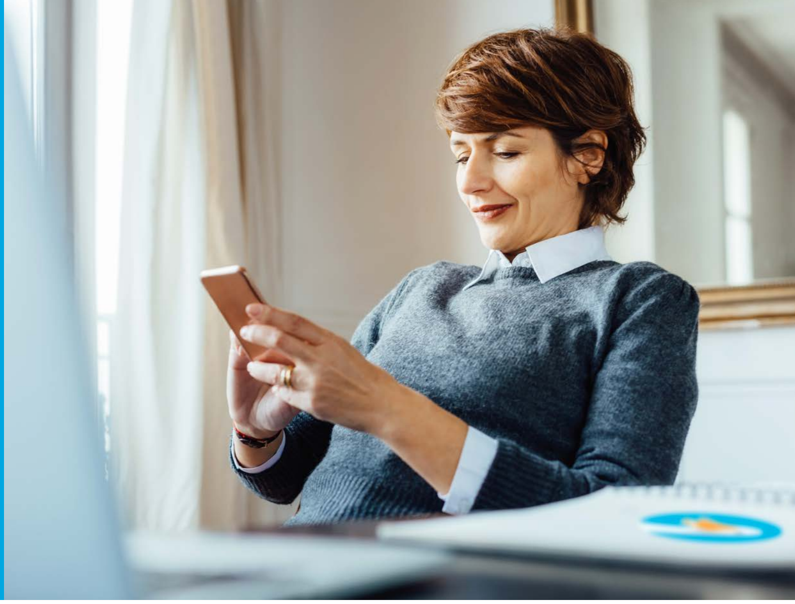
2024 employee benefits trends brokers should know



The challenges that shaped the benefits landscape of 2023 are still here—maybe even more so. That might not be good news for strapped clients and for members of the workforce, but knowing the benefits landscape of 2024 can help you shape their approach for the coming year.

Rising costs, due to inflation and increasing health care prices, will continue to be the linchpin of benefits for 2024. It works in lockstep with another factor—employee recruitment and retention—because quality benefit offerings inform employee decision-making about job selection. That means it's important for employers to stay competitive to hire and keep the best talent. But being competitive is expensive, and employer budgets are suffering too.

As other trends for 2024 take shape—an increasingly diverse workforce, a need for employee wellness and a desire for intuitive benefits technology—a clear path emerges for brokers. While clients wade through a confusing and costly benefits landscape, they are yearning for a consultative, strategic guide who can support them year-round. That guide? You.

High costs affect employee retention and recruitment

Inflation, a key force in 2022 and 2023, is lower than the recent high of 9.1%.[1] Yet it continues to hurt organizations and households, prompting both to seek ways to manage elevated costs.

One of those costs, of course, is health care benefits. That price tag has continued to balloon, as it has for the past few decades. The price of medical care has grown 114% since 2000, while the cost of consumer goods has grown 81% in the same period.[2] The total cost of health care benefits per employee is expected to rise 5.4% in 2024, hitting a 10-year high.[3,4] (Premiums rose by 7% in 2023.)[5]

Still, employers appear more interested in making health care benefits affordable for employees than they are in saving money. When surveyed about the price they expected to pay for benefits without making any adjustments to their plans, employers said that their largest plan would increase by 6.6%—which is relatively close to the actual projected 5.4% rise.[3] This relatively slim shift indicates that employers are keeping more robust health care plans at their own expense, leading them to seek other creative ways to lower benefits costs without burdening employees with dramatically higher out-of-pocket payments. However, 45% of employers say they had to increase employees' share of premiums to control rising costs.[6]

Part of the reason employers are hesitating to skimp on benefits is that employee retention is the No. 1 operational priority for organizations in 2023, coming in even ahead of revenue.[7] They understand that employees are demanding more choices and flexibility in all aspects of their work lives, including benefits.

With low overhead for employers and affordable costs for employees, supplemental coverage can be one way employers can offer competitive benefits packages. More than half of employees say they are at least somewhat likely to accept a position with lower pay but better benefits, and more than three-quarters of employers who offer supplemental coverage believe these benefits support recruitment and retention. In fact, 2 in 5 employees view supplemental benefits as a key part of a benefits package.[7]

A diverse employee pool requires a diverse benefits strategy

Nontraditional workplace structures continue to dominate: 84% of employers say that some of their employees work remotely at least part of the time, and more than a quarter say that communicating with and educating remote employees is one of their biggest benefits challenges.[8]

