2025

WORKFORCE TRENDS REPORT SERIES

Benefits Benchmarks

Survey results for medical, pharmacy and voluntary benefits,
as well as wellbeing initiatives and absence management strategies

US EDITION

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2025 WORKFORCE TRENDS REPORT SERIES

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2025				2026
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Introduction

An empowered people strategy not only helps you achieve your objectives but also fosters sustainable growth. Your people drive results through their creativity, dedication and resilience. And by investing in their health, wellbeing and development, you can unlock their full potential.

Medical benefits are foundational to a competitive benefits package, reflecting an employer's commitment to employee wellbeing. Employers are exploring plan design options to help ensure affordable access to high-quality medical services, along with expanding specialty coverages to address diverse employee needs.

Maintaining prescription drug benefits amid rising costs is challenging, particularly for specialty drugs. Many employers are reluctant to increase direct cost sharing, choosing instead to implement plan design changes and renegotiate pharmacy benefit manager (PBM) contracts. Compliance with legislation, management of GLP-1 medications for obesity, and various cost management strategies for specialty pharmacy require careful attention to maintain the sustainability of these benefits.

Your workforce likely spans multiple generations and life stages. The evolution of voluntary benefits from supplementary offerings to essential components of a comprehensive employee benefits package can help tailor benefits to meet individual needs and enhance the employee experience.

To further support employees, employers are also increasingly adopting holistic wellbeing strategies that encompass physical, emotional, career and financial health. Effective absence management plays a critical role in helping to ensure employee productivity while allowing time off for personal, family and health-related reasons. Family-friendly leave benefits, such as paid parental leave and prenatal leave, are in demand and can help attract and retain top talent.

Part of our US Workforce Trends Report Series, this installment covers benefits benchmarks to help you better support the health and wellbeing of your employees and their families. Data and insights are compiled from a variety of Gallagher surveys conducted each year to capture current and emerging trends. In this report, they're based on the results of our US Benefits Strategy & Benchmarking Survey, gathered from January to March 2025. A total of 4,035 organizations across the US participated.

Download detailed data findings broken out by region, organization size and ownership structure here.

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- Mitigate risks
- Make confident, strategic decisions
- Achieve proven, long-term impact

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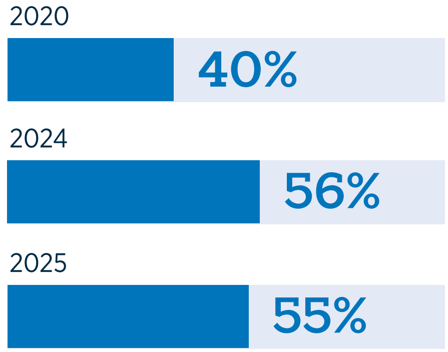
Top Trends IN BENEFITS

1

Shifting away from high-deductible plans

After years of growth, employers are starting to shift away from high-deductible health plans due to affordability challenges for lower-paid employees. Instead, there's growing interest in innovative plan models that promise to manage healthcare costs more effectively.

Offer a CDHP with an HSA



2

Examining PBM contracts more closely

Rising prescription drug costs continue to drive up expenses. As a result, more employers are examining the terms and conditions of their PBM contracts and showing a greater willingness to consider alternative contracting models and vendors.

▲13

points from 2024 to 32%

Carve out pharmacy benefits to a PBM

3

Meeting unique needs with voluntary benefits

Voluntary benefits offer an effective way to enhance flexibility and customization in benefit packages. Employers are increasingly providing options such as quality-of-life products, long-term care solutions and identity theft protection to meet the unique needs of a diverse workforce.

Nearly

1 in 3

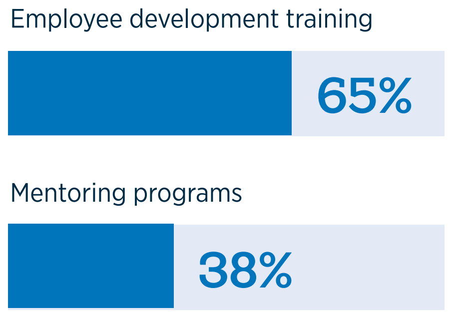
Expect to expand voluntary benefit offerings by 2027

4

Investing in employee growth and development

Career wellbeing is closely tied to employee engagement. By investing in employee growth and development, employers affirm the value of their employees' skills and knowledge, creating an environment where everyone thrives.

Provide Career Development Initiatives



5

Supporting employees with family-friendly policies

Family-friendly policies play an important role in supporting employees as they balance work and family responsibilities. Programs like prenatal leave, salary top-up during pregnancy-related disability and new child/parent bonding leave help create a family-friendly culture.

Nearly

1 in 5

Offer prenatal leave prior to pregnancy disability beyond what is required by law

BENEFITS STRATEGY & BENCHMARKING SURVEY PARTICIPANT PROFILE

Workforce Size—Full-Time Equivalents (FTEs)

Small employer—under 100 FTEs
28%

Lower midsize employer—100 to 499 FTEs
41%

Upper midsize employer—500 to 999 FTEs
12%

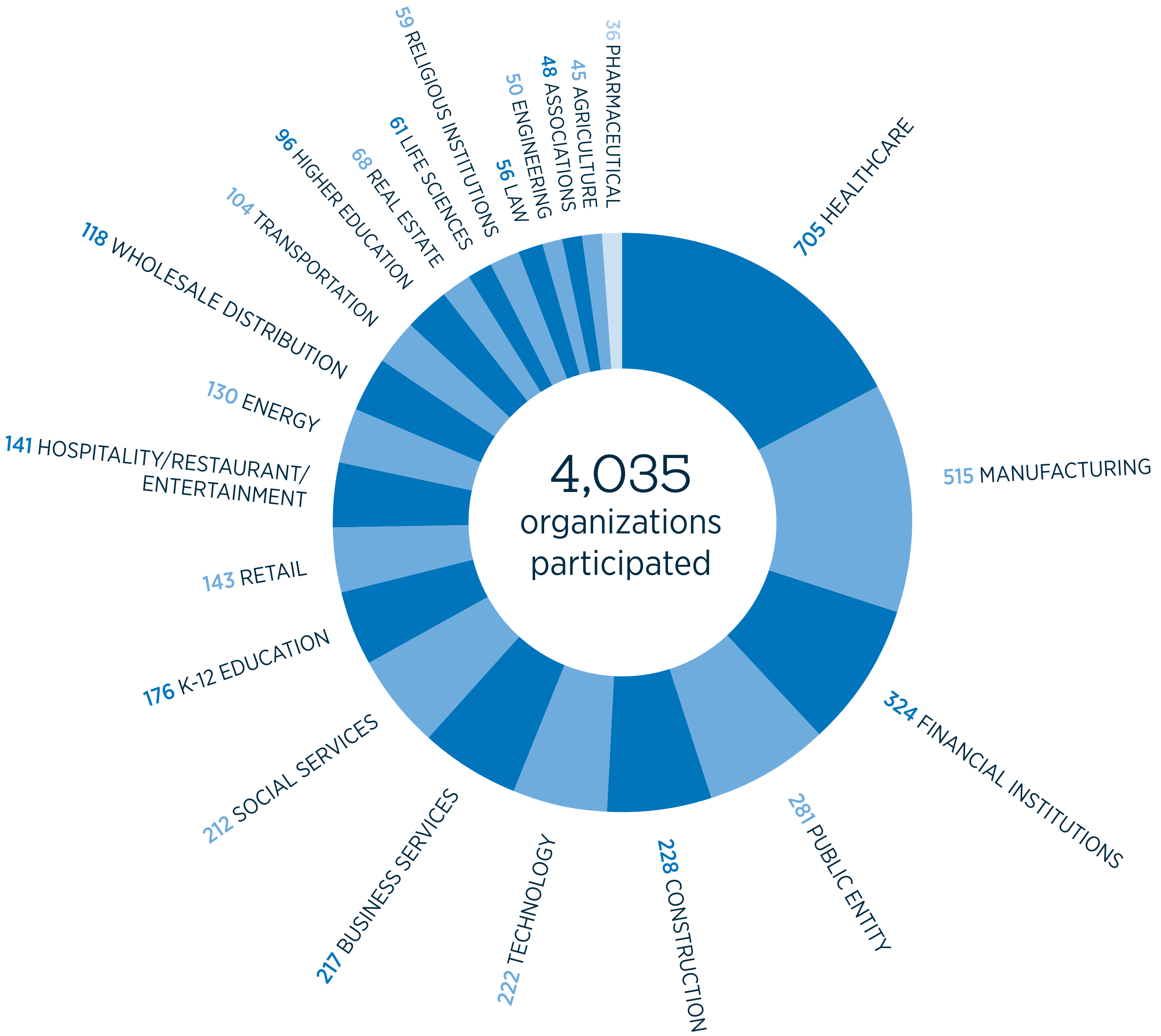
Large employer—1,000 or more FTEs
19%

Ownership Structure

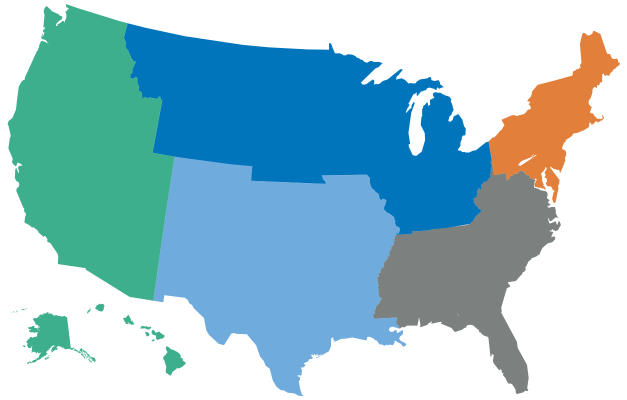
60%
For profit

40%
Nonprofit

Number of Participating Organizations by Industry



Geography



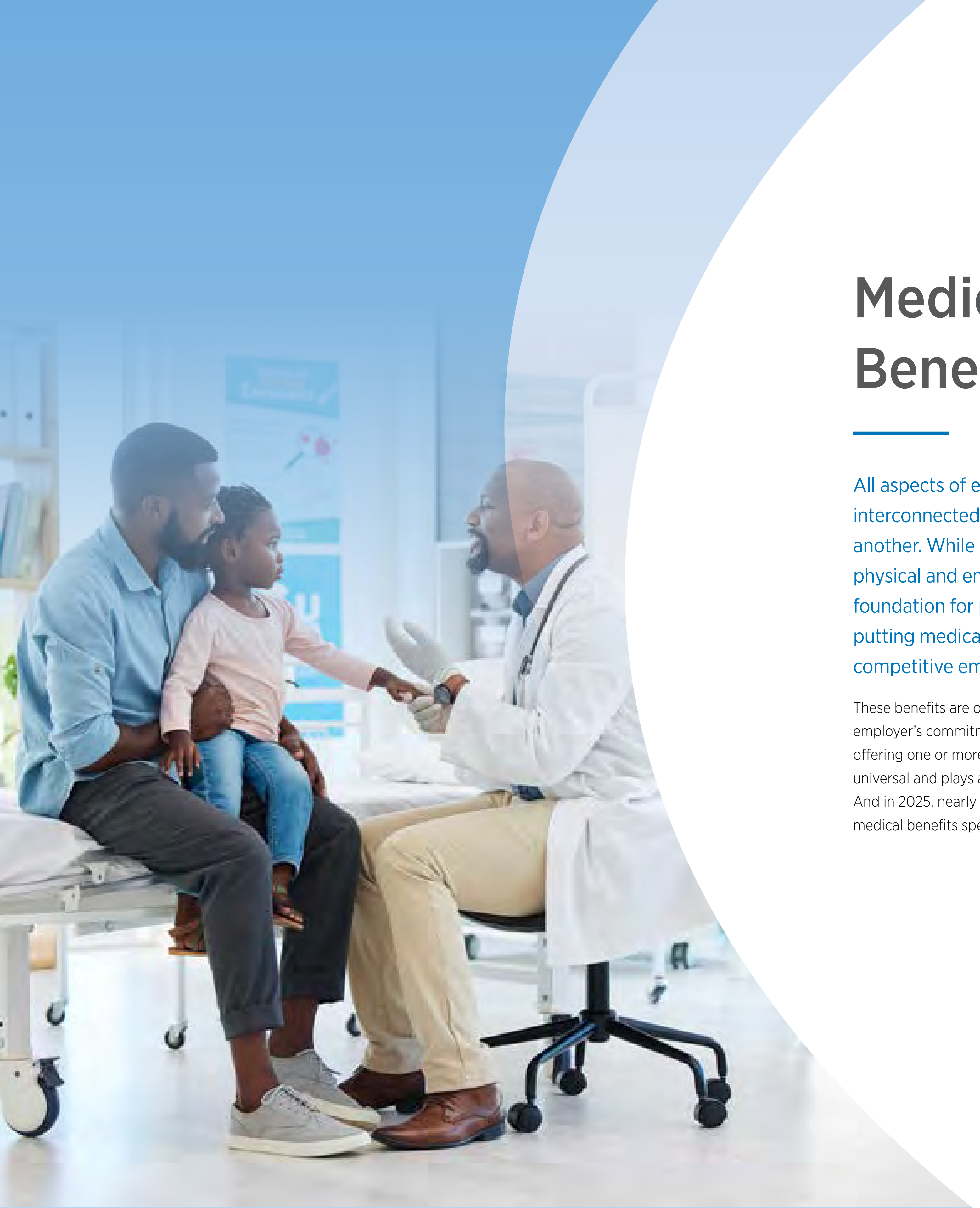
16% West

35% North Central

20% South Central

18% Northeast

11% Southeast



Medical Benefits

All aspects of employee wellbeing are interconnected and interact with one another. While they're mutually supportive, physical and emotional health form the foundation for performance and productivity, putting medical benefits at the core of a competitive employee benefits package.

These benefits are often perceived as a reflection of an employer's commitment to employee wellbeing. As a result, offering one or more health plans to employees is nearly universal and plays a vital role in recruitment and retention. And in 2025, nearly a third of employers enhanced their medical benefits specifically for this purpose.

Employers are increasingly customizing medical benefits to address the diverse needs of employees and their families, including expanding specialty coverages like reproductive health benefits. However, despite being a high-value offering for both employers and employees, medical benefits remain costly both operationally and individually.

