

Employee Benefit Trends

VBA Benefits Corp. Minimum Premium And Tier 2 Peer Group Conference

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Presented by
Thomas Mackay
Brandon Moorefield

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I. Introductions

II. Survey on Health & Benefit Strategies for 2026

III. Other Benefit Trends
Behavioral Health
Support for Caregivers
Inclusive Benefits
Extreme Climate Impact
Long-Term Care Benefits

Agenda

I. Introductions

A series of light blue, wavy lines that create a sense of movement and depth, resembling a stylized horizon or a series of overlapping waves. The lines are thin and have a soft, ethereal quality, adding a modern and artistic touch to the slide's design.

II. Survey on Health & Benefit Strategies for 2026



About the survey

- The survey was designed to discover how employers are addressing the recent acceleration in health benefit cost growth while maintaining healthcare affordability and ensuring the benefits package is inclusive, engaging, and promotes well-being. The survey was conducted from April 8 through April 25, 2025.
- In total 711 organizations participated, from all industries and of all sizes:

Fewer than 500 employees	29%
500-4,999 employees	47%
5,000 or more employees	24%
- The results in this report are based on 504 large organizations (those with 500 or more employees) except where noted otherwise



For 2026, employers are addressing faster health cost growth while staying focused on affordability and inclusivity



Disrupting cost growth with bolder strategies

Expecting another year of higher cost growth, employers are doubling down on cost management. While some will use traditional cost-shifting, others are choosing alternative medical plans that steer employees to higher-value providers



Considering all dimensions of affordability

Affordability concerns are shaping health benefit cost management strategies as employers seek to ensure benefits' long-term value creation

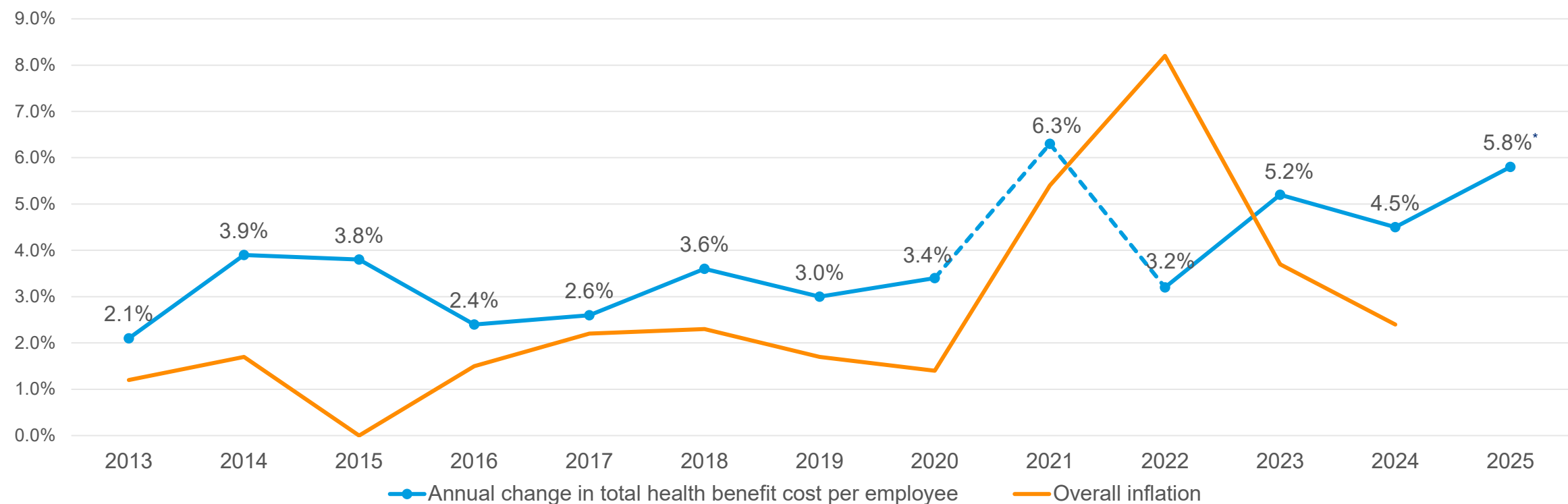


Inclusive benefits build workforce resilience

Employers are seeking to support varied workforce needs with inclusive benefits that have meaningful impact. A new focus area is preparing for the effects of extreme climate on workforce health

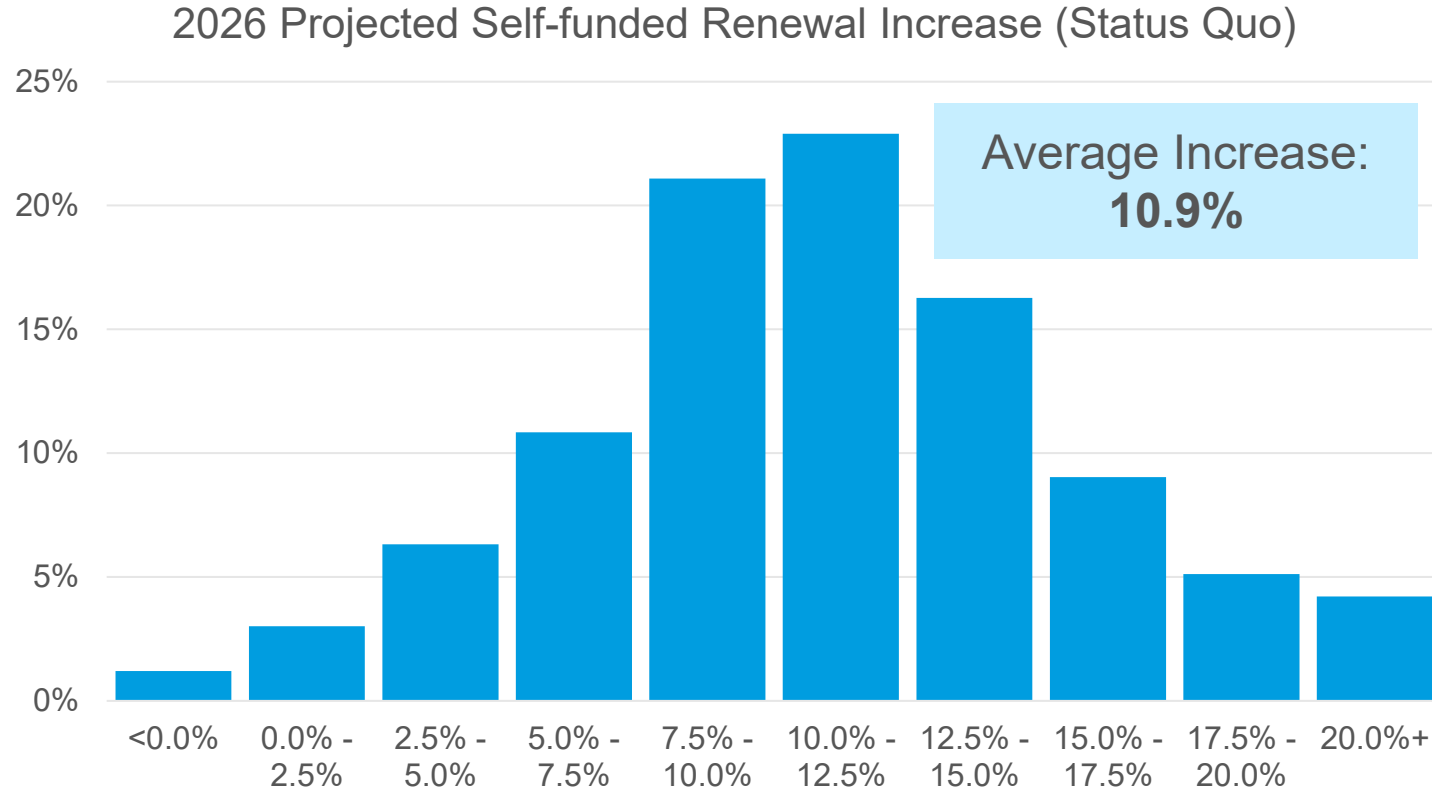
Health benefit cost rose by 4.5% in 2024, with an increase of 5.8% predicted for 2025

