

AON

Health System Employer Benefits Trends and Strategies

ASHHRA Benefits Symposium

January 28, 2025



Aon's Healthcare Industry Practice

Health Solutions

Specialized service to healthcare clients:

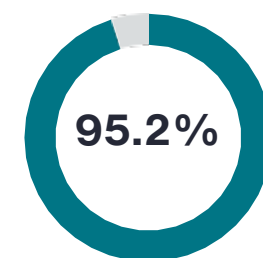
- Local market insight supported by national best practices
- Industry-specific benchmarking across all benefits
- Experience in healthcare operations and delivery
- Data-driven and evidence-based approach for actionable insight
- Expertise in establishing health plan governance with multiple stakeholders
- Healthcare SMEs in M&A, talent & rewards, risk, reinsurance, and retirement



Aon's Health Solutions Consulting–Healthcare Industry Practice a national practice consisting of:



450+
healthcare clients



95.2%
client retention

Innovations:



Hospital benefit survey
that includes **1,500+** hospitals



Pharmacy purchasing coalition
with dedicated hospital-focused
service team



Physician Total Rewards
unique ways to address physician
recruitment and retention

Highly experienced with:

- Academic medical centers
- Community hospitals
- Specialty and children's hospitals
- Physician practice groups
- Senior living and long-term care
- Provider-owned health plans

We serve healthcare organizations as both...

Employers

- Plan Design
- Network Tiering
- Member Engagement
- Care and Benefits Navigation
- Wellbeing Strategy
- Time Away & Life Solutions
- Vendor Management & Optimization
- Audits
- Voluntary Benefits
- Union Relations
- Pharmacy Coalitions
- Executive, Physician, and Staff Benefits
- Diversity, Equity, Inclusion & Belonging
- Workforce Resilience

Providers

- Population Health
- Value-Based Care
- Care Management
- Domestic Steerage
- Internal Pharmacy
- ACO Integration
- GeoAccess and Specialty Network Analysis
- Centers of Excellence
- Commercial Plans
- High-Performing Networks

Risk Capital

Corporate Risk

Reinsurance



Human Capital

Health

Wealth

Talent

What is the Benefits Survey of Hospitals?

Our survey is in its nineteenth year of providing the crucial benchmarking and trend data hospital employers need to make informed decisions:

Participating hospitals receive the comprehensive report and regional benchmarking at no cost

In 2024, 157 health systems, representing over 1,500+ hospitals and 3.3+ million employees across the U.S. participated.

We receive direct feedback on “hot issues” and innovations from hospital CHROs and Benefits Executives.

The 2024 survey provides invaluable insight into the most prominent health and benefits trends and priorities impacting health system employers.

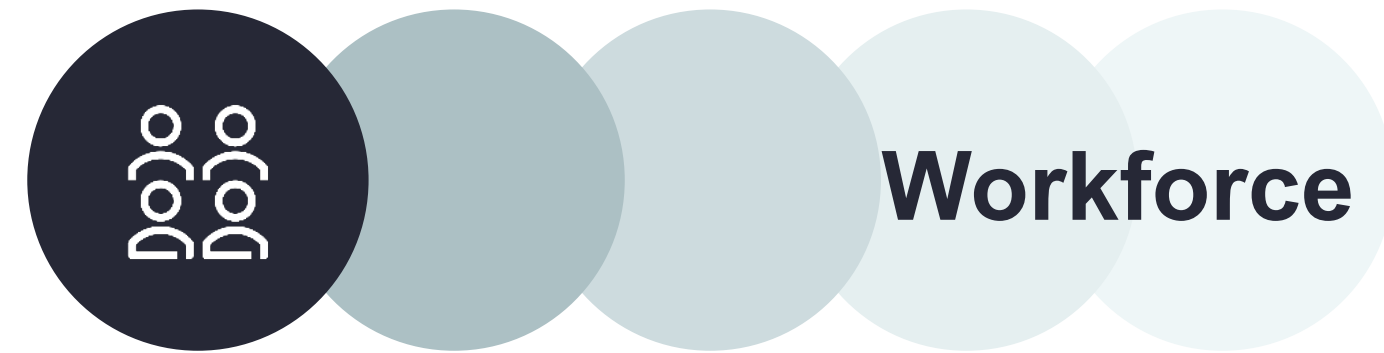
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2024 Benefits Survey of Hospitals



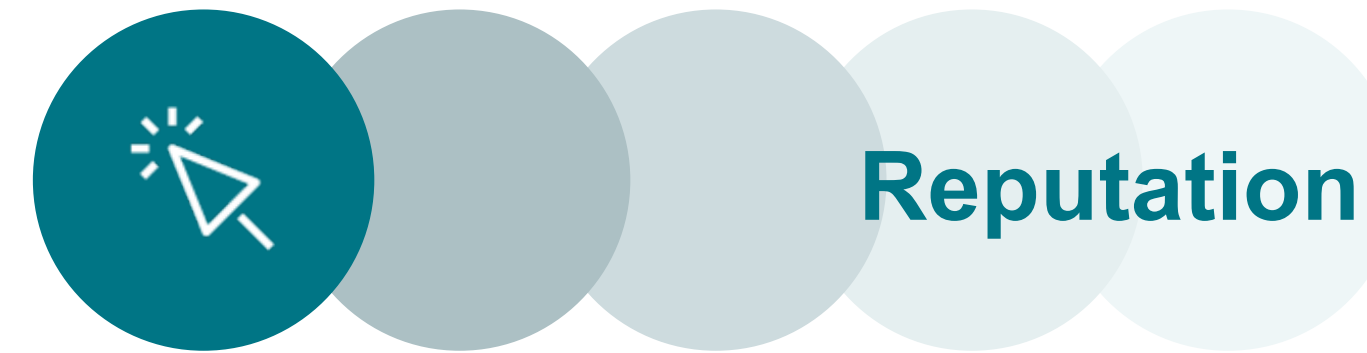
Human Capital is a Top Priority for Leaders Across the Globe

Total Rewards is a Key Focus



4th

Failure to attract and retain talent is the fourth biggest risk facing organizations today.



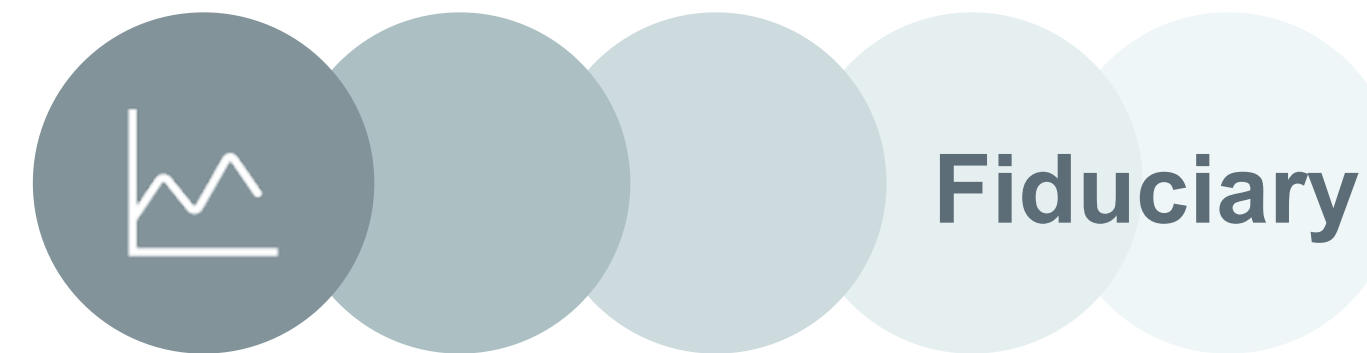
8th

Biggest risk for organizations. Consistently been a top 10 risk since 2007.



9%

Costs are increasing for employers due to general inflation, high health plan trend rate (9%), talent shortages, and pay demands.



5th

Regulatory or legislative changes are the fifth biggest risk facing organizations globally today.

An Evolving Industry Landscape

Healthcare Providers & Services – 2025 Snapshot

Top of mind for **Healthcare** employers as they tackle key organizational risks:

Workforce

- Offering **competitive total rewards packages** to help with recruitment and retention is critical
- Most provide **comprehensive wellbeing programs**, yet only half feel these efforts are effective
- Healthcare employers cite improving access to **mental health services and providers** as their top concern

Affordability

- **Balancing the need to address affordability** for low-wage earners via reduced out-of-pocket expenses or income-based employee contributions, **and the need to manage rising employer costs** by assessing overall employer subsidy strategy
- **Tightening network steerage strategy** to reduce employer costs

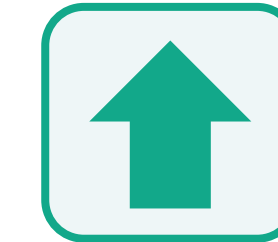
Reputational

- Competitive landscape changes with **non-traditional healthcare disruptors** offer more career opportunities for employees
- Healthcare employers **can improve employee understanding of the value of their benefits** to help drive satisfaction and retention
- **Employee burnout** impacting workforce resiliency and retention

Fiduciary

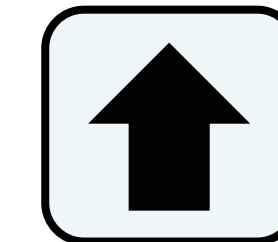
- Unique position as the provider of healthcare services AND the health plan sponsor **creates additional fiduciary responsibilities and scrutiny**
- Implementation of **Health Plan Governance committees** with cross-functional representation to ensure proper oversight

Industry Stats



Benefit Value¹: 93.2% (National 100.0%)

Workforce; Affordability



Functionally Underinsured Rate²: 25.0% (National 22%)

Affordability



Employer Health Subsidy³: 82% (National 80.0%)

Affordability



Employee Cost Trend⁴: 1.4% (National 2.8%)

