

Rise in health care costs, and rise in need: Your benefits year ahead



As benefits decision-makers look toward 2024, they might feel a sense of déjà vu. High costs for health care benefits? That's been a trend for years. A need to recruit and retain the best employees? It's no longer the time of the Great Resignation, but employers are still bleeding talent. A desire for wellness benefits and intuitive benefits technology? Check and check.

It might feel same-old, same-old, but that doesn't change the heart of what lies ahead. Employees increasingly expect employers to have competitive benefits packages, and employers are eager to meet that expectation. But benefits don't usually come cheap, so benefits decision-makers are stuck between a rock and a hard place: offer a better benefits package at their own cost, or save their budget and risk losing out on talent.

Creative benefits approaches, including supplemental benefits, can be one solution to this and other challenges in 2024.

The cost of care remains a barrier

American households are strained. Inflation isn't as wild as it has been, but even high-income households are feeling the pinch: 9% of households earning more than \$100,000 a year said they were spending more than they were earning at the end of 2022 (28% of households earning less than \$50,000 said the same).¹ According to the Aflac WorkForces Report from 2023, 67% of employees say that inflation has hurt their finances over the past year.²

The cost of health care benefits is part of that. Inflation hit the health care industry too, driving up the price of equipment and labor. This shows up in the cost of health care benefits, with premiums rising 7% in 2023.³

The result for employers? They're searching for creative ways to expand their benefits offerings to give employees what they need to reduce out-of-pocket costs, but they also can't afford to spend big themselves. Which is not to say they're not trying—employers made only minimal changes to health insurance plans in 2023, in part because they understand the enormous financial stress employees are under.⁴

This isn't just because employers care. It's because they're still struggling to keep talent: Retention was the No. 1 operational priority for organizations in 2023, coming in ahead of revenue, innovation and growing market share.⁵ And benefits play a key role here, with 9 in 10 employers saying that benefits are critical for attracting and retaining talent.⁶

Supplemental coverage can be one way for benefits decision-makers to help employees close the gap of out-of-pocket costs not covered by their major medical insurance. There's little or no cost for employers, and the price is low for employees too—usually just a few dollars each pay period.



Employee wellness is critical—and ambiguous

Just more than half of employees say they feel positively about their well-being, and only 41% say they believe their employer cares about their well-being. This is a 6% drop from 2022, indicating that doubling down on wellness could be a way for employers to build trust and loyalty.⁷

But it's difficult to know which wellness programs to build on with a mixed-generation workforce. Mental wellness remains top of mind for Generation Z, while baby boomers are more likely to prioritize physical wellness.⁶ To build robust wellness offerings, employers need to look at the full spectrum of their workforce and develop programs accordingly.

One area of need jumps out: preventive care. Four of the five leading causes of death stem from chronic conditions that can be managed with preventive care—yet almost half of the adults in the United States have a chronic disease.^{8,9} When employers make wellness and preventive care readily available, they're building trust among employees, while also relieving themselves of the shortfall triggered by absenteeism and productivity in relation to chronic conditions.

Some absenteeism is inevitable, and short-term disability plans can help employees cover their expenses. But with coverage for preventive care, such as the wellness rider available on many Aflac plans, the need for absence management plans can be minimized.

The workplace is more diverse than ever

A diverse workforce isn't just about demographics such as race, age and ability. It's also a diversity of work structures: 84% of employers say that some of their employees work remotely at least part of the time.⁶ This gives employees the flexibility they crave, but it brings its own challenges for benefits. More than a quarter of employers say they see communicating with and educating remote employees as one of their biggest benefits hurdles.⁶

Age is another key point of diversity, and roughly a third of all employers say it's difficult to meet the needs of a multigenerational workforce.⁶ In addition to varying perspectives on wellness, their attitudes toward benefits diverge.

As an example: Generation Z—the youngest group of employees—is at a life stage when they're likely to be active and take more physical risks than older people. This mobile lifestyle may be part of why they prize accident insurance more than their older colleagues do. But the inverse of this lifestyle isn't necessarily true: Millennials value paid family or medical leave and long-term care insurance more than baby boomers do,⁶ even as boomers are likelier to need long-term care sooner than millennials.

But one thing holds true across generations: Regardless of age, members of the workforce are dissatisfied with their work lives.¹⁰ Developing flexible, opt-in benefits packages that consider different lifestyles and generational needs may help employers meet their retention and recruitment goals.

Employees need better benefits education

Less than half (43%) of employees say they understand everything about their benefits.¹¹ That means they're missing out on potential boosts to their financial, mental and physical well-being—and not fully appreciating what their workplace is offering them.

Stronger communication throughout the year and during open enrollment season can help. That can be facilitated by seamless, intuitive technology—a tool that decision-makers want just as much as their team members. The benefits landscape can be confusing, and having a singular portal that allows people to learn at their own pace and explore what's available can make the difference between a benefit that's beloved and one that's underused.

Technology is so important to employers that 59% of them say they would choose an insurance carrier based on whether they could connect easily to its platform.⁶ Aflac has invested in its ability to integrate with the most popular benefits platforms, including ADP, Benefitfirst, Ceridian, Paycom, Oracle, Businessolver and Benefitfocus.

Creativity is the way forward

If the continually rising cost of health care benefits is any indication of the benefits world at large, there's no easy break on the horizon for employers. To attract and hold onto the talent that will drive their organizations forward, benefits decision-makers need to draw on their ingenuity and creativity to put together the right packages.

Flexible hours and locations, on-site wellness perks—all of these can help support employers facing the challenges of 2024 and beyond. That's also true of Aflac, which offers low-cost supplemental coverage at little or no cost to employers. And with Aflac, employers get a recognizable, reliable brand—46% of employers say that brand reputation is roughly as important as cost when choosing a benefits provider.² The result: a commonsense approach to helping employees get the care they need, at the cost that's right for you.

Activate your 2024 benefits plans: Contact your Aflac benefits advisor or visit aflac.com/business.

¹ Axios. "Americans spend more than they make as high prices pinch." Published 1.18.2023. [Accessed 10.30.2023](#).

² Aflac. "Aflac WorkForces Report: Workplace benefits trends: Executive summary 2023-2024." Published 2023. [Accessed 10.23.2023](#).

³ KFF. "2023 Employer Health Benefits Survey." Published 10.18.2023. [Accessed 10.30.2023](#).

⁴ Mercer. "Health benefit cost expected to rise 5.4% in 2024." Published 9.7.2023. [Accessed 10.30.2023](#).

⁵ Gallagher. "2023 US Workforce Trends Report Series: Organizational Wellbeing." Published 2023. [Accessed 10.30.2023](#).

⁶ LIMRA. "Harnessing Growth and Seizing Opportunity: 2023 Workforce Benefits Study." Published 2023. [Accessed 9.26.2023](#).

⁷ BenefitsPRO. "Employee mental, physical & financial wellbeing remains low, study finds." Published 9.20.2023. [Accessed 10.30.2023](#).

⁸ The Balance. "How Preventive Care Lowers Health Care Costs." Published 10.28.2022. [Accessed 10.30.2023](#).

⁹ Forbes. "Our Nation's Chronic Disease Epidemic Is Getting Worse. So, Who's Responsible?" Published 11.22.2022. [Accessed 10.30.2023](#).

¹⁰ BenefitsPRO. "Generations of employees are more or less dissatisfied with their jobs, study finds." Published 9.22.2023. [Accessed 10.30.2023](#).

¹¹ Aflac. "Aflac WorkForces Report: Workplace benefits trends: Executive summary 2022-2023." Published 2022. [Accessed 10.30.2023](#).

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