



Continued inflation is threatening the viability of employee healthcare benefits. It's up to employers to rethink how they are managed.

INNOVATION WILL BE
KEY.



Inflation's Threat to Healthcare

Employee healthcare benefits are under threat in the United States. [Inflation is boosting healthcare costs in general](#) to as much as \$370 billion higher in 2027 relative to pre-COVID-19 pandemic projections. Costs associated with endemic COVID-19 could add to this estimate. Providers are already feeling the effects of inflation but its impact on most employers and consumers is likely to come in the next few years. Healthcare costs for employers could rise by 9 to 10 percent through 2026.

Rising healthcare costs could reduce the profits of employers across industries. And if cost pressures are unmanaged, the most vulnerable employees could be spending three-quarters of their discretionary income on medical expenses. And pressure on health benefits will affect employer value propositions at a time of talent shortage.

Inflation's Threat to Healthcare (cont.)

[That's why this is the moment for employers to rethink how to administer their employee health benefits](#). Employers' traditional approach to employee health benefits is to keep them stable with small changes year to year. They need to go beyond incremental changes in a system that is no longer delivering adequate health or financial security for their employees. To manage healthcare costs in this era requires a transformational approach in which innovation is key. Employers could pursue a combination of five measures to manage cost increases in the short- and long term:

- 1.Reimagine medical networks
- 2.Manage specialty drug expense
- 3.Increase the use of value-based care or risk-sharing models
- 4.Adopt high return-on-investment care management programs
- 5.Considering using value-based insurance plans

Inflation's Threat to Healthcare (cont.)

In addition to cost-management measures, [employers could adopt a mindset of “health as an investment” that requires a better understanding of their employee populations’ needs and preferences](#). This approach would not only include demographics, geography, and most relevant care journeys, but also employees’ definition of health and wellness and their preferred modalities of engagement.

Employers have tried some of these approaches but only sporadically and not at scale.

Many employers have learned how to adapt and move at speed during the pandemic; they should demand the same level of speed of innovation in addressing employee healthcare benefits both from their own organizations and the healthcare players they work with.

The following articles address the future of employee healthcare benefits. Our first two articles below dimensionalize the magnitude of the challenge and the practically applicable prescriptions for change. The next three provide insights from the voice of the employers and employees.

Inflation's Threat to Healthcare (cont.)

At Demarie & Timmerman, we want to help our client partners UNDERSTAND the current healthcare landscape, PREPARE for changes and threats to profitability, and EVOLVE with a proactive approach to problem solving. Let the Next Generation Benefit Advisors at Demarie & Timmerman, help you break the status quo of year after year costly renewal increases.

Give us a call and let us know how we can help you. 985-674-5186.

