

Managing Rising Health Care Costs in 2024



Market Outlook

Amid ongoing inflation pressures, employees and employers alike can expect their health care costs to increase in 2024. According to several industry surveys and reports, employers anticipate health care costs to grow between 6% and 8.5% in 2024, the largest increase in more than a decade.

Employer-sponsored health care plans may cost more than **\$15,000 per employee** in 2024.

While mitigating rising health care costs has historically been one of the most pressing employee benefits challenges for employers, it's becoming increasingly difficult. As employers brace for further health care cost hikes in 2024 and beyond, they are urgently searching for solutions to manage their growing costs and address the long-term impacts of these increases on their organizations.

Some employers may be frustrated with the limited options to address their rising health care costs, especially since many may feel they've exhausted traditional approaches to mitigate health care costs; however, they can consider the following four drivers of 2024 health care costs and strategies to manage them:



Mental health challenges—Employees' mental health concerns and needs, such as depression, anxiety and substance use disorder, undoubtedly rose during the COVID-19 pandemic and continue to linger in its aftermath. Employees and employers alike will continue to notice a prolonged impact of mental health challenges. In response, employers are expected to continue to expand access to mental health support and services, and many plan to provide more options for support and reduce cost barriers to care.



Pharmacy costs—In 2024, pharmacy costs will continue to impact employers significantly. Specialty and costly prescription drugs, especially the high demand for diabetes and obesity drugs, and cell and gene therapies are behind employers' pharmacy cost increases in 2024. The rising median prices of new pharmaceuticals as well as the high prices of drugs already on the market are driving up employers' pharmacy costs. To address rising drug costs, employers can implement pharmacy management strategies, including prioritizing transparent PBM practices and plan design changes to address costly medications and treatments.



Cancer treatment—Preventive screenings were a critical health care component disrupted during the pandemic. As a result, employers are anticipating more late-stage cancers among workers. In response to rising cancer care, employees can encourage advanced screening measures and maintain full coverage of recommended prevention and screening services.



Health care delivery—Health care innovations, specifically on-site or near-site clinics and virtual care, gained popularity during the pandemic, but demand is starting to level out. This is likely the result of employers migrating to a hybrid or remote work environment, reducing the need for health services at the workplace. However, such types of care continue to be critical for employees as they prioritize primary or preventive health care. Moving forward, more employers are looking to expand health care offerings to better support primary care and mental health and prioritize employee health outcomes.

Heightened health care costs are likely to continue impacting employers for the foreseeable future. To combat rising costs, employers are focusing on improving employee health outcomes, reducing unnecessary services and prioritizing prevention and primary care. While many employers have avoided shifting increasing health care costs onto employees due to the tight labor market and ongoing attraction and retention challenges, more employers will likely increase cost-sharing amounts somewhat in 2024. However, it's unlikely that these employers will shift enough costs through cost-sharing initiatives to lower their projected cost increases. Consequently, with many organizations avoiding cost-shifting altogether and others being hesitant to shift a large portion of costs onto employees this year, employers will have to get creative with plan design.