Change in total health benefit cost per employee compared to CPI, among all employers



Rate Increase Benchmarking

Mercer Pulse Survey – June 2025



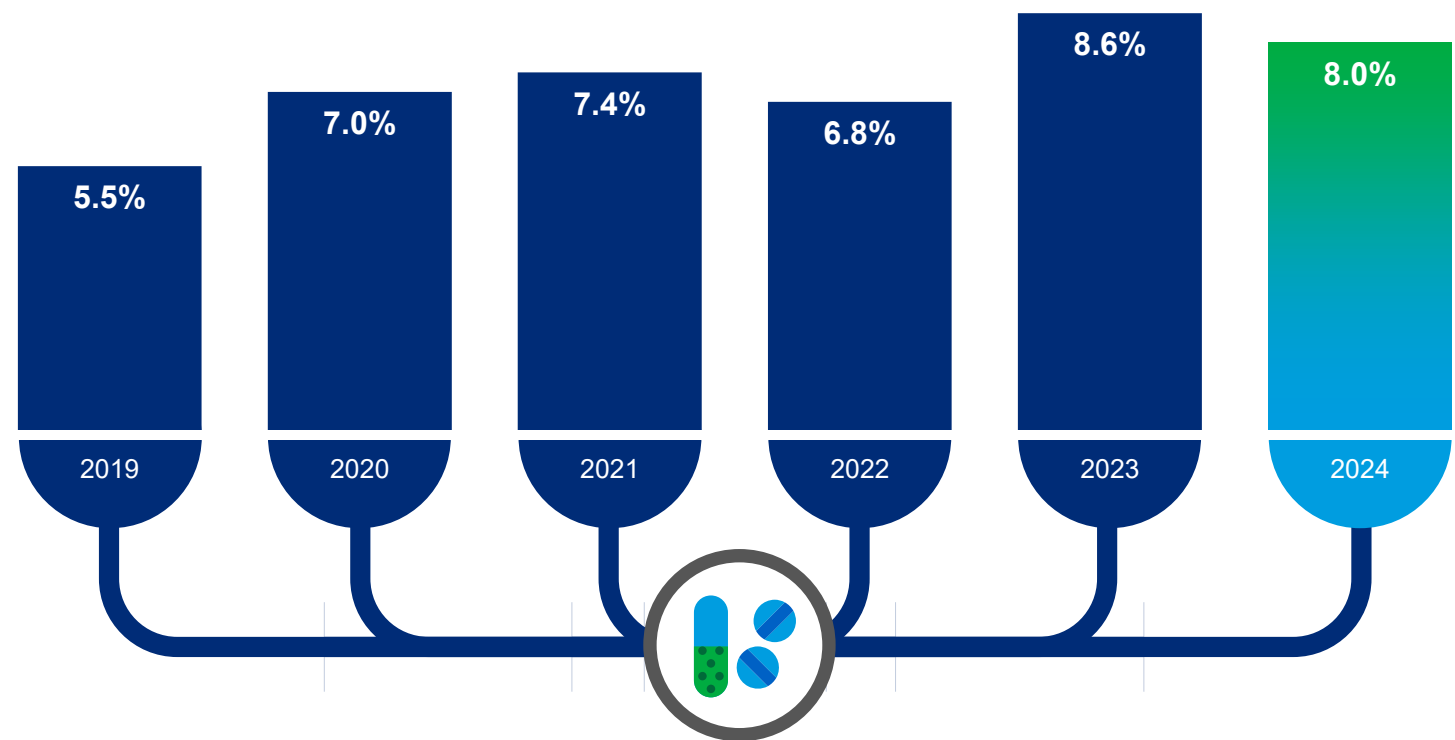
- The average renewal increase is above historical norms, at 10.9% (compared to 6-7% in a normal year)
- There's significant variability in the results, with many clients seeing double digit increases
- Benefit strategy (e.g., the decision whether to cover GLP-1 drugs) will impact these trends

Based on 332 self-funded survey participants; Survey data was released as of June 12, 2025

Prescription drug cost rose 8.0% in 2024, driven by growth in specialty drug costs

Average annual change in prescription drug benefit cost per employee (after rebates), among employers with 500 or more employees

Specialty drug cost per employee rose 8.4% in 2024



CFOs prefer cost management strategies that don't shift cost. They also want to keep cost growth close to the CPI.

Could this be a mandate for good disruptive change?

CFO preference

Cost management strategies that should be emphasized over the next three years

#1

Clinical management
Greater monitoring and oversight of care **65%**

#2

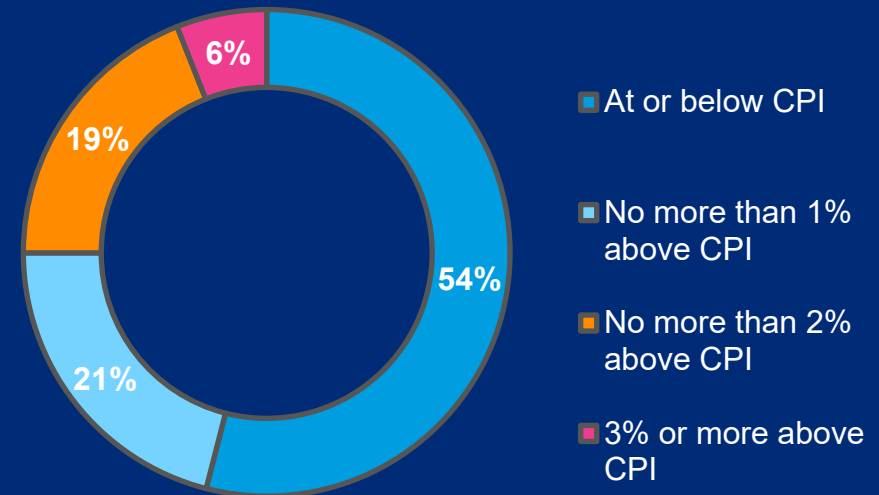
Network strategies
Smaller, high-performing hospital and physician networks **48%**

