



Align your total rewards strategy and budget for the future

ICCCFO Fall 2023



Nichole Johnson

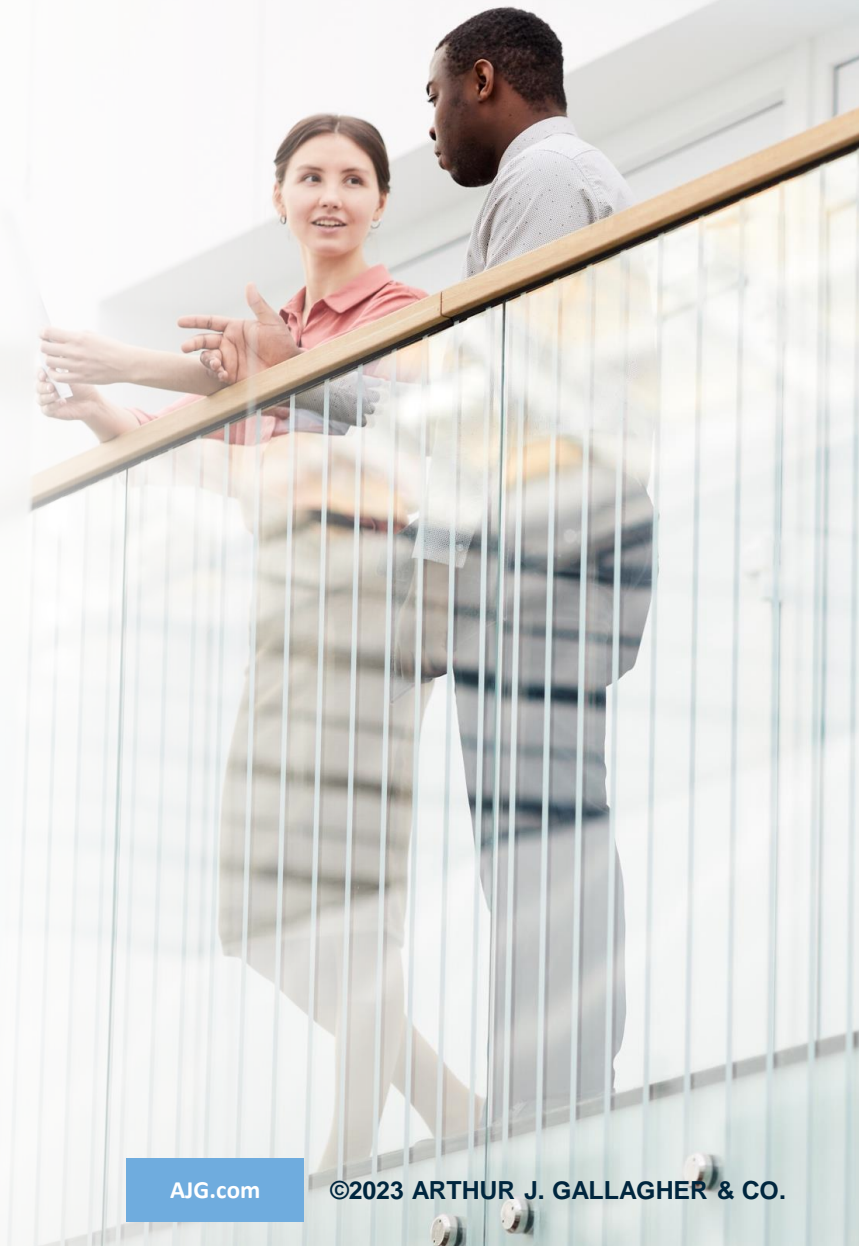
Area Senior Vice President, Higher Ed Practice



Benefit Trends Report

Agenda

- 1** Top Employer Concerns – attracting and retaining talent in a high-inflation economy
- 2** Top 5 Trends to Watch – when considering how to improve employees' physical and emotional wellbeing
- 3** Medical & Pharmacy Cost Trends – employers and the market are responding to ongoing rise in high cost claims and specialty drugs
- 4** Point Solutions – reduce total cost of care and improving quality of services
- 5** Wellbeing Trends – supplementing core benefits through voluntary and other creative offerings



Employee Market Trends

What are the top people concerns for your organization's leadership?

GALLAGHER WORKFORCE TRENDS PULSE SURVEY:
JANUARY, 2022

GALLAGHER WORKFORCE TRENDS PULSE SURVEY:
JANUARY, 2023

Top 5

1. Burnout

2. Exodus of Top Talent

3. Employee Wellbeing

4. Training & Development

5. Manager Effectiveness

1. Employee Wellbeing

2. Training & Development

3. Exodus of Top Talent

4. Manager Effectiveness

5. Burnout

5 Trends to Watch

When considering how to improve employees' physical and emotional wellbeing

1

Employers prioritize medical benefits to recruit, retain talent.

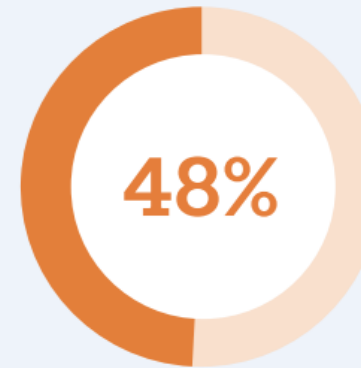


Employers enhanced their medical benefits in 2023

Rising health plan premiums haven't deterred many employers from enhancing their medical benefits, even as they prepare for continued cost increases. In fact, employers' attention to medical benefits is up 6 points from 2022.

2

Specialty drug benefits struggle to gain traction.



Of employers either don't know or don't use tactics to manage the use and costs of specialty drug benefits

New approvals for weight loss drugs, gene therapies and biosimilars are on the minds of employers as they keep an eye on the specialty pharmacy pipeline. Most likely, their use of additional measures for managing specialty drugs will accelerate.

Source: Gallagher 2023 Benefits Strategy & Benchmarking Survey

5 Trends to Watch

When considering how to improve employees' physical and emotional wellbeing

3

Voluntary benefits and financial security are closely aligned.