Affordability

Tailwind

Headwind

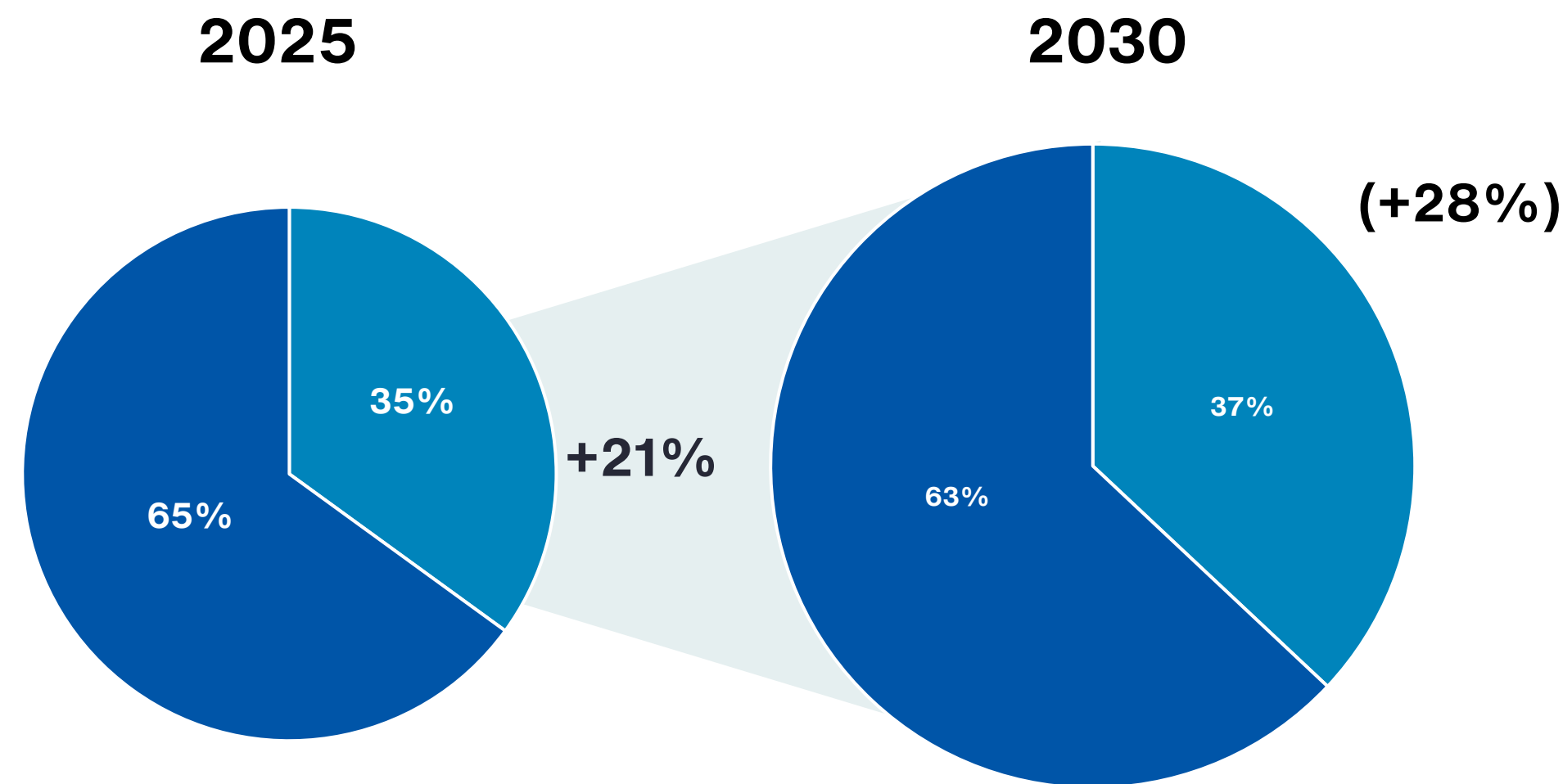
Consistent

Note: Direction of arrows represents movement since last period

High Healthcare Trend a Barrier to Making Progress on People Risks

U.S. Healthcare Costs Continues Consuming Larger & Larger Share of Total Rewards Spend

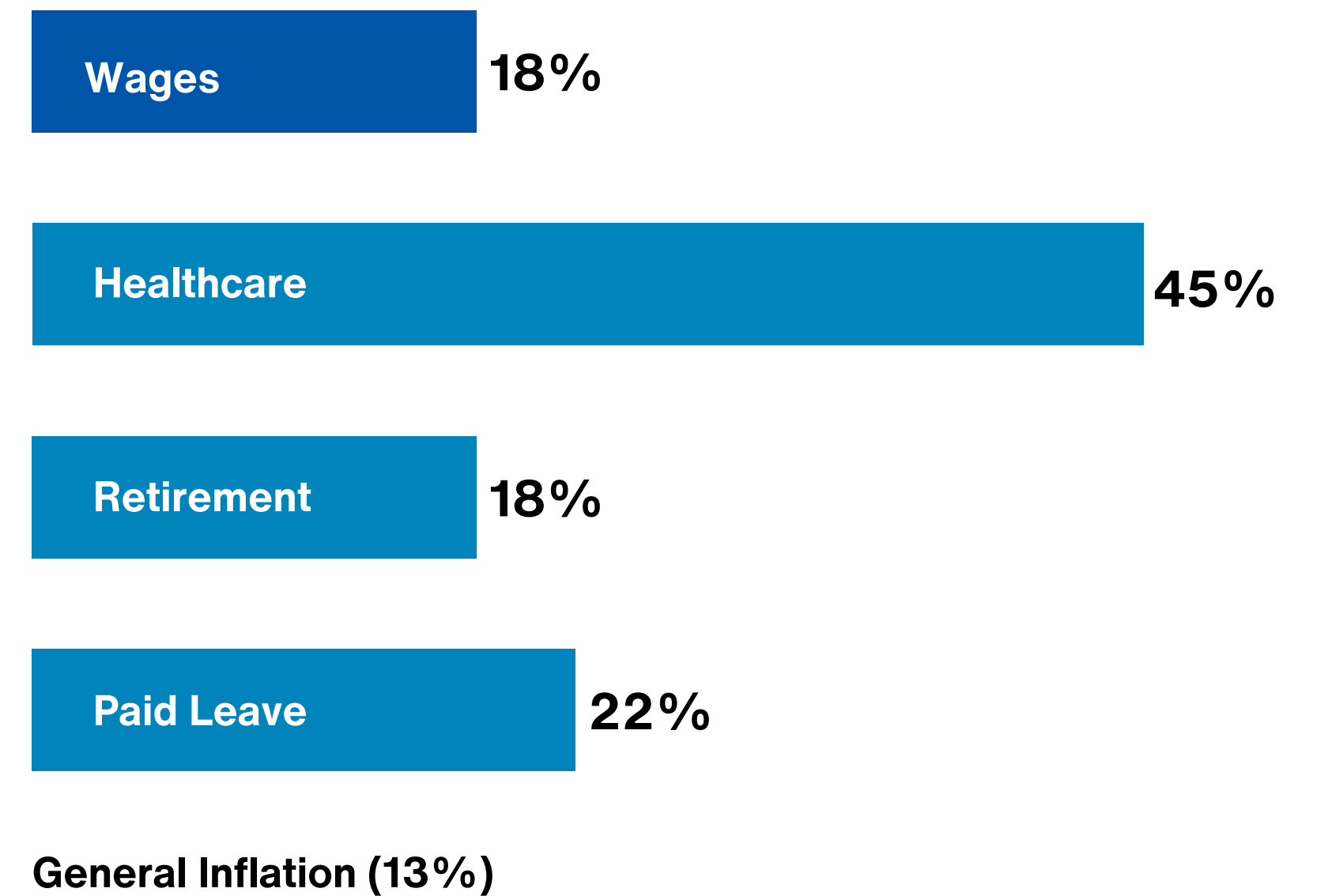
Total Rewards Makeup



■ Wages ■ Benefit Contributions

Source: BLS, Aon Trend Survey

Total Increase



Cost of Healthcare is Stifling Business Growth



45% of Americans can't access or afford quality care (Gallup)



Rx driving trend, increasing from 25% of total spend to 28% in last 3 years (Aon)

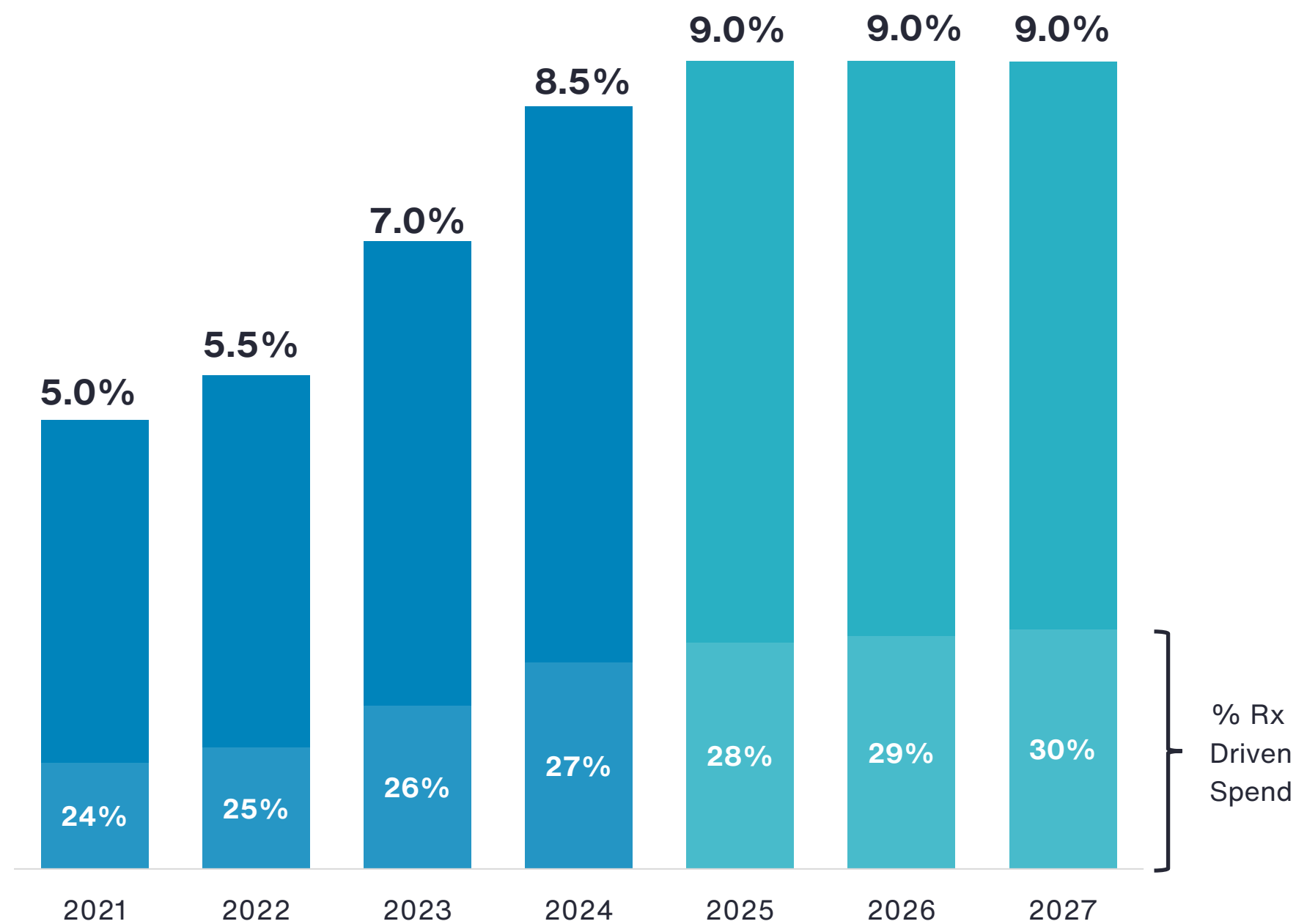


Individuals with low medical affordability cost 2x as much as those with high affordability (Aon)

Drivers of Healthcare Trend Are Enduring







Managing cost while investing in people requires new approaches

Projected Healthcare Trend



WILD CARDS

New artificial intelligence applications, continuing federal and state regulation

Chronic Conditions	Inflation	Gene Therapies
<p>Prevalence and complexity of chronic conditions are increasing across generations and return to care brought large increase in first-time diagnoses. Scientific advancements and longer treatment protocols add to cost to maintain conditions.</p> 	<p>Inflation impact still impacting provider contracts — adding 0.5 to 1 percentage point to anticipated trend. Full effect won't be seen for years due to multi-year nature of contracts. As indications for medications expand, manufacturers raise prices.</p> 	<p>Pipeline for new gene therapy products is robust heading into 2025. There could be 66 new therapies by 2032, addressing a growing percentage of the population, with each treatment costing millions of dollars.</p> 
<p>Continued M&A activity in the payor and provider spaces will continue to put upward pressure on trend due to decreased competition. Government intervention muted thus far in this category.</p> 	<p>HCCs are increasing in frequency and prevalence — 49% increase in frequency and 21% prevalence rate amongst employers of \$1 million claims between 2018 and 2021. Cancers and neonatal are primary category drivers.</p> 	<p>Never has there been such an in-demand drug to such a large addressable market like obesity. GLP-1s will have the impact to add up to a full 1 percentage point of trend in 2024 for employers who cover for all of their indications.</p> 
M&A Activity	High-Cost Claims	GLP-1s