#3

Plan design changes
Increased employee cost sharing **45%**

CFO opinion

For health benefit cost to be sustainable for our organization, it should grow annually:



Employers with 500 or more employees

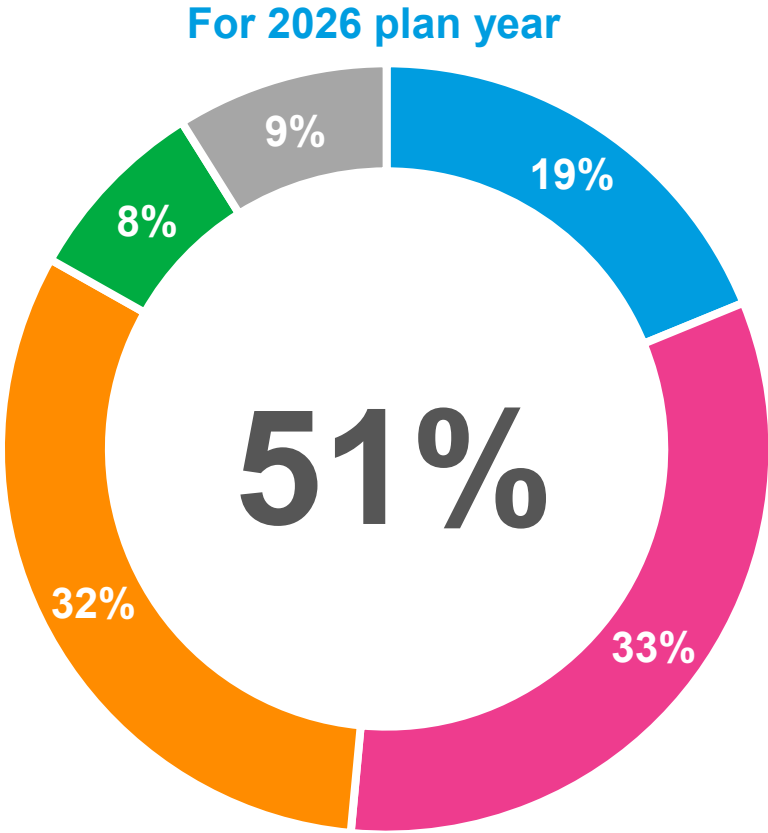
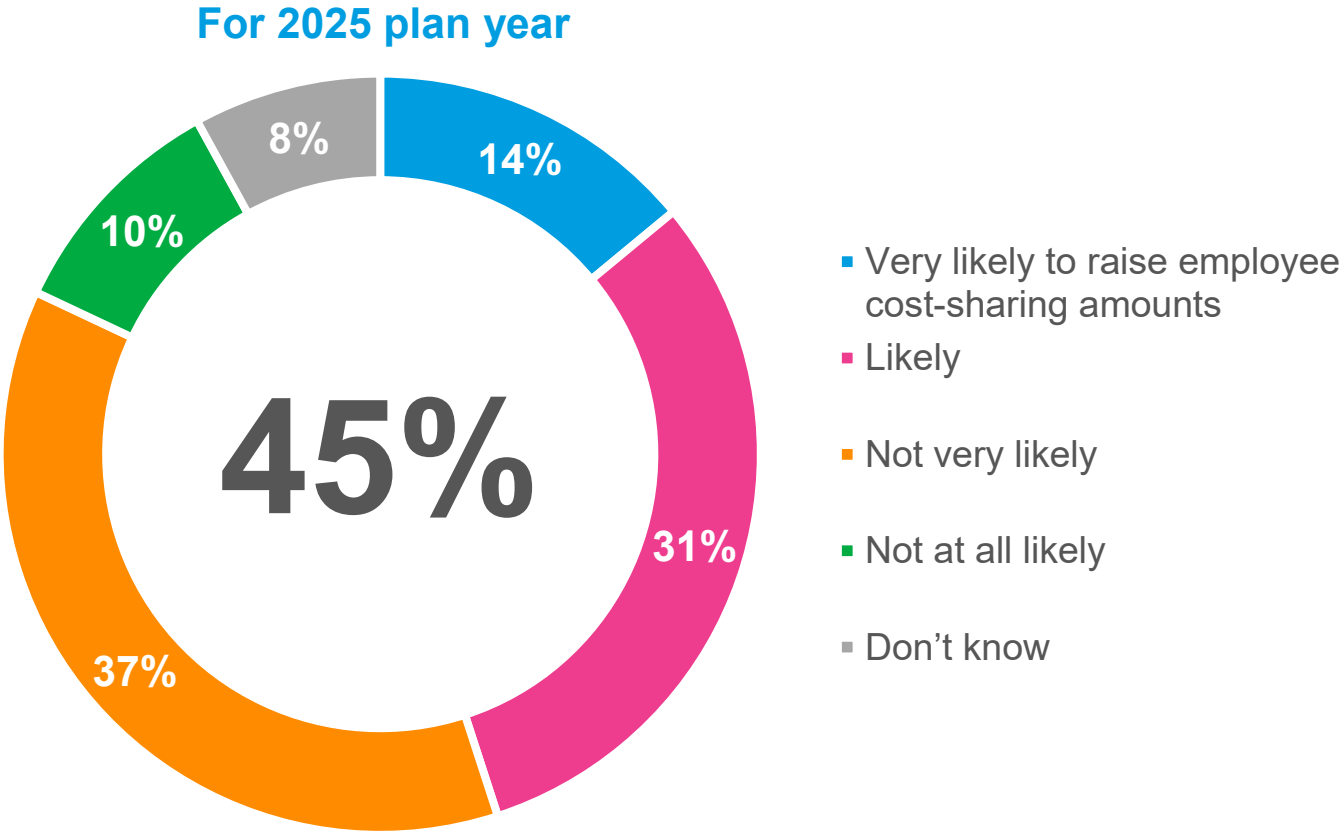
**Slowing healthcare cost
growth – while
maintaining healthcare
affordability**

The background of the slide features a series of overlapping, wavy lines in shades of teal and light blue, creating a sense of movement and depth. The lines are more prominent on the right side of the slide, where they form a series of nested, diamond-like shapes that recede into the distance. The overall effect is a modern, clean, and professional aesthetic.