TOP AREAS OF VOLUNTARY BENEFITS GROWTH SINCE 2019

↑ 17 points
Hospital indemnity insurance

↑ 9 points
Critical illness insurance

↑ 9 points
Pet insurance

Voluntary benefits are increasingly viewed as a way to help support employees' financial security needs and lifestyle preferences. A few particular benefits have become more widely available in the last five years, including hospital indemnity, critical illness and pet insurance.

4

The focus on emotional wellbeing in the workplace continues its upward trend.

MORE THAN
7 in 10

Employers increased the importance of emotional wellbeing in 2023

Pervasive concerns about the impact of stress and burnout on employees, and ultimately their organizations, has likely influenced the growing focus on emotional wellbeing in the workplace.

Source: Gallagher 2023 Benefits Strategy & Benchmarking Survey

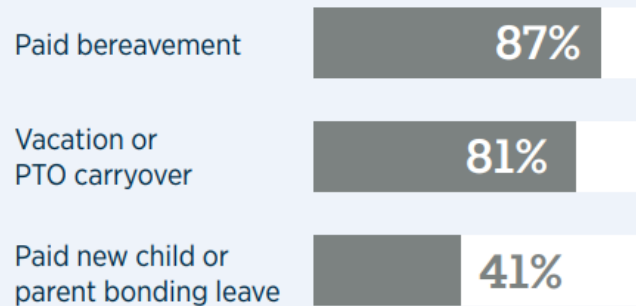
5 Trends to Watch

When considering how to improve employees' physical and emotional wellbeing

5

Absence management policies are becoming more inclusive.

INCLUSIVE APPROACHES TO ABSENCE MANAGEMENT



Employers are updating their approaches to absence management—taking into account important aspects of their people's lives outside of work and supporting more flexible and restorative paid time off (PTO) and other leave policies.

Source: Gallagher 2023 Benefits Strategy & Benchmarking Survey

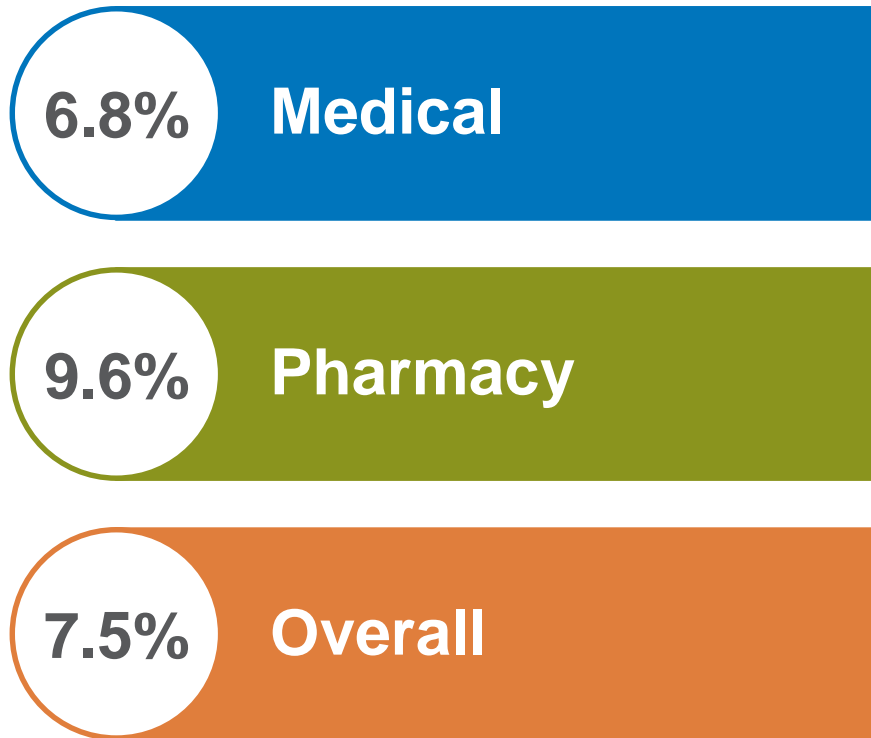
Rising Healthcare Costs

Rising healthcare premiums haven't deterred many employers from enhancing their medical benefits

- Median health plan premium increases for 2023 renewals were 5%–5.9%
 - Up from 4%–4.9% in 2022
 - Double-digit increases were experienced by 21% of employers.
- 78% believe a moderate or significant rise in healthcare costs is likely this year.
- The use of employee cost sharing and other cost-management tactics is likely to grow.
- Pressure from market trends is likely to increase momentum toward adding more innovative and value-focused options.
- Testing new healthcare cost-management ideas that complement established approaches supports enhanced population management.