Thriving People Are Most Valuable Organizational Asset

Healthcare Affordability Risk



Achieve Financial Sustainability



- Intentionally & methodically remove low value care pathways
- Dial up focus on addressing next era of cost drivers
- Drive toward transparency and appropriate limits on partner pricing models

Workforce Health Risk



Break Down Recurring Barriers to Health & Wellbeing



- Establish a tolerance threshold for medical affordability, use all levers available to remove barriers
- Scale access to specialized care for traditionally underrepresented populations
- Go beyond chronic condition treatment programs to remove all barriers to maintaining health

Reputation Risk



Use Benefits to Create Meaning & Distinct Value



- Lean into technology to educate, communicate, and bridge the perception gap
- Curate offerings that reward every life stage and reflects individual identity & preferences
- Foster holistic wellbeing through programs that focus on personal development

Fiduciary Risk



Perform Preemptive Governance



- Amp up oversight of vendor programs, including vendor selection due diligence
- Assess current fiduciary liability & use market scrutiny to advance transparency and educate leaders & workforce
- Move to proactive state of operating through data-driven monitoring

People Strategy Becomes The Driver of Organizational Growth

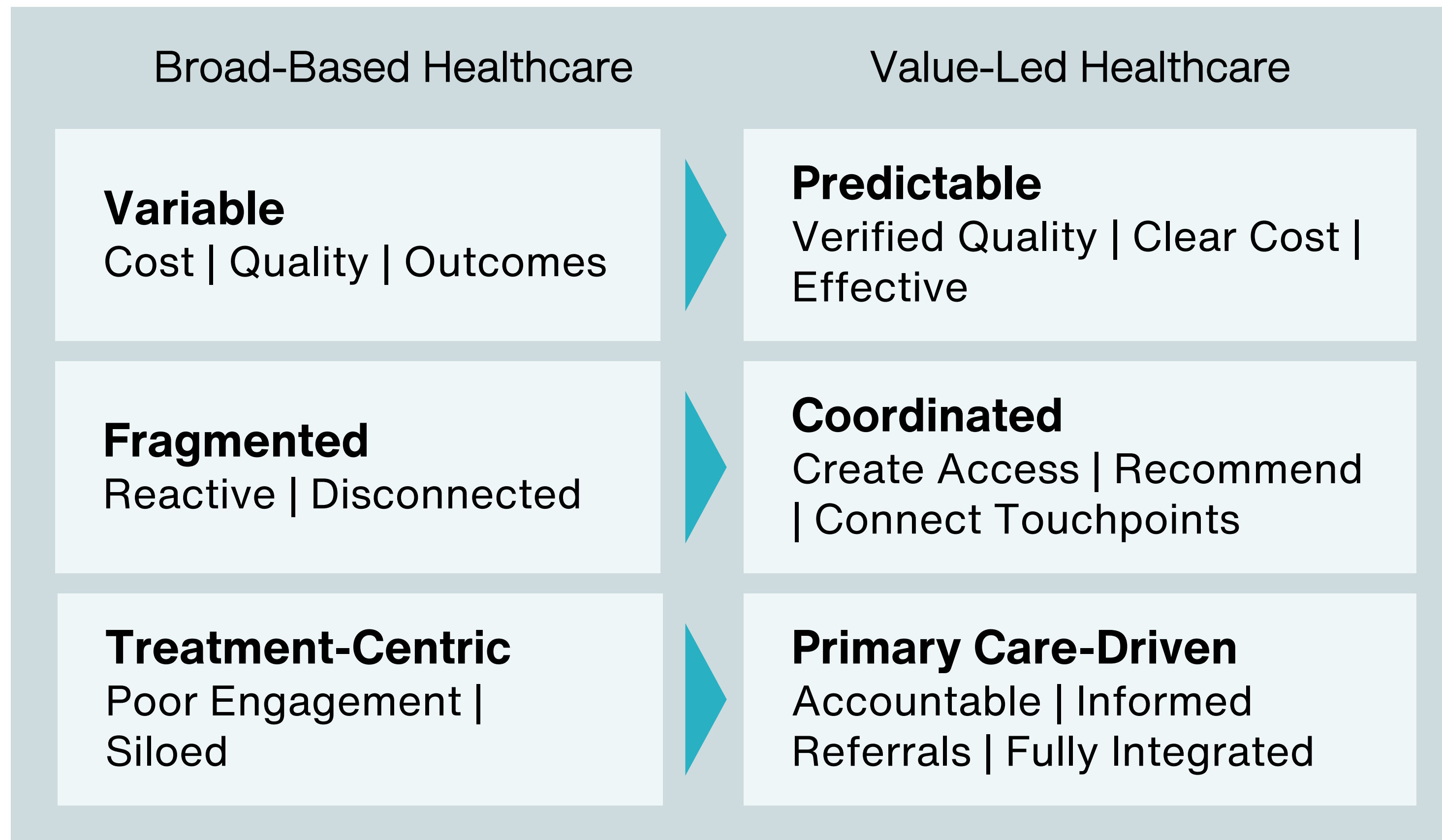
A Shift to Value-Led Healthcare Benefits