Health Benefit Strategies for 2026

With cost growth accelerating, this year more employers say they are likely to make plan design changes that would shift cost to employees*

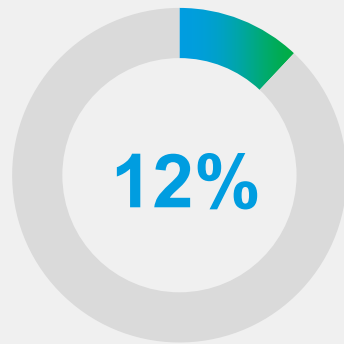
Employers with 500 or more employees



*Raising deductibles, out-of-pocket maximums, copays, etc. in the largest medical plan
Marsh & McLennan Insurance Agency LLC

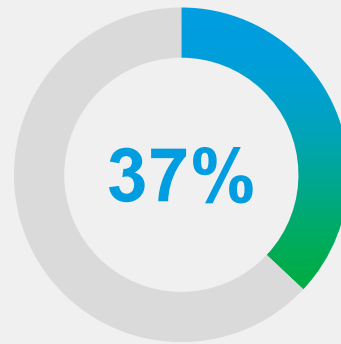
Boosting affordability

Helping employees keep more of their paychecks

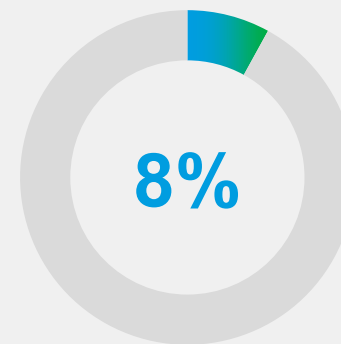


Offer free employee-only coverage in at least one medical plan

Removing financial barriers to seek care

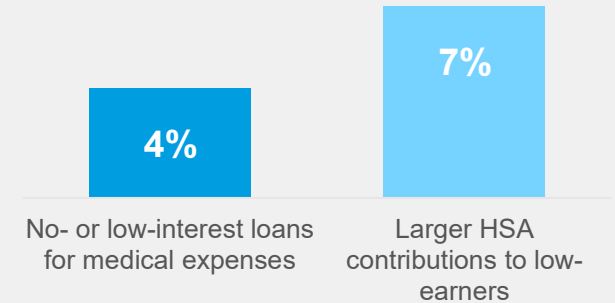


Offer medical plan with no/low deductible (e.g., copay plan)



Offer telemedicine to employees not eligible for medical plan

Providing cash to help pay for healthcare



Employers with 500 or more employees

High-performance networks and alternative health plans allow employers to offer more affordable options

		Currently in place/planned for 2026	Considering for 2026 or 2027
1	National carrier high-performance network Typically, an overlay on a major carrier's broader PPO network	18%	24%
2	Independent vendor high-performance network Not including traditional HMOs	2%	12%
3	Other high-performance network plan Traditional HMO, regional health plan, reference-based pricing plan, etc.	15%	14%
4	Variable copay plan A plan in which copay amounts vary by individual providers and members can see the amounts prior to making an appointment	7%	20%