Source: Gallagher 2023 Benefits Strategy & Benchmarking Survey

Healthcare costs in 2023 are anticipated to rise faster than prior year



14.2%
**Specialty
Drug Trend**



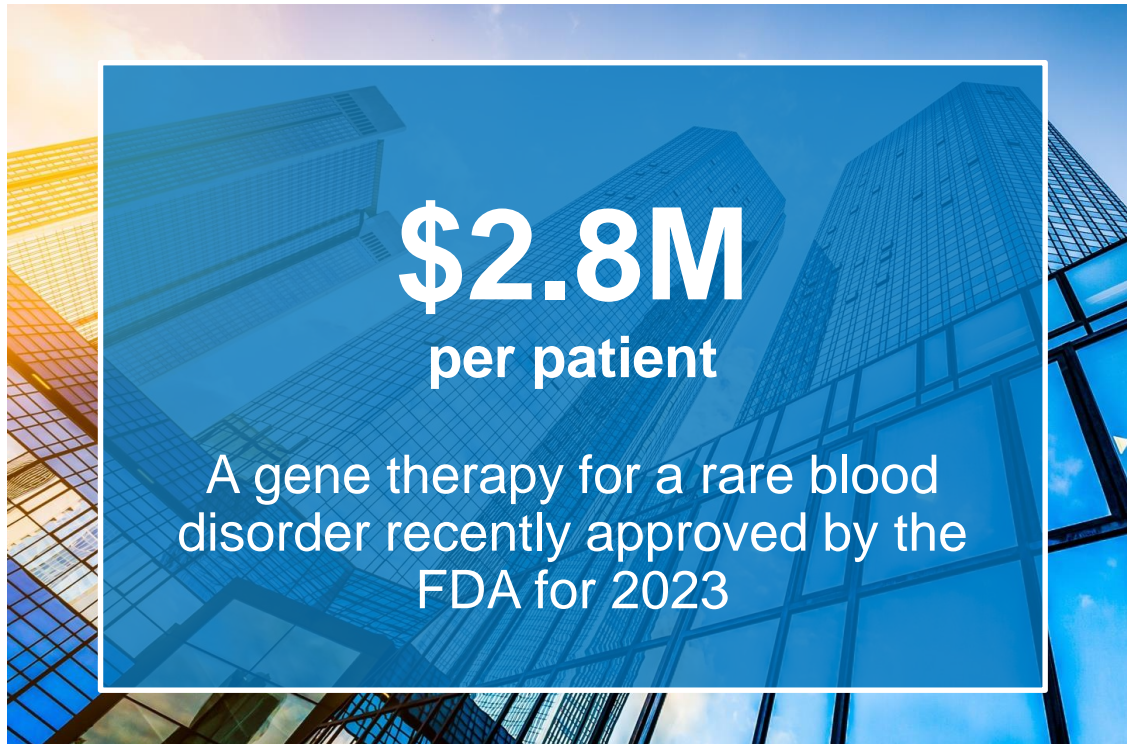
Source: Gallagher Actuarial Trends Forecast, Q1 2023

Pharmacy benefits are a major driver behind increasing healthcare costs, specifically specialty medications



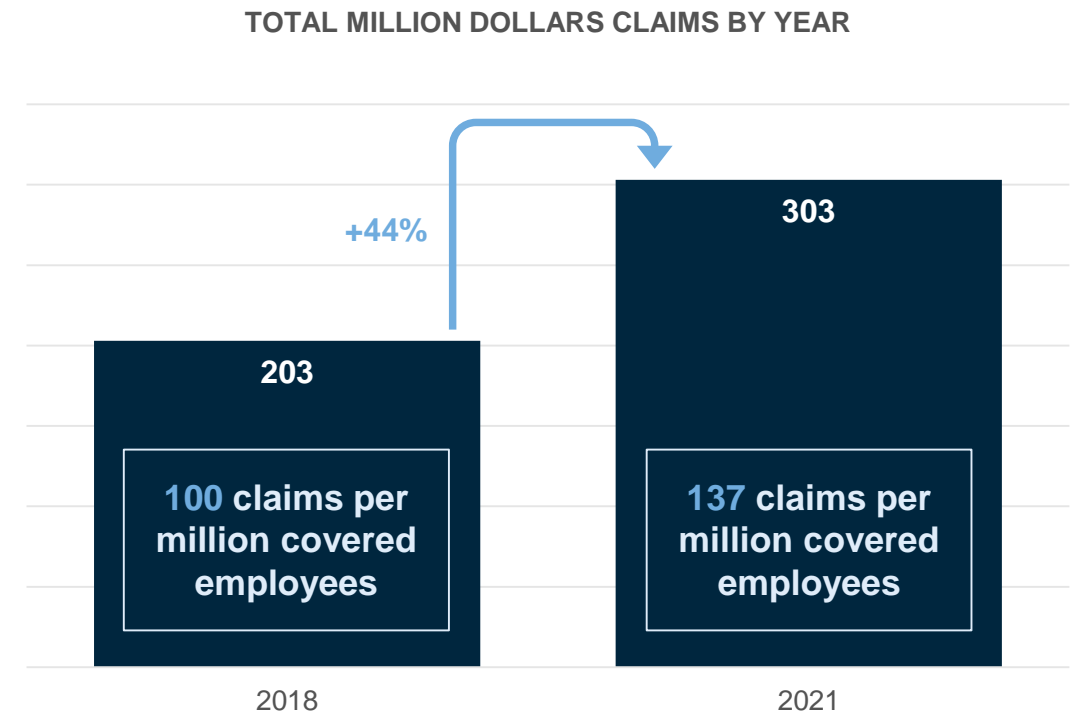
Source: Gallagher Book of Business Q4 2022

Million dollar claims are on the rise – largely driven by increases in drugs for **cancer and hemophilia therapy**



\$2.8M
per patient

A gene therapy for a rare blood disorder recently approved by the FDA for 2023

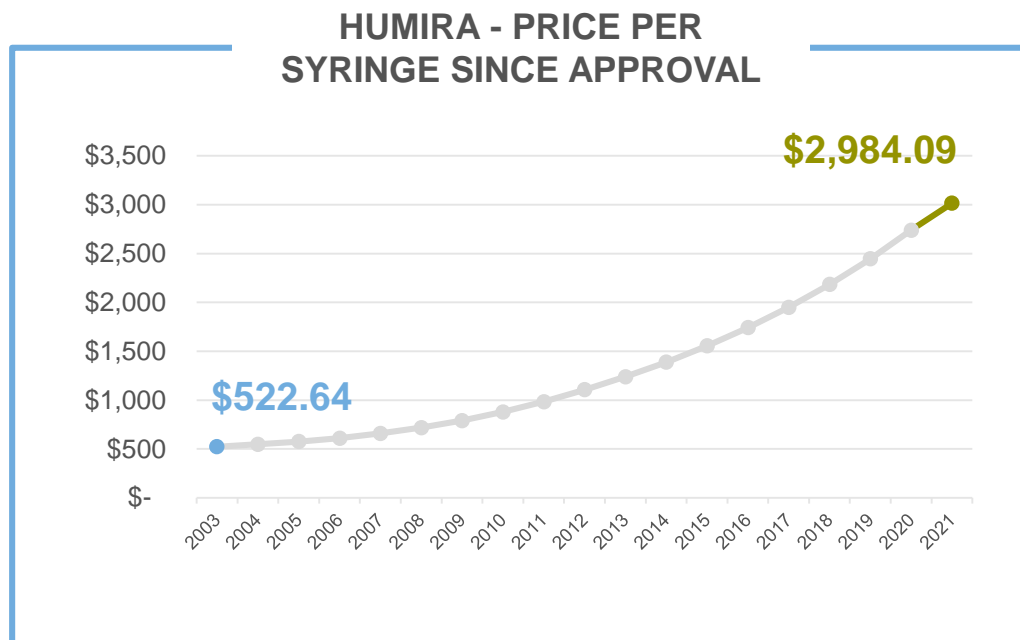


Source: Sun Life, 2022 EDITION: High-cost claims and injectable drug trends analysis