Opportunity to Create a Win/Win for Your Organization and Your Employees

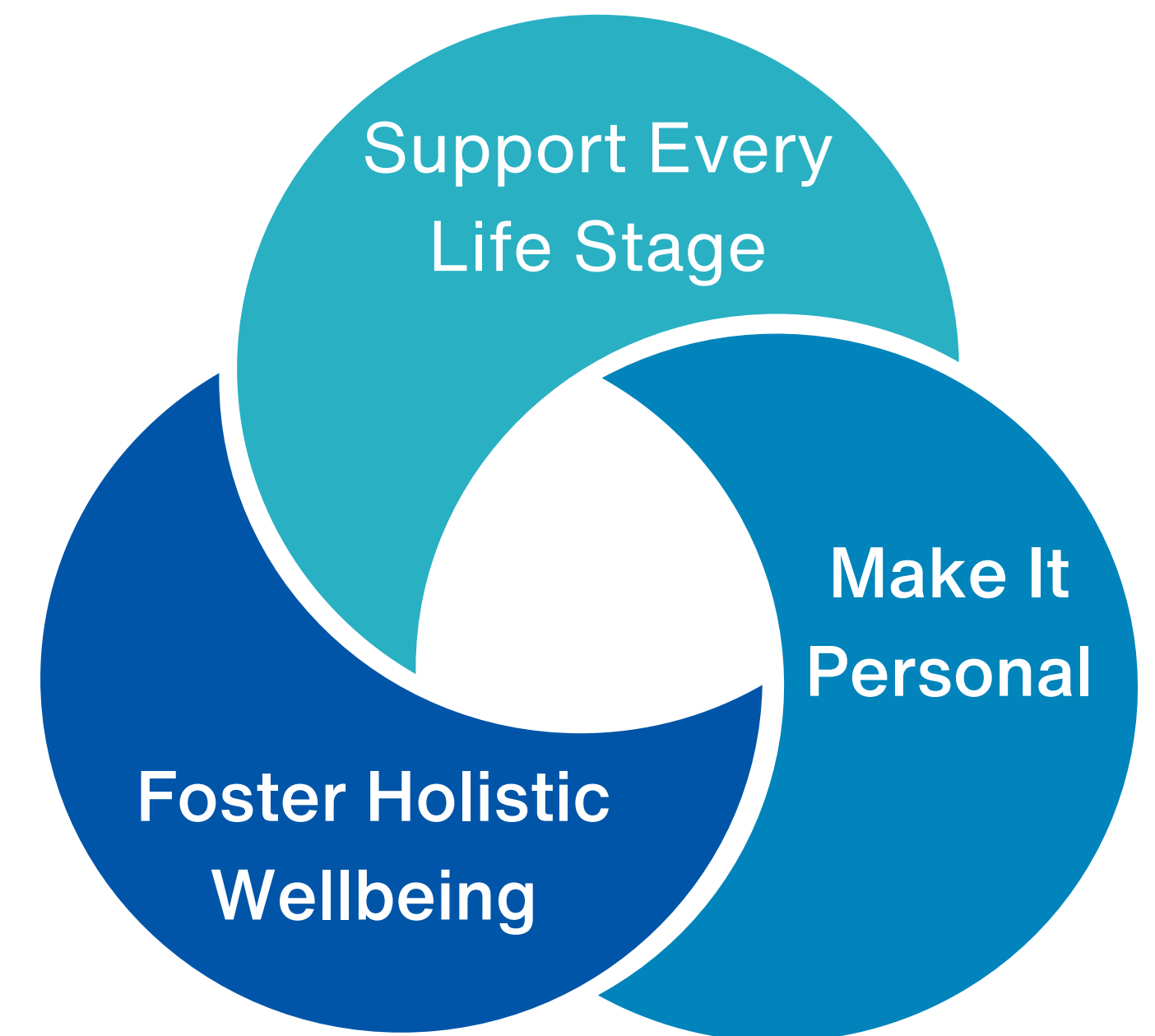
Shift From

Shift To

To Unlock

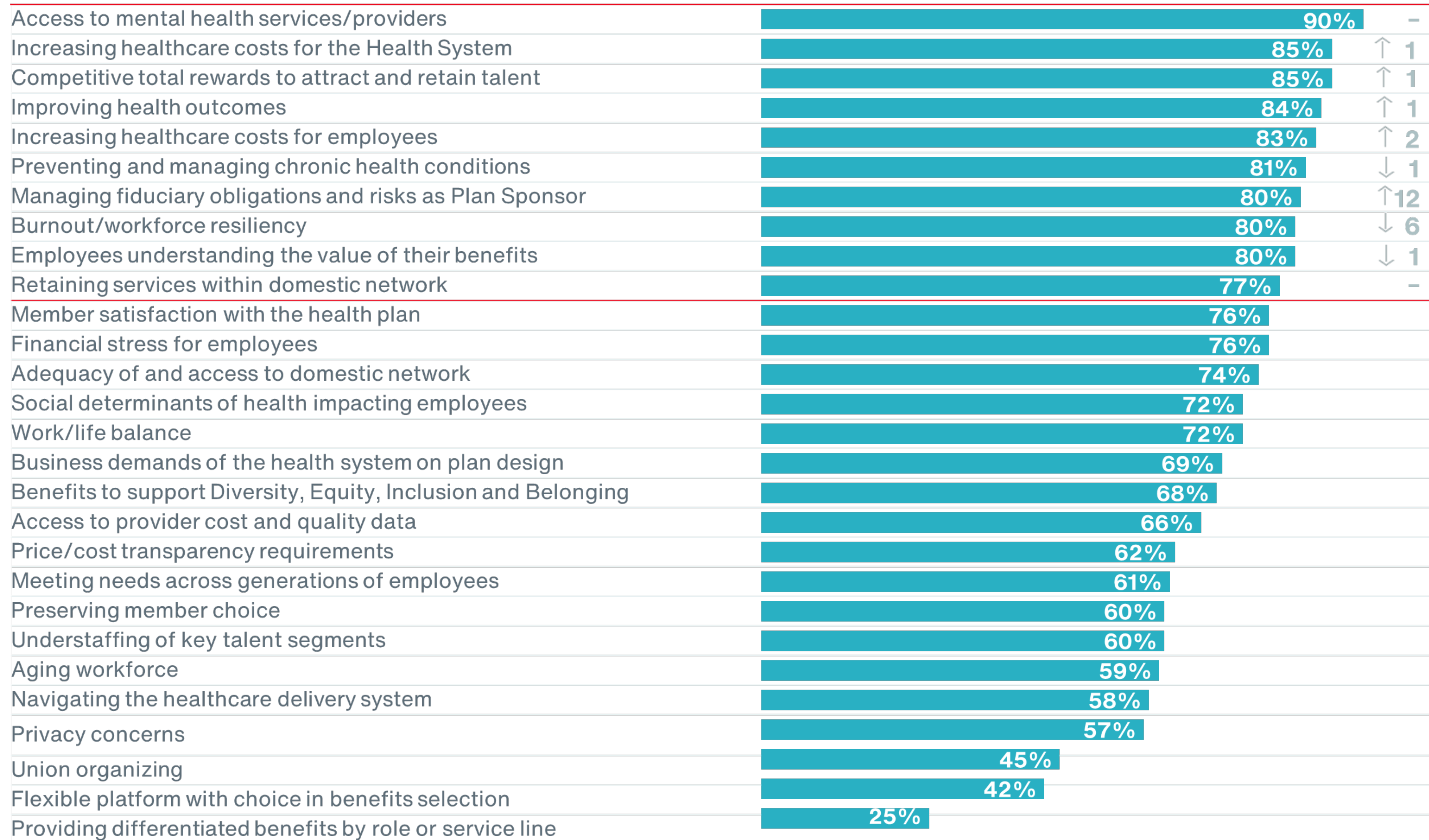


Meaningful Benefits & Rewards



Sustainable | Equitable and Inclusive | Personalized | Connected

Health System Employer Concerns

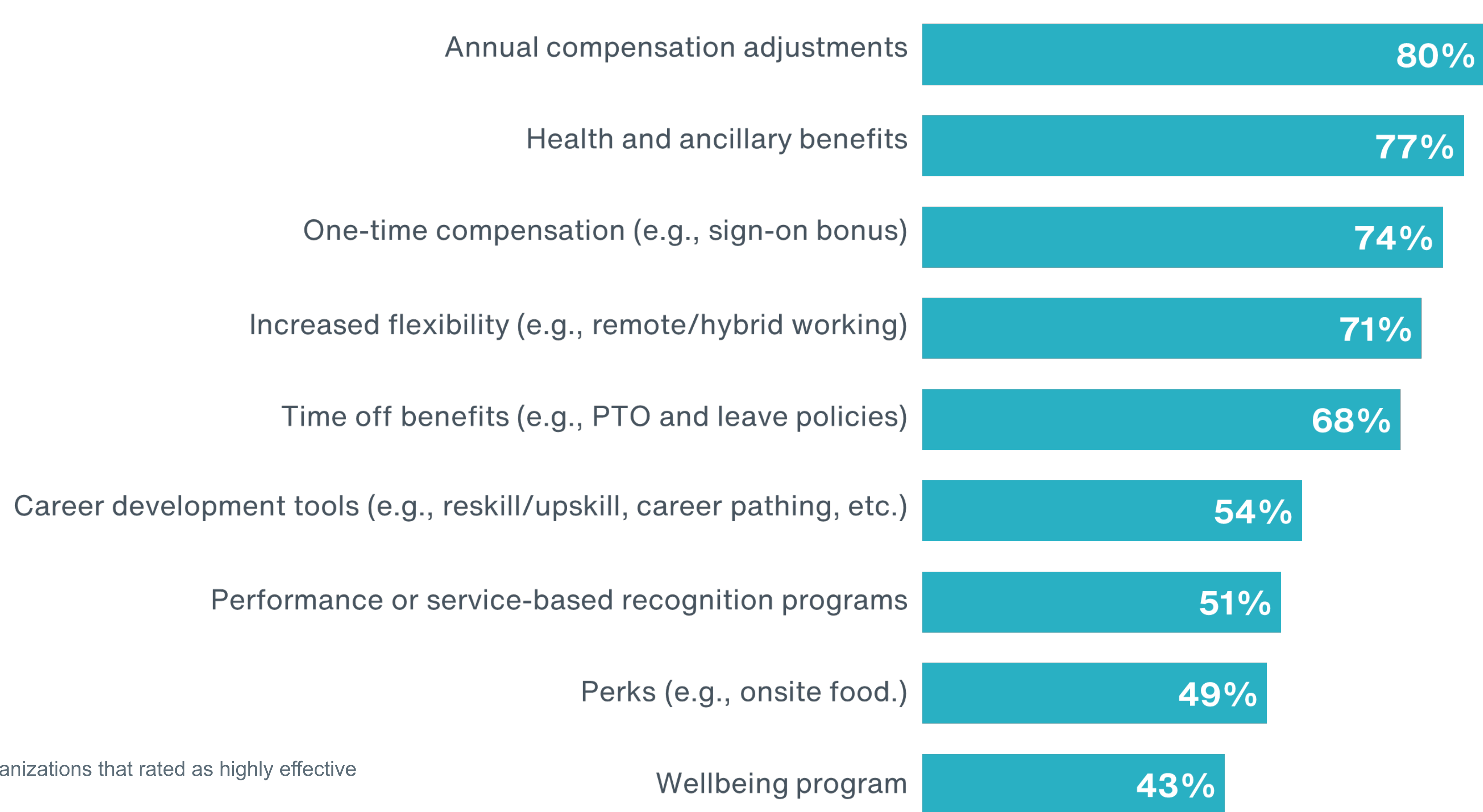


Assessing Your Own Organization



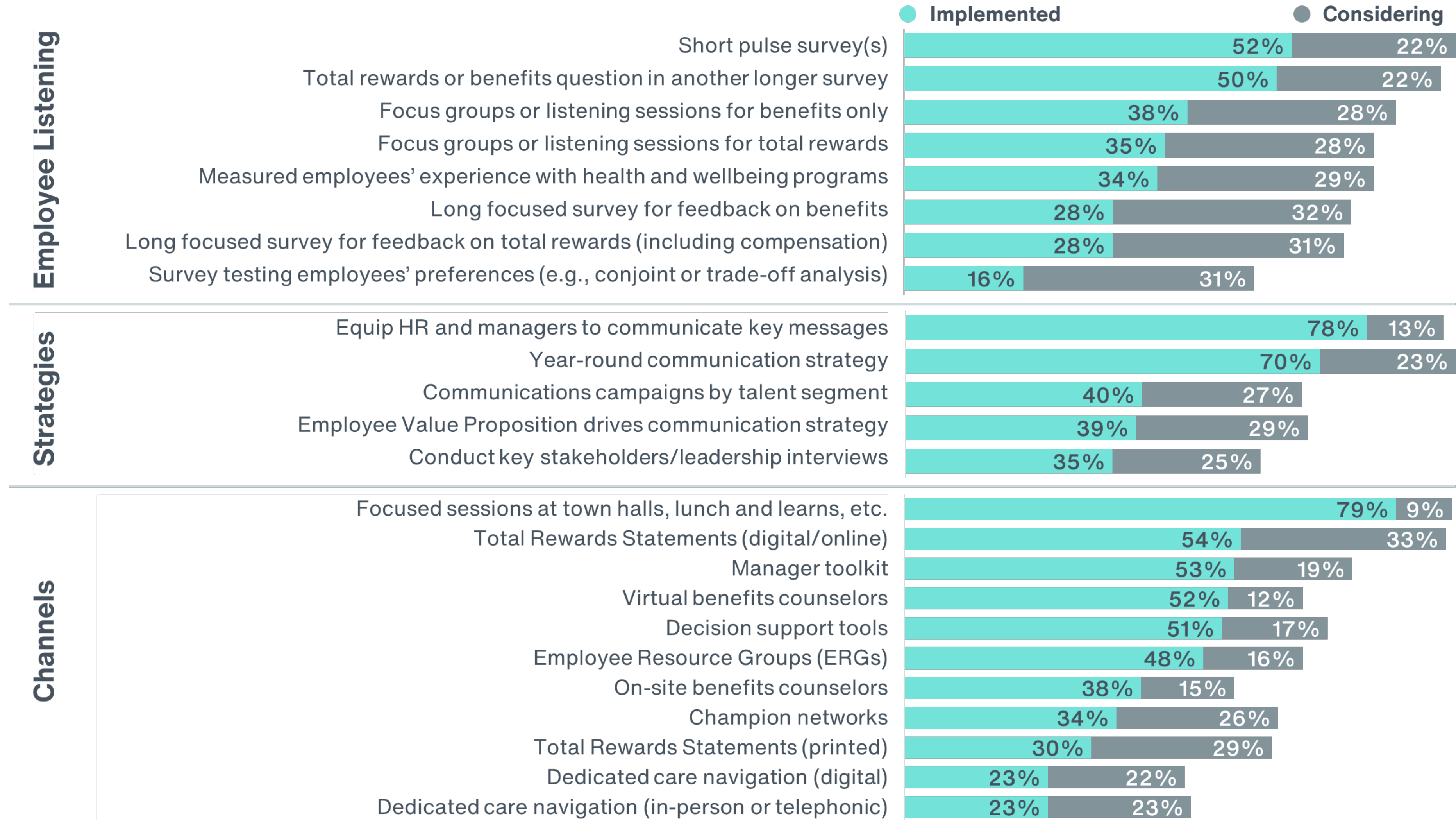
Assessing Workforce Needs

How Health Systems Rate Levers for Effectiveness* In Attracting and Retaining Talent