35%

offer one of these non-traditional medical plans or will in 2026

29%

are considering it

36%

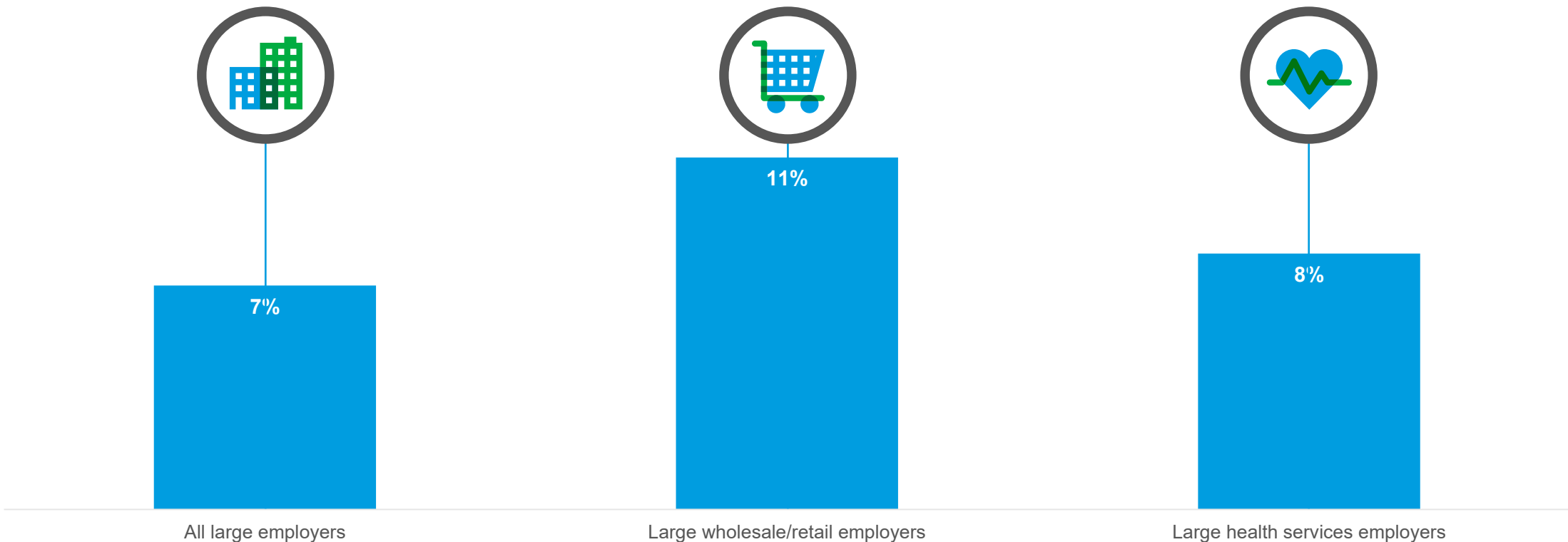
are not considering it

Employers with 500 or more employees

Variable copay plans are growing fastest in industries with lower-paid employees

Offer or will offer in 2026

Average enrollment in copay plan when offered **28%** of all covered employees



III. Other Benefit Trends

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Behavioral Health

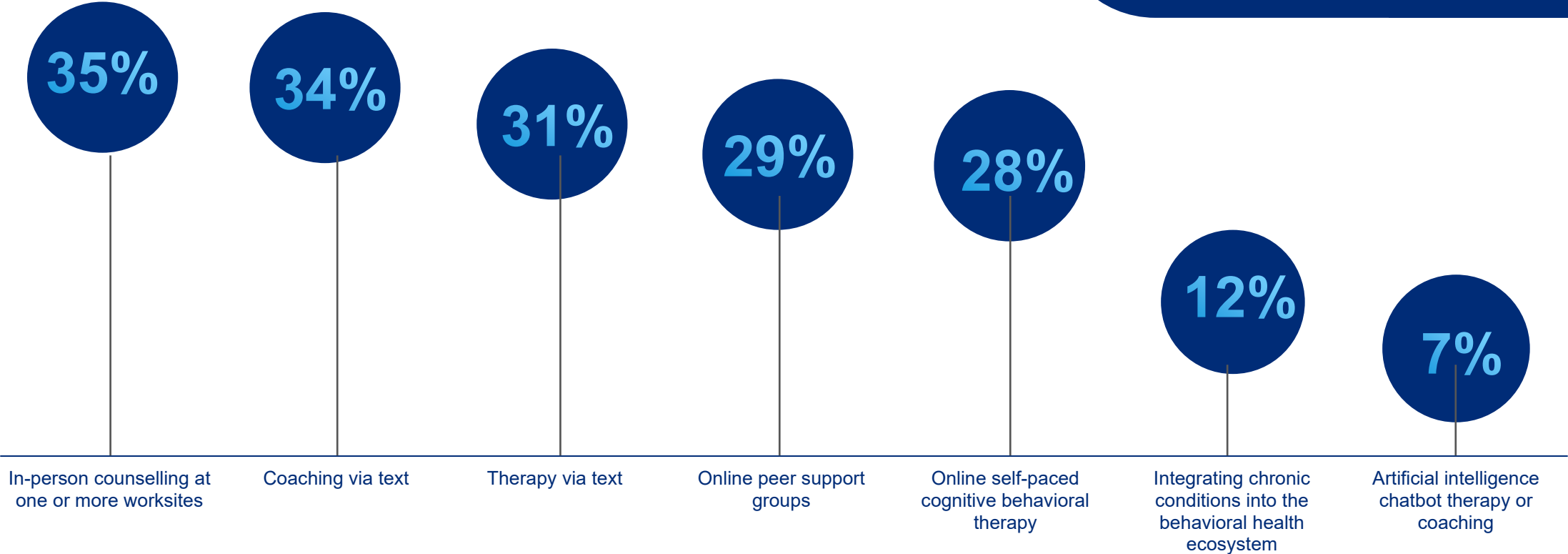
The background of the slide features a series of overlapping, wavy lines in a light teal color against a white background. These lines create a sense of movement and depth, particularly concentrated in the lower right quadrant. A solid teal rectangular block is positioned on the left side of the slide, serving as a backdrop for the title text.

Behavioral healthcare options provided by the EAP

Offer or will offer in 2026

Median number of counselling sessions available annually

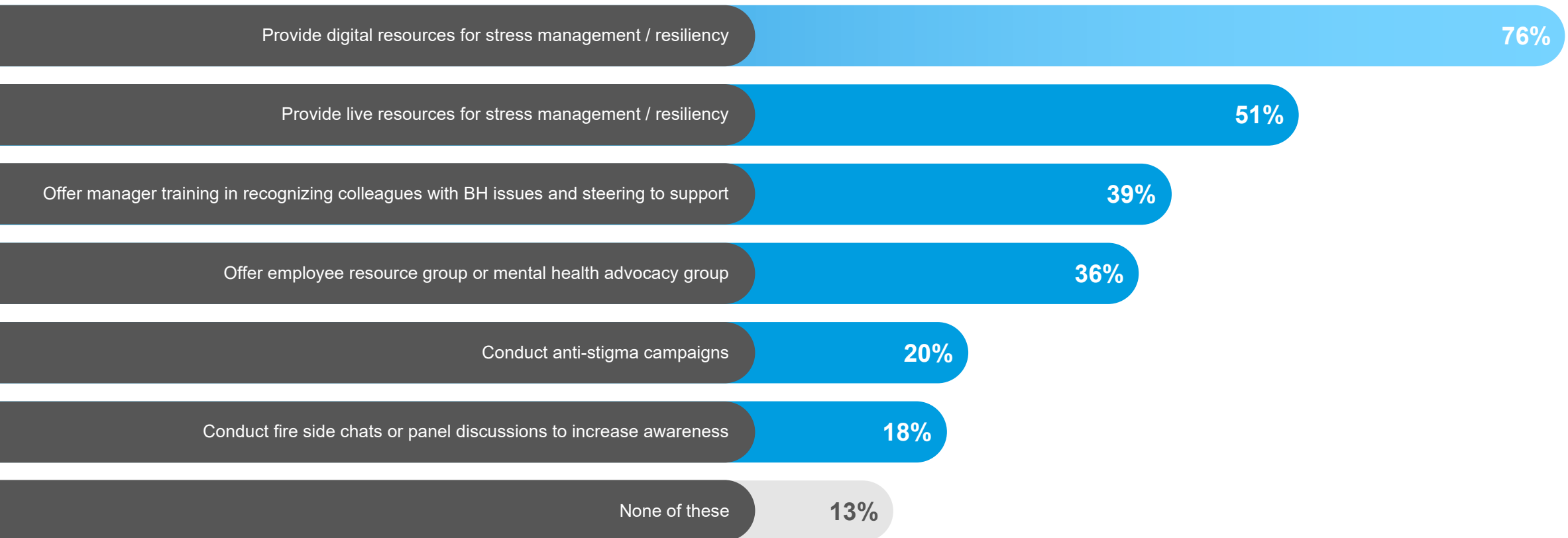
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Employers with 500 or more employees

Employers are working to increase behavioral healthcare utilization and create a supportive work environment

