Employee Benefits Report

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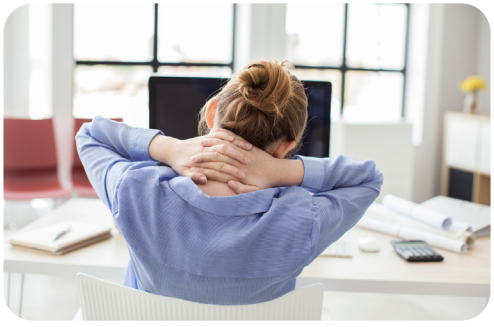
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Cost Containment

Musculoskeletal Claims Surge: What Employers Should Do Before 2027

MSK Conditions Are Now a Top Cost Driver

Musculoskeletal (MSK) conditions have become one of the most expensive and disruptive issues in employer health plans. In 2026, MSK claims outpaced diabetes, cardiovascular disease, and even behavioral health in many midsize and large groups. Back pain, joint degeneration, repetitive strain injuries, and avoidable orthopedic surgeries are driving higher plan costs and more lost work time. As employers prepare for 2027, MSK management is no longer optional — it's a core cost control and employee well being priority.



The challenge is that MSK problems rarely appear suddenly. They build over time, often starting with minor discomfort that employees ignore until the pain becomes severe. By the time someone reaches an orthopedic surgeon, the treatment path often shifts toward imaging, injections, or surgery — even when conservative care could have resolved the issue earlier. Employers are seeing this pattern across industries, especially in manufacturing, logistics, retail, and office based workforces with long hours of sitting.

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This Just In ...

New Federal Guidance Tightens Rules on Virtual Care Networks and Mental Health Parity

Federal agencies have issued new guidance that directly affects how employers manage virtual care networks and mental health parity compliance heading into 2027. The Departments of Labor, Treasury, and HHS are sharpening their focus on whether plans provide meaningful access to mental health services — and virtual care is now a central part of that evaluation.

Virtual Networks Must Meet "Comparable Access" Standards

The new guidance clarifies that virtual behavioral health networks must meet the same adequacy standards as in person networks. Regulators are looking closely at appointment availability, wait times, provider credentials, and whether virtual platforms actually reduce barriers to care. Plans that rely heavily on virtual therapy or psychiatry must be able to demonstrate that members can access timely, appropriate care without unreasonable delays.

Early Intervention Is the Most Effective Strategy

The good news is that MSK claims are highly preventable with the right mix of early intervention, ergonomics, and guided care. Digital MSK therapy platforms, virtual physical therapy, and AI supported care navigation are now widely available and far more affordable than they were five years ago. Employers that adopt these tools early tend to see fewer surgeries, lower opioid use, and better long term outcomes.

Three strategies are proving most effective:

- Early identification and triage. Digital MSK platforms can identify risk factors before they turn into claims.
- Ergonomics and workplace design. Adjustable chairs, sit stand desks, and proper lifting training reduce repetitive strain injuries.
- Care navigation for orthopedic decisions. Navigation programs help employees understand alternatives and avoid unnecessary procedures.

Plan Design Can Either Help or Hurt Outcomes

Employers should also look closely at how MSK care is covered in their plan design. Many plans unintentionally steer employees toward higher cost care. For example, physical therapy may require multiple copays, while imaging or injections may be covered more generously. This creates a backward incentive structure. Adjusting copays, expanding virtual PT coverage, and adding pre surgery review requirements can shift utilization toward conservative care.

Another area gaining traction is integrating MSK support with behavioral health. Chronic pain often overlaps with anxiety, depression, and sleep problems. When employees receive coordinated care — PT plus cognitive behavioral therapy for pain — outcomes improve significantly. Employers with bundled MSK plus behavioral programs report fewer disability claims and faster return to work timelines.

Communication Drives Engagement and Results

Employees often don't know they have access to virtual PT or ergonomic support. Benefits managers should promote MSK resources during open enrollment, onboarding, and safety training. Short videos, QR codes, and manager led reminders help increase engagement. The more employees use preventive tools, the fewer high cost claims appear later.

Looking ahead to 2027, MSK will remain a top cost driver. Orthopedic surgery volumes are projected to rise, and workforce aging will increase joint related claims. Employers that act now can blunt these trends. With the right mix of digital tools, ergonomics, navigation, and communication, employers can turn a growing challenge into a meaningful advantage heading into 2027.