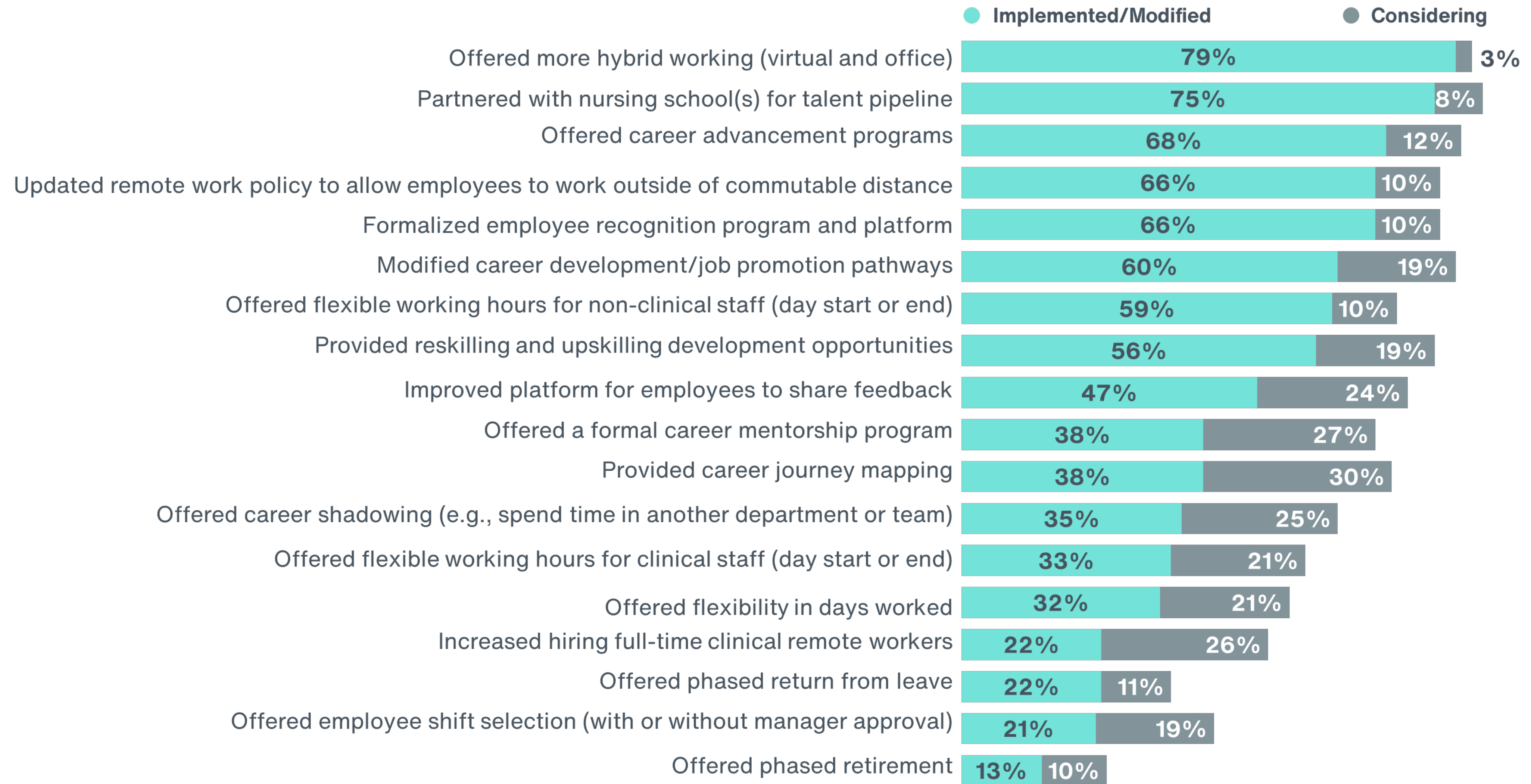
*organizations that rated as highly effective