Have taken action or plan to in 2026

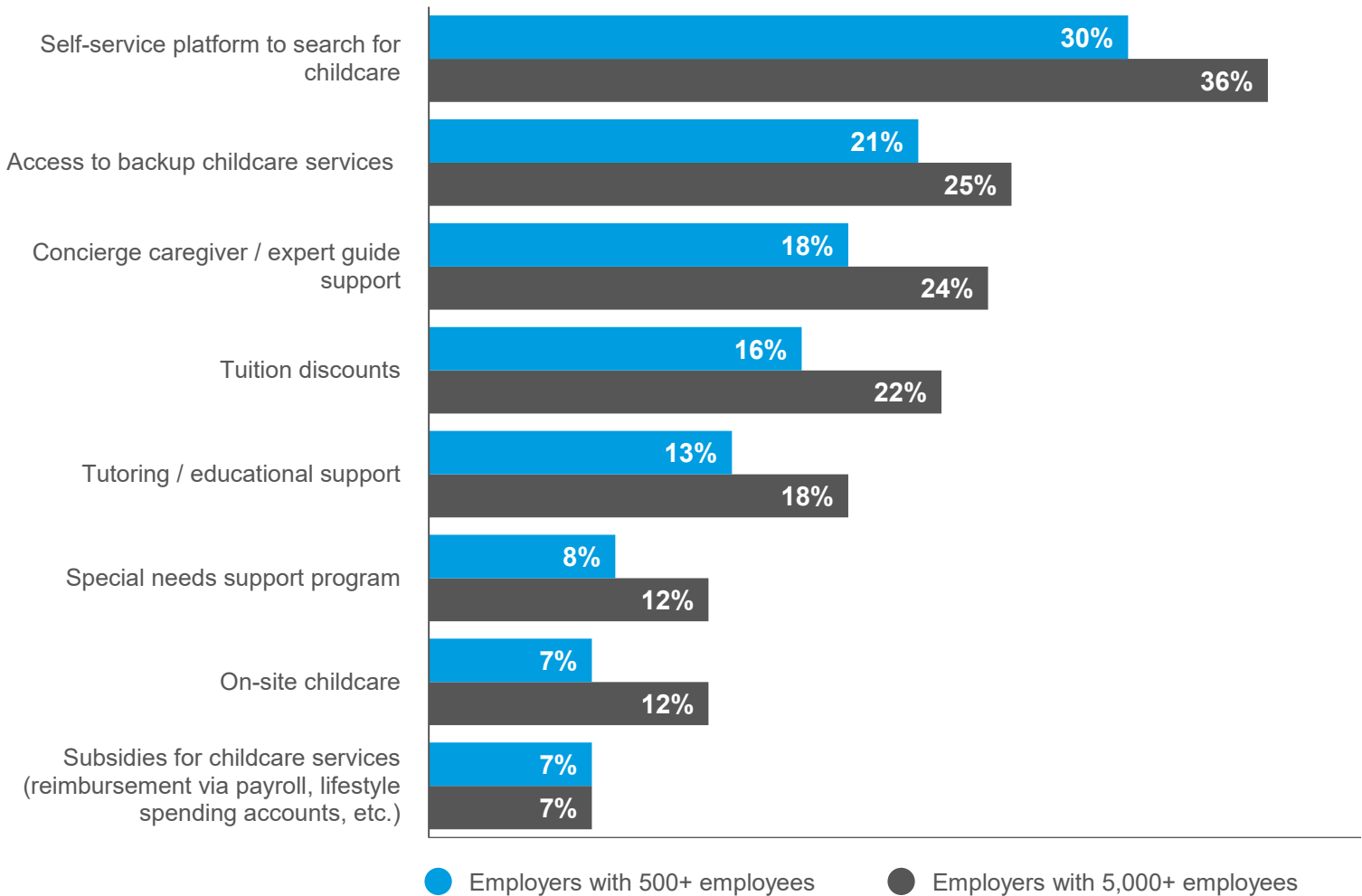


Employers with 500 or more employees

Support for Caregivers

Childcare benefits and resources

Offer or will offer in 2026



54% of all large employers, and **65%** of those with 5,000 or more employees, provide at least one of these caregiver resources

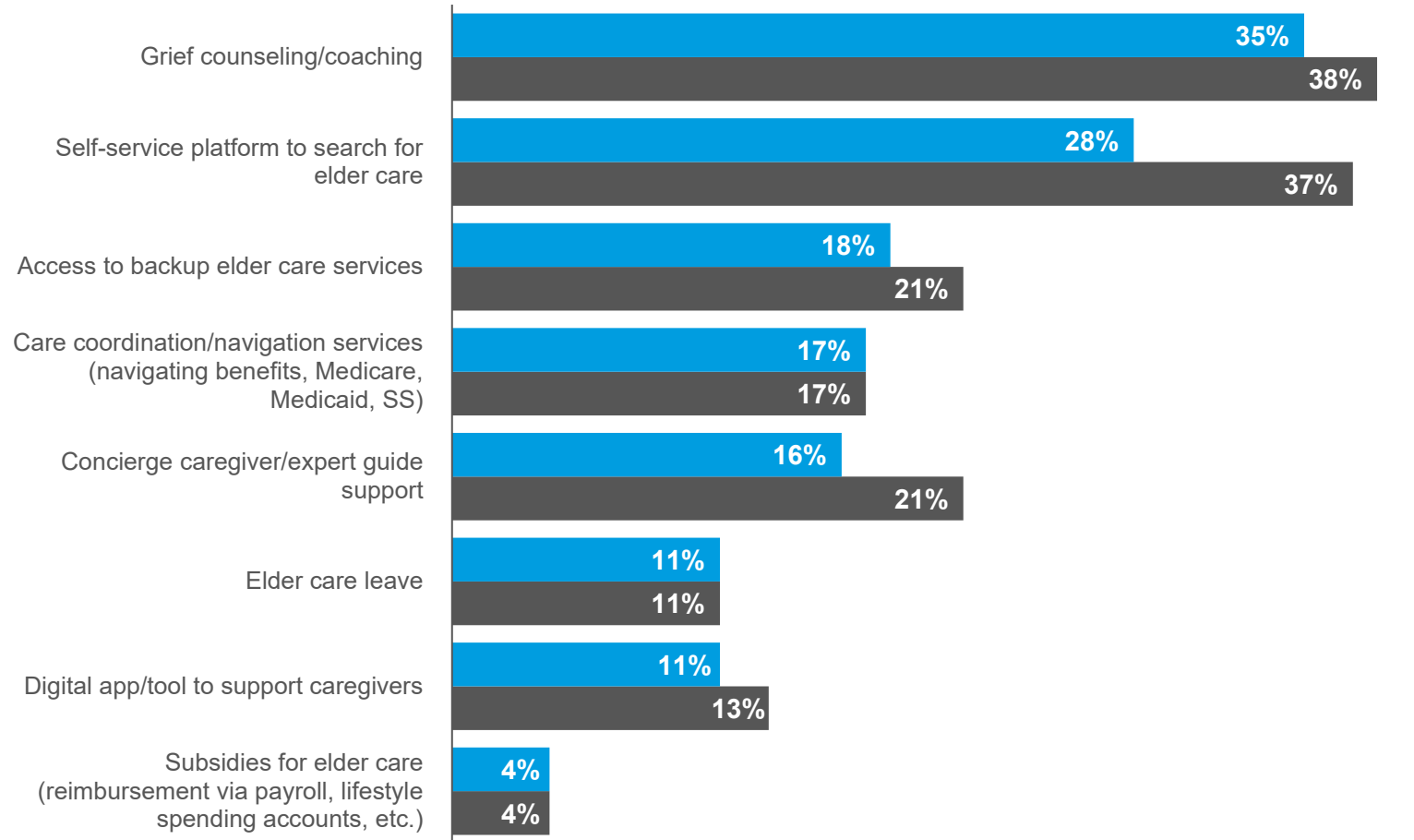
Among employers offering a subsidy, median annual amount:

\$1,500

Employers with 500 or more employees

Elder care benefits and resources

Offer or will offer in 2026



58% of all large employers, and **62%** of those with 5,000 or more employees, provide at least one of these caregiver resources

The background features a white-to-orange gradient bar on the left side. To the right of this bar, there are several thin, wavy, light orange lines that create a sense of movement and depth.