Minimizing these rising costs isn't a simple process — but a determined effort can make them more affordable. Implementing various cost control and value-based tactics can help ensure employers continue to provide access to appropriate care at a reasonable cost.

Access and eligibility

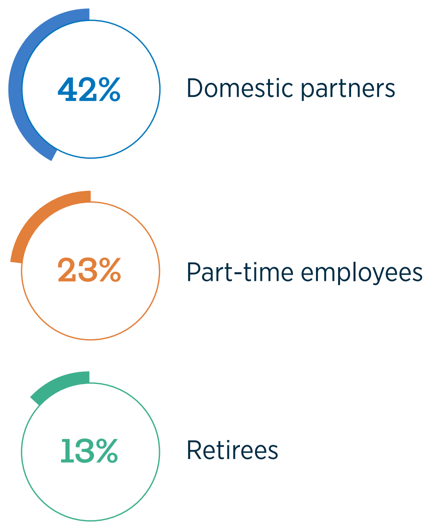
Affordable access to essential, high-quality medical services is vital for maintaining a healthy, engaged and productive workforce. Employee engagement and satisfaction are heavily influenced by healthcare access, as financial stress related to healthcare can intensify the emotional impact of physical health issues.

Nearly all employers (98%) offer medical benefits, highlighting their importance as a key element of employee benefit packages. Among those with plans, 68% report enrolling at least 70% of their eligible employees. And notably, the majority of employers (62%) provide coverage to new hires within 60 days.

In addition to covering full-time employees, nearly a quarter of employers (23%) extend medical benefits to part-time employees. The rate increases with size from 14% of small employers to 40% of large. To be eligible, most employers require a minimum hourly threshold of 20–29 hours per week (66%), though 30–39 hours per week (24%) is also common. Domestic partner coverage is available for 42% overall, and similar rates apply across all employer sizes. Retiree coverage is provided by 13% within a range of 5%–23% from small to large, and relatively few (5%) offer supplemental medical coverage for executives.

Access to care in economically depressed or rural areas should also be a concern for benefit leaders. Even with a generous plan design, transportation to healthcare providers, particularly for specialty care, remains a challenge. Employees residing in so-called health deserts may require additional resources and support to secure timely access to care. The stakes are high; without appropriate care, there's a risk of unmanaged chronic diseases and later-stage detection and treatment of serious conditions.

Extended Eligibility for Medical Benefits



Affordable access to essential, high-quality medical services is vital for maintaining a healthy, engaged and productive workforce.

Funding arrangements

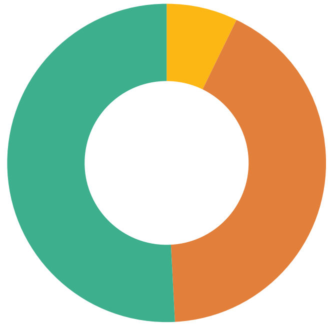
Fully insured employers pay a fixed premium to their health insurer, while self-insured employers cover claims out of pocket — accepting the financial risk associated with their covered population. Currently, just over half of employers (51%) are fully insured, down 1 point from 2024. In contrast, 42% of employers opt for self-insuring their medical plans. Adequate cash flow is essential for paying these claims, which can be challenging for small employers. As a result, only 10% of the small group choose self-insurance, compared to 36% of lower midsize, 61% of upper midsize and 87% of large.

A key advantage of self-insurance is the increased flexibility to customize plans according to employer goals and employee populations. Self-insured plans are exempt from insurance premium taxes and state health insurance mandates under the Employee Retirement Income Security Act of 1974 (ERISA), making them particularly favorable for employers operating across various geographies.

This funding model also offers employers greater control over managing annual increases in health premiums. Initiatives focused on prevention and screenings, which help reduce healthcare utilization, can directly benefit self-insured employers. However, the potential exposure to high-cost claims and fluctuations in monthly expenditures necessitates a thorough assessment of their risk tolerance.

Level-funded plans blend elements of self-insured and fully insured plans. Chosen by 7% of employers, up 1 point from last year, this option establishes a monthly payment to cover claims and fixed costs, such as stop-loss insurance. Any unspent funds remain in the employer's account as a reserve, while stop-loss coverage is used to pay health claims that exceed the balance.

Primary Funding Arrangement for the Medical Plan With the Highest Enrollment



51% Fully insured
42% Self-insured
7% Level-funded

Thought Leader POV

"In the fully insured market, there's this feeling that medical costs just keep climbing with no end in sight. A lot of organizations think that by going self-funded, they could take the reins and have more say over benefit design, cost strategies and overall expenses. But, of course, there's some risk involved, which is why we're not seeing everyone jump on the self-funding bandwagon just yet."

— Adam Wolff, Area Executive Vice President, US Great Lakes Region

Healthcare cost management challenges

For benefits and HR leaders, navigating the complexities of medical benefits has become increasingly demanding. The convergence of rising healthcare costs, treatment innovations and heightened employee expectations creates the difficult task of balancing meaningful benefits with sustainability.

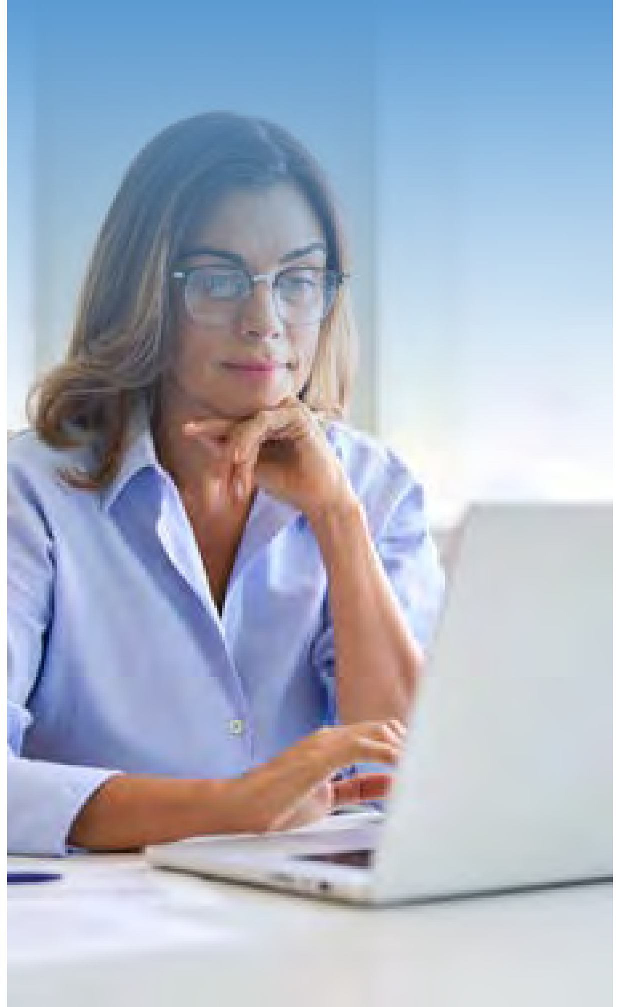
The primary challenge employers face in controlling healthcare expenses is the high cost of medical services at 69%. From 2000 to 2024, the price of medical care — including services, insurance, drugs and medical equipment — surged by 121.3%, compared to an 86.1% increase in all consumer goods and services.[1] Given these circumstances, nearly three-quarters of employers (74%) anticipate their healthcare costs will be somewhat (64%) or significantly (10%) higher in 2025 than in 2024.

The rapid development of specialty pharmacy has also become a focal point within employer-sponsored healthcare. Specialty drugs, with their high price tags, amplify already rising medical expenses and pose a major challenge for 46%. While employers generally acknowledge the value of covering innovative treatments, they also recognize that a small portion of their population may account for a disproportionate share of healthcare spending. Employers have a fiduciary responsibility to manage these costs effectively with their medical and pharmacy vendors, deciding which treatments to cover and implementing utilization management tactics to help ensure sustainability for all covered lives.

The division of the specialty category into traditional high-cost specialty treatments and other high-cost but potentially curative treatments, such as cell and gene therapies, calls for increased employer attention and action. Although only 19% of employers overall cover gene therapies, up 2 points from last year, coverage reaches 27% for large employers who may be better equipped to handle substantial claims. But as the pipeline of novel therapies continues to expand, all employers should proactively assess access and coverage decisions based on workforce factors such as financial performance, turnover, leadership influence and organizational culture.

Top Healthcare Cost Management Challenges

1. High cost of medical services
2. High cost of specialty drugs
3. Unhealthy covered population (employees and dependents)



Thought Leader POV

"Cash flow volatility from claims can really be a headache for self-insured employers, just like double-digit renewal increases are for the fully insured. To tackle these issues, employers should stay ahead of the game by keeping an eye on developments throughout the year. This way, they'll be better prepared and know what's coming down the pipeline, which can lead to more proactive conversations about alternative solutions."

— Daniel Lees, Vice President, US Healthcare Business Intelligence and Data Analytics

The convergence of rising healthcare costs, treatment innovations and heightened employee expectations creates the difficult task of balancing meaningful benefits with sustainability.

Approach to cost sharing

To help ensure the long-term financial sustainability of their benefit plans, employers may need to adjust their cost-sharing strategies. It's essential to approach this thoughtfully, aiming to minimize cost increases to maintain affordability and encourage the appropriate use of healthcare services.

Employers are experiencing year-over-year premium increases from their carriers, with nearly half (46%) facing a health plan premium increase of 7% or more at their most recent renewal. Sixty percent (60%) pass some or all of these increases on to plan enrollees, up from 57% last year. Cost-shifting strategies include raising deductibles (21%) and out-of-pocket maximums (14%), while five percent or fewer increase the cost of prescription drugs.

Rising premiums and cost sharing are likely contributing to the fact that less than half of employers (49%) believe they're effectively managing healthcare costs, a figure that has decreased by 3 points from last year. However, as organizations grow in size, their perceived ability to manage costs effectively increases. Larger employers often have the advantage of dedicated resources to oversee health plans and initiatives like preventive care programs, are more likely to self-insure, and possess greater bargaining power with healthcare vendor partners.

Nearly 1 in 2 Experienced a health plan premium increase of 7% or more at their most recent renewal

Plan Elements Affected by Increased Cost Sharing in 2025

54%	Health plan premiums
21%	Deductibles
14%	Out-of-pocket maximums
4%	Brand name Rx
4%	Specialty Rx
3%	Generic Rx

Cost-control tactics

As financial pressures mount, implementing a wide range of cost-control measures becomes increasingly important. Beyond cost sharing, employers are adopting strategies that tackle healthcare costs from multiple angles. Tactics focus on offering employee resources, making changes to plan designs and enhancing behind-the-scenes plan management. The goal of these efforts is to maintain a competitive employee benefits package that attracts and retains talent.

One popular strategy is equipping employees with tools to better manage their health and healthcare expenses. Following a surge in offer rates during the pandemic, most employers (70%) continue to provide telemedicine as a convenient option for employees to access healthcare. Additional employee resources include wellbeing incentives (44%), cost-transparency tools (30%), healthcare decision support (27%), and enhanced mental and behavioral health programming (18%).

Adjustments to medical (31%) or prescription drug (26%) plan designs can also help control costs. From a plan management perspective, employers often seek efficiencies and greater value through their vendors and contracting processes. However, actions such as switching plan carriers (29%) and conducting eligibility (16%) or claims (16%) audits are generally less common.

Healthcare Cost-Control Tactics Used in 2025

Employee Resources		Plan Design		Plan Management	
70%	Offer telemedicine	31%	Increase employee cost share through medical plan design changes	29%	Change plan carriers
44%	Provide wellbeing incentives	26%	Implement prescription drug plan design changes	16%	Perform eligibility audits
30%	Provide cost-transparency tools	15%	Apply a surcharge or exclusion for spouses with access to other coverage	16%	Perform claims audits
27%	Provide healthcare decision support	12%	Provide nonsmokers a discount on premiums	10%	Use narrow or high-performance provider networks
18%	Deploy enhanced mental and behavioral health programming	10%	Offer an opt-out credit to employees who waive coverage	8%	Integrate health and disability management programs

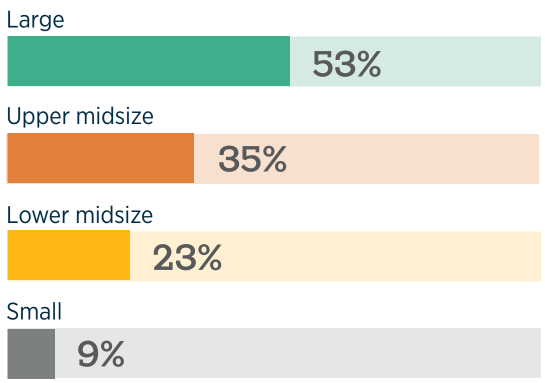
Value-based tactics

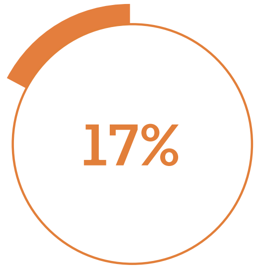
A subset of employers is strategically enhancing healthcare value by introducing targeted benefit design improvements for their employees. Value-based tactics can improve both the quality and costs of care at the same time, but widespread adoption is still limited. Currently, only 27% of employers overall have adopted at least one value-based tactic.

Generally, the use of these strategies increases with employer size, with 53% of large employers utilizing them compared to just 9% of small. Larger employers typically have more capacity to allocate time and resources for the necessary implementation, funding and communication efforts.

The most prevalent value-based tactic is reducing employee costs for prescription drugs used to treat high-cost chronic conditions like diabetes. This tactic, applied by 17%, aims to boost medication adherence and prevent costly downstream medical care. Designated centers of excellence for specific medical procedures are the next most common tactic at 13% and are often incentivized or even mandated. Incentives may include reducing out-of-pocket costs, providing travel accommodations to the site of care, or both. Second-opinion programs for certain diagnosed conditions (9%) and reduced costs for designated elective procedures, if the patient participates in a decision-support consultation (5%), have the lowest uptake.

Have Implemented at Least One Value-Based Health Management Tactic





Reduce employee costs for prescription drugs to treat high-cost chronic conditions

Larger employers typically have more capacity to allocate time and resources for the necessary implementation, funding and communication efforts.