The Impact of Biosimilars

Humira

- #1 selling and #1 rebated drug in US
- \$80k-\$100k annually per patient
- Biosimilar competition expected in 2023



Biosimilar	Settlement Launch Date (on or after)
Amgen (Amjevita)	January 31, 2023
Boehringer Ingelheim (Cyltezo)	July 1, 2023
Mylan/Biocon (Hulio)	July 31, 2023
Sandoz (Hyrimoz)	September 30, 2023
Samsung Bioepis (Hadlima)	September 30, 2023
Fresenius (MSB11022)	September 30, 2023
Pfizer (Abrilada)	November 20, 2023
Coherus (CHS-1420)	December 15, 2023 (pending approval)
Oncobiologics (ONS-3010)	Phase 3, no settlement date announced

GLP-1s, why all the fuss?

The good...

- Highly effective
- Tolerable side effects
- High media attention
- Positive impact to other related chronic conditions

The bad...

- Costly drug
- High consumer demand
- Some not approved for obesity
- High off-label use impacting supply issues
- When drug is stopped, weight is regained unless lifestyle changes occur

	Saxenda	Wegovy	Ozempic	Mounjaro
Active Ingredient	liraglutide	semaglutide	semaglutide	tirzepatide
Annual Cost	\$19,696	\$21,045	\$10,704	\$12,276
Route	Self-Administered injection	Self-Administered injection	Self-Administered injection	Self-Administered injection
Dose Timing	Daily	Weekly	Weekly	Weekly
FDA Approval	Obesity	Obesity	Type II Diabetes	Type II Diabetes; Obesity, pending
Mean % weight loss	5.4% - 7.4%	9.6% - 16%	5-10%	Up to 20%

GLP-1 Prior Authorizations

1

Criteria to include:

- initial trial or coverage period to assess effectiveness in the individual patient
- requirements for periodic assessment for continuation of coverage

2

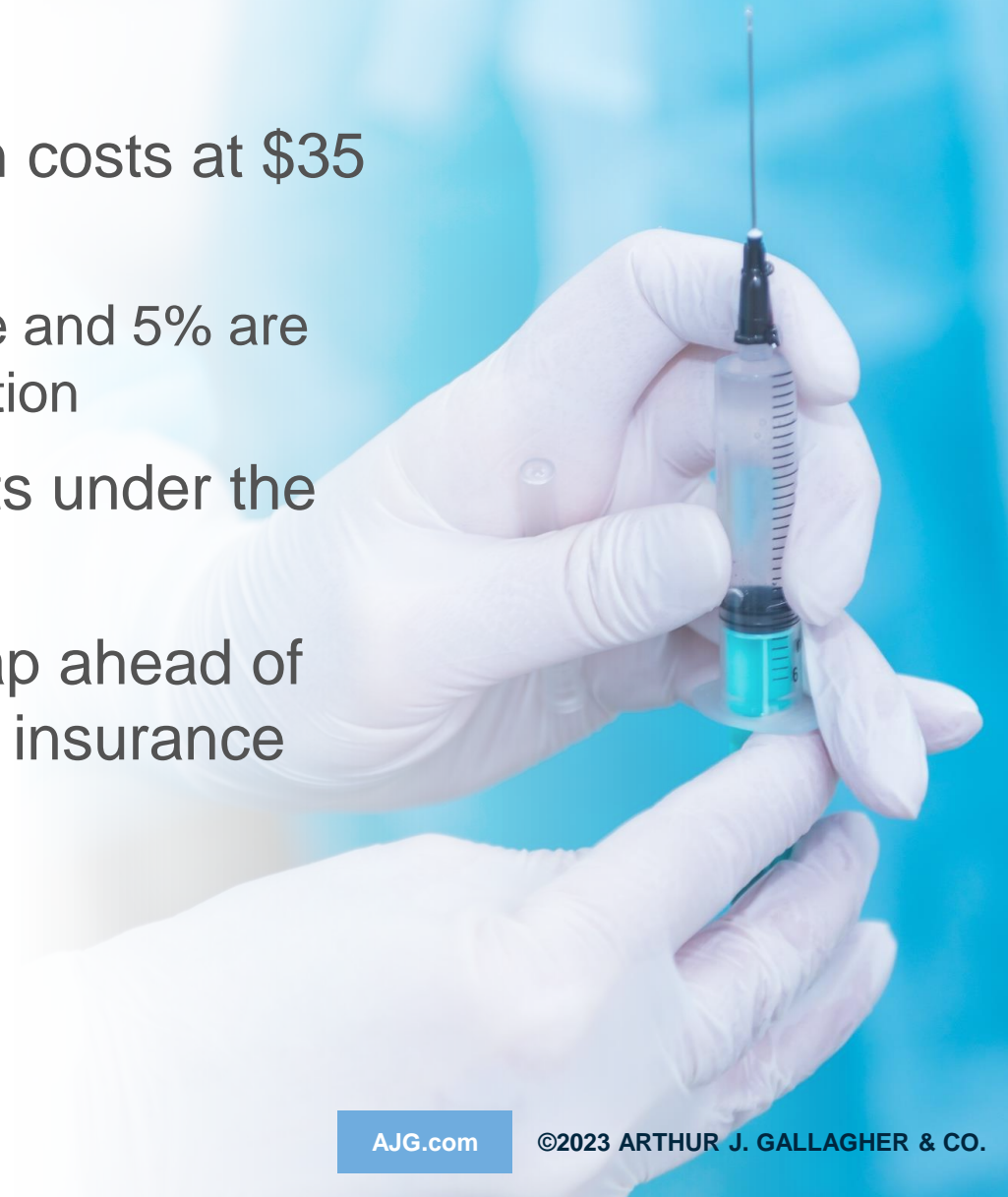
Inclusion of weight support program for initial and ongoing lifestyle change:

