

News Brief

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Survey Finds Health Benefit Cost Growth Will Accelerate by 5.6% in 2023

The average health benefit cost per U.S. employee is expected to increase by 5.6% in 2023, according to early results from Mercer's [National Survey of Employer-sponsored Health Plans 2022](#). This is significantly higher than the 4.4% projected increase for 2022 but is still lower than overall inflation. The expected 5.6% increase accounts for changes employers plan to implement to reduce their overall health care expenses.

Employers are likely not experiencing the full impact of the current price inflation with their health care plans because of the multiyear nature of health care provider contracts. However, employers should expect price inflation to be factored into the costs of health plans over the next few years as their contracts expire and providers negotiate higher reimbursement rates. While most large, self-insured employers have an understanding of their 2023 health plan costs, many smaller, fully insured employers have not yet received their health plans' renewal rates. Those renewal rates may increase as insurance carriers hedge against the current volatility in the health care market.

Employers are prioritizing enhancing employee benefits and focusing on health care affordability in 2023 to address their increasing health benefit costs.

Employers Are Prioritizing Enhancing Employee Health Benefits in 2023

Employers are currently trying to balance record-breaking inflation and rising health care costs with their attraction and retention efforts. Large employers plan on enhancing employee benefits to improve employee attraction and retention, with 84% of survey respondents stating it was an important or very important strategy. Employers rated enhancing employee benefits higher than monitoring and managing high-cost claimants, which historically has been large employers' highest priority. To enhance employee benefits, employers plan to expand their behavioral benefits offerings by increasing telemedicine options and employee assistance program services.

“Employers have a small window to get out in front of sharper increases coming in 2024 from the cumulative effect of current inflationary pressures.”

-Sunit Patel, Mercer's chief actuary for Health Benefits

Employers Are Concerned About Health Care Affordability

Employers will generally not increase their employees' share of the health plan costs in 2023, according to Mercer's preliminary survey results. In 2023, only 36% of large employers plan on implementing cost-cutting measures, such as increasing deductibles and copays—down from 40% in 2022. Instead, employers are trying to keep more money in their employees' pockets and remove cost barriers to health care despite rising health care costs. Large employers only require employees to shoulder an

average of 22% of total health plan costs. In fact, 11% of employers will offer employees free coverage in at least one medical plan in 2023, while another 11% of employers are considering this option.

What This Means

Price inflation is expected to continue to increase for the foreseeable future despite the recent decrease in health care utilization. While many employers may not currently be feeling the full impact of price inflation in their health care plans, that may soon change. Employers can act now to reign in rising health care expenses and better position themselves to address future increases within their health care plans.

Contact Premier Consulting Partners LLC for more health care resources.

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