Plan types and enrollment

Employers typically offer two medical plan options, with 35% doing so. Another 28% provide three options, while 20% limit the choice to just one. When determining the optimal number of plans, employers must balance employees' desire for choice with their ability to effectively manage and communicate about each option.

Preferred provider organization (PPO) or point of service (POS) medical plans remain the most frequently offered types (84%). These plans also continue to have the highest enrollment, at 57%. The use of health maintenance organization (HMO) plans is declining, with only 24% of employers offering them compared to 25% last year. Similarly, fewer employers report HMOs as the plan with the highest enrollment, at 12% this year compared to 13% last year.

Employers are also re-evaluating the belief that consumerism is the ultimate solution for containing healthcare costs. After a 16-point increase in the use of consumer-directed health plans (CDHPs) with a health savings account (HSA) between 2020 and 2024, the rate declined by one point this year to 55%, with just under a quarter (24%) reporting it as the option with the highest enrollment. There's growing recognition among plan sponsors that high-deductible plans are not affordable for lower-paid employees. Consequently, there's rising interest in and exploration of innovative new plan models featuring no deductibles, upfront pricing and incentives for choosing high-quality care.

These new plans don't place the decision-making responsibility solely on employees, who may lack sufficient information to make informed choices. Instead, they promote strong primary care relationships to help guide decisions. A tiered benefit design maintains a broad provider network but offers lower cost sharing for using providers who have demonstrated higher quality care, as well as for less invasive procedures and those known to have better outcomes. Integrating advocacy and navigation services into an app-driven resource with financial incentives is also emerging in the employer market.

Medical Plan Types — Offering vs Highest Enrolled Plan

% Offering		% Highest Enrolled Plan
84%	**PPO/POS**	57%
55%	**CDHP with an HSA**	24%
24%	**HMO**	12%

Thought Leader POV

"Many employers are starting to see that even though an HSA might be the cheapest option, it might not be the best fit for their lowest-paid employees if they can't afford to use it. There's a growing trend of employers looking into new benefit plans that incentivize employees to choose high-quality providers and help them navigate the healthcare system. With inflation making it hard to give raises, benefits have become a big talking point."

— Ryan Lane, Area Vice President, US Business Intelligence Lead

Specialty coverages

Employers have the ability to tailor and enhance their employee benefit packages with specialized coverage options to better address the diverse needs of employees and their families. Common specialty coverages include hearing aids (59%), applied behavior analysis (ABA) therapy for children with autism spectrum disorder (54%) and other autism treatments (44%). Additionally, 45% of employers cover bariatric surgery for eligible plan members.

Motivated by legal requirements and a commitment to inclusion and diversity (I&D), just over a quarter of employers (26%) offer coverage for gender reassignment surgery, also known as gender-affirming surgery. Similarly, 23% provide coverage for other transgender-inclusive benefits, such as prescription drug therapy, counseling and cosmetic surgery.

Recognizing the significant impact of family formation on employees' emotional and physical health, many employers offer reproductive health benefits. Specifically, 48% cover infertility services or fertility treatments. Among those offering coverage, there's been a slight increase in rates from 2024 for fertility medications (84%, up 2 points), in vitro fertilization (71%, up 2 points), intrauterine insemination (54%, up 3 points), and surgery (50%, up 4 points). Other covered services include evaluations by a reproductive or infertility specialist (69%, unchanged) and cryopreservation (32%, up 4 points).

Only 2% of employers provide relocation assistance for employees residing in states that ban certain medical care, such as abortion or gender-affirming care. Currently, 32% of employers cover voluntary pregnancy termination, down 2 points from 2024, with an additional 6% considering it. Fewer than 1 in 10 (8%) include travel and/or lodging.

Coverage of Elective Services, Procedures and Devices

59%	Hearing aids
54%	ABA therapy
48%	Infertility services or fertility treatment
45%	Bariatric surgery
44%	Other autism treatments
26%	Gender reassignment surgery
23%	Other transgender-inclusive benefits

Key takeaways IN MEDICAL BENEFITS

1 Access and eligibility

Access to high-quality medical services is essential for a healthy, productive workforce, as it reduces financial stress and boosts employee satisfaction. Nearly all employers offer medical benefits, with many extending eligibility to include domestic partners and part-time employees.

2 Funding arrangements

Self-insurance is increasingly favored for its flexibility and exemption from certain taxes and mandates, enabling customization to align with employer goals and employee needs. However, it demands careful management of financial risks and sufficient cash flow, which can be an issue for small employers.

3 Healthcare cost management challenges

Employers face significant challenges in controlling healthcare expenses, with the high cost of medical services and specialty drugs being primary concerns. Nearly three-quarters also expect higher healthcare costs in 2025 compared to 2024.

4 Approach to cost sharing

Year-over-year premium increases are prompting employers to adjust their cost-sharing strategies by raising deductibles and out-of-pocket maximums. Less than half feel they're effectively managing healthcare costs, although larger employers tend to have more resources and bargaining power to address these issues.

5 Cost-control tactics

To manage healthcare expenses while maintaining competitive benefits, a wide range of cost-control measures like telemedicine and wellbeing incentives are being implemented. Plan design changes and vendor efficiencies, such as switching carriers or conducting audits, may also help.

6 Value-based tactics

Still relatively uncommon, just over a quarter of employers have adopted at least one value-based tactic. The most common approach is reducing employee costs for prescription drugs that treat high-cost chronic conditions to improve adherence and prevent expensive future medical care.

7 Plan types and enrollment

PPO or POS plans are the most offered and typically have the highest enrollment, while HMOs and CDHPs with HSAs are declining despite remaining relatively popular. There's a shift away from high-deductible plans as employers acknowledge their affordability challenges for lower-paid employees.

8 Specialty coverages

Employers are increasingly customizing employee benefit packages to meet diverse needs, offering specialized coverages like hearing aids, autism treatments and bariatric surgery. Reproductive health benefits are also expanding, with greater coverage for infertility services and fertility treatments.

Want to dig deeper into the data? Download detailed findings broken out by region, size and more.

Pharmacy Benefit Management

Prescription drugs play a vital role in the health, financial stability and overall wellbeing of the workforce, which is why nearly all employers provide coverage. However, maintaining the pharmacy benefit presents significant challenges for employers, as it's one of the larger and more complex components of any employee benefits package. Rising costs for specialty drugs, along with legal and regulatory changes and employee lawsuits questioning the fulfillment of fiduciary responsibilities, further complicate these challenges.

In this context, it's not surprising that only 12% of employers enhanced their pharmacy benefits in 2025, compared to 31% who enhanced their medical benefits, as part of efforts to bolster recruitment and retention. Instead, many employers are adopting a defensive strategy, implementing changes to help ensure they can continue providing affordable prescription drugs within a competitive health offering.

Rather than increasing direct pharmacy-specific cost sharing through higher copays and coinsurance rates, employers are exploring various plan design changes to manage costs. These actions often include switching their PBM vendor or renegotiating PBM contracts, altering their approach to covering GLP-1 weight loss medications, and deploying multiple tactics to better control specialty drug costs. Overall, employers are taking comprehensive measures to gain greater control over the key risks associated with their pharmacy benefit.

Cost-sharing levers

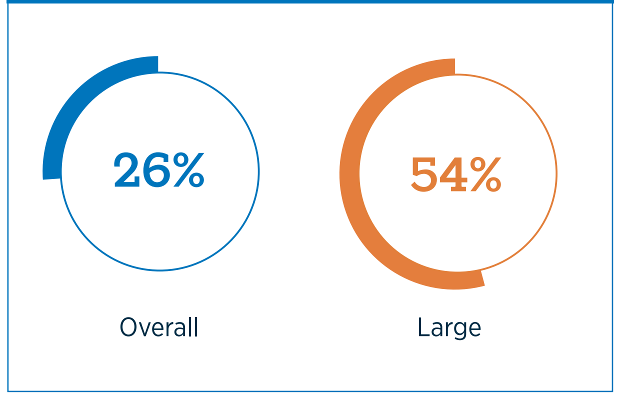
Rising prescription drug costs continue to drive up expenses for employers maintaining pharmacy benefit offerings. In particular, the high cost of specialty drugs is a top healthcare cost management challenge for 46% of employers overall, second only to the high cost of medical services, which affects 69%. Large employers are even more likely to view the high cost of specialty drugs as a challenge, at 63%.

To help control costs, employers are making changes to prescription drug plan designs, such as implementing formulary exclusions and mandating the use of generics. This tactic is adopted by 26% of employers overall, with the rate more than doubling to 54% among large employers.

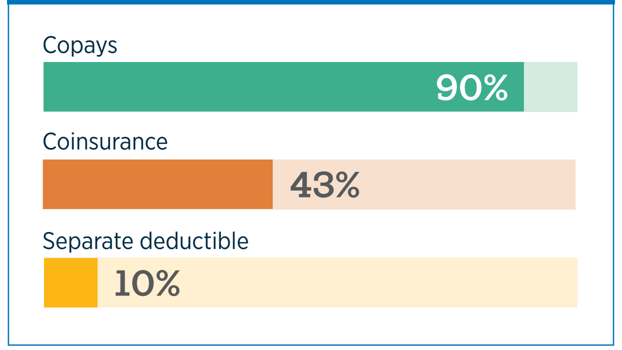
Despite these changes, most employers have opted not to increase direct cost sharing for prescription drugs. In 2025, no more than 5% have raised cost sharing for any drug category — brand name (4%), specialty (4%) or generic (3%). In contrast, there's been an increase in cost sharing for overall health plan premiums (54%) and deductibles (21%).

However, the majority of employers (90%) include copays in their prescription drug plans, and 43% have coinsurance requirements. A smaller portion (10%) applies a separate deductible specifically for prescription costs. This arrangement often results in employees paying a lower total cost for pharmacy and medical deductibles than they would for a single health plan deductible. These reduced out-of-pocket expenses offer significant and welcome relief for employees.

Implement Prescription Drug Plan Design Changes as a Cost-Control Tactic



Cost-Sharing Mechanisms Included in the Prescription Drug Plan



Cost-sharing amounts

Median cost-sharing amounts remain stable from 2021. Maintaining appropriate levels helps ensure that employees are accountable for making informed treatment decisions while providing sufficient coverage to support adherence to necessary medications.

Generic drugs are typically categorized under Tier 1, with a median copay of $10 or a 20% coinsurance for a 30-day supply. These figures are generally consistent across employers regardless of location or size. Preferred brands are often placed in Tier 2, with a median copay of $35 or a 20% coinsurance.

For non-preferred brands, amounts vary more, but employees pay a median of $60 or a 25% coinsurance. Specialty drugs incur the highest cost sharing, with a median of $100 or a 20% coinsurance. Although coinsurance rates are relatively consistent across different categories, the increasing base price of treatments raises the financial burden for employees.

Pharmacy deductibles tend to differ more widely from employer to employer. Plans with higher premiums might offer lower deductibles, while those with lower premiums might have higher deductibles. The median pharmacy deductible amount is $200 for employers overall, with some setting it upwards of $1,000 (75th percentile). Differences also exist based on location, as those in the North Central region report a median of $625, while those in the Northeast set it at $100. Large employers report the lowest median pharmacy deductible among the size groups at $150.

Median Copay and Coinsurance Amounts (30-Day Supply)

	Copay	Coinsurance
Generic	$10	20%
Preferred brands	$35	20%
Non-preferred brands	$60	25%
Specialty	$100	20%

Pharmacy Plan Annual Deductible

$100 25th percentile

$200 Median

$1,000 75th percentile

Contracting tactics

Among the most notable trends in pharmacy benefit management are the increasing focus of employers on the terms and conditions of their PBM contracts and their growing willingness to consider alternative vendors and contracting models.

The first decision for self-insured employers in the PBM contracting process is whether to carve out PBM services to a separate vendor from their medical plan. In 2025, 32% of employers have implemented a carve-out, up 13 points from 2024, including 54% of large employers. This is a significant percentage given the extensive cross-ownership between leading PBMs and health plan carriers. Some employers (10%, up 1 point from 2024) are also choosing to unbundle selected PBM services by carving out specialty pharmacy to a separate vendor.

The next step is to engage in the RFP process to evaluate the range of vendors available for general and specialty PBM services. For many years, employers have prioritized net acquisition costs for prescription drugs as the primary criterion for selecting a PBM. This priority has naturally favored the "Big 3" PBMs, who possess the purchasing power to secure substantial rebates from pharmaceutical manufacturers, as well as discounts from retail pharmacies and other participants in the distribution supply chain. These leading PBMs account for about 80% of commercial covered lives, providing them with significant purchasing power and reinforcing their ability to maintain such a high market share.[1]

The final step is to carefully evaluate the contractual terms and conditions offered by preferred vendors and negotiate changes to better meet organizational needs. About 1 in 5 employers overall (21%), and more than half of large employers (52%), indicate that they conduct pharmacy contract reviews and negotiations to help manage the use and costs of specialty drug benefits.

▲13
points from 2024 to 32%

Carve out pharmacy benefits to a PBM

Thought Leader POV

"The biggest change we've seen in the market over the past year is how much more employers are exploring different PBMs, models and ways of doing things. This shift might lead to a bit more transparency in the industry. But a lot of this is being driven by the current political landscape and some of the fiduciary lawsuits that have popped up recently."

— Seth Friedman, Pharmacy and Health Plan Services Practice Leader

The impact of legislation and lawsuits

Many employers are seeking increased flexibility and transparency in their PBM relationships. This demand is driven by heightened scrutiny from both employees and legislators regarding PBM services. Employers are particularly pressured to comply with a growing number of state-level mandates. For instance, some states now require that members of employer-funded health plans be allowed to purchase medications at any registered pharmacy, rather than being restricted to the PBM's narrow network.

Traditionally, self-insured employers operating across multiple states were exempt from state regulations under ERISA. However, recent legal challenges have questioned ERISA's dominance in this area. Similarly, employers are concerned about the need for greater transparency in pricing for themselves and their members, especially in light of lawsuits alleging deficiencies in meeting employers' fiduciary responsibilities.

Employers are also pursuing more flexibility and transparency to better manage costs while meeting employees' prescription drug needs. A key area of interest is the adoption of alternative utilization management strategies for high-cost medications, such as GLP-1s for weight loss. By exploring these strategies, employers aim to enhance their ability to control expenses while supporting the health and wellbeing of their workforce.