- once target weight goal is met (or close to goal) a process for ongoing follow up with physician, including for discontinuation of the medication
- refer to weight management program for ongoing lifestyle change support



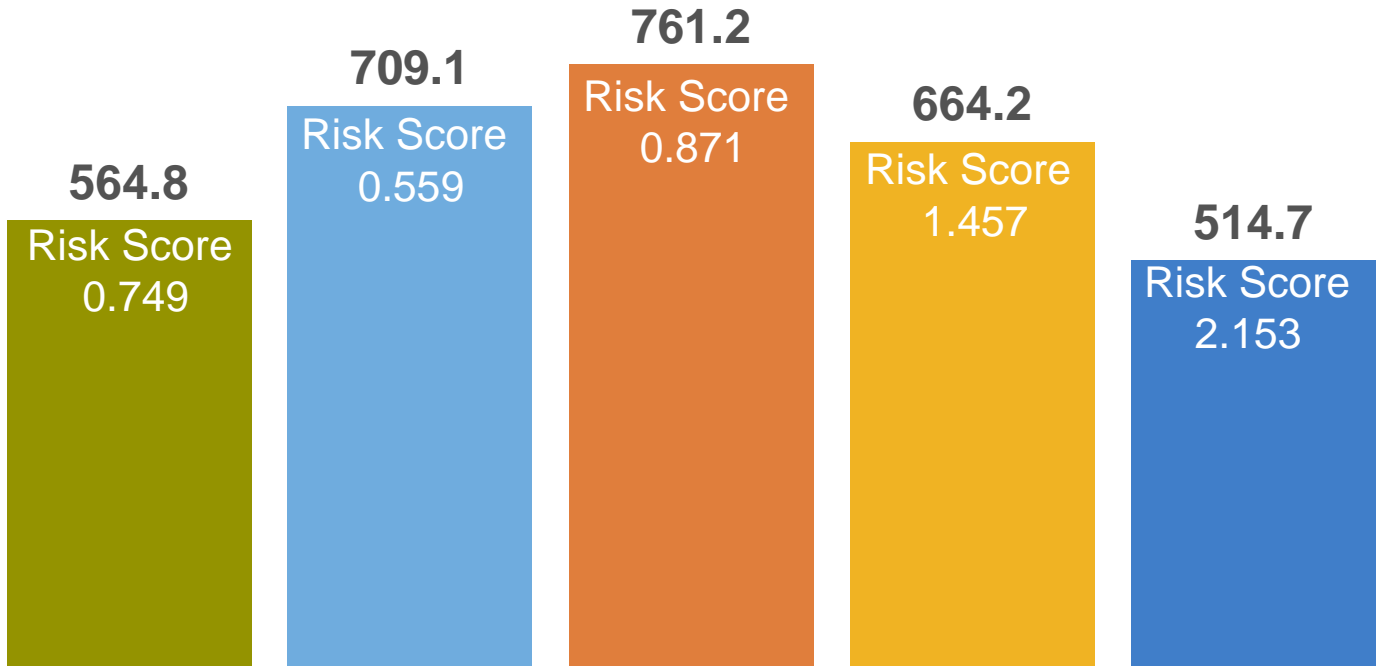
Insulin Pricing

- Biden budget proposal attempting to cap insulin costs at \$35 for privately insured individuals
 - 40% of people with diabetes have private insurance and 5% are uninsured according to American Diabetes Association
- Medicare benefit provided a cap for Insulin costs under the Inflation Reduction Act
- Eli Lilly announced it would implement a \$35 cap ahead of any federal mandate for individuals with private insurance

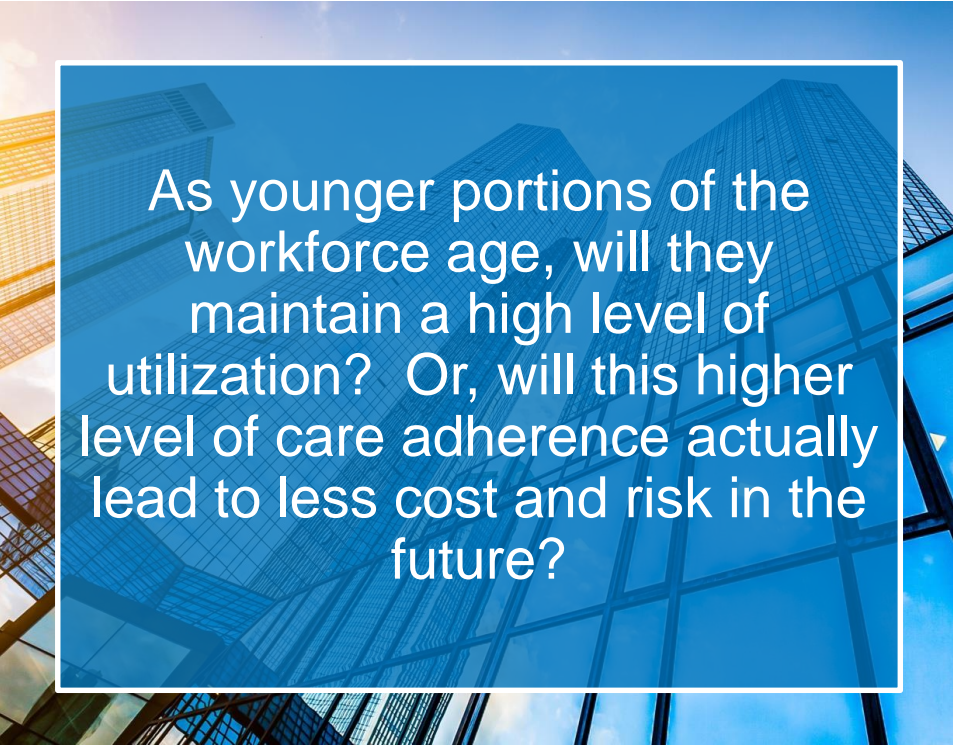


Insights for the Future

Millennials and Gen Z showing an outsized utilization of the healthcare system compared to their relative risk



Utilization rates shown are per 1.000



Source: United Healthcare Whitepaper: Millennials and their children: Significant health findings (2023)

