Maximizing Workforce Wellbeing and Strategic Benefits: Trends, Funding, and Broker Insights

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US 2025 Workforce Trends Report Series

Benefits Benchmarks

Source: Gallagher “Benefits Strategy & Benchmarking Survey,” March 2025

2025 WORKFORCE TRENDS REPORT SERIES

Data Drives Decisions.™

Access the complete yearlong series for data-driven insights and benchmarks to confidently plan your future success.

2025 | 2026

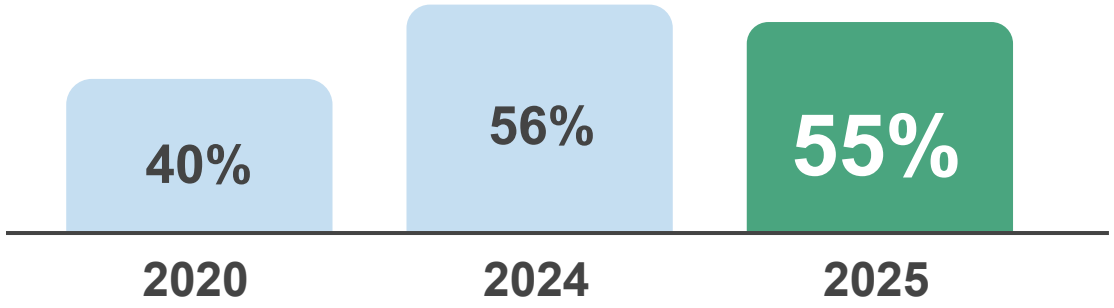
01	02	03	04	05
Benefits	**Talent**	**Financial**	**Best-In-Class**	**Employee Communications**
Benchmarks for medical, pharmacy and voluntary benefits, as well as wellbeing initiatives and absence management strategies	Benchmarks for employee engagement as well as inclusion and diversity objectives	Benchmarks for retirement plan benefits and other supporting coverages	Benchmarks for the people strategies of top employers	Benchmarks for Internal communication and employee experience strategies

You are here

Trend 1: CDHPs Losing Popularity.

Affordability concerns drive employer shift away from high-deductible plans toward new cost-management strategies.

55% in 2025



Offer CDHP with an HSA

Source: Gallagher 2025 Benefits Benchmarks
Notes: Insert notes here

Take Action for Employers

- Investigate innovative plan designs that feature no deductibles, upfront pricing, and incentives for high-quality care.
- Analyze current healthcare costs and projections.

Trend 2: PBM Contracts Under Scrutiny.

Persistent increases in prescription drug costs are pushing employers to closely examine their PBM contracts and actively consider alternative models and vendors.

+13
points from 2024 to 32%

+13 Points

Carve out pharmacy benefits to a PBM

Source: Gallagher 2025 Benefits Benchmarks
Notes: Insert notes here

Take Action for Employers

- Conduct a thorough review of existing PBM contracts to identify areas for improved flexibility and transparency.
- Consider implementing a pharmacy benefit carve-out.

Trend 3: Voluntary Benefits are Set to Grow.

To meet diverse employer needs, employers are expanding voluntary benefits with flexible, customizable options like identity theft protection and long-term care.

Nearly

1 in 3

employers

Expect to expand voluntary benefit offerings by 2027

Source: Gallagher 2025 Benefits Benchmarks
Notes: Insert notes here

Take Action for Employers

- Introduce or expand "quality-of-life" products designed to improve employees' daily experiences.
- Evaluate the need for LTC solutions and identity theft protection.

Trend 4: Career Development is a Top Priority.

Investing in employee growth links career wellbeing to strong engagement, empowering contribution and ownership.

65%

Employee development training

38%

Mentoring programs

Career development initiatives

Source: Gallagher 2025 Benefits Benchmarks
Notes: Insert notes here

Take Action for Employers

- Invest in employee growth and development programs.
- Implement or strengthen employee development training and mentoring programs.

Trend 5: Family-friendly Policies Support Parents.

Parental leave, salary continuation and bonding leave are vital family-friendly policies that support employees and cultivate a family-friendly culture.

Nearly

1 in 5

employers

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

Source: Gallagher 2025 Benefits Benchmarks
Notes: Insert notes here

Take Action for Employers

- Review and potentially enhance family-friendly policies to attract and retain skilled employees in a competitive job market.
- Introduce or expand new child/parent bonding leave to support parents and reduce stress.