Thought Leader POV

"Over the past year or so, we've seen a lot of state legislatures stepping in to either require certain types of coverage or ban others. For example, some states have decided that employers can't direct their employees to a narrow network or use pharmacies owned by PBMs. This has really tied employers' hands when it comes to designing their own benefits. Plus, there have been Supreme Court decisions saying that some of these state mandates aren't exempt from ERISA. So now, employers are dealing with the tricky task of offering consistent benefits while juggling different state mandates and coverages, which has made things more complicated."

— Tom Tran, Senior Vice President, US Pharmacy Benefit Management Consulting

GLP-1 medications for obesity

Employers have long grappled with tackling obesity within their workforces. Obesity is prevalent in the US population and is linked to a number of health conditions, costing the US healthcare system almost $173 billion a year.[2] Historically, treatment options for obesity have largely focused on behavioral interventions, with about half of employers continuing to support employees through initiatives like gym subsidies (53%), weight management programs (50%), and physical activity programs or virtual fitness platforms (46%).

Recent developments in weight loss treatments, such as the FDA's approval of the first GLP-1 medication for obesity in June 2021 and a second one in November 2023, have introduced new considerations. Employers view covering these medications as beneficial for employee health and as a recruitment and retention tool. However, the high cost and potential for significant utilization of GLP-1 medications pose substantial impacts on pharmacy benefit expenses.

Another major concern is the sustainability of weight loss without continued medication use, raising the possibility of ongoing costs or wasted spending. While nearly all employers (96%) cover GLP-1 medications for diabetes, two-thirds (67%) also covered them for obesity in 2024, with 3% adding coverage in 2025 and 13% considering it for 2026 or 2027.[3]

Given these factors, employers need to carefully evaluate whether to begin or continue coverage for GLP-1 medications. This decision is relevant for both self-insured and fully insured health plans, as health insurance carriers require employers to opt into a rider for coverage. Self-insured employers should also consider actively reviewing and refining the utilization management tactics and criteria associated with these medications.

$173 billion — Annual cost of obesity to the US healthcare system[2]

Employer Coverage of GLP-1 Medications for the Treatment of Obesity[3]

- **67%** Already in place in 2024
- **3%** Added in 2025
- **13%** Considering for 2026 or 2027

Managing GLP-1 access and utilization

Among employers currently offering GLP-1 medications for obesity, prior authorization is the most common utilization management strategy at 87%.[3] However, aligning access with the Food and Drug Administration (FDA) label often proves ineffective in limiting utilization rates, as many employees likely qualify for the medications under these criteria.

Just over half of employers (51%) adopt a more restrictive approach by setting prior authorization criteria that exceed FDA label requirements.[3] This further controls usage, helping to ensure that only employees who are most in need of weight loss receive the medications.

Another popular strategy, adopted by 52% of employers, involves requiring employees to actively participate in a weight management program to receive the medication. Many employers partner with weight management service vendors to deliver these programs. Additionally, about a quarter of employers (24%) request that employees acquire their GLP-1 medications through specific physicians or programs.[3]

An integrative approach to weight management helps to ensure that any employee receiving the drug does so in conjunction with coaching and other support services to help them adopt healthy nutritional and exercise habits. From the employer's perspective, the goal is to limit utilization to employees who are seriously committed to addressing their excess weight, leading to better health outcomes and enabling sustainable weight loss after the employee stops using the drug. Some vendors also incorporate a commitment to promote "de-prescribing" by actively taking steps to wean program participants off reliance on the drug to achieve or maintain weight loss.

Requirements to Use GLP-1s for Obesity[3]

- 87% Prior authorization
- 52% Participation in a weight management program
- 51% Meet a particular BMI threshold and/or have comorbidities beyond the FDA-indication
- 24% Acquire GLP-1s through specific physicians or programs

> An integrative approach to weight management helps to ensure that any employee receiving the drug does so in conjunction with coaching and other support services to help them adopt healthy nutritional and exercise habits.

Cost management tactics for specialty drugs

Because the rising costs of specialty drugs significantly impact overall health benefit cost trends, PBMs, specialty pharmacies and other vendors have developed a number of ways to help manage these expenses.

Small fully insured employers often lack the ability to choose which cost management tactics to implement, and many are unaware of the tactics currently integrated into their benefit designs. In fact, nearly a quarter of small employers (24%) believe they have no tactics in place to manage the use and costs of specialty drugs, while more than half (53%) are unsure. To a lesser extent, this may also apply to some midsize employers with self-insured plans, particularly if they don't carve out their pharmacy benefit to a separate PBM. In contrast, large self-insured employers are more likely to recognize the importance of these measures in controlling costs and frequently adopt a broader range of them.

Common approaches include utilization management controls like pre-authorization (37%) or step-care therapy (26%). Just under a quarter of employers (22%) mandate the use of a specialty pharmacy for some or all specialty drugs. Meanwhile, 16% leverage patient assistance programs, which are designed to help provide access to therapies for patients who can't afford them. Less common approaches, such as using a fourth-tier pharmacy benefit (15%), specialty copay accumulator (6%) or copay maximizer (4%), involve cost shifting to employees or third parties.

Large employers implement many of these tactics at nearly double, or higher, the rates of employers overall. However, for employers of all sizes, evaluating cost management tactics can help determine whether they're well-positioned to maintain an affordable pharmacy benefit.

Specialty Drug Cost Management Tactics — Employers Overall vs Large

Overall		Large
37%	Require pre-authorization	72%
26%	Use step-care therapy	56%
22%	Mandate the use of a specialty pharmacy for some or all specialty drugs	51%
16%	Leverage patient assistance programs	35%
15%	Use a fourth-tier pharmacy benefit	23%
6%	Use a specialty copay accumulator or copay adjustment program	18%
4%	Use a copay maximizer	11%

Biosimilars

Biosimilars are poised to play an increasingly vital role in controlling the rising costs of specialty drugs, particularly for blockbuster medications that generate annual sales of $1 billion or more. Recent advancements, such as the FDA's approval of multiple biosimilars for a specific blockbuster medication, have created opportunities for PBMs to implement strategies that lower net acquisition costs through even more competitive pricing and/or higher rebates. Other major biologics are also expected to face competition soon. As a result, biosimilars are beginning to fulfill their potential as an effective cost management tool.

Typically, employers don't make formulary decisions within a class of drugs. Instead, they depend on their PBM to make those decisions based on negotiations with both the original biologic's manufacturer and the biosimilar manufacturers. The resulting plan designs reflect complex considerations by the PBM, including the impact on rebate guarantees in their contracts with employers. Nevertheless, the overall outcome should result in savings for employers.

Currently, biosimilars offer price reductions of 15%–35% or more compared to branded biologics, which can cost between $10,000 and $30,000 annually.[4] But these savings are expected to increase as competition intensifies for more blockbuster biologics.

▼15%–35%

Average prices for biosimilars compared to the branded biologic[4]

Recent advancements, such as the FDA's approval of multiple biosimilars for a specific blockbuster medication, have created opportunities for PBMs to implement strategies that lower net acquisition costs through even more competitive pricing and/or higher rebates.

Key takeaways IN PHARMACY BENEFIT MANAGEMENT

1 Cost-sharing levers

Faced with rising prescription drug costs, particularly for specialty drugs, employers are adjusting pharmacy benefit plans by implementing formulary exclusions and mandating generics. Direct cost-sharing increases are minimal, but most employers maintain copays and coinsurance, with few adopting a separate deductible.

2 Cost-sharing amounts

Since 2021, median cost-sharing amounts for prescription drugs have remained stable, with generics at the low end and specialty drugs at the high end. Pharmacy deductibles can vary widely, influenced by employer choice, size and regional differences.

3 Contracting tactics

Employers are increasingly examining PBM contracts and considering alternative vendors, with a notable rise in the implementation of carve-outs for PBM services. Despite the dominance of the "Big 3" PBMs, more employers are also negotiating contracts to better manage the use and costs of specialty drugs.

4 The impact of legislation and lawsuits

State-level mandates and heightened scrutiny around fiduciary responsibilities are driving employers to seek greater flexibility and transparency in their PBM relationships. They aim to manage costs effectively while helping to ensure employees have access to necessary medications.

5 GLP-1 medications for obesity

Over two-thirds of employers currently cover GLP-1 medications for obesity, recognizing their potential to enhance employee health and aid in recruitment and retention. While concerns about high costs and the sustainability of weight loss without ongoing use remain, more employers are expected to add coverage by 2027.[3]

6 Managing GLP-1 access and utilization

Employers are adopting more restrictive and integrative approaches to manage GLP-1 medication use for obesity, such as enhanced prior authorization and mandatory weight management programs. These strategies are designed to promote sustainable weight loss and improve health outcomes.

7 Cost management tactics for specialty drugs

Rising specialty drug costs are significantly impacting health benefit cost trends, prompting employers to seek various relief measures. Large employers frequently adopt a broad range of tactics at nearly double the rate of others, while small employers often lack awareness or choice in implementing these strategies.

8 Biosimilars

Biosimilars are poised to play a crucial role in reducing specialty drug costs, with recent FDA approvals creating opportunities for PBMs to negotiate more competitive pricing and/or higher rebates. Employers depend on PBMs for formulary decisions, which, despite complex rebate considerations, should result in savings as competition grows.

Want to dig deeper into the data? Download detailed findings broken out by region, size and more.

Voluntary Benefits

Over the past 15 years, voluntary benefits have transitioned from being supplementary offerings to essential components of a comprehensive employee benefits package. This shift reflects ongoing organizational goals to attract and retain top talent by addressing the diverse needs of a multigenerational workforce. Rising healthcare costs and the prevalence of high-deductible health plans have solidified their role in helping employers balance costs while providing employees with opportunities for better financial wellbeing.

As voluntary benefits have become more integral, employers are tasked with navigating a complex array of offerings to meet the varied needs of their employees. The integration of voluntary benefits with core offerings is a significant trend, streamlining administration and enhancing the employee experience by providing seamless coverage and financial protection.

Beyond traditional voluntary options, there's a growing interest in quality-of-life benefits, such as discounts on services and products. While these can enhance employee wellbeing, they may also overwhelm employers trying to add genuine value, and vetting vendors and services remains a critical step.

As the voluntary benefits space continues to evolve, employers need to carefully balance innovative offerings with the basic needs of their employees. By doing so, they can create a benefits package that not only attracts and retains talent but also supports the overall wellbeing of their workforce, shaping a positive employee experience and driving organizational success.

Strategic importance

Voluntary benefits have become a cornerstone of modern employee benefit strategies. This is evidenced by the 70% of employers who are driven to offer voluntary benefits in order to help ensure their benefits package is comprehensive, up from 64% in 2023. What's more, nearly half (46%) are leveraging these benefits to meet the individual needs of a diverse workforce.

Voluntary benefits allow employees to choose options that best suit their individual circumstances. For example, younger employees might prioritize accident insurance due to their active lifestyles, while older employees might value long-term care solutions. Different generations also have varying priorities. Millennials and Gen Z often look for mental health support and financial wellbeing programs, whereas baby boomers and Gen X might focus on supplemental health insurance and retirement planning.

Retaining talent is a major operational priority for employers, second only to growing revenue and sales, and it's the number one overall HR priority. As organizations navigate a competitive labor market, the strategic integration of voluntary benefits is proving essential for attracting and retaining talent. More than half of employers (51%) emphasize the importance of voluntary benefits in supporting talent retention, up a staggering 20 points from 31% in 2023.

Voluntary benefits will continue to be a valuable tool for adding flexibility and customization to benefit packages. Nearly one-third of employers (32%) plan to expand their voluntary benefit offerings over the next two years, highlighting their growing importance.

Nearly 1 in 3

Expect to expand voluntary benefit offerings by 2027

As organizations navigate a competitive labor market, the strategic integration of voluntary benefits is proving essential for attracting and retaining talent.

Top Reasons for Offering Voluntary Benefits

1. Provide comprehensive benefit packages
2. Fill gaps in coverage from the core benefits
3. Retain existing employees
4. Offer financial protection to employees
5. Appeal to a diverse workforce

Role in financial wellbeing

By offering additional options that provide specialized support, voluntary benefits help fill gaps in core benefits coverage. This often addresses specific needs that traditional benefits might overlook, such as those related to financial wellbeing. More than 3 in 5 employers (62%) are motivated to extend voluntary benefits to fill gaps, wanting to help ensure their employees have access to a wider range of protections and services tailored to their unique circumstances.

Two-thirds of employers (67%) agree that voluntary offerings are an important component of a comprehensive financial wellbeing strategy. They can provide crucial support in areas where traditional benefits may still expose employees to substantial costs if an emergency occurs.

Financial-focused programs, like identity theft protection and legal plans, help employees better manage their risk for financial exposure, leading to reduced stress and increased productivity.

Likewise, permanent life insurance options — including whole (36%), permanent term (35%) and universal (17%) — offer another financial safeguard. Their long-term care features provide living benefits such as home healthcare, adult day care and assisted living support during the later stages of an employee's life.

67% Agree voluntary benefits are important to a comprehensive financial wellbeing strategy

Permanent Life Insurance Options Offered

Whole	36%
Permanent term	35%
Universal	17%

Application challenges

Nearly half of employers (48%) now utilize voluntary benefits to bolster the financial health of their employees, up 14 points from 2023. This is a poignant example of how some employers are overcoming silos across benefit offerings and programs to efficiently and effectively meet the holistic needs of their employees.

Like many integration initiatives, HR leaders face hurdles in embedding voluntary benefits into their broader financial wellbeing strategy. Employee participation (35%) tops the list, as getting employees to engage in offerings is a long-standing challenge. Competing priorities get in the way for 33%, and another 32% are constrained by administrative platform limitations or cost.

Despite these challenges, many organizations recognize the value of voluntary benefits in enhancing overall employee satisfaction and financial health. As such, continuous evaluation of available programs, a solid understanding of employee preferences and needs, and evolution of HR technology and integration can help guide employer decisions over time.