Inclusive benefits and health equity

Benefits and resources to support women's reproductive health

59% of employers will offer one or more of these benefits* in 2026

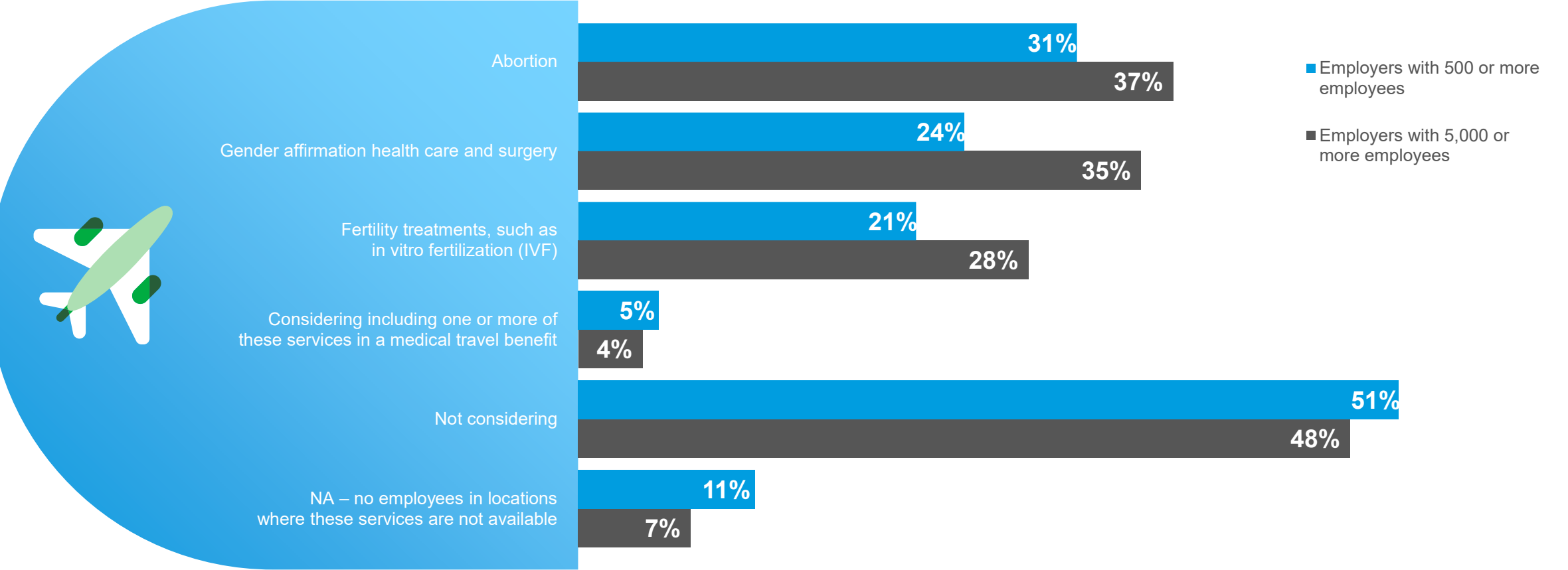
*enhanced or standalone benefits

Employers with 500 or more employees

Currently offer
or plan to offer in 2026

Pre-conception family planning	34%
High-risk pregnancy	35%
Pregnancy loss	27%
Coverage for doulas	12%
Lactation support	36%
Breast-milk shipping	19%
Postpartum mood disorders (e.g., depression, anxiety)	29%
Return-to-work support	31%
Menopause	25%

Health services covered under a medical travel benefit for members that must travel out of state or a long distance to obtain services

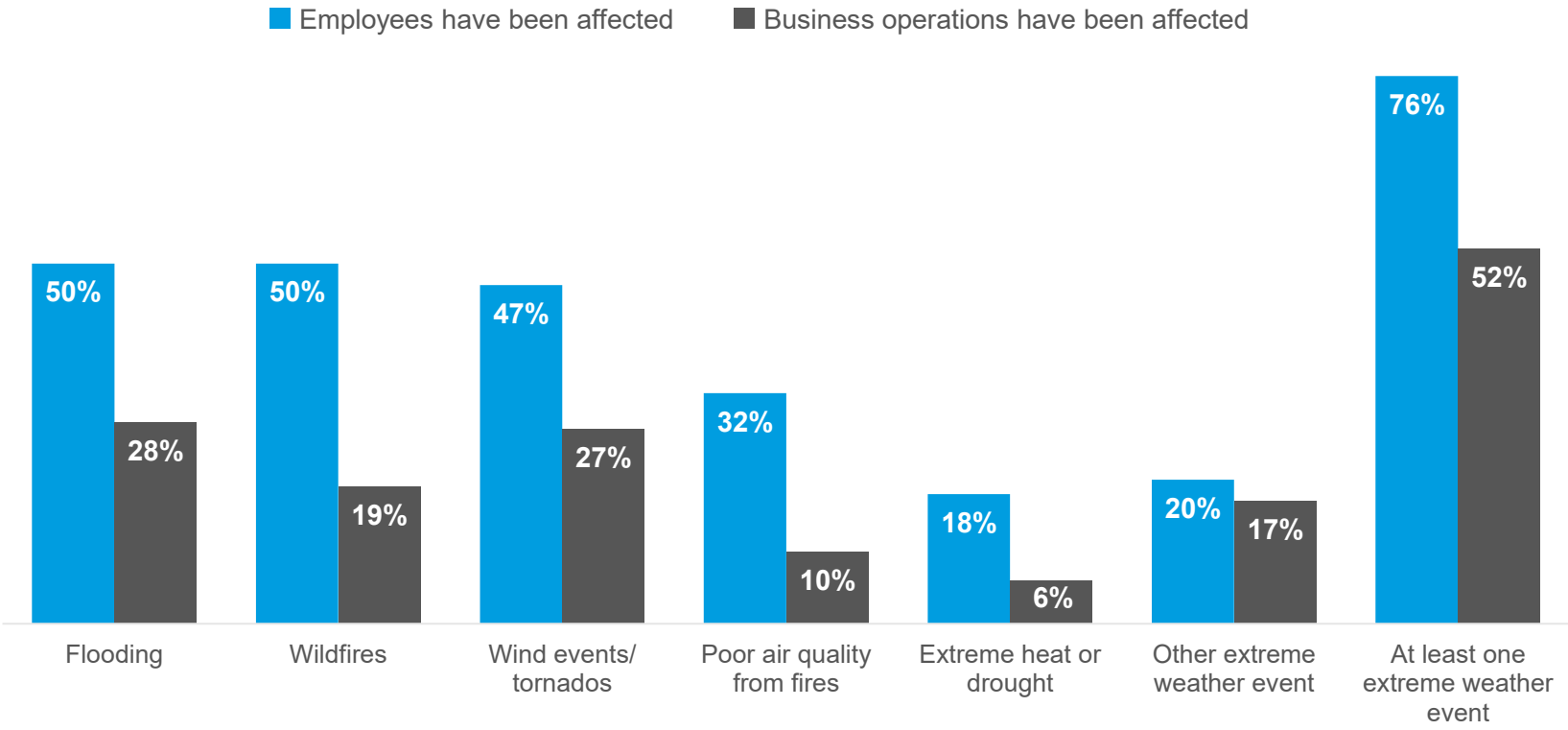


Employers with 500 or more employees

Extreme climate and employee health



Three-fourths of employers say severe weather has affected their employees in the past two years, and half say their business operations have been affected



Employers with 500 or more employees

Employers are moving to implement programs to support employees affected by extreme weather events

Currently in place or planned for 2026

Streamlined access to benefits/support	18%
Guidelines to protect worker safety and health from severe weather	25%
Mental health support for eco-anxiety	30%
Process to offer relief funding to impacted employees	23%
Provide paid leave for those impacted by severe weather	21%
Provide relief funding to Red Cross or other non-profit support for victims	11%
Support for physical safety at home	7%
Fast-tracked leave and disability approval process	7%
Vulnerability assessment to understand which employees are most at risk	4%