This is a shift from earlier years, when virtual care was treated as an optional enhancement. Now it is considered part of the core network — and subject to parity rules.

Parity Enforcement Is Becoming More Detailed

Regulators also signaled that 2027 audits will include deeper reviews of non quantitative treatment limitations (NQTLs) related to virtual care. This includes prior authorization, step therapy, reimbursement rates, and how plans determine "medical necessity" for digital mental health tools. Employers must ensure that virtual mental health services are not subject to more restrictive rules than comparable medical/surgical benefits.

What Employers Should Do Now

Benefits managers should review plan documents, confirm vendor compliance, and update employee communications to reflect the new standards. Virtual care remains a powerful access tool — but it must be administered in a way that meets federal parity expectations.

Mental Health Utilization Is Rising Again — How Employers Can Expand Access Without Overspending

Why Utilization Keeps Climbing

Mental health utilization climbed steadily throughout 2026, and employers are feeling the impact. More employees are seeking therapy, psychiatric consults, and medication management. Virtual care has made access easier, but it has also increased demand. Employees are dealing with higher stress, financial pressure, caregiving responsibilities, and workplace burnout. Younger workers are more willing to seek care, and older workers are managing chronic conditions that often overlap with anxiety or depression.

Virtual therapy has removed barriers such as travel time, provider shortages, and stigma. As a result, more people are getting help — but claims are increasing.

Improve Access Without Increasing Spend

Employers can strengthen access in ways that guide employees toward the most effective and efficient care. One of the most important strategies is improving network adequacy. Many plans still rely on outdated behavioral health networks with limited availability. Expanding virtual networks, adding digital mental health platforms, and ensuring timely appointments can reduce out of network claims and improve outcomes.

Another effective approach is redesigning the Employee Assistance Program (EAP). Traditional EAPs often provide only a few sessions and struggle with long wait times. Modern EAPs offer faster access, more sessions, and integrated digital tools. When employees can get help early, they are less likely to escalate into higher cost care.

Stepped care models are also gaining traction. These programs match employees with the right level of support based on their needs. Someone with mild stress may benefit from self guided digital tools, while someone with more complex issues may need therapy or medication management.

Three practical steps can help employers manage costs while expanding access:

- Strengthen virtual care options. Virtual therapy reduces wait times and lowers out of network spend.
- Modernize the EAP. More sessions and integrated digital tools improve early intervention.
- Adopt stepped care models. Matching employees to the right level of care prevents over treatment.



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Plan Design and Communication Matter

Plan design plays a major role. Some employers unintentionally create barriers by setting high copays for therapy or limiting virtual care coverage. Lowering copays for in network therapy, expanding coverage for digital tools, and reviewing prior authorization rules can make care more accessible without increasing total spend. When employees receive timely support, they are less likely to require expensive interventions later.

Communication is equally important. Employees often don't know what mental health resources are available. Benefits managers should promote options during open enrollment, onboarding, and wellness campaigns. Short videos, manager toolkits, and simple "how to get help" guides can increase engagement and reduce confusion.

Looking ahead to 2027, mental health utilization will likely continue rising. Employers that take a proactive approach now will be better positioned to manage costs and support their workforce. By improving access, modernizing programs, and guiding employees to the right level of care, employers can create a healthier, more resilient workforce — without overspending.

Pharmacy Costs Are Spiking Again — What Employers Should Do About Brand Name Drugs and GLP-1s

Brand Name Drug Inflation Is Back in Force

Pharmacy costs are rising again, and employers are feeling the pressure. Brand name drugs now account for more than half of total pharmacy spend, even though they represent a small fraction of total prescriptions. In 2026, price increases accelerated across several therapeutic classes, including autoimmune conditions, oncology, and diabetes. At the same time, GLP-1 medications for weight loss and diabetes management have become one of the fastest growing cost drivers in employer plans.

The result is a familiar challenge: employees need access to effective medications, but employers must keep plans financially sustainable. Pharmacy inflation is not expected to slow in 2027, so benefits managers are looking for practical ways to manage costs without reducing care quality.

GLP-1s Are Reshaping Pharmacy Spend

GLP-1 medications such as semaglutide and tirzepatide have transformed diabetes management and weight loss treatment. They are clinically effective, but they are also expensive, often costing more than $1,000 per month per member. Utilization continues to rise, driven by strong employee demand, expanded clinical guidelines, and aggressive direct to consumer marketing.