Reasons Voluntary Benefits Aren't a Bigger Part of the Financial Wellbeing Strategy

35%	Participation concerns
33%	Have higher priorities
32%	Administrative platform limitations or cost
28%	Limited staff resources
22%	Employees can't afford
19%	Too many existing offerings for employees

Integration with core benefits

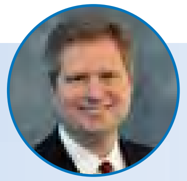
Although still in its early stages, the trend of integrating voluntary and core benefits is transforming the insurance industry. Historically, these benefits have been offered separately, often resulting in a lack of coordination. Multiple claims from the same incident sometimes had to be processed independently by different carriers, leading to inefficiencies and increased administrative burdens for employers.

However, the landscape is changing as medical, life and disability carriers are now delivering integrated solutions. For example, when an employee has a medical event, such as a pregnancy, an integrated plan can automatically trigger benefits from both the medical insurance and a hospital indemnity plan. This coordination simplifies the claims process and provides financial relief to the employee by covering out-of-pocket expenses more effectively.

Additionally, integrated plans can offer cost savings to employers through discounts on their overall spend, making them an attractive option for organizations looking to optimize their benefit offerings while maintaining or reducing operating expenses.

Relatively few employers currently integrate with their core medical plan, with rates of 5% each for accident, critical illness and hospital indemnity. Integration with life, disability and absence management plans is somewhat more common at 14% for accident, 9% for critical illness and 7% for hospital indemnity. Future integration is under consideration across all three coverages at an additional 2% each.

Thought Leader POV



"In recent years, we've observed a significant shift from stand-alone, siloed strategies in the marketplace, where core medical and voluntary benefits operated independently. Now, we're witnessing the emergence of a trend toward integration, where core medical, supplemental health, life, disability and absence management are increasingly being coordinated to work together seamlessly. The ability to collect and analyze this data as a whole is driving integrated solutions for employers."

— Richard (RAE) Egleston, President, Voluntary Benefits Consulting

Integration of Supplemental Health Plans

	With the core medical plan	With the life, disability and absence management plans
Accident	5%	14%
Critical illness	5%	9%
Hospital indemnity	5%	7%

Common offerings

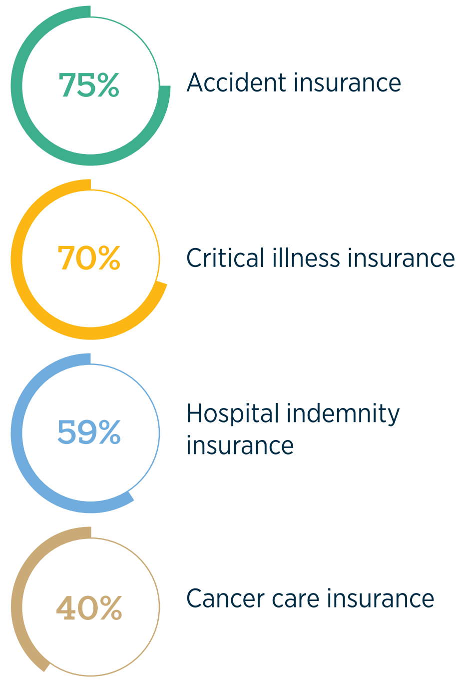
The range of voluntary benefit options available is extensive. Employers should carefully evaluate and manage the influx of new products to help ensure they genuinely add value and don't overwhelm employees with too many options. The key is to strike a balance between innovative offerings and core benefits so supplemental benefits complement rather than overshadow essential health and financial protections.

Accident insurance continues to be the most prevalent voluntary benefit, available through 75% of employers, an increase from 69% in 2023. Critical illness insurance is also popular, with 70% of employers including it in their benefit packages, up from 62% in 2023. Both types of insurance deliver valuable financial protection for employees and their families, offering relief in unexpected situations.

Other common voluntary benefits include hospital indemnity insurance, offered by 59% of employers, and cancer care insurance, provided by 40%. Like accident and critical illness insurance, these benefits are typically fully funded by employees.

As voluntary options become integral to comprehensive employee benefit packages, the industry is focusing on optimization. Employers are working to enhance their offerings by analyzing workforce needs and improving communication and education to increase awareness and enrollment. This effort to deepen employee understanding of their total rewards highlights the growing significance of voluntary benefits within overall benefit packages.

Commonly Offered Voluntary Benefits



The key is to strike a balance between innovative offerings and core benefits so supplemental benefits complement rather than overshadow essential health and financial protections.

Quality-of-life products

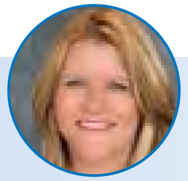
The expansion of quality-of-life products within the voluntary benefits landscape represents a significant change in how employers approach employee wellbeing. Traditionally, voluntary benefits concentrated mainly on financial protection and health-related offerings. However, as the workforce evolves, there's an increasing acknowledgment of the importance of enhancing employees' overall quality of life.

Quality-of-life products are designed to improve employees' daily experiences and overall satisfaction. By offering benefits that cater to lifestyle and personal interests, employers can create a more holistic benefits package that resonates with a diverse workforce.

Up from 44% in 2023, just over half of employers (51%) have an employee perks discount program, with 29% employer subsidized. Legal plans, also on the rise, are made available by 38%, compared to 33% in 2023. However, only 8% are employer subsidized. Pet insurance is offered by a third of employers (33%) and is almost exclusively 100% employee-paid. Still, offer rates are notably higher than the 23% that provided this benefit in 2023.

Employers need to tread carefully with all of the new products coming to market. Some of the new entrants in the quality-of-life space are capitalizing on the optics of a product becoming quasi-endorsed when offered through an employer. Vendors are giving discounts on everything from mattresses to vehicle warranties to ride-sharing programs. But not all of these are quality products, and employers may end up spending more time than they'd like sorting through options if they aren't cautious.

Thought Leader POV



"The voluntary benefits space is really expanding with many new products and services emerging beyond traditional insurance options — like vehicle warranty programs, for example. Some of these offerings are genuinely useful, while others might not be as beneficial, which can make it tricky to figure out what's worth considering. Providers are discovering that selling their products through employers can act as a stamp of approval, boosting their visibility more effectively than direct marketing. Employers need to be careful not to overwhelm employees with too many choices. It's important to focus on promoting benefits that truly make a difference in enhancing workplace wellbeing."

— Terri Orem, Divisional Vice President, Voluntary Benefits Consulting

Growth in Quality-of-Life Products Since 2023

▲10 points	Pet insurance
▲7 points	Employee perks program (discounts)
▲5 points	Legal plan

Long-term care solutions

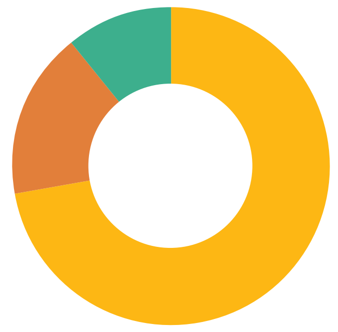
Broader changes in workforce expectations and organizational priorities are increasing employers' focus on certain emerging trends in voluntary benefits. One specific trend is long-term care (LTC) solutions. With an increasingly aging population and states like Washington mandating LTC coverage, there's a growing need for employers to incorporate LTC options into their benefit offerings.

Beyond regulatory considerations, employers seeking to retain employees and support financial wellbeing initiatives can set themselves apart by offering LTC coverage. LTC solutions assist in covering the substantial costs associated with extended care services, helping to ensure that employees don't have to exhaust their savings or depend solely on family members for care. Providing coverage for potential LTC, home healthcare, adult day care and assisted living needs can alleviate stress related to future health expenses.

Hybrid products that combine permanent life insurance with LTC benefits are also gaining traction, giving employees both a death benefit and access to funds for LTC needs. This dual functionality makes them an attractive option for a workforce concerned about future care costs.

Currently, 28% of employers offer LTC solutions, with 11% providing a subsidy to offset the employee cost. This is up from 2023, when 23% offered LTC solutions and 8% subsidized.

Offer Long-Term Care Solutions



Providing coverage for potential LTC, home healthcare, adult day care and assisted living needs can alleviate stress related to future health expenses.

Identity theft protection

Another trend to watch is the heightened focus on cybersecurity and identity protection. With advancements in artificial intelligence amplifying the threat of cyberattacks, many employers have invested in cyber insurance to safeguard their organizations. Additionally, a growing number of companies are now offering comprehensive identity theft protection plans to protect their employees.

Offer rates for identity theft protection increased from 34% in 2023 to 39% in 2025, with 10% of these benefits being employer-subsidized. As more employees use personal devices for work purposes, organizational exposure to cyber risks is heightened, underscoring the need for enhanced protection.

The demand for cybersecurity products is shaped by demographic trends as well as national and state dynamics. As the voluntary benefits industry continues to evolve, staying informed about these trends will be crucial for employers aiming to provide valuable benefits to their workforce while advancing their organizational goals of controlling costs and attracting and retaining talent.

▲5
points from 2023 to 39%

Offer identity theft protection

Key takeaways IN VOLUNTARY BENEFITS

1

Strategic importance

Voluntary benefits are an essential component of modern benefit strategies, with most employers offering them to provide comprehensive packages and meet diverse workforce needs. With their role in talent retention, a top priority in 2025, many are planning to expand their offerings over the next two years.

2

Role in financial wellbeing

Two-thirds of employers consider voluntary benefits important to a comprehensive financial wellbeing strategy. Financial-focused programs and permanent life insurance options help manage financial risks and reduce stress while demonstrating the organization's commitment to the workforce's wellbeing.

3

Application challenges

HR leaders face hurdles in embedding voluntary benefits into their financial wellbeing strategy. Participation concerns, competing priorities, and administrative platform limitations or cost were listed by roughly a third each as notable challenges.

4

Integration with core benefits

Integrating voluntary and core benefits is transforming the insurance industry by streamlining claims and reducing administrative burdens. Although adoption is currently low, interest in expanding integration across various coverages is expected to grow significantly.

5

Common offerings

Employers are providing voluntary offerings like accident, critical illness and hospital indemnity insurance within their employee benefit packages, balancing innovation with essential protections. As these benefits become central to strategies, there's an emphasis on enhancing communication and education to increase awareness and enrollment.

6

Quality-of-life products

The shift toward quality-of-life products aims to enhance employee wellbeing, focusing on daily experiences and overall satisfaction. Employers should carefully assess new market entrants to help ensure genuine value amidst a crowded landscape.

7

Long-term care solutions

Demand for LTC solutions is rising due to an aging population, regulatory mandates and the need to support employee financial wellbeing, leading employers to explore hybrid products. Since 2023, more employers are offering LTC solutions and providing subsidies to offset costs.

8

Identity theft protection

Heightened focus on cybersecurity is prompting employers to prioritize identity protection in their benefit packages. As cyber threats increase, offerings and participation rates for identity theft protection have risen, underscoring the need to adapt to these trends to safeguard employee information and support talent attraction and retention.

Want to dig deeper into the data? Download detailed findings broken out by region, size and more.

Wellbeing Initiatives

Today, organizations are increasingly focusing on comprehensive wellbeing strategies to support their employees. As the landscape continues to evolve, several key trends and challenges have emerged, shaping how they approach employee wellbeing. The goal is to provide customized programs and resources that enable each employee to thrive.

By addressing diverse needs and overcoming challenges like budget, communication and logistical constraints, organizations can cultivate a supportive environment that fosters employee health, engagement and productivity. Leveraging informed guidance can help organizations overcome these obstacles and optimize their wellbeing programs to effectively meet employee needs.

Healthcare costs are rising, driven by new medical treatments and a robust pipeline of therapies. As such, employers are seeking ways to boost preventive health and support lifestyle improvements to avoid costly interventions. Although employers are primarily focused on pressing operational concerns and generally satisfied with their current offerings, many are still evaluating additional tools and programs that could provide extra value.

Defining an organizational philosophy is a crucial starting point, but adaptability and responsiveness to evolving expectations and market pressures are equally important. Incremental improvements and a stepwise approach make evolution more manageable. Investments in supplemental programs and services are increasing, recognizing the interconnection between physical, emotional, career and financial health. Elements once considered fringe are now critical to a holistic and inclusive wellbeing approach, with areas like family support and financial perks gaining importance alongside disease management. Leaders are moving away from a subcategory mindset, breaking down silos and adopting a total wellbeing approach.

Although employers are primarily focused on pressing operational concerns and generally satisfied with their current offerings, many are still evaluating additional tools and programs that could provide extra value.

Strategic approach

Leading organizations understand that a comprehensive wellbeing strategy is key to their overall success. Ideally, this strategy is integrated into the organizational culture and aligned with broader business objectives. Through advanced planning, data-driven design and thoughtful execution, these programs can enhance employee engagement, reduce absenteeism and improve overall productivity.

Across all organizations, just over half (54%) have implemented some form of employee wellbeing strategy. The sophistication of these strategies is nearly evenly divided: 26% focus on traditional offerings centered on employees' physical health, while 28% have a comprehensive strategy addressing the health of the whole employee. More strategic approaches tend to correlate with size, as nearly half of large employers (45%) have a comprehensive approach compared to just 14% of small.

The remaining organizations either offer some wellbeing resources (27%), like volunteer opportunities, company-sponsored gatherings or employee recognition, or lack a wellbeing strategy and resources altogether (19%). Of those without a strategy, 44% plan to implement one by 2027.

Wellbeing covers all aspects of health, with employers noting increased importance in emotional (56%), financial (47%), physical (43%) and career (34%) wellbeing over the past year. Addressing these areas and planning for the future requires focusing on member experience and the ability to drive positive health outcomes. Leading organizations are investing now for future success. Regardless of strategic approach, budget or logistical challenges, organizations can succeed by prioritizing high-impact initiatives that align with their workforce's specific needs.

Scope of the Wellbeing Strategy

28% Comprehensive wellbeing strategy focused on whole-employee health

26% Strategy with traditional options focused on physical health

27% Don't currently have a strategy for wellbeing but provide some wellbeing resources

19% Don't currently have a strategy for wellbeing or any wellbeing resources

Physical wellbeing initiatives

Physical wellbeing continues to be the cornerstone of overall wellbeing. As the need to prevent costly interventions for both acute and chronic conditions persists, there's a renewed emphasis on long-established wellness practices. Programs in this area are often guided by a value on investment (VOI) philosophy, which assumes that basic health prevention is effective over time, even if the return on investment (ROI) is challenging to quantify.