Common Healthcare Concerns

Generation	Higher Ed	Top Concerns	Common Concerns	Focus Areas
Pre-Retirement	24%	<ul style="list-style-type: none"> Age-related chronic conditions High Pharmacy Utilization 	<ul style="list-style-type: none"> Back Disorders Autoimmune Rx Use Depression 	<ul style="list-style-type: none"> Condition Management Home Care Based Programs Medicare Education
Late Career	21%	<ul style="list-style-type: none"> Age-related chronic conditions Cancer High Pharmacy Utilization 		<ul style="list-style-type: none"> Condition Management Home Care Based Programs Long-Term Care coverages
Mid-Career	23%	<ul style="list-style-type: none"> Chronic conditions Cancer Higher cost care including well visits Accepting of virtual visit delivery models 		<ul style="list-style-type: none"> Condition Management Prevention Programs
Establishment	23%	<ul style="list-style-type: none"> Pregnancy-related claims Mental Health Conditions At-Risk/Early Diagnosis for Chronic Conditions High Pharmacy Utilization More frequent ER users 		<ul style="list-style-type: none"> Quick care access options Robust Mental Health Support Programs Maternity Programs & Education VB Accident Programs Condition Management Consumerism education focused on Rx
Exploration	9%	<ul style="list-style-type: none"> Injuries Highest cost newborns Mental Health 		<ul style="list-style-type: none"> Quick care access options Total Rewards Messaging

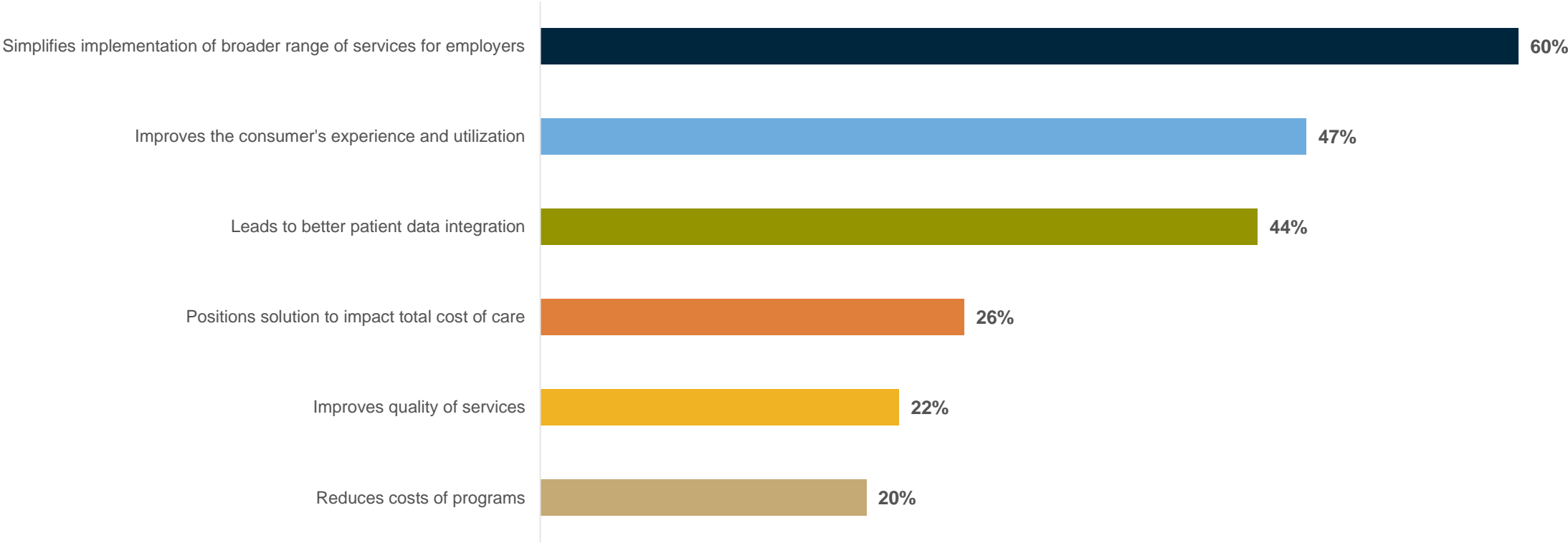
Disease States	Background Prevalence	National Prevalence
Arthritis	24.7%	25.1%
Asthma	9.3%	9.8%
Cancer	6.7%	6.5%
Chronic Heart Disease	5.8%	6.4%
COPD	6.7%	7.1%
Diabetes	9.1%	10.9%
High Blood Pressure	30.7%	31.6%
High Cholesterol	33.1%	33.1%
Poor Mental Health	12.7%	14.1%
Poor Physical Health	11.2%	13.1%

Behaviors	Background Prevalence	National Prevalence
Binge Drinking	21.0%	17.6%
Lack of Sleep	33.9%	36.6%
Low Physical Activity	23.7%	24.9%
Obesity	30.8%	31.7%
Smoking	17.2%	17.9%

