistance, emergency savings plans, and personalized coaching gaining traction. These benefits not only address real employee concerns but also serve as retention tools in a volatile economy.

continued on next page - 4

So how are employers managing the cost side of the equation? Many are turning to data-driven design—using analytics to track utilization, engagement, and ROI. Others are consolidating vendors, renegotiating contracts, or shifting toward self-insured models to gain more control.

“This survey reflects the dynamic evolution of workplace priorities, highlighting how organizations are adapting to economic pressures, technological disruptions, and shifting employee expectations,” said Alex Alonso, SHRM’s Chief Data and Analytics Officer.

“Employers are focusing on employee-retention strategies, and 45% have added one or more benefits in the past two years,” added Anita Potter, Assistant Vice President at LIMRA.

The key takeaway: benefits strategy in 2025 isn’t about choosing between cost and talent—it’s about aligning both. Employers who succeed will be those who treat benefits as a dynamic, employee-centered ecosystem. That means listening to workforce needs, investing in high-impact areas, and staying agile as expectations evolve.

For benefits managers, the challenge is clear—but so is the opportunity. By blending foundational coverage with flexible, personalized offerings, organizations can build packages that are both fiscally responsible and talent-forward.

Supplemental Health Products Surge as Employees Seek Layered Coverage

In a year defined by rising healthcare costs and shifting employee expectations, supplemental health insurance products are experiencing a notable surge. According to LIMRA’s latest workplace benefits sales data, accident, critical illness, and hospital indemnity insurance sales rose 11% year-over-year through the third quarter of 2024. This growth reflects a broader trend: employees are increasingly seeking layered protection to fill gaps left by traditional health plans.

The surge is driven by several converging factors. First, high-deductible health plans (HDHPs) remain prevalent, leaving many employees exposed to significant out-of-pocket costs. Supplemental products like hospital indemnity and critical illness insurance offer targeted financial relief—providing lump-sum payments or daily benefits that can be used for medical bills, transportation, or lost income.

Second, employee awareness is rising. As healthcare literacy improves and digital enrollment platforms become more intuitive, workers are better equipped to understand their risks and select coverage that aligns with their needs. This is especially true among Millennials and Gen Z, who tend to favor customizable, modular benefits over one-size-fits-all packages.

“We’re seeing an increased focus on personalization for employees when it comes to their benefit options,” said Kara Hoogensen, SVP of Workplace Benefits at Principal Financial Group.

Third, the demand for financial wellness and income protection is reshaping benefit strategies. Accident and critical illness policies are increasingly viewed not just as insurance, but as tools for financial resilience—especially among younger workers who may lack emergency savings or paid leave.

continued on next page - 5

Despite the growth, benefits managers face challenges. The supplemental market is crowded, with overlapping products and varying payout structures. Communicating value clearly—without overwhelming employees—is key. Brokers and HR teams are leaning into decision support tools, targeted education campaigns, and scenario-based storytelling to drive engagement.

Looking ahead, the U.S. supplemental health market is projected to grow from $40.58 billion in 2025 to $66.45 billion by 2034, expanding at a CAGR of 5.6%. Hospital indemnity insurance alone accounted for over 21% of revenue share in 2024, underscoring its role as a cornerstone product.

For benefits professionals, the message is clear: supplemental health products are no longer fringe offerings. They're strategic components of a modern benefits portfolio—providing flexibility, financial protection, and a competitive edge in talent retention.

CBT: A Strategic Tool for Mental Health Benefits

Cognitive Behavioral Therapy (CBT) is a short-term, evidence-based approach that helps individuals identify and reframe negative thought patterns to improve emotional well-being. By focusing on the connection between thoughts, feelings, and behaviors, CBT empowers employees to manage stress, anxiety, and depression—conditions that account for a significant portion of workplace absenteeism and productivity loss.

For HR leaders, CBT isn't just a clinical tool—it's a strategic asset. As mental health remains the top health concern across global workforces, integrating CBT into benefits offerings can drive measurable impact. CBT-based resources, such as teletherapy platforms, digital coaching apps, and on-demand modules, offer scalable, cost-effective support that aligns with employee expectations for personalization and accessibility.

CBT also complements broader wellness strategies. It pairs well with flexible work policies, financial wellness programs, and anti-stigma initiatives—creating a cohesive mental health ecosystem. According to The Behaviour Institute, CBT can reduce time off due to stress-related illness and improve workplace resilience.

At Starling Minds, a digital mental health platform, CEO Andrew Miki noted that "CBT helps employees engage in healthier thinking patterns by challenging and changing automatic negative thoughts." Their online CBT programs have been adopted by employers across North America to reduce absenteeism and presenteeism, especially among workers facing anxiety, depression, and insomnia.

The International Foundation of Employee Benefit Plans also highlights CBT's growing role in workplace wellness. In their toolkit on at-work CBT programs, they cite employers who've integrated CBT into their benefits ecosystem through apps, group sessions, and individualized therapy.

These programs not only improve emotional regulation and coping strategies—they also offer nonthreatening access to care, which is critical in industries where stigma still lingers.