In the area of healthy weight management, GLP-1s have gained attention for their impressive short-term results, though their effectiveness for all patients and long-term sustainability is uncertain. The high costs associated with these treatments have led employers to explore alternative methods to support health. Currently, 50% offer targeted weight management programs, which vary widely in scope and intensity. Employers should carefully assess population needs, employee values and budget constraints to choose program elements that are most likely to succeed.

Other weight management tactics include gym subsidies or discounts (53%), physical activity programs or virtual fitness platforms (46%), healthy vending options (33%), and onsite fitness centers (33%). These programs should consider logistical factors and employee expectations to help ensure an effective mix that keeps employees active, leading not only to calories burned but also to improvements in mental, cardiovascular and musculoskeletal health.

On the prevention front, employers continue to invest in providing recommended flu vaccines (83%) and age-appropriate preventive care and screenings (58%). Tobacco cessation tools remain central to many wellbeing initiatives (57%), while biometric screenings (47%) and risk assessments (44%) offer personal and population health data to inform decision-making. From an educational perspective, helping employees understand individual risk factors encourages participation and guides the clinical and lifestyle resources needed to maintain and improve quality of life and life expectancy. The aim is to extend healthy life years while also identifying immediate health concerns.

Components of Physical Wellbeing Initiatives

83%	Flu vaccines
58%	Promotion of preventive care and age-appropriate screenings
57%	Tobacco cessation tools
53%	Gym subsidies or discounts
50%	Weight management programs

Emotional wellbeing initiatives

Emotional health is the aspect of wellbeing that's increased the most in 2025. Despite a deceleration in its pace, 56% of employers report an elevated priority this year, compared to 64% in 2024 and 74% in 2023. This trend likely reflects the efforts many organizations have already invested in this area. Creating an inclusive and flexible workplace remains a priority for most, even if formal programs to achieve these goals aren't universally adopted.

The top offerings in this space include employee assistance programs (EAPs) (93%) and virtual or telephonic mental health counseling (70%). While I&D initiatives remain important, implementation of formal programs has leveled off at 43%, down from 48% in 2023 and 2024. This slight decline may be due to challenges in defining success and measuring impact. Organizations are encouraged to refine their equity structures and establish clearer goals to help ensure sustained success for the greatest number of employees and the business.

Managers and leadership play a critical role in shaping the employee experience and setting the tone for emotional wellbeing. Reflecting trends observed in other aspects of wellbeing, leadership concern about the impact of stress and burnout is decreasing, with 67% expressing concern in 2025, compared to 70% in 2024 and 75% in 2023. In contrast, the belief that managers are well-equipped to refer employees to mental health support services remains relatively stable at 45%.

Managers and leadership play a critical role in shaping the employee experience and setting the tone for emotional wellbeing.

Nearly 1 in 4 employers (24%) provide mental health training for managers, leaders or HR, with the percentage increasing as headcount grows; more than 1 in 3 large employers (35%) prioritize these trainings. Opportunities exist to enhance training by focusing on empathetic leadership and identifying the signs of stress, burnout and mental health conditions. Incorporating greater management accountability can lead to a better understanding of available services and improve communication of resources, helping to break down stigmas.

Components of Emotional Wellbeing Initiatives

93%	EAPs
70%	Virtual or telephonic mental health counseling
43%	I&D initiatives

▼8 points from 2023 to 67%

Agree leaders are concerned about the impact of stress and burnout on the organization

Career wellbeing initiatives

Employees are becoming more aware of their worth, encouraging employers to foster career growth and reward performance. By showing dedication to the workforce's best interests, organizations can improve attraction and retention. Career wellbeing is tied to employee engagement, with growth opportunities affirming the value of their skills and knowledge. Understanding the workforce, rather than making assumptions about their beliefs or motivations, provides a foundation for creating a shared purpose and environments where employees can thrive, take ownership and contribute actively.

Management or leadership development training (70%) and ongoing performance feedback or coaching (69%) are common strategies employers use to enhance employee performance. Meanwhile, employee development training (65%) and mentoring programs (38%) can be particularly valuable in environments where organizational knowledge is at risk due to an aging workforce.

As baby boomers near retirement, mentoring and knowledge sharing become increasingly important for transferring skills and experience to younger generations. These initiatives bridge generational gaps, enabling older workers to lead, educate and contribute in new ways while allowing room for younger workers to grow. Creating this space can be challenging and requires shared responsibility among all parties involved. However, it's ultimately up to leadership to prioritize the sharing of experiences and collaboratively develop pathways for this exchange to occur.

While not always the main factor in choosing a new position, work-life balance remains important for many employees, and employers recognize the benefits of flexibility and time off. The majority of return-to-office policies are established, with hybrid models being the most common at 40% and only 11% requiring full-time in-person attendance. About 1 in 5 (19%) offer complete freedom, while 25% never provided remote work options.

Components of Career Wellbeing Initiatives

- 70% Management or leadership development training
- 69% Ongoing performance feedback or coaching
- 65% Employee development training
- 38% Mentoring programs

Implemented a Mandatory Return-to-Office Policy

- 40% Yes, hybrid model (specific days in office)
- 11% Yes, required full time

Financial wellbeing initiatives

Financial pressures continue to be a significant concern for employees, intensified by inflation and housing costs. Among all aspects of wellbeing, financial health is a top growth area year over year. Employers are encouraged to consider the diverse financial needs of their multigenerational workforce, providing support that goes beyond traditional retirement plans to address immediate financial wellbeing and stressors.

Currently, employers are heavily relying on employee discount programs (61%), which are often built to align with their industry of operations. To promote informed decision-making regarding spending and saving, 56% of employers use financial literacy resources or seminars, with access increasing as headcount grows. For employees needing personalized support to address unique circumstances, one-on-one financial coaching sessions (51%) can be a game changer.

While financial health discussions often focus on retirement planning, helping employees balance budgets and manage daily spending lays a strong foundation for the future. As a result, over half (51%) offer financial planning or wealth management services, and 54% provide will preparation, estate planning or other legal services that assist employees in managing their financial legacy and help ensure a smooth transfer of assets.

A well-educated workforce is crucial for any business, yet education requires time and significant investment, which is often the student's responsibility. To help alleviate this burden and encourage learning opportunities, two-thirds of employers (67%) offer tuition assistance, with large employers (78%) more likely to provide this benefit than small ones (49%). Less common education financing relief includes student loan forgiveness programs (14%), 529 college savings plans (13%) and student loan repayment contributions (12%).

Components of Financial Wellbeing Initiatives

- 61% Employee discount programs
- 56% Financial literacy resources or seminars
- 54% Will preparation, estate planning or other legal services
- 51% One-on-one financial coaching sessions
- 51% Financial planning or wealth management services

2 in 3 Offer tuition assistance

Success metrics

Wellbeing programs, services and events provide valuable opportunities for employees. While other benefits are often a higher priority, wellbeing initiatives remain essential and accessible resources. When thoughtfully designed, they can differentiate an organization and enhance its appeal.

Participation remains the top wellbeing challenge for 70% of employers this year, marking a slight but notable increase from 62% in 2020. Despite this trend, participation rates of 60% or more have risen by 5 points since 2023. Most organizations limit participation to employees, whether they're on the health plan (99%) or not (78%). Additionally, half (50%) invite spouses, and over a third (37%) include dependents.

Aligning wellbeing initiatives with participant needs and effectively communicating to build awareness are fundamental to engagement and success.

No matter how inclusive participation may be, aligning initiatives with participant needs and effectively communicating to build awareness are fundamental to engagement and success. Other challenges include budget (36%), geographically dispersed employees (29%), communication (24%), and multiple shifts and shift workers (22%). With reconfigured work arrangements now an accepted norm, the search continues for innovative ways to engage employees effectively offsite.

Measuring success in wellbeing initiatives is challenging. While programs are common, assessing their effectiveness isn't straightforward. Relying solely on participation, as 65% of employers do, results in a one-dimensional evaluation. More strategic measures, such as employee engagement surveys (44%), provide detailed, actionable insights. Some organizations track ROI and health impacts using financial claims data (31%), preventive care (27%) and healthcare utilization (26%), but connecting these trends to wellbeing initiatives requires data and analytic tools to support evaluation.

70% — **Rank participation as their top wellbeing challenge**

Top Measures Used to Evaluate Wellbeing Initiative Success

1. Program participation
2. Employee engagement survey
3. Financial (claims data)
4. Preventive care
5. Healthcare utilization

Participation levers

Incentives are used by 78% of employers to entice greater participation, with half (50%) relying on cash or gifts. Participant recognition through email, virtual platforms or internal meetings ranks second at 36%, despite its lower cost. Contributions to a health reimbursement arrangement (HRA), HSA or flexible spending account (FSA) (24%) and health plan premium differentials (22%) are also common, though these methods have declined as employers adopt a lighter approach. Paid time off (PTO) is used as a motivator by 23%, more frequently by small employers (30%).

Effective employee communication is essential for the successful utilization of wellbeing initiatives. With the number of offerings expanding so much that even HR leaders can lose track of the full scope of benefits, employees face an even greater challenge in staying informed and extracting value. Often, open enrollment becomes an overwhelming influx of information focused on benefit selection, with less emphasis on how to effectively use these benefits.

There's ongoing tension between employees' capacity to receive information and their ability to access tailored resources. Clear communication about the what, where and how of resources is crucial for engagement. It demystifies initiatives, making them accessible and helping to ensure employees know where to turn when motivated to improve their lifestyle or when unexpected health needs arise.

Employees have diverse needs and preferences, so effective communication should customize messages to resonate with different segments, helping to ensure relevance and appeal. This involves using varied channels and formats to reach diverse groups. Leadership endorsement can also significantly boost participation; when leaders actively promote and engage in programs, it highlights their importance and encourages broader employee engagement.

Incentives Used to Increase Participation in Wellbeing Initiatives

50%	Cash or gift incentives
36%	Employee recognition
24%	Contribution to an HRA, HSA or FSA
23%	PTO
22%	Premium differentials

Investment per employee

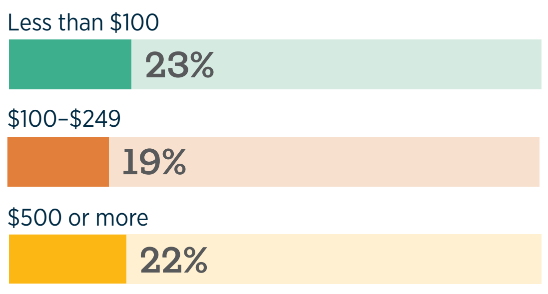
Employers face the challenge of addressing varied employee needs and evolving expectations of wellbeing. Interests differ by age, life stage, lifestyle and personal circumstances, requiring a unique approach to benefits. Conducting a comprehensive inventory of current offerings and their utilization is essential; if a solution doesn't align with organizational objectives or show clear value, it may be time to reconsider its place in the benefits portfolio.

Wellbeing investment per employee per year varies by entity and organization size. The spending is almost evenly distributed among the ranges: less than $100 (23%), $100–$249 (19%), and $550 or more (22%). The remaining organizations spend between $250 and $549, with 20% unsure of their wellbeing costs. Generally, smaller organizations spend more per employee, while larger ones benefit from economies of scale.

Many organizations are weary from managing multiple contracts without seeing the expected ROI, prompting a reassessment of strategies to better align offerings with current demands and future goals. Although the market offers numerous point solutions, not all deliver sustainable, long-term results. Employers are increasingly focused on measurable outcomes and clear ROI, leading to a shift away from these investments as they adopt a "wait and see" approach to prioritize more pressing needs.

To streamline access and management, some employers are choosing vendors with broad offerings, providing a single-entry point for employees. However, this consolidation requires diligent tracking of existing elements and identifying gaps. Leveraging adjunct programs through core benefit carriers for health, pharmacy and retirement can be beneficial, but it requires careful evaluation to help ensure alignment with overarching objectives.

Wellbeing Investment Per Employee Per Year (All Forms)



Thought Leader POV

"Employers are feeling contract fatigue after years of ROIs that haven't always delivered. They're now closely examining their offerings, costs and utilization. If a value proposition doesn't align with their overarching objectives, they're deciding it's time to let it go."

— Courtney Schroeder, National Practice Leader, Wellbeing Consulting

Key takeaways IN WELLBEING INITIATIVES

1

Strategic approach

Leading organizations see a comprehensive wellbeing strategy as essential for enhancing engagement and productivity. While over half have implemented strategies, the focus should be on prioritizing high-impact initiatives that align with workforce needs.

2

Physical wellbeing initiatives

Physical wellbeing is fundamental to overall health, prompting employers to focus on established wellness practices to avoid costly interventions. By exploring diverse weight management and preventive health measures, employers can effectively enhance outcomes and extend healthy life years.

3

Emotional wellbeing initiatives

In 2025, emotional health continues to be the top priority in wellbeing, despite a slower growth rate. Managers and leaders play a pivotal role in shaping the employee experience, but opportunities exist to improve their training in empathetic leadership and recognizing signs of stress, burnout and mental health conditions.

4

Career wellbeing initiatives

Organizations are prioritizing career growth, better understanding employee motivations and fostering thriving environments. As baby boomers retire, mentoring and knowledge sharing are vital for skill transfer, while flexible work arrangements, like hybrid models, support work-life balance.

5

Financial wellbeing initiatives

Financial pressures, intensified by inflation and housing costs, continue to be a major concern for employees. To expand support beyond traditional retirement plans and address immediate financial needs, employers are offering more personalized financial and educational programs that help employees achieve their financial goals.

6

Success metrics

Wellbeing initiatives enhance organizational appeal but regularly face participation challenges. To boost engagement, they should align with participant needs and employ comprehensive evaluation methods beyond participation rates.