Point Solutions Consolidation

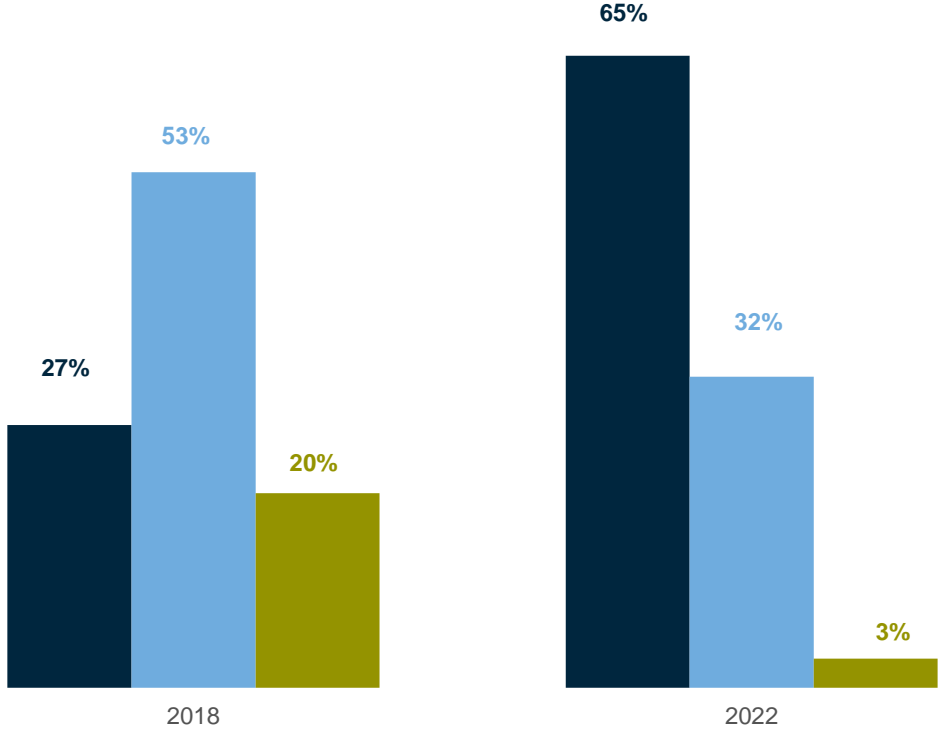
Point solution consolidation has simplified the implementation of services yet falls short in achieving long-term goals such as reducing total cost of care and improving quality of services

Percentage of employees that agree



Source: Business Group on Health 2023 Large Employers' Health care strategy and plan design survey

Health and wellbeing strategies have become an increasingly integral part of an employer's workforce strategy



Our health and wellbeing strategy is an **integral part** of our workforce strategy

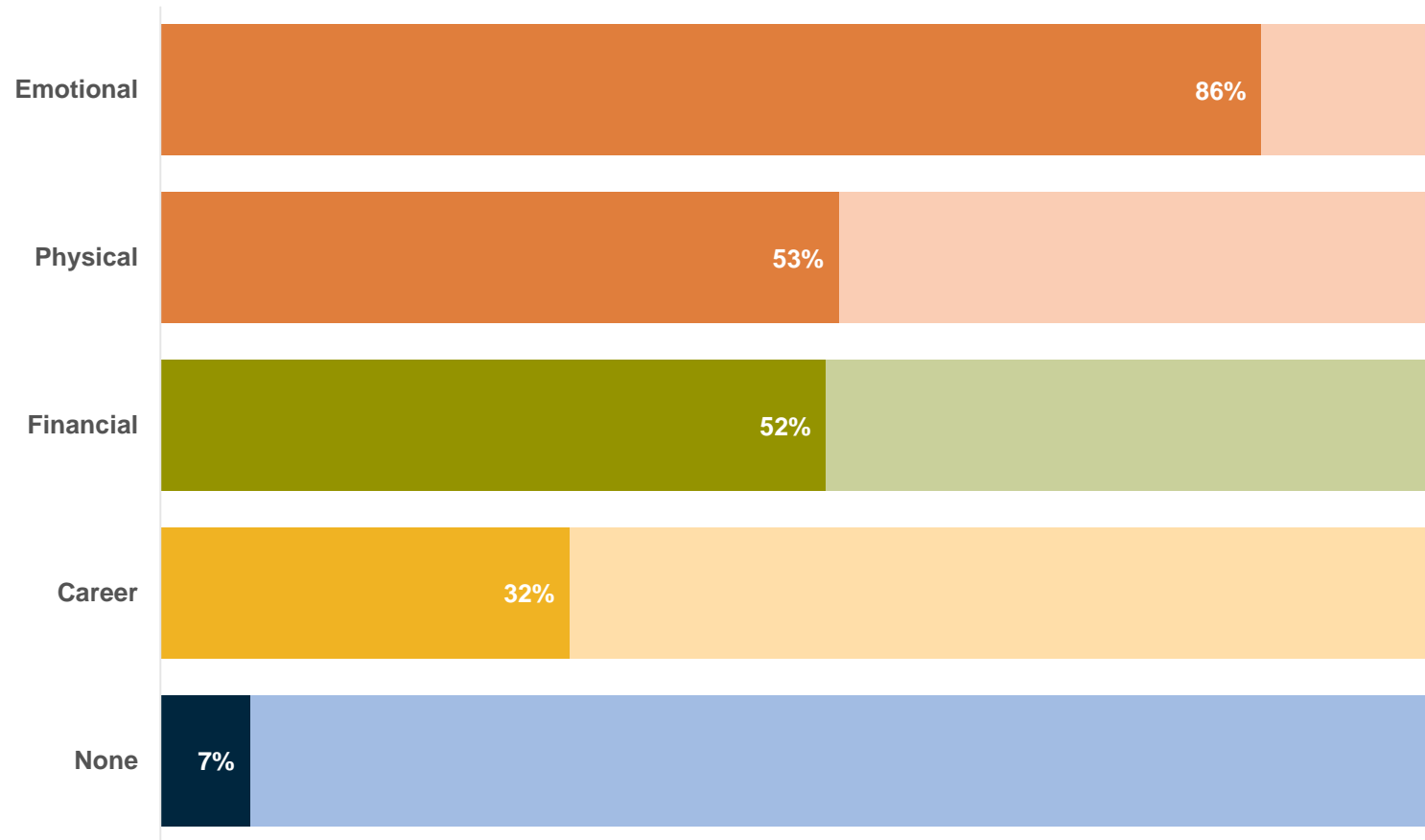
Our health and wellbeing strategy is a **consideration** of our workforce strategy

Our health and wellbeing strategy is **separate from** our workforce strategy

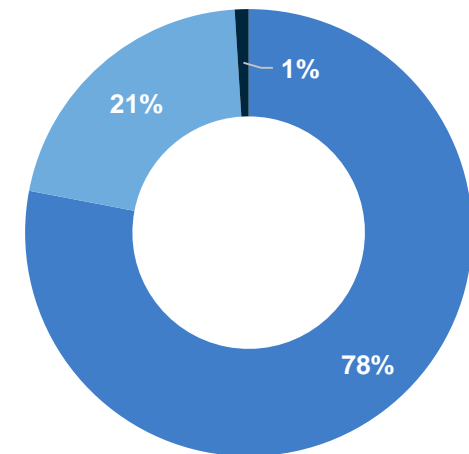


Source: Business Group on Health 2023 Large Employers' Health care strategy and plan design survey

Dimensions of employee wellbeing that have become more important since 2020



OUR LEADERS ARE CONCERNED ABOUT IMPACT OF STRESS AND BURNOUT ON ORGANIZATION



■ Agree ■ Neutral ■ Disagree

Sources: *Benefits Strategy & Benchmarking Survey*”, April 2022; *Gallagher 2023 State of the Sector report*

Mental & Emotional Wellbeing

Pervasive concerns about the impact of stress and burnout on employees, and ultimately their organizations, has likely influenced the growing focus on emotional wellbeing in the workplace.

