



Employee Benefits Report



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Cost Control

Pharmacy Costs Are Surging Again — What Employers Can Actually Do in 2026

The New Pharmacy Cost Crisis

Pharmacy spending is once again the fastest-growing component of employer health plans. Specialty drugs now account for more than half of total pharmacy spend, and GLP-1 medications for diabetes and weight management are reshaping budgets. Employers are feeling the pressure: rising

premiums, unpredictable claims, and employee expectations for access to high-cost therapies.

The challenge is no longer simply “managing pharmacy costs.” It’s building a sustainable strategy that balances affordability, access, and long-term health outcomes.

Why Costs Are Rising So Quickly

Three forces are driving the current surge:

- **GLP-1 medications:** Demand for weight-loss and metabolic drugs is exploding, with monthly costs often exceeding \$1,000 per member.
- **Specialty pharmacy inflation:** Gene therapies, oncology drugs, and autoimmune treatments continue to rise in price.

This Just In ...

2026 Compliance Watch: What Employers Must Prepare for Now

New Rules, New Deadlines

Regulators are increasing scrutiny of employer health plans in 2026, and several new requirements are already in motion. Employers should review their compliance strategies now to avoid penalties and ensure their plans remain competitive.

Mental Health Parity Enforcement

Federal agencies are stepping up audits to ensure that mental health benefits are comparable to medical/surgical benefits. Employers should review prior authorization rules, network adequacy, and reimbursement structures to confirm compliance.

Transparency in Coverage

New machine-readable file requirements and price-comparison tools continue to evolve. Employers must ensure their vendors are meeting deadlines and providing accurate data.

Gag Clause Attestations

Annual attestations are now mandatory. Employers must confirm that their contracts with carriers and TPAs do not include prohibited gag clauses that restrict access to cost and quality information.



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- **PBM reform and transparency rules:** While positive for long-term accountability, these changes are shifting pricing structures in ways employers are still adjusting to.

Employers need a multi-layered strategy — not a single solution — to stay ahead of these trends.

Rethinking Pharmacy Benefit Management

Traditional PBM contracts often obscure true costs. Employers are increasingly turning to transparent or pass-through PBMs that eliminate spread pricing and provide clearer insight into rebates and dispensing fees. This shift allows employers to understand what they're actually paying for and identify opportunities for savings.

Some employers are also carving out specialty pharmacy benefits to gain more control over pricing and utilization. Specialty carve-outs can reduce costs, but they require careful coordination to avoid gaps in care.

Alternative Funding Models: A Growing Trend

As specialty drug costs rise, employers are exploring alternative funding arrangements. These programs can help offset the cost of high-cost medications, particularly for rare diseases or complex conditions.

Common approaches include:

- **Manufacturer assistance programs**
- **Specialty drug carve-outs**
- **Outcomes-based contracts tied to clinical results**

These models can reduce immediate financial pressure, but employers must evaluate administrative complexity and potential compliance considerations.

Managing GLP-1 Demand Responsibly

GLP-1 medications are transforming metabolic health, but they also pose a significant budget challenge. Employers are adopting new strategies to manage demand:

- Clinical criteria to ensure appropriate use
- Step therapy requiring lower-cost alternatives first
- Lifestyle and coaching programs to support long-term success

The goal is not to deny access, but to ensure that treatment is medically appropriate and supported by comprehensive care.

Empowering Employees Through Better Navigation

Employees often struggle to understand their pharmacy options. Employers can reduce costs and improve outcomes by helping employees make informed decisions. Tools such as price-comparison apps, pharmacist hotlines, and digital navigation platforms can guide employees toward lower-cost alternatives and preferred pharmacies.

Education is equally important. When employees understand how formularies work and why certain drugs require prior authorization, they are more likely to engage in cost-effective care.

ERISA Fiduciary Oversight

Regulators are paying closer attention to how employers manage plan fees, vendor contracts, and data access. Employers should document their decision-making processes and maintain clear records of plan oversight.

State-Level Mandates

With more employees working remotely, multi-state compliance is becoming increasingly complex. Paid leave laws, fertility coverage mandates, and mental health requirements vary widely by state.

Employers that stay ahead of these changes will reduce risk and improve the employee experience. ■

The Bottom Line

Pharmacy costs will continue to rise, but employers have more tools than ever to manage them. Transparent PBM contracts, alternative funding models, responsible GLP-1 management, and employee navigation support can all help create a sustainable pharmacy strategy. The key is taking a proactive, data-driven approach that balances cost control with employee well-being. ■



Self-Funding for Small and Mid-Sized Employers: Why 2026 Is the Breakout Year

A Shift in Employer Strategy

Self-funding is no longer just for large employers. In 2026, small and mid-sized businesses are embracing level-funded and partially self-funded plans at record rates. Rising premiums, greater access to stop-loss coverage, and improved data analytics are making self-funding a viable option for groups as small as 25–50 employees.

For employers seeking more control over costs and plan design, this shift represents a major opportunity.

Why Self-Funding Is Gaining Momentum

Several trends are driving the expansion of self-funding:

- **Predictable level-funded products** that combine fixed monthly payments with year-end savings potential
- **More competitive stop-loss markets**, including captives and group purchasing arrangements
- **Better data visibility**, allowing employers to understand claims drivers and intervene earlier

These innovations reduce the volatility that once made self-funding too risky for smaller groups.