7

Participation levers

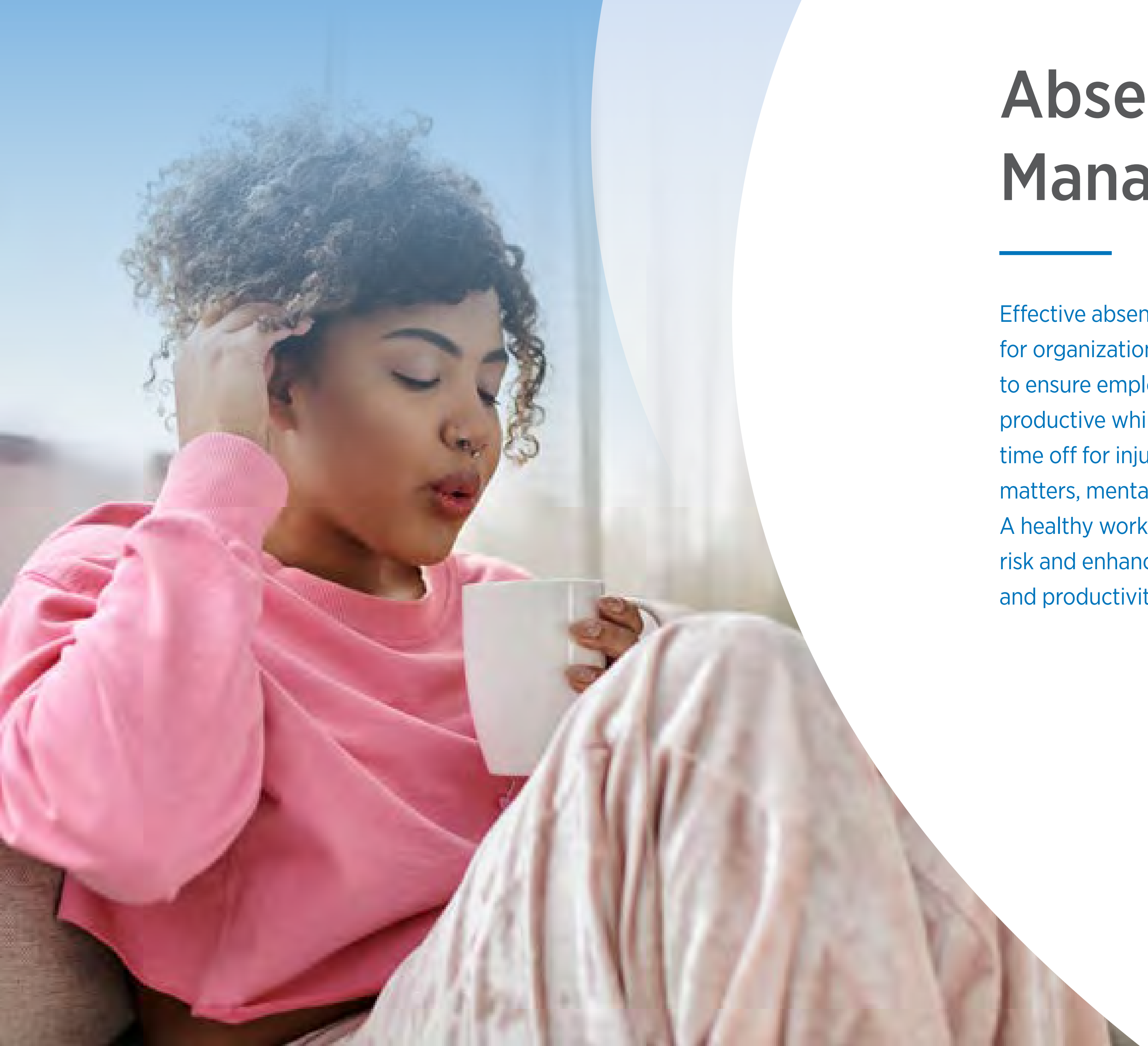
Employers use incentives like cash, gifts and PTO to entice participation, but effective communication is crucial. Customizing messages and securing leadership endorsement are impactful strategies that can further increase initiative engagement.

8

Investment per employee

Wellbeing expenditure per employee per year varies widely, with smaller organizations generally spending more than their larger counterparts. Employers are focusing on measurable outcomes and clear ROI, prompting a reassessment of their initiatives to better align with current demands and future goals.

Want to dig deeper into the data? [Download detailed findings broken out by region, size and more.]



Absence Management

Effective absence management is essential for organizational operations, helping to ensure employees are present and productive while accommodating necessary time off for injury and illness, personal matters, mental wellbeing, and rejuvenation. A healthy work-life balance reduces burnout risk and enhances employee engagement and productivity.

Compliance with leave laws is a significant challenge for employers, requiring them to stay updated on legislative changes and align their policies with legal requirements. Leaning on external specialists can help ensure compliance and reduce administrative burdens, while regular audits of absence management practices help identify compliance gaps or risks.

Employers are increasingly adopting comprehensive leave policies that support employees' personal and family needs, such as paid parental leave, prenatal leave and caregiver leave. These policies not only boost employee engagement but also foster a supportive and inclusive workplace culture.

Leading organizations are evolving their leave policies to align with workforce preferences and needs, helping to ensure they remain relevant and effective in supporting employee health and happiness. Emerging trends in paid leave policies, such as bereavement leave for pregnancy loss, culture and wellbeing days, and menopause leave, highlight the growing recognition of holistic employee wellbeing and the value of an inclusive and diverse workplace. By tailoring leave offerings to meet their workforce's unique needs, employers can strengthen their employee value proposition and cultivate a more positive and productive work environment.

Compliance challenges

When it comes to absence management, employers must navigate an intricate web of federal, state and local laws regarding employee leave, such as the Family and Medical Leave Act (FMLA) and the Americans with Disabilities Act (ADA). Keeping up with these regulations and complying with them can be daunting. Managing absences involves significant administrative tasks, including tracking leave, processing requests and maintaining accurate records.

Employers' top concerns in absence management reflect the complexity of tracking various regulations and leave types. Compliance with federal, state and municipal regulations is cited as a challenge by 55% of employers, making it the leading concern in absence management. Helping to ensure that all employees and managers are aware of and understand the absence policies is important, but can be difficult. Manager understanding of available leave types, regulatory issues and compliance ranks as a high concern for 44%, increasing to 52% for large employers. Additionally, 40% of employers worry about employees' understanding of the types of leave available to them.

These concerns highlight the dynamic legislative landscape for leaves. Several leave laws have been enacted just in the past year. States like Delaware, Maine, Maryland and Minnesota have introduced new paid family and medical leave laws, which include provisions for payroll deductions and employer contributions.[1]

Alaska, Missouri and Nebraska also passed new leave laws through ballot measures in November 2024, mandating sick leave accruals. California has amended its Healthy Workplace Healthy Family Act, expanding the covered uses for leave and broadening leave rights in cases of various acts of violence. Effective January 1, 2025, Connecticut has extended its paid sick leave law to cover nearly all occupations, not just retail and service jobs. While these changes reflect a growing trend toward more comprehensive and inclusive leave policies, employers face challenges in maintaining compliance.[1]

Helping to ensure that all employees and managers are aware of and understand the absence policies is important, but can be difficult.

Top Absence Management Concerns

1. Compliance with federal, state and municipal regulations
2. Manager understanding of available leave types, regulatory concerns and compliance
3. Employee understanding of available leave types
4. Impact of absence on productivity
5. Consistent administration

Family-friendly leave benefits

In a competitive job market, offering family-friendly benefits helps organizations stand out and attract skilled employees. Millennials and Gen Z, who highly value work-life balance, are particularly drawn to employers that support their personal and family needs. Family-friendly policies, such as paid parental leave, enhance engagement by helping employees feel supported in managing work and family responsibilities.

Currently, 34% of employers provide maternity benefits that pay 100% of an employee's salary during the pregnancy disability period. For the majority (61%), maternity benefits top up the short-term disability (STD) benefit to 100% for the pregnancy leave. For the remaining 39%, the plan pays 100% for all STD leaves.

Prenatal leave is gaining attention among employers due to new legislation and the growing emphasis on family-friendly benefits. The Pregnant Workers Fairness Act, enacted in June 2023, mandates that employers make reasonable accommodations for known limitations related to pregnancy, childbirth or related medical conditions.[2] Effective January 1, 2025, New York requires employers to offer 20 hours of paid prenatal personal leave annually for pregnancy-related medical care.[1] In California, employees disabled by pregnancy can take up to four months of leave before their due date under the Pregnancy Disability Leave.[3] Beyond legal requirements, nearly 1 in 5 employers (19%) offer prenatal leave prior to pregnancy disability.

Taking time off to bond with a child can significantly reduce stress and enhance mental health for parents, enabling them to return to work more focused and motivated. Approximately 2 in 5 employers (38%) provide new child/parent bonding leave, and 10% offer caregiver leave beyond legal mandates. The most common duration for both paid new child/parent bonding leave (22%) and paid caregiver leave (37%) is 11–12 weeks. Most employers (92%) offer equal time off for birth and adoption, and in line with case law against gender discrimination, 62% provide equal time off to both primary and secondary caregivers.

Nearly **1 in 5**

Offer prenatal leave prior to pregnancy disability beyond what is required by law

Thought Leader POV

"Prenatal leave is a growing trend, thanks to new laws and a focus on more family-friendly benefits. California already offers it, and starting January 1, 2025, New York became the first state to provide paid time off for pregnancy-related care. Plus, the Pregnant Workers Fairness Act is adding to this wave of family-friendly policies, which is great news for tackling the low birth rates in the US."

— Mary Armstrong-Flippo, Area Senior Vice President, US Absence & Productivity Practice

Short-term disability benefits

STD benefits provide partial income replacement for employees unable to work due to non-work-related injuries or illnesses. This support helps employees manage living expenses during recovery and alleviates financial stress. Knowing they have this safety net, employees are more likely to remain engaged and motivated at work.

More than two-thirds of employers (68%) offer STD insurance or salary continuation benefits, with the percentage increasing to 78% among the large group. During the STD elimination period, which is the waiting time before benefits begin, 53% of employers require employees to use their available sick time, vacation or PTO. This period typically lasts between 7 to 14 days, during which employees must rely on their accrued leave to sustain their income. Just 11% of employers mandate that employees exhaust their sick time before STD benefits kick in.

By allowing employees to supplement their disability pay with available sick time, vacation or PTO, employers can provide additional financial support during challenging times. This practice is adopted by the majority of employers (76%), helping employees maintain their regular income levels during periods of disability. Employer policies must comply with applicable laws, including state regulations and the FMLA.

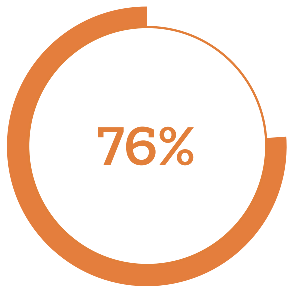
Knowing they have this safety net, employees are more likely to remain engaged and motivated at work.

Require Usage of Available Sick Time, Vacation or PTO as Income Replacement During the STD Elimination Period or Prior to STD Benefits Kicking in

53% Yes, required during STD elimination period

11% Yes, required to exhaust sick time prior to STD benefits kicking in

36% No



Allow employees to supplement disability pay with available sick time, vacation or PTO

FMLA administration

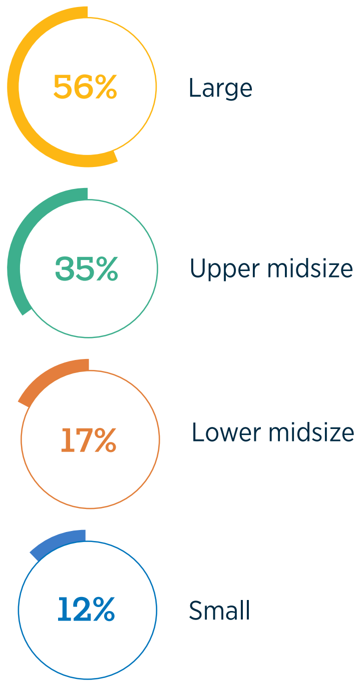
Private employers with 50 or more employees, along with federal, state and local governments, continue to administer FMLA in accordance with policies that allow employees to take unpaid leave without risking job loss. To align with evolving workforce expectations, these employers are continually refining their programs, policies and procedures while staying informed about the latest regulatory changes.

A quarter of employers (25%) outsource FMLA administration, marking a slight decrease following a steady five-year growth trend that peaked at 26% in 2024. The rate of FMLA outsourcing increases with employer size, ranging from 12% for the small group to 56% for the large. Outsourcing is more prevalent among large employers due to their higher incidence of absences and multi-state operations, which complicate compliance and increase associated risks.

Upon exhaustion of FMLA (up to 12 weeks), employers must verify that any termination of benefits complies with applicable laws and company policies. The most common approach (37%) is for employers not to set a specific benefits termination date. This helps ensure compliance with the ADA and supports the interactive process, which involves collaboration between employers and employees to determine effective and reasonable accommodations for individuals with disabilities. Other employers terminate benefits at 6 months (9%) or 12 months (4%) from the initial date of absence. Slightly less than a third (30%) terminate benefits upon the exhaustion of FMLA.

For employers that continue benefits beyond the exhaustion of FMLA, the majority (58%) match the active employee contribution level for premiums. If no income replacement is available, employee premium contributions often go into arrears, with collection occurring upon the employee's return to work (44%). Another 35% have established an internal billing process, sending bills directly to the employee's home address.