Employer Funding Arrangement Types

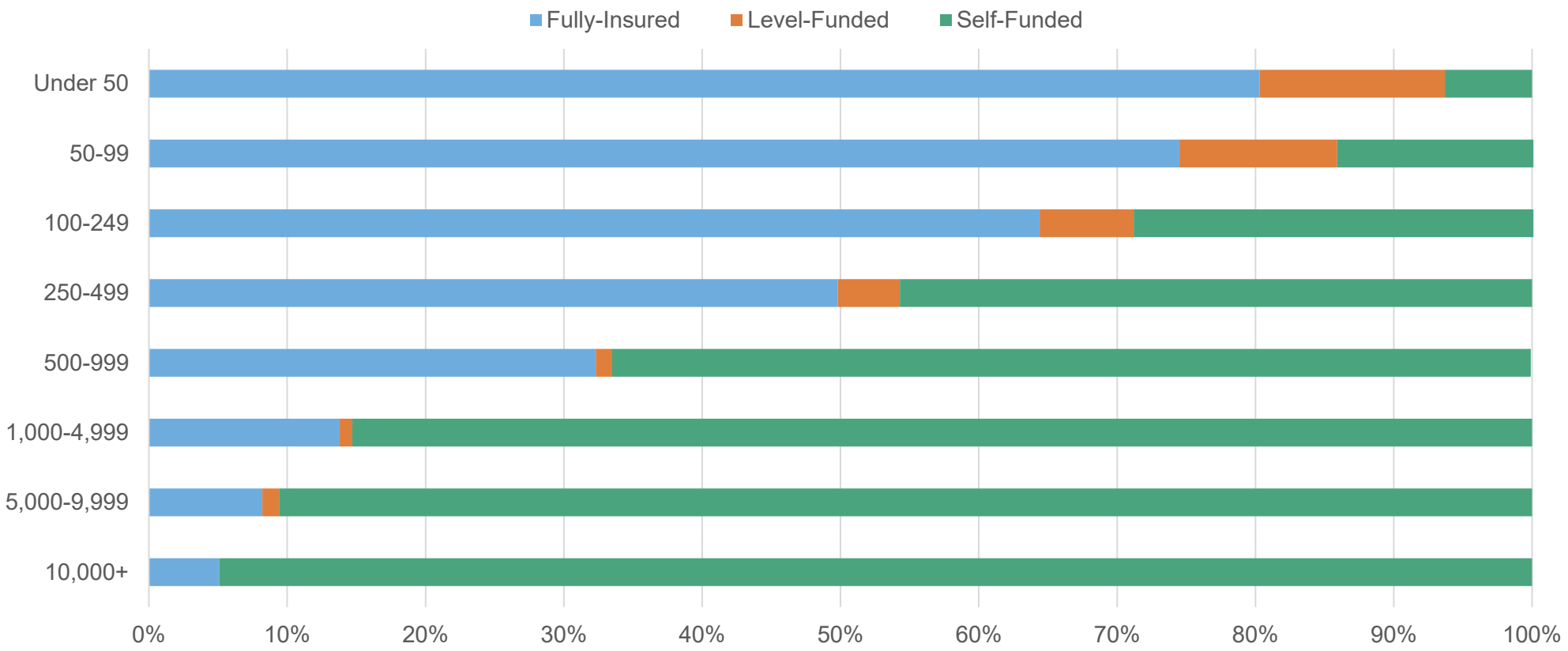
#2

Funding Arrangements

Plan Funding Spectrum

Funding Arrangements

2024 Primary Funding Arrangement by Employer Size

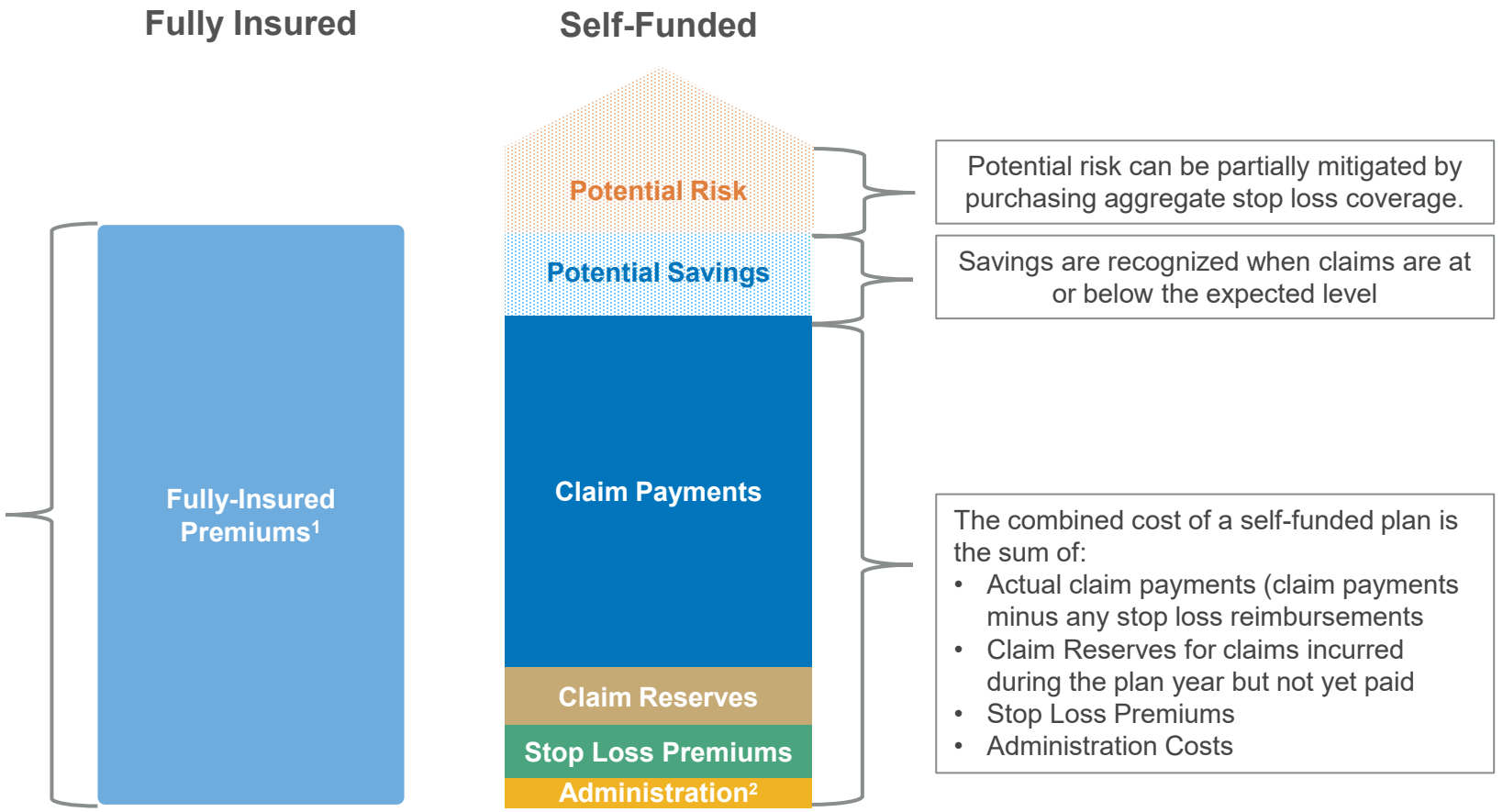


Source: Gallagher's *2024 U.S. Benefits Strategy & Benchmarking Survey*
Notes: Represents responses from approximately 3,550 survey completers.

Funding Arrangements

Self-Funded vs. Fully-Insured