- 90% of employers increased the importance of one or more core wellbeing dimensions in 2023
 - 74% elevated emotional wellbeing.
- Clear prioritization of wellbeing begins at the top — but the most meaningful interactions take place at the operational level.
- Providing mental health training for managers, leaders or HR increased by 5% (to 22%)
- 91% offer an EAP for the foundation of supporting employee emotional wellbeing
- 71% offer clinical care such as virtual or telephonic mental health counseling.
- 37% offer stress management, resiliency or meditation programs
- 25% are also beginning to allow time off for mental health and burnout

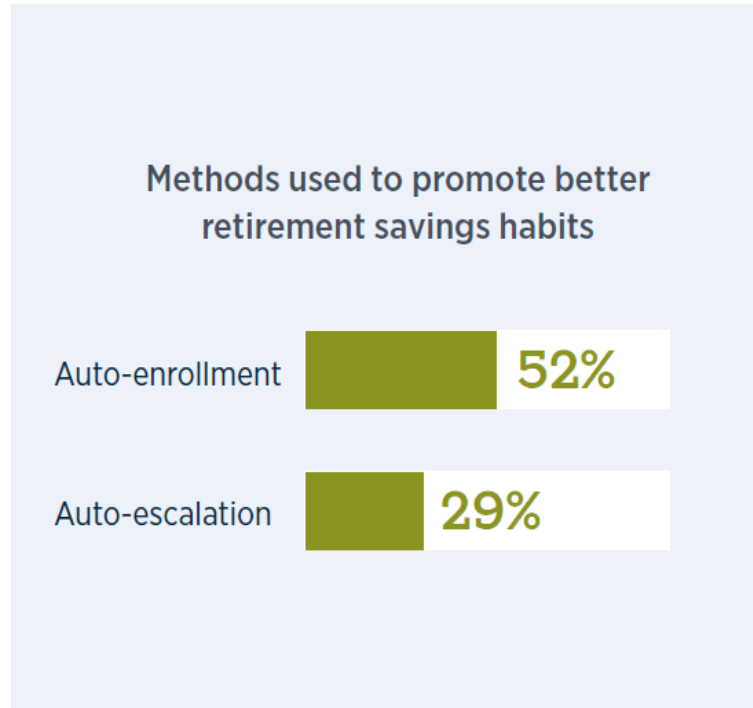
Source: Gallagher 2023 Benefits Strategy & Benchmarking Survey

Financial Wellbeing Trends

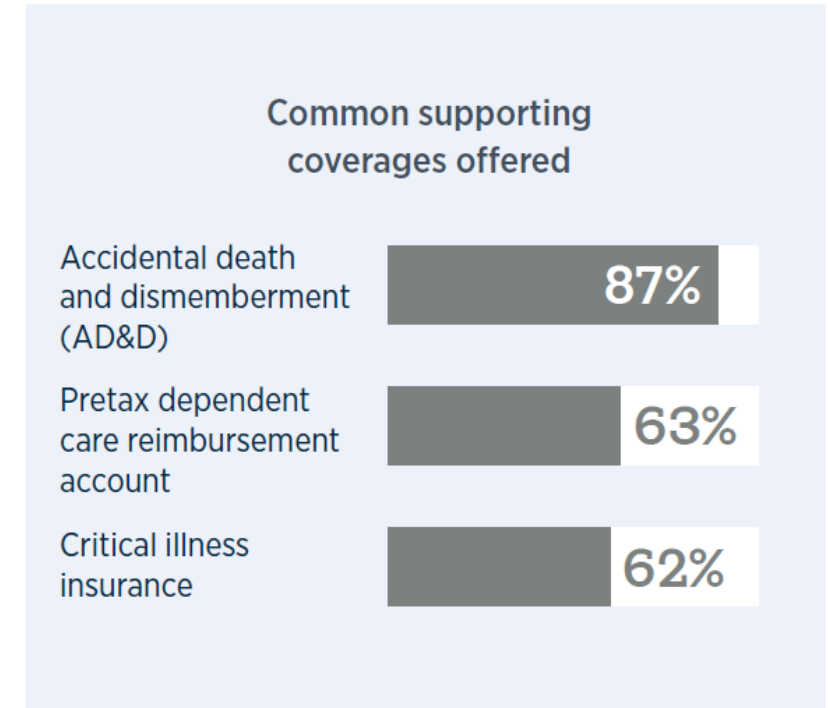
Employees now expect a full-fledged, holistic financial wellbeing program.



Secure 2.0 is expected to have a transformative impact on retirement readiness.



Employers offer insurance as a safety net. Savings accounts and insurance options help reduce financial stress.



Source: Gallagher 2023 Benefits Strategy & Benchmarking Survey

Benefits Planning Market Trends

What benefits is your organization considering to strengthen its ability to attract and retain talent?

	Currently Apply	Considering	Not Considering
Expanding mental health coverage	47%	43%	10%
Enhancing Voluntary Benefits	48%	37%	15%
Implementing support for reproductive care and family planning	15%	32%	53%
Implementing medical travel benefits	5%	14%	81%
Implementing leave for caregivers	27%	35%	38%
Offering Lifestyle Spending Accounts	10%	28%	62%
Increasing PTO	24%	34%	42%
Offering Individual Coverage HRAs (ICHRAs)	27%	15%	58%
Implementing concierge/employee navigation services	25%	14%	61%
Lowering the cost of medical coverage	25%	38%	37%

Thank you!

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