Outsource FMLA Administration



Less than 1 in 3

Terminate benefits upon the exhaustion of FMLA

Paid leave types

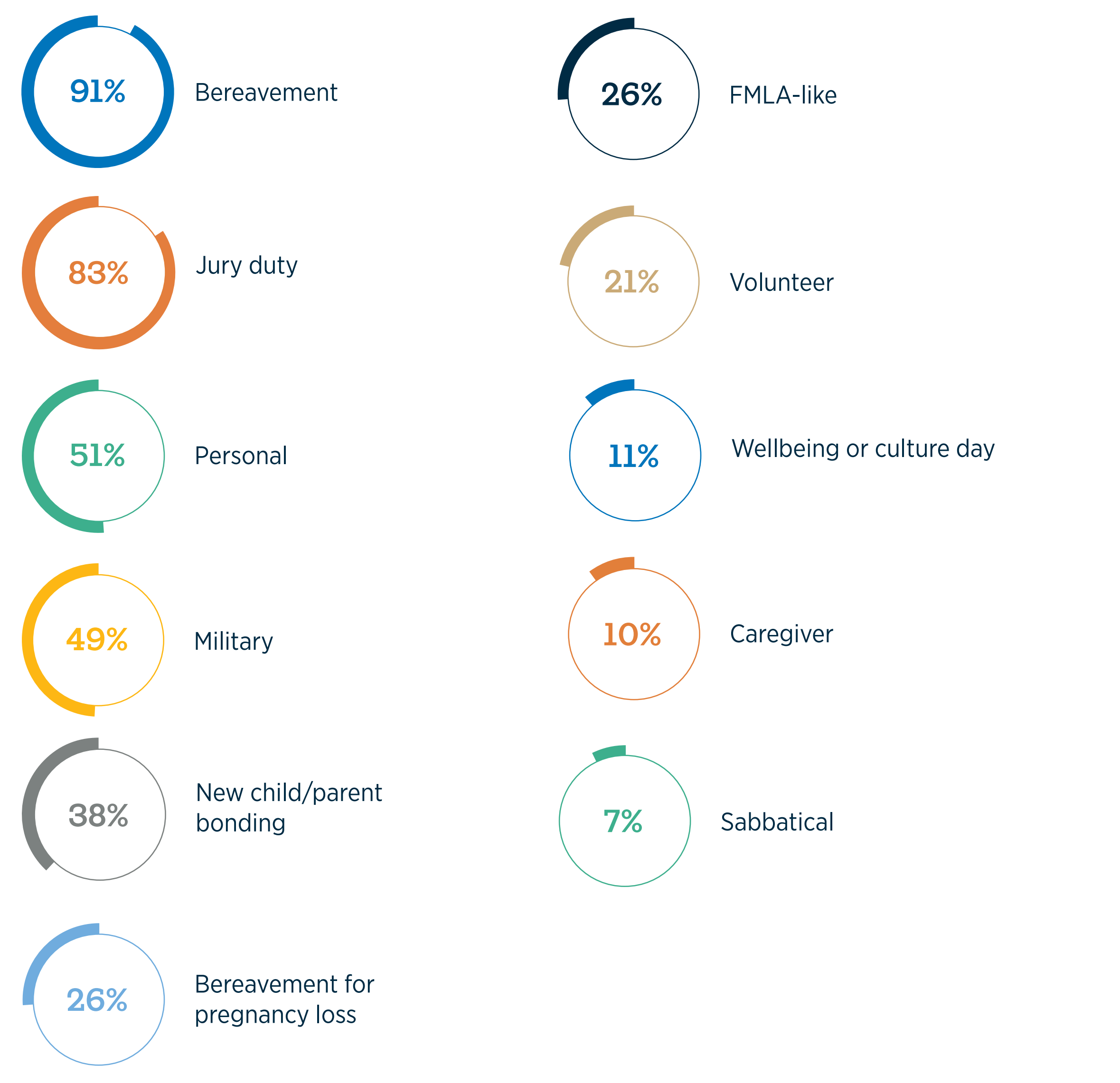
Paid leave is a highly valued benefit that enables employees to take time off for personal, family or health-related reasons without sacrificing their income. Providing leave beyond federal, state and local requirements can improve employee morale and reduce burnout.

Bereavement (91%) and jury duty (83%) are the two most common types of leave offered. Just over half of employers (51%) provide personal leave, down from 64% in 2024. This trend may indicate a shift from separating vacation, sick and personal days to consolidating them into a single PTO bank, simplifying the management of new and complex leave laws. Some employers may also be transitioning personal days into wellbeing or culture days (11%) in alignment with mental wellbeing and I&D initiatives.

More than a quarter of employers (26%) offer bereavement leave for pregnancy loss, adding another dimension to family-friendly benefits that support employees holistically. A small percentage (7%) provide sabbatical leave, allowing employees to pursue personal and professional goals, develop new skills, and gain experiences that can lead to innovative ideas and improved performance upon their return.

Altogether, paid leave benefits help employers create a more inclusive and supportive leave program that addresses the diverse needs of their workforce. Tailoring these offerings to align with the organization's culture and mission reinforces the employee value proposition. And regularly reviewing leave policies, gathering employee feedback and making necessary adjustments help ensure they remain relevant and effective.

Types of Paid Leave Offered



Paid time off

Beyond the mandated paid leave requirements in many states and localities, company-provided time away programs play a pivotal role in supporting employees' physical and mental health by giving them time to rest, recover and manage personal responsibilities. Employees who have the opportunity to recharge tend to be more focused and effective upon returning to work, thereby maintaining high levels of productivity.

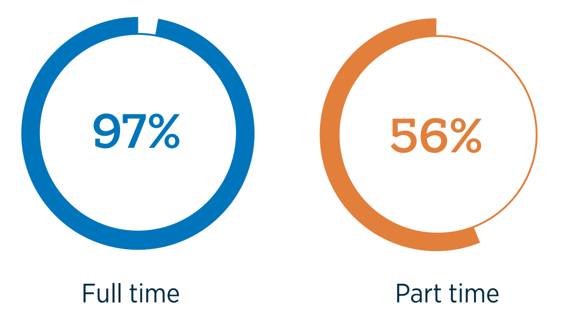
Nearly all employers (97%) offer PTO to full-time employees, and more than half (56%) extend this benefit to part-time employees, typically on a pro-rated basis. Large employers, who can better manage absences, are more likely to offer PTO to part-time employees (66%).

Employers are relatively evenly split in their approach to PTO management, with 49% combining all days into a single bank and 45% separating days for vacation, sick and personal time. Just 6% provide unlimited PTO, up slightly from 5% in 2024, but this policy should include clear guidelines to prevent misuse.

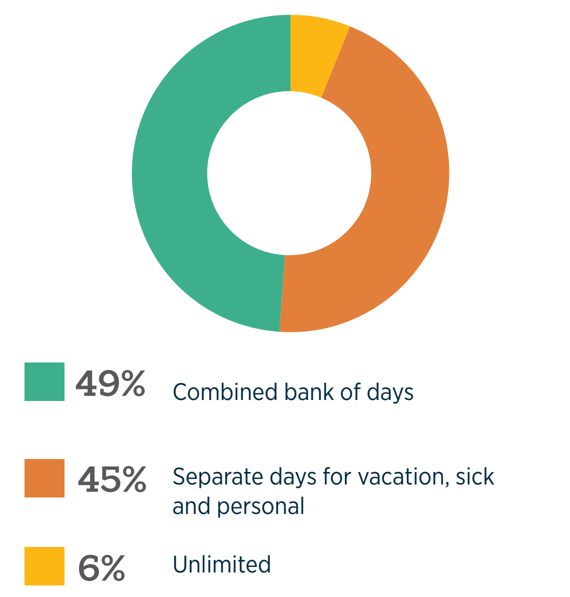
PTO and vacation accruals have remained relatively stable as employers introduce additional time off through differentiated policies such as parental and caregiver leave, or offer tenure boosts and new hire incentives. For employers with a single PTO bank, the typical number of days granted based on length of service for both exempt and nonexempt employees is: 17 days at hire; 22 days at 5 years; 27 days at 10 years; and 29 days at the maximum.

Compared to 2024, there's been a slight uptick in certain paid holidays offered. Among the most common, there's a 1-point increase in providing paid time for Christmas (96%), Thanksgiving Day (96%), Labor Day (93%) and Independence Day (93%). Martin Luther King Jr. Day is up 2 points to 47%, while less commonly paid holidays like Veterans Day (24%) and Indigenous Peoples' Day/ Columbus Day (14%) are each up 1 point.

Employees Eligible for PTO



Approach to PTO



Time-off policy allowances

Many employers incorporate flexibility into their leave policies by allowing employees to carry over unused vacation or PTO days (81%). This can lead to employees feeling more in control of their work-life balance, potentially reducing the likelihood of them taking unscheduled days off.

However, there are potential downsides. Employees might accumulate a large number of days and take extended time off, which could disrupt workflow. Additionally, delaying time off to bank PTO can increase the risk of burnout. To mitigate these challenges, most employers (88%) impose a cap on the number of vacation or PTO days that can be banked, with the average maximum being 19 days.[4]

Furthermore, 64% of employers permit employees to carry over unused sick leave. This is typically done on a limited basis (44%), although some employers offer unlimited carryover (18%), and a few allocate days to an extended illness bank (2%).

Employers provide several options for employees who have excess or insufficient vacation or PTO. Some offer to buy back unused days upon termination (16%), at year-end (7%) or both (7%). More than a quarter (26%) allow employees to donate unused time to colleagues who have exhausted their sick leave. And nearly 3 in 5 (57%) let employees substitute available PTO for unpaid leave. This flexibility in managing PTO, along with the assurance that time off is available when needed, enhances job satisfaction and engagement, making employees feel valued and appreciated.

PTO Policy Allowances

- 81% Carryover of vacation or PTO days
- 64% Carryover of unused sick leave
- 57% Substitution of available PTO for unpaid leave
- 40% Buyback of unused vacation or PTO days

Flexibility in managing PTO, along with the assurance that time off is available when needed, enhances job satisfaction and engagement, making employees feel valued and appreciated.

Emerging trends in leave benefits

As organizations refine their leave policies to better align with workforce preferences and needs, as well as their employee value proposition, enhanced time-off policies are becoming more prevalent. Recognizing employees' unique needs, some employers are customizing their offerings to cater to specific sub-populations.

For example, there's an increasing awareness of the need for menopause-related benefits, although adoption is still in its early stages. Employers are becoming more conscious of the costs associated with menopause symptoms, such as missed work and reduced productivity. Currently, only 8 employer respondents (0%) offer menopause leave, but this number is expected to rise as employers strive to create a supportive and inclusive workplace for all employees, including those experiencing the symptoms of menopause.

Other menopause-related support includes accommodations for climate control (14%), clinically vetted menopause education (9%), 24/7 on-demand virtual access to menopause specialists (8%), expanded sick time definitions to cover menopausal symptoms (6%) and menopause support groups (4%). Only 1% provide manager training to understand menopause and support employees at work.[5]

Wellbeing or culture days are offered by 11% of employers, with little variation across employer sizes. Wellbeing days focus on the mental, emotional and physical health of employees, allowing them to take time off to prioritize their personal health. Culture days often coincide with cultural or religious holidays, heritage months or significant events that celebrate the diverse backgrounds of employees.

Bereavement leave for pregnancy loss is another relatively new addition to employers' benefit policies. Just over a quarter of employers (26%) offer this time away from work, acknowledging the emotional and psychological impact. This leave typically includes 5 days off, allowing employees the necessary time to heal without the added stress of work.[5] From an organizational culture perspective, providing bereavement leave for pregnancy loss fosters a compassionate and supportive workplace.

Emerging Paid Leave Types

Leave type	Share of employers
Bereavement for pregnancy loss	26%
Wellbeing or culture day	11%
Menopause (8 respondents)	0%

Key takeaways IN ABSENCE MANAGEMENT

1 Compliance challenges

Employers face significant challenges in absence management due to the complex web of federal, state and local leave laws, with compliance being a top concern for over half. The evolving legislative landscape highlights the need for employers to stay informed and help ensure both managers and employees understand changing policies.

2 Family-friendly leave benefits

In a competitive job market, family-friendly benefits like paid parental and prenatal leave are crucial for attracting and retaining skilled employees. New legislation and state mandates are encouraging more employers to implement supportive policies, which enhance employee engagement and reduce stress.

3 Short-term disability benefits

Over two-thirds of employers offer STD benefits to provide essential financial support for employees unable to work due to non-work-related injuries or illnesses. Most employers permit the use of sick time, vacation or PTO to supplement disability pay, helping to ensure compliance with relevant laws.

4 FMLA administration

A quarter of employers outsource FMLA administration, especially larger ones due to more complex compliance needs. Upon FMLA exhaustion, many employers extend benefits without a specific termination date to maintain ADA compliance.

5 Paid leave types

Paid leave benefits boost employee morale and reduce burnout by providing time off for personal, family or health-related reasons without income loss. Bereavement and jury duty are the most common types of leave; however, offer rates for personal leave are declining, indicating a potential shift toward combined PTO banks.

6 Paid time off

Nearly all employers provide PTO to full-time employees, and more than half extend this benefit to part-time staff. Approaches to PTO management vary, with a relatively even split between employers who combine all PTO days into a single bank and those who separate days for vacation, sick and personal time.

7 Time-off policy allowances

More than 4 in 5 employers allow employees to carry over unused vacation or PTO days, typically with a cap on the number of days that can be banked. Options such as selling back unused days or donating them to colleagues further enhance job satisfaction and engagement.

8 Emerging trends in leave benefits

Employers are introducing benefits to better meet employee needs, including emerging leaves like menopause, wellbeing or culture days, and bereavement for pregnancy loss. These efforts reflect a commitment to employee wellbeing and fostering a supportive, inclusive workplace culture.

Want to dig deeper into the data? Download detailed findings broken out by region, size and more.

Endnotes

MEDICAL BENEFITS

[1]Rakshit, Shameek, et al. "How does medical inflation compare to inflation in the rest of the economy?," *Peterson-KFF Health System Tracker*, Aug 2024.

PHARMACY BENEFIT MANAGEMENT

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You and your people are at the center of all we do.

Gallagher specializes in maintaining the critical link between people's wellbeing and organizational success through people strategies for benefits, financial and talent programs that deliver results.

As employees across all geographies, industries and employer types navigate an evolving global employment landscape, organizations are evaluating and enhancing the workplace experience. Finding new ways to engage and connect with their people is essential to fostering organizational wellbeing. Offering robust medical coverage and a reliable retirement plan isn't enough in today's competitive labor market. A holistic approach to organizational wellbeing — including benefits, compensation, retirement, employee communications and workplace culture — can help align your people strategy with your business goals.

Partnering with a team that grasps your daily challenges and understands the expectations of leadership can help you foster productivity and growth that directly support your strategic goals. Gallagher brings informed analysis and insights, benchmarked against industry standards using country-specific data sources, to help you anticipate and stay ahead of workforce trends and risks.

Our global digital and consulting solutions are designed to support your workforce at cost structures you can sustain — while helping employees engage in their work and achieve outcomes that matter most to your organization. Using proprietary technology platforms, we help you gain a better understanding of your employee populations and make informed decisions when it comes to managing costs, connecting with your employees and achieving measurable results.

When employees enjoy their work, appreciate their benefits, and feel informed and connected, their confidence and trust in your organization grows. This fosters positivity, boosts retention, enhances customer interactions and drives overall prosperity.

Gallagher helps you invest in and sustain a workplace culture offering growth and potential. The return on that investment? Drawing new talent and inspiring employees to deliver their personal and professional best. Let's work together to understand your priorities and develop a proactive people strategy to achieve your goals, empowering you to navigate the future with confidence.

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