Assessing Workforce Needs



Responding to Workforce Challenges

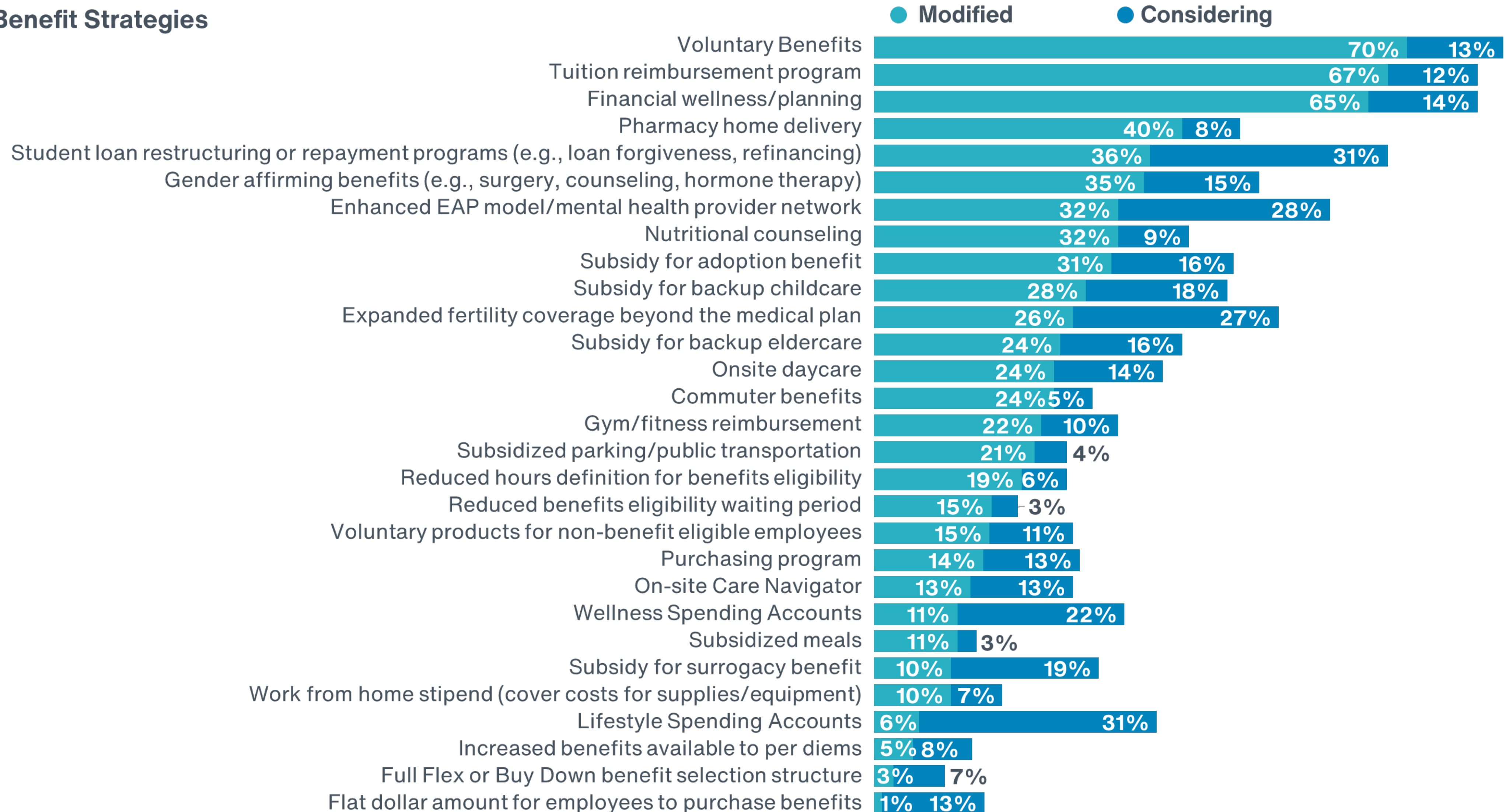
Workforce Strategy Changes



Responding to Workforce Challenges

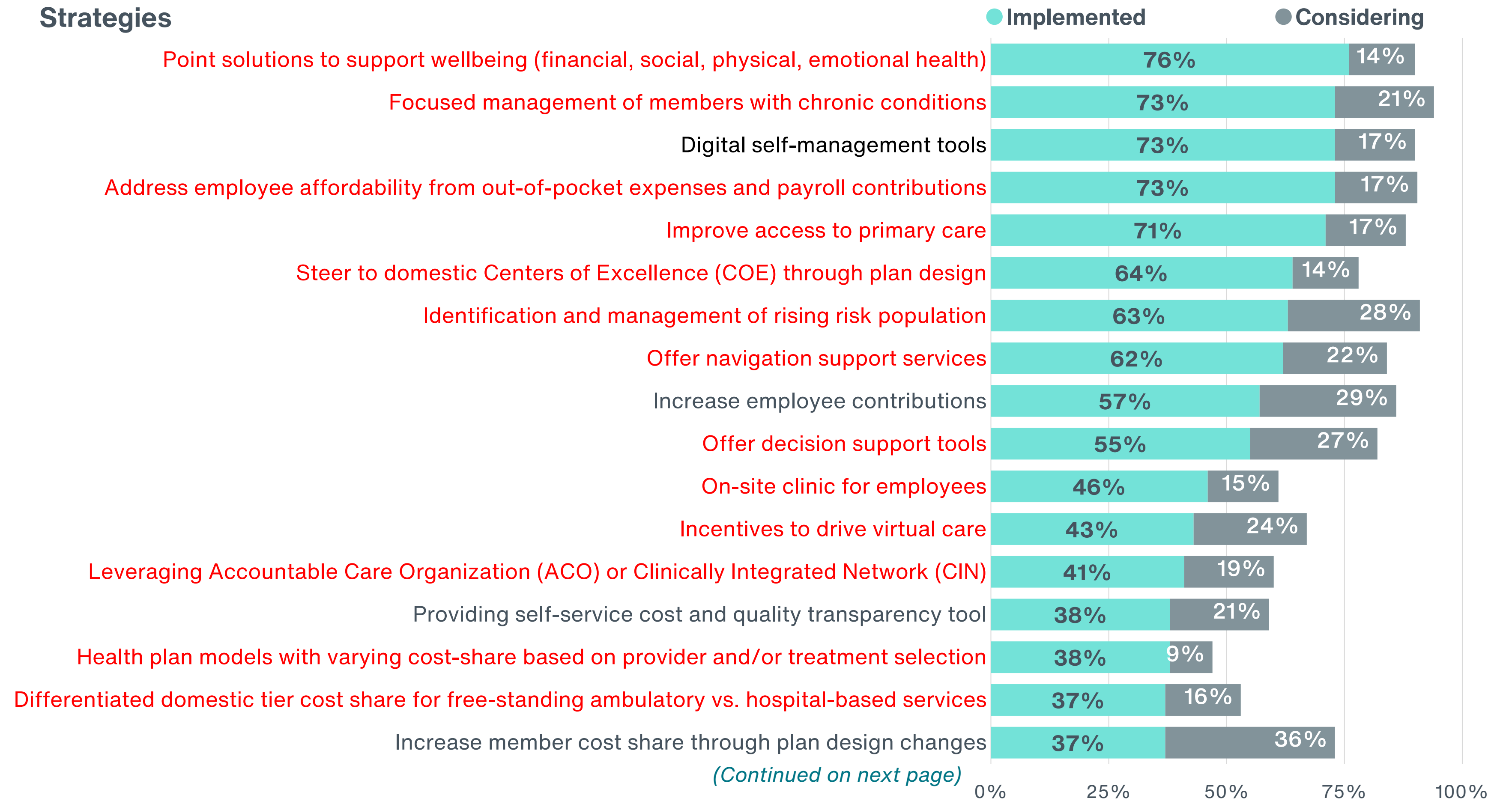
Benefit Offering Modification

Benefit Strategies



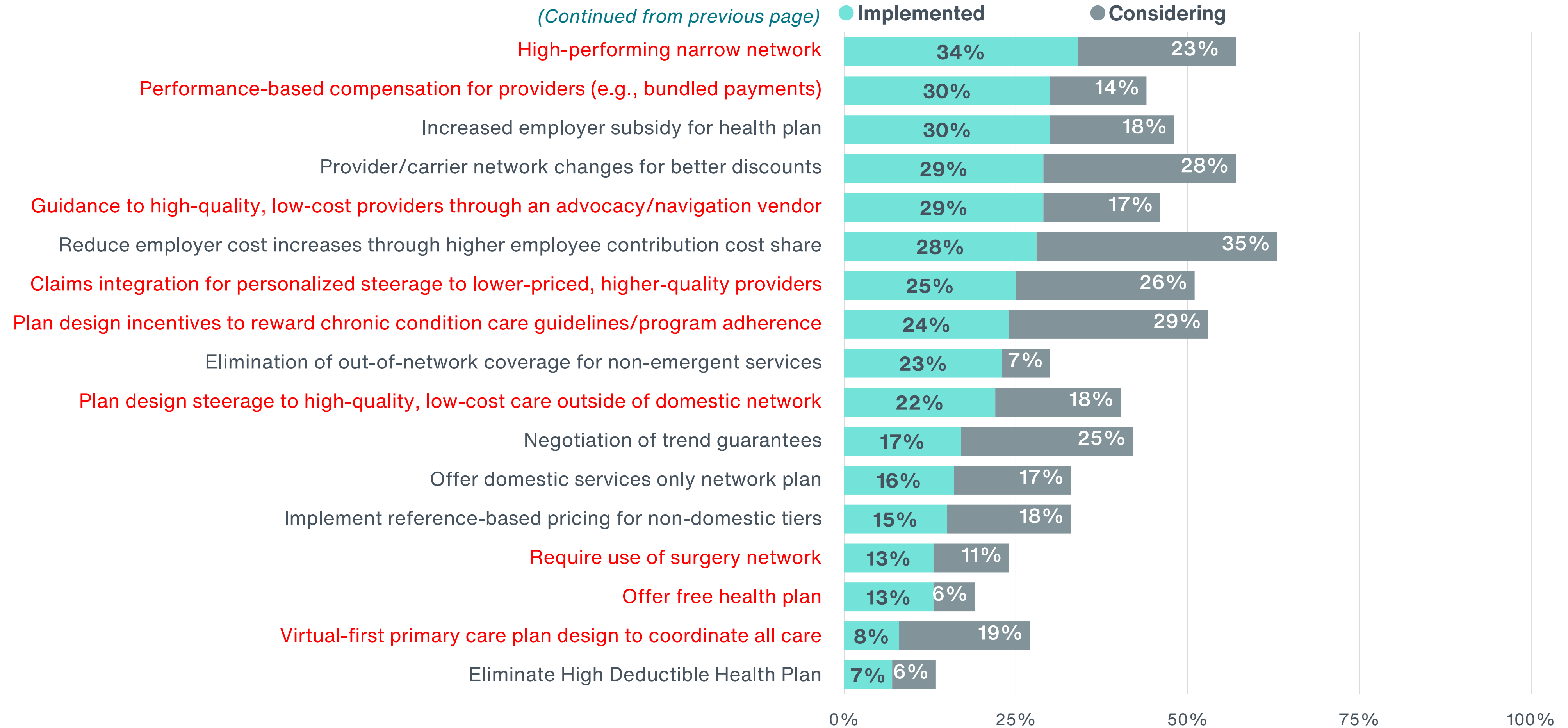
Health Plan Strategies Implemented

Has your organization implemented any of the following health plan strategies to reduce costs, improve quality, or increase engagement?

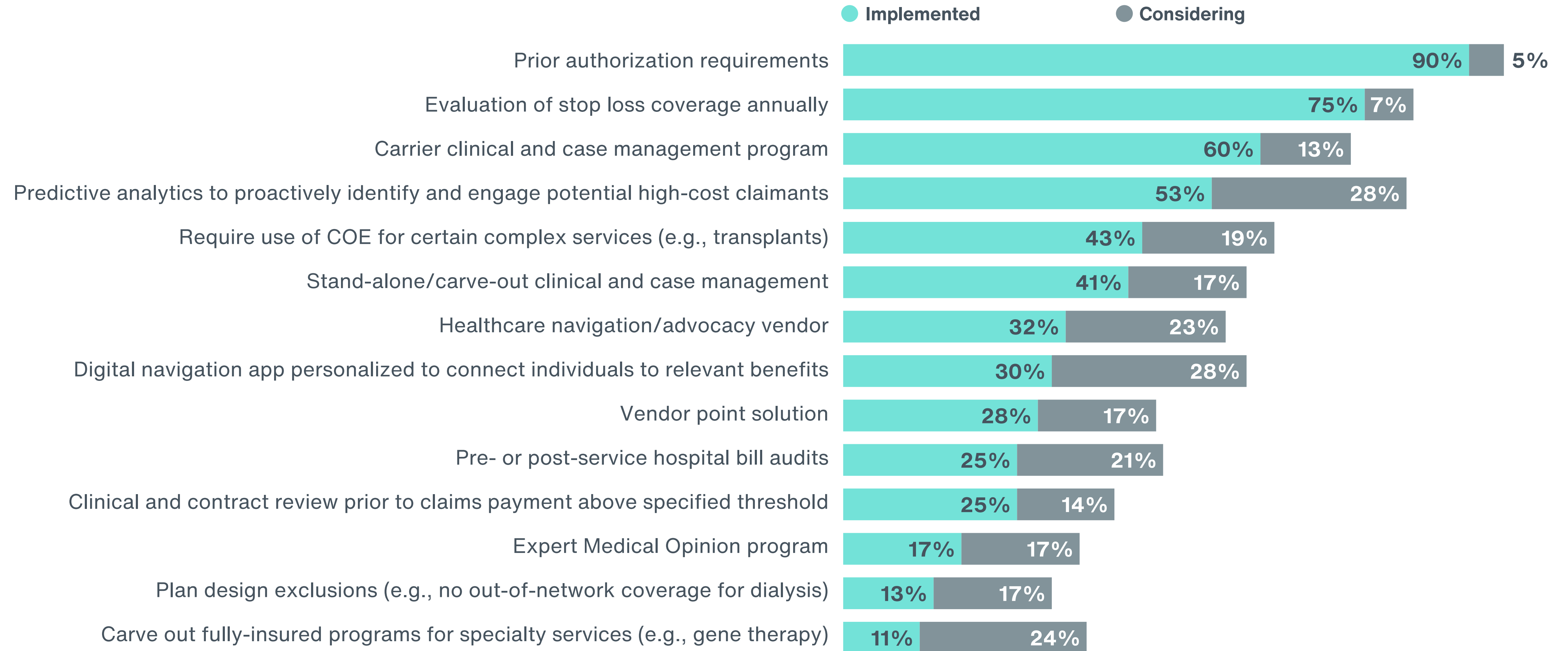


Health Plan Strategies Implemented

(Cont'd)



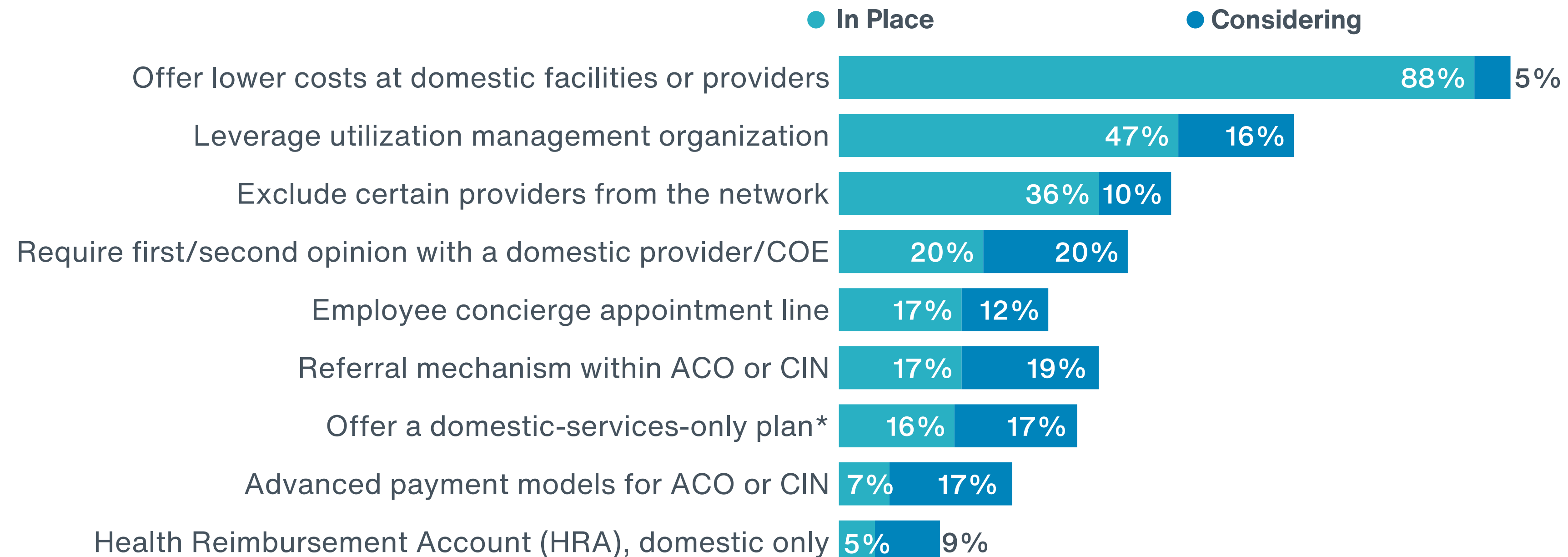
Managing High-Cost Claimants



Domestic Utilization Strategies

What strategies drive utilization to an employer’s own facilities or providers (domestic steerage)?

A key strategy health systems use to address cost (for both employer and employee) and quality is to encourage members to use their own facilities and providers. The ongoing option of remote/hybrid work settings will continue to impact employer strategies and the role of domestic tier designs in the future.

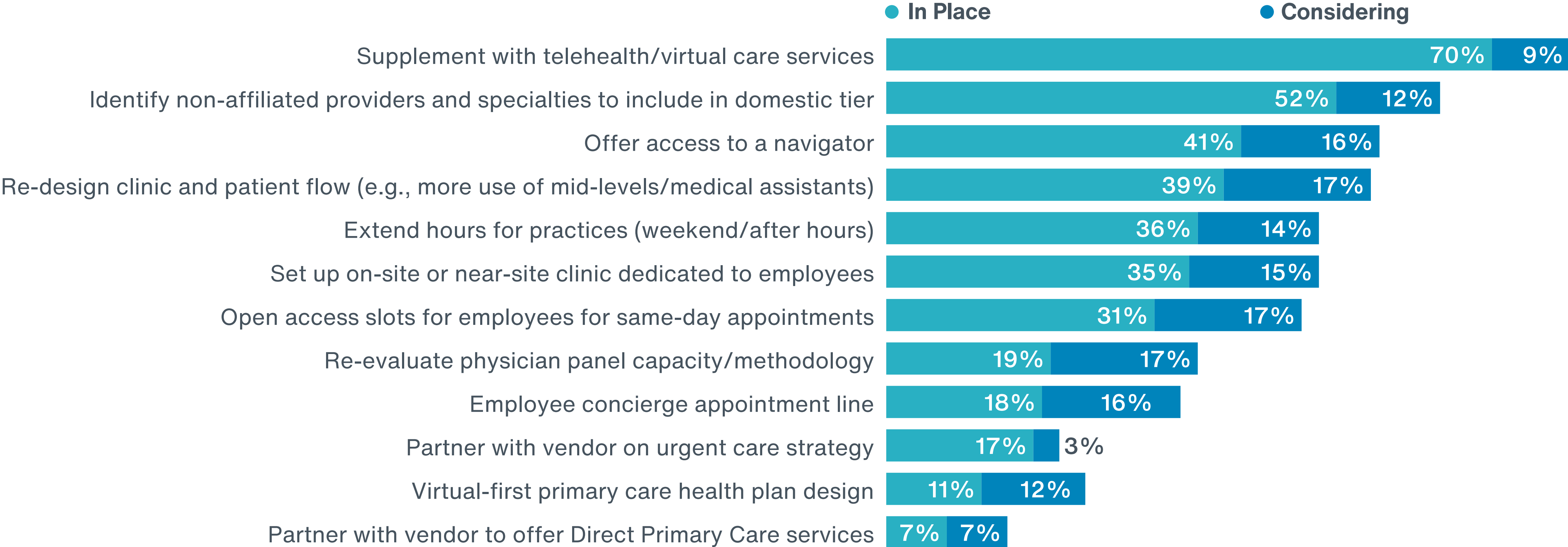


*Some health systems have domestic only for facility-based services while others restrict the network for both facility and professional services.