The annual costs of fully-insured plans are fixed based on the number of enrolled employees.

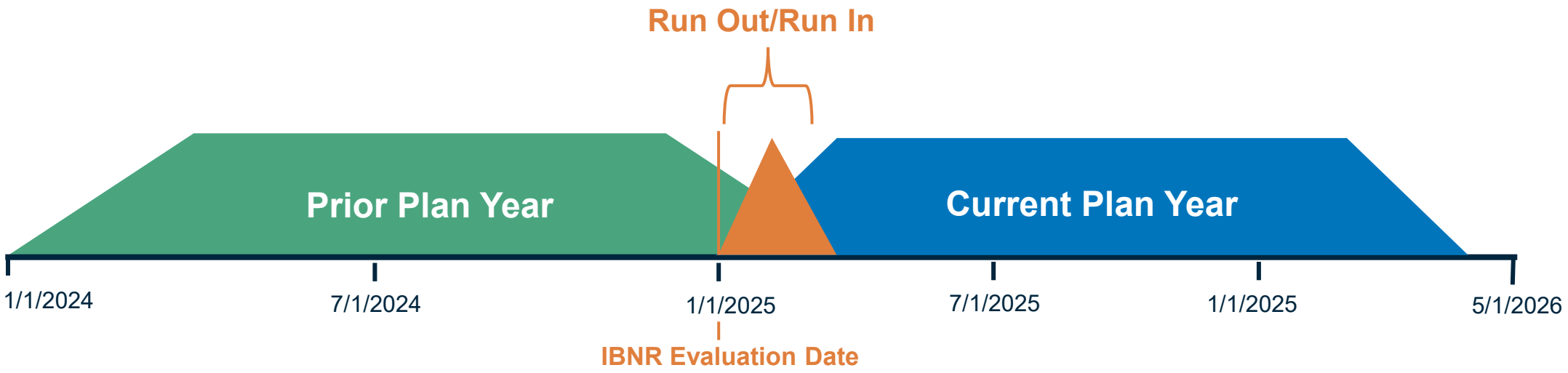


1. Fully-Insured Premiums include Claims Expense, Risk Pooling, and Administration, often referred to as retention for fully insured plans, which includes overhead, broker commissions, taxes, and profit & risk.
2. Administration includes ASO carrier/TPA fees and may also include broker/consultant fees or commissions.