Employers are wrestling with three questions:

1. Should we cover GLP-1s for weight loss?
2. How do we manage long term adherence and cost?
3. What guardrails should we put in place?

There is no one size fits all answer, but employers are increasingly adopting structured coverage policies that balance access with cost control.

Plan Design Can Rein In Costs Without Reducing Access

The most effective pharmacy strategies focus on plan design, vendor coordination, and member guidance. Employers are finding success with a combination of formulary management, utilization controls, and education.

Three approaches are gaining traction:

- Step therapy and prior authorization. These tools ensure members try clinically appropriate, lower cost options before moving to high cost brand name drugs or GLP-1s.
- Condition based coverage. Some employers cover GLP-1s only for diabetes or only when certain clinical criteria are met.

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- Pharmacy carve outs and specialty drug programs. These programs negotiate better pricing and provide tighter oversight for high cost medications.

Another emerging strategy is pairing GLP-1 coverage with structured lifestyle programs. When employees receive coaching, nutrition support, and follow up care, adherence improves and long term outcomes are better. This reduces waste and helps ensure the medication is used appropriately.

Better Navigation Leads to Better Decisions

Employees often struggle to understand the difference between brand name, specialty, and generic medications. They may not know that a clinically equivalent generic exists or that a preferred alternative is available at a lower cost. Pharmacy navigation tools can help employees compare options, understand pricing, and make informed decisions.

Communication is equally important. Benefits managers should highlight preferred pharmacies, explain formulary tiers, and promote cost saving programs during open enrollment and throughout the year. Short guides, FAQs, and simple "how to check your drug cost" instructions can make a meaningful difference.

Prepare Now for 2027 Pricing Trends

Pharmacy inflation is expected to continue, and GLP-1 utilization will likely rise further as new indications are approved. Employers that take a proactive approach now — reviewing plan design, strengthening navigation, and coordinating with pharmacy benefit managers — will be better positioned to manage costs in 2027.

Pharmacy strategy is no longer just about managing prescriptions. It's about guiding employees toward safe, effective, and affordable care. With the right guardrails and communication, employers can support employee health while keeping pharmacy spend under control.



Financial Wellness as a Core Benefit: Helping Employees Navigate Inflation and Debt

Financial Stress Is Now a Workplace Issue

Financial stress has become one of the biggest drivers of employee burnout, absenteeism, and mental health claims. Inflation may have slowed, but prices remain high, and many employees are carrying record levels of credit card debt, medical debt, and student loans. For employers, financial wellness is no longer a "nice extra" — it's a core benefit that supports productivity, retention, and overall well being.



Employees who struggle financially often delay medical care, under use preventive services, and make short term decisions that increase long term costs. They may also experience higher levels of anxiety and depression. When employers help employees stabilize their finances, they indirectly improve health outcomes and reduce claims.

Modern Financial Wellness Programs Are More Practical and Accessible

Today's financial wellness programs look very different from the classroom style seminars of the past. They are more personalized, more digital, and more focused on real world challenges. Employees want tools that help them solve immediate problems — not generic advice.

Three types of support are gaining traction:

- Financial coaching and counseling. One on one guidance helps employees build budgets, manage debt, and plan for emergencies.
- Emergency savings programs. Employers can help employees build small, automatic savings cushions that reduce reliance on high interest credit.
- Debt management and credit repair tools. These programs help employees consolidate debt, negotiate payments, and improve credit scores.

Many employers are also expanding education around HSAs and FSAs. When employees understand how to use tax advantaged accounts, they can reduce out of pocket costs and build long term financial resilience.

Small Steps Create Big Impact

Financial wellness doesn't require large employer investments. Even modest programs can make a meaningful difference. The key is to offer tools that are easy to access, easy to understand, and easy to use. Short videos, mobile apps, and simple "how to" guides help employees take action quickly.

Communication is essential. Employees often don't know these resources exist, or they assume financial help is only for people in crisis. Benefits managers should highlight financial wellness tools during open enrollment, onboarding, and wellness campaigns. When employees feel supported, they are more likely to engage.

A Strong Foundation for 2027

As employers prepare for 2027, financial wellness is emerging as a strategic advantage. It supports mental health, improves retention, and helps employees make better decisions about their benefits. In a high cost environment, financial stability is one of the most valuable benefits an employer can offer.

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