Domestic Tiers and Networks

Improving Access to Domestic Care

What strategies have hospitals implemented for improving employee access to hospital and physician services within their domestic network?

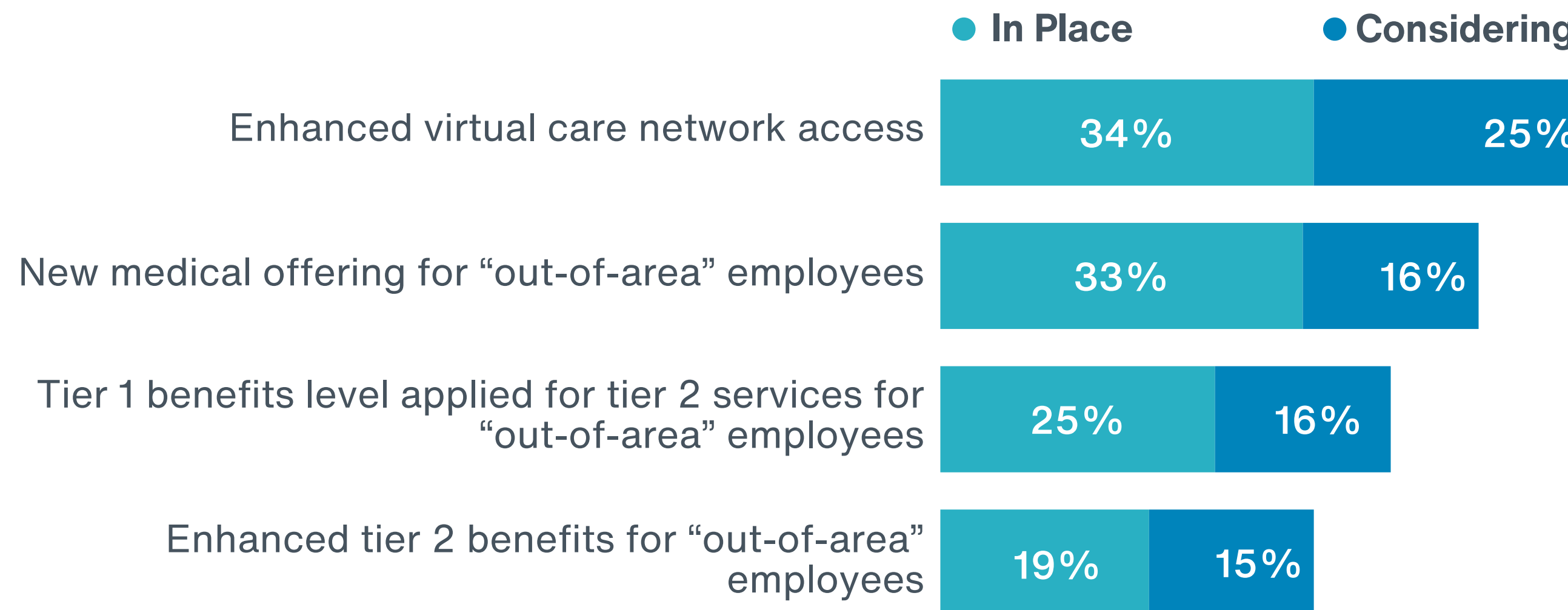


Domestic Tiers and Networks

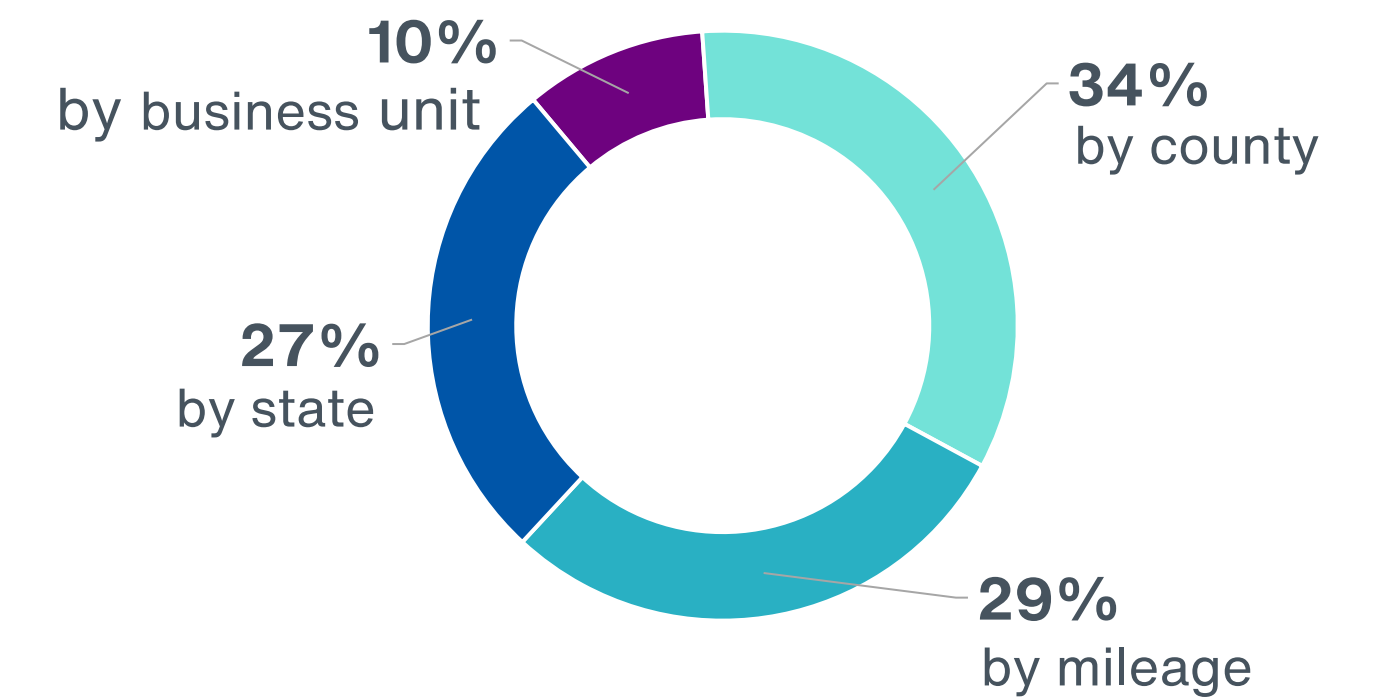
Improving Access to Domestic Care

How have hospitals modified medical plans to accommodate remote workers?

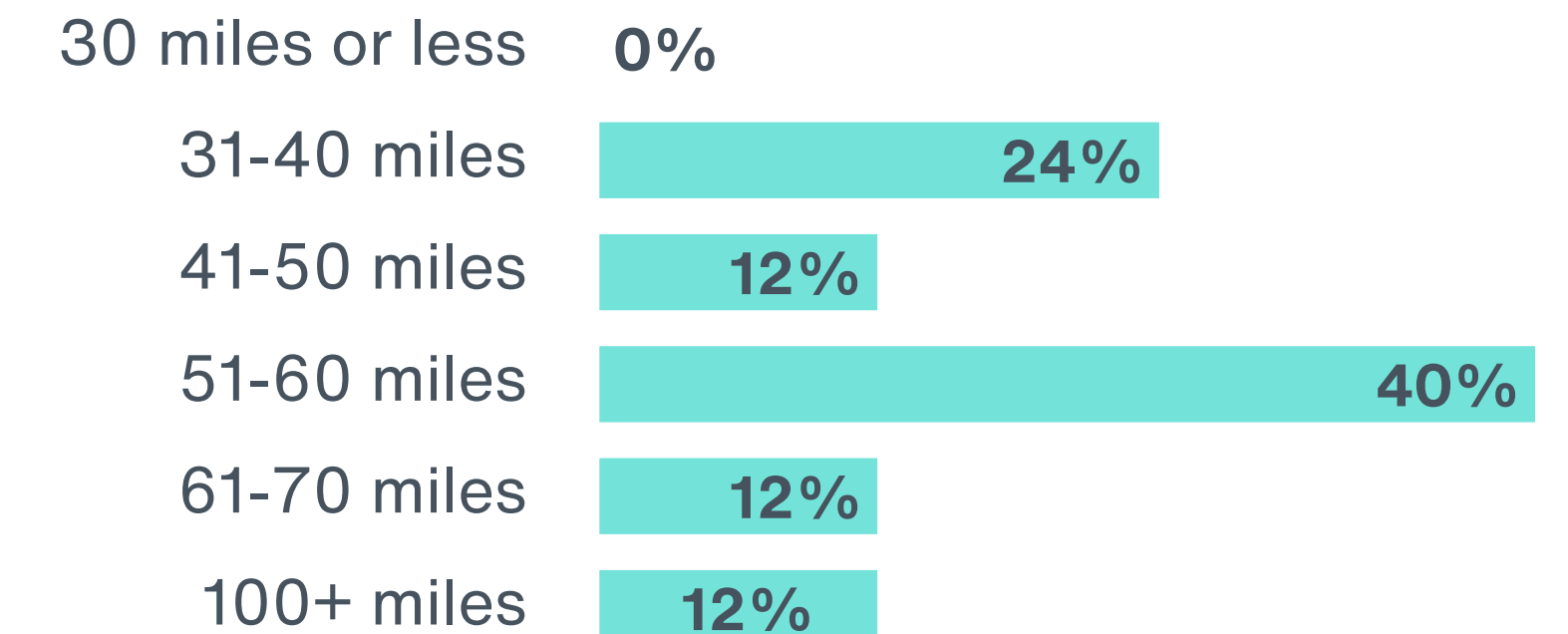
While domestic steerage remains a critical strategy for health systems, hospitals must consider the expanding remote and out-of-area workforce that doesn't have the same access to domestic facilities and providers.