66% of employers will have one or more policies or programs in place to address climate risks for the workforce in 2026, up from **53%** in 2025

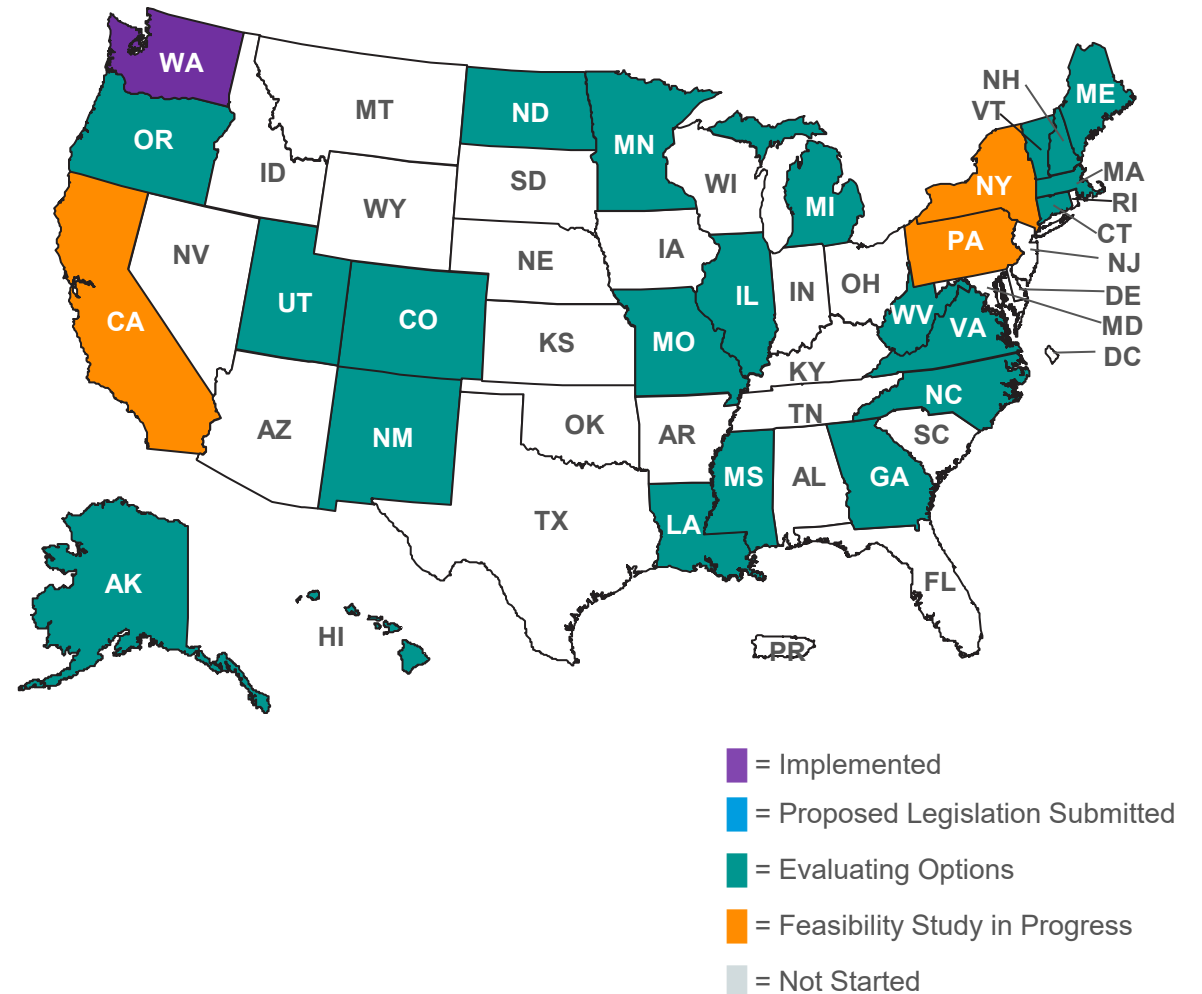
Employers with 500 or more employees

Long-term Care Benefits

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State of the Long-Term Care (LTC) Market

- **Statutory landscape:** **26 states** have or are **evaluating a public LTC program**
- **Aligns with broader benefits strategies:**
Enhances current benefits package and supports DE&I and overall financial well-being initiatives.
- **Trending employee benefit:** **42%** of large employers are considering offering LTC in near future (*up from 17% who currently offer it*).*
- **Market evolution:** **Hybrid long-term care** policies provide the innovative voluntary benefit solution diverse employee populations expect while ensuring product solvency.



Long Term Care Benefit

Hybrid Life with LTC Dashboard

Key

●

Notable strength

●

Notable weakness

Trustmark – Universal LifeEvents

Plan Design	LTC Component	Premiums
★★★★★	♥♥♥♥	\$ \$

Financial & Billing	
Credits	\$0.50 PPPM per inforce policy per month for 12 months
Billing Method	Payroll Deduction, Self Bill or List Bill
Rate Guarantee	None
Plan & Administration	
Policy Type	Universal Life
Guarantee Issue EE	\$150,000
Guarantee Issue SP	Amount purchased by \$3 per week or \$25,000
Max Face Amount	\$300,000
LTC %	4% for 25 months
Life Age Reduction	Reduces to 1/3 at later of age 70 or 15 policy years
LTC Age Reduction	None
Cash Value Guarantee	Not Guaranteed
Death Benefit Guarantee	Not Guaranteed
LTC Riders	Extension (25 additional months) / Restoration (100%)
Terminal Illness	75% of death benefit when given 24 months to live
Meets LTC Requirements	Qualified for Tax Code Section 101
Value Adds	Cariloop

Understanding Riders

Hybrid Life + LTC

Restoration Rider

Benefit Calculation	Restoration
Face Amount	\$75,000
LTC % (home or facility)	4%
Monthly Benefit	\$3,000
Duration	25 Months

Total Death Benefit **\$75,000**

Total LTC Benefit **\$75,000**

Definition:
Restores the face amount to be used for life insurance death benefit.

Extension Rider

Benefit Calculation	Extension
Face Amount	\$75,000
LTC %	4%
Monthly Benefit	\$3,000
Duration	25 Months
LTC Extension	25 Months

Total Death Benefit **\$0**

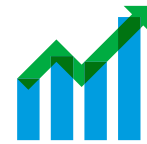
Total LTC Benefit **\$150,000**

Definition:
Doubles the benefit amount of the long-term care rider but depletes the death benefit.

The above illustration is showing 100% restoration.

In planning for 2026, employers are focused on the challenges posed by higher cost increases.

At the same time, they remain committed to healthcare affordability and attractive, inclusive benefit offerings.



Plan for faster cost growth and consider the impact on affordability



Network strategies are evolving. Explore potential cost savings for your employees and your program



Bold moves – with an eye toward the long-term -- may be needed in today's challenging environment

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