The Advantages for Employers

Self-funding offers several compelling benefits. Employers gain access to detailed claims data, which helps them identify cost drivers and tailor wellness programs. They also avoid certain state-mandated benefits, giving them more flexibility in plan design.

Another advantage is the potential for savings. If claims run lower than expected, employers may receive a refund or credit at the end of the year. Over time, these savings can be significant.

Understanding the Risks

Self-funding is not without challenges. Employers must be prepared for the possibility of higher-than-expected claims, even with stop-loss protection. They also need strong administrative support to manage compliance, claims processing, and employee communication.

Stop-loss coverage is essential. Employers should work with their brokers to evaluate:

- Specific and aggregate attachment points
- Lasering provisions
- Contract terms (12/12, 12/15, 12/18)

The right stop-loss structure can dramatically reduce financial risk.





Captives: A Growing Option

Captive arrangements allow multiple employers to pool risk, creating more stability and purchasing power. These structures are becoming increasingly popular among mid-sized employers seeking the benefits of self-funding without taking on too much volatility.

Captives also offer access to shared data and best practices, helping employers improve plan performance over time.

Is Self-Funding Right for Your Organization?

Self-funding is not a one-size-fits-all solution. Employers should consider their risk tolerance, cash flow, workforce demographics, and long-term benefits strategy. For many, the advantages outweigh the risks — especially in a market where fully insured premiums continue to rise.

With the right partners and protections in place, 2026 may be the ideal time for small and mid-sized employers to explore self-funding. ■

The Mental Health Access Crisis: How Employers Can Expand Support Without Breaking the Budget

A Growing Challenge for Employers

Mental health needs have surged across the workforce, but access to care has not kept pace. Long wait times, provider shortages, and rising claims are creating frustration for employees and cost pressure for employers. Benefits managers are searching for solutions that improve access without dramatically increasing premiums.

The good news: you have more tools than ever to support mental health in a sustainable way.

Why Access Is So Limited

The mental health system is strained for several reasons:

- Provider shortages, especially in rural areas
- High out-of-network utilization, which increases costs
- Growing demand driven by stress, burnout, and chronic conditions

These challenges make it difficult for employees to find timely, affordable care.

Virtual Care: A Practical Solution

Teletherapy and digital mental health platforms have become essential tools for expanding access. Virtual care reduces wait times, increases provider availability, and offers greater scheduling flexibility. Many platforms also provide text-based support, coaching, and self-guided programs.

Employers should evaluate whether their current plan includes:

- **Virtual therapy options**
- **Digital cognitive behavioral therapy (CBT)**
- **24/7 crisis support**

These services can significantly improve access while keeping costs manageable.

Redesigning EAPs for Modern Needs

Traditional Employee Assistance Programs often suffer from low utilization and limited session availability. Modern EAPs offer expanded services, including financial counseling, legal support, and ongoing coaching. Some employers are replacing legacy EAPs with more comprehensive mental health platforms that integrate with their health plan.

A redesigned EAP can serve as a first line of support, reducing the need for higher-cost clinical care.



Supporting Managers and Reducing Stigma

Managers play a critical role in identifying and supporting employees who may be struggling. Employers can provide training to help managers recognize signs of burnout, encourage early intervention, and direct employees to available resources.

Reducing stigma is equally important. Employ-

ers can promote mental health awareness through internal campaigns, leadership communication, and peer support programs.

Balancing Cost and Care

Employers must strike a balance between expanding access and managing costs. Strategies such as tiered networks, prior authorization for certain services, and integration with primary care can help control spending while maintaining quality.

Ultimately, the goal is to create a mental health ecosystem that supports employees at every stage — from early intervention to specialized care. ■





Lifestyle Spending Accounts: The Most Flexible Benefit Employers Are Adding in 2026

A Modern Benefit for a Modern Workforce

Lifestyle Spending Accounts (LSAs) are quickly becoming one of the most popular additions to employer benefits packages. Unlike traditional wellness programs, LSAs give employees the freedom to choose the services and products that best support their well-being — whether that means fitness, caregiving, financial health, or stress reduction.



Why Employers Are Turning to LSAs

LSAs offer several advantages:

- **Flexibility:** Employers set the budget; employees choose how to use it.
- **High perceived value:** Employees appreciate personalized support.
- **Cost control:** Employers can cap spending and adjust annually.

This makes LSAs a cost-effective way to enhance benefits without increasing premiums.

What LSAs Can Cover

Employers can customize LSAs to support a wide range of needs. Common categories include:

- Wellness and fitness
- Childcare and eldercare support
- Financial planning and coaching
- Home office equipment
- Stress-management tools

This flexibility allows employers to address diverse workforce needs.

Implementation Tips

To maximize impact, employers should clearly communicate how LSAs work and provide examples of eligible expenses. Integration with existing benefits platforms can simplify administration and improve the employee experience.

A Benefit That Employees Love

LSAs empower employees to take control of their well-being. For employers, they offer a modern, scalable way to support a healthier, more engaged workforce. ■