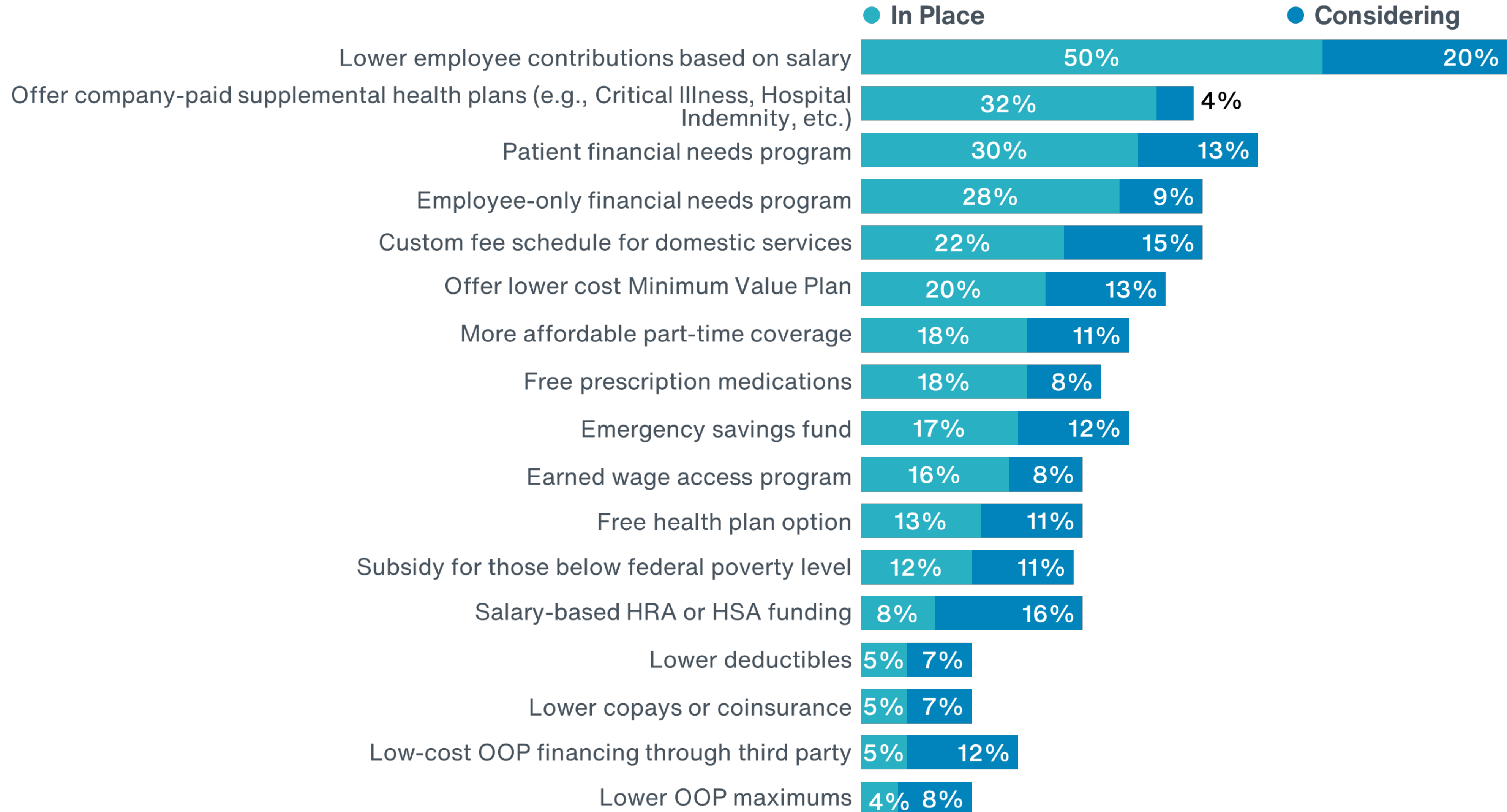
In the question on the left, how do hospitals define "out-of-area"?



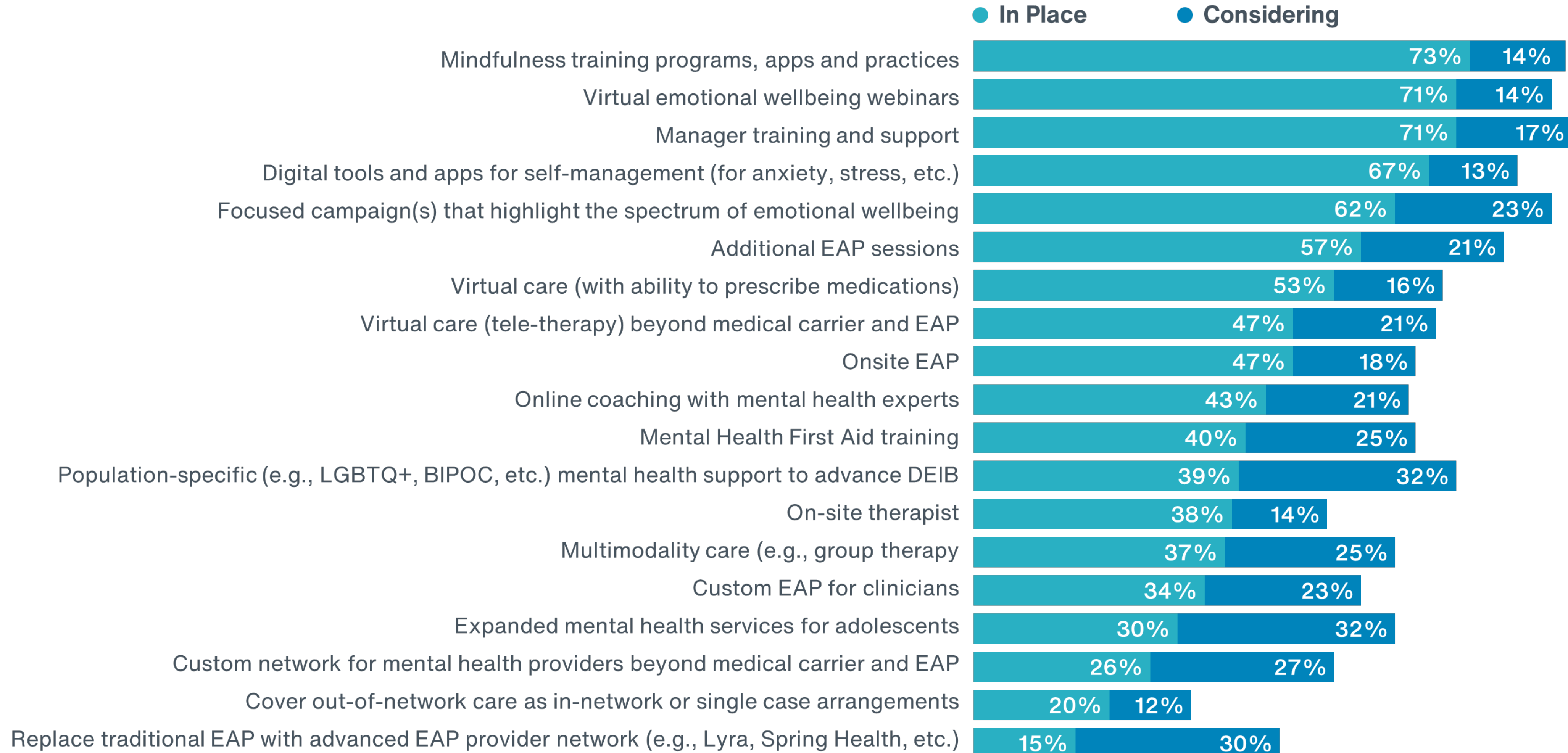
Mileage threshold cutoff



Supporting Low-Wage Earners on the Health Plan



Emotional Wellbeing Resources

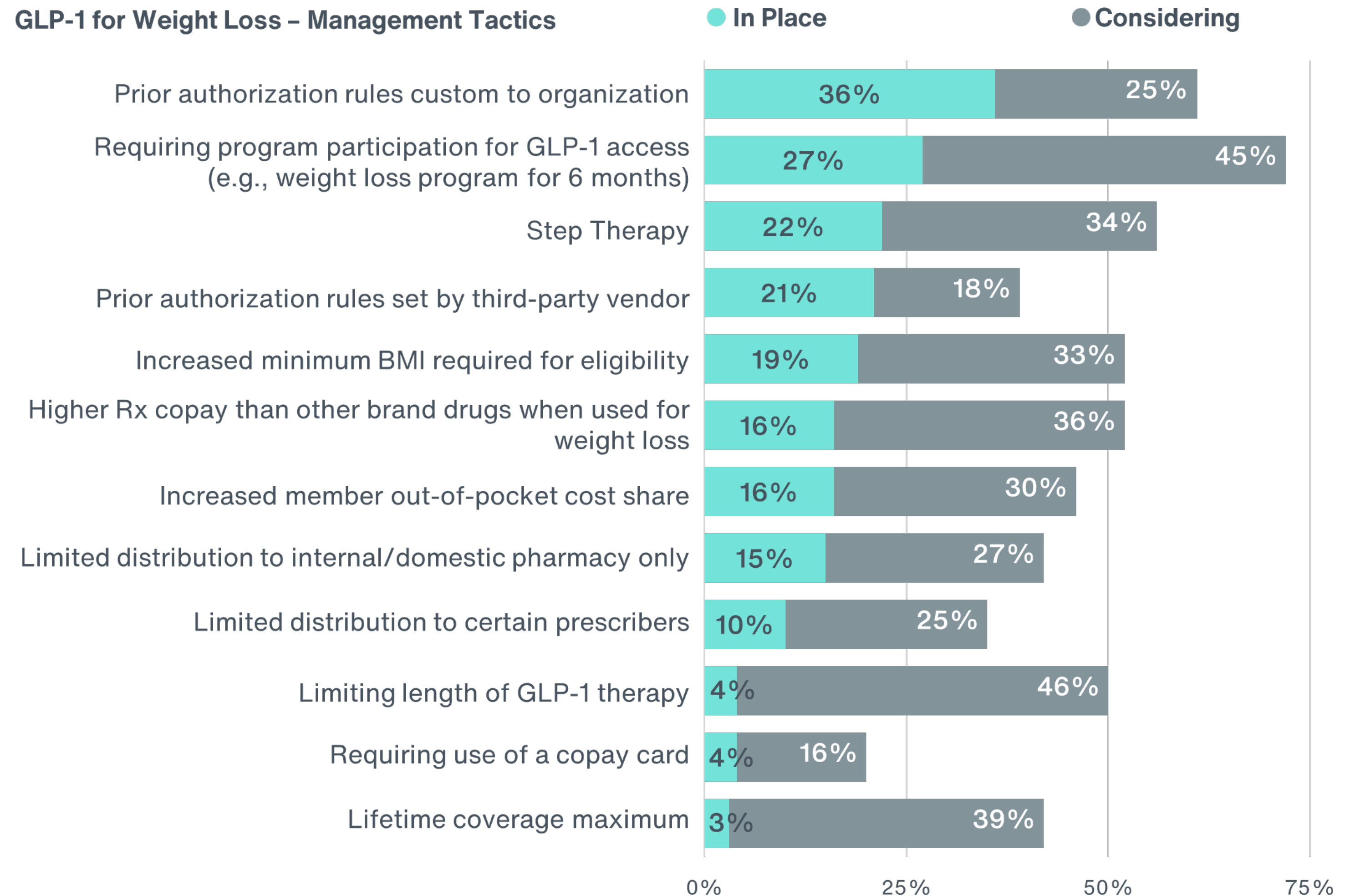


GLP-1 for Weight Loss Coverage

54% of hospital/healthcare systems **cover** GLP-1s for weight loss; 46% do NOT cover

- 66% of hospitals that cover today is due to philosophical alignment (obesity is a disease); another 20% attribute coverage to staying market competitive
- **28% are considering eliminating GLP-1 coverage for weight loss**

GLP-1 for Weight Loss – Management Tactics



Questions?

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How To Participate in Benefits Survey of Hospitals in 2025

- Reach out to **Sheena Singh** (sheena.singh@aon.com) if you have any questions about the Benefits Survey of Hospitals
- Interested in meeting with us to review the full 2024 report and national/regional benchmarking while 2025 survey is prepared for launch (April)? Contact us.