But it's not just the work environment that's diverse; it's also employee ages and lifestyles. Nearly a third of all employers (and 40% of organizations with 1,000 or more employees) say that meeting the needs of their multigenerational workforce is a primary challenge.[8]

That's for good reason: Baby boomers place 13 percentage points more emphasis on the value of physical benefits (such as health insurance) compared with Generation Z, while Gen Zers place 8 percentage points more emphasis on the value of mental health benefits than boomers do, viewing them as being as important as vision insurance and almost as important as dental and medical insurance.[8]

Developing benefits packages that consider different generations and lifestyles may help employers meet their retention and recruitment needs, as dissatisfaction with employment remains roughly constant across generations.[9] The same is true for enrollment strategies—where tech-savvy employees may want the convenience of a self-service portal, other employees may rely on a personal consult. Having diverse enrollment options as a part of your clients' benefits strategy can help increase uptake rates, along with engagement.

Wellness remains a priority

Just as different generations have different overall benefits needs, they also define wellness differently. But regardless of generational preferences, wellness remains a critical point for employers to build trust: Only 51% of employees report feeling positively about their well-being, and only 41% say they feel their employer cares about their well-being, a 6% drop from 2022.[10]

Wellness as a whole will continue to take various forms in 2024: financial wellness, career development services, societal wellness and so on. But preventive care will lead employer priorities, in part thanks to the prevalence of chronic disease among the workforce. Nearly half of the adult population lives with a chronic disease, and 40% are living with two or more.[11]

Employers are seeking wellness and preventive care solutions, both to directly support employee health and to alleviate their own concerns about absenteeism and productivity. Chronic diseases drive up employers' health care insurance costs, so supporting employee wellness is another way to manage costs in the long term.

Everyone wants seamless benefits technology

Simple, intuitive benefits technology is the dream for all stakeholders—employers, benefits decision-makers, employees and brokers alike, with 8 in 10 employers reporting that it's very important for their benefits provider to lead in technology.[6] Helping clients understand and identify the benefits technology that supports their needs is one place where brokers can be instrumental, as employers are often undereducated in the differences among carriers and platforms.

That's not to say they don't want education, though. In fact, 70% of midsize employers believe they will rely more heavily on carrier-provided technology in the next five years, and 59% of all employers say they would choose carriers based on their ability to connect with their benefits technology platform. Meanwhile, only 41% said they would select carriers with products of the best value, illustrating the trade-off employers are willing to make for workable technology.[8]

Employers are looking for self-service, real-time quoting, text messaging, a platform for employee data exchange, and implementation support.[8] Recommending benefits platforms and carriers that offer these features can build trust in broker services and further position brokers as consultative partners, not merely conduits.

One place for brokers to proceed with caution: artificial intelligence. While 75% of employers say it will be important for them to become familiar with AI to stay competitive, 56% say that its growing use scares them.[6] Automation has its advantages, helping alleviate workloads and answering basic questions about benefits; 48% of employers and 38% of employees say that AI could help them better understand their coverage.[6] But employers and employees remain confused about benefits, making the human touch all the more important.

Brokers don't need to rely on AI to support the greatest educational need regarding benefits, though. Benefits communication can be the make-or-break factor in uptake rates and satisfaction. Currently, only 43% of employees say they understand everything about their benefits, making both year-round and enrollment season communication important.[12]

As brokers work with clients to find the best benefits technology stack for them, they walk a tightrope. It's critical to push for benefits platforms and carriers with supportive technology that gives clients and employees what they need. But some organizations may not yet be ready to be tech-forward—and even the most tech-savvy organization relies on the human touch, meaning it's important to meet clients where they are. Finding the balance between premium technology and continuity requires not just technical knowledge but soft skills, with active listening at the fore.

Today's broker is aware

The COVID-19 pandemic brought a revolution in benefits needs: a dispersed workforce, a plea for mental wellness, and rising costs for everything. The long arc of that massive disruption means that those factors haven't shifted significantly, and may not for a while. That doesn't mean brokers can afford to stick with the same tactics.

To be consultative partners, brokers need to pay attention to microtrends in the benefits world as well as bigger trends in the world at large. With states consistently evaluating changes in insurance mandates and regulations, brokers have to stay aware of the latest national and state specifics to best inform their clients and maintain a competitive portfolio.

Armed with the perspective of a consultant, brokers can use their skills to help clients navigate today's landscape, keeping low-cost yet effective and desirable benefits as the North Star that guides their business forward—and their clients' businesses as well.

Keep your eye on 2024—contact your Aflac benefits representative today.

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