Funding Arrangements

Incurred But Not Reported (IBNR)

- IBNR claims represent a reserve, held on a company's financial statements, for any claims that have been incurred, but not yet been reported to the plan.
- The time between when a claim is incurred and when it is paid is called **claim lag**. While many claims are paid within three months of the date they are incurred, some claims, including very large claims, may be "lagged" for a significant period of time as a result of lengths of stay, lack of interim billing, hospital bill audits, etc.
- In a self-funded arrangement, the employer is responsible for all claims incurred up through the last day of the plan year.
- Reserves are needed to fund the liability created by claims incurred up through the last day of the plan year but paid after the end of the plan year.



Funding Arrangements

Reserves I First Year of Self-Funding Example

First 2 – 3 Months

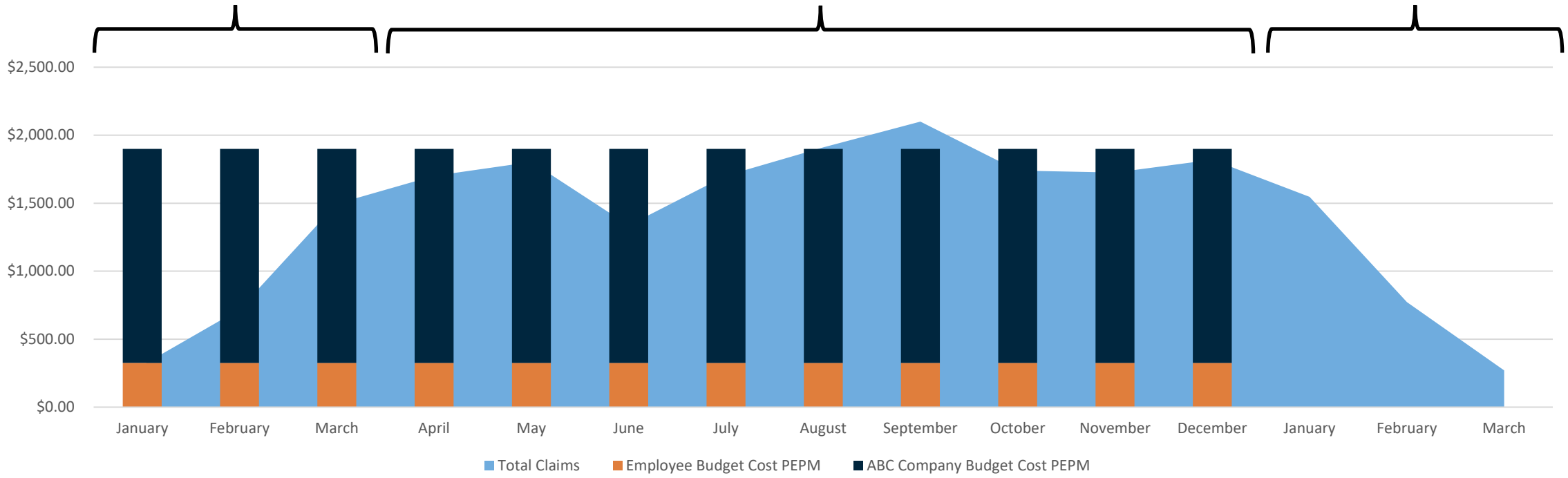
Medical claims that are incurred in the first few months of a newly self-funded plan are not typically processed for payment until late March or April **although large claims may not be paid until much later**.

Ongoing and Year End Accounting

As the year progresses, claims will fluctuate in relation to budget costs. Reserves should be accrued and adjusted based on claims and enrollment (with the assistance of Gallagher's IBNR report).

Run-Out

The incurred claims from an earlier policy period that are being paid/processed at a future policy period.



Notes: The Employee Budget Cost PEPM plus the ABC Company Budget Cost PEPM combined represents the total budgeted cost Per Employee Per Month (PEPM).

Funding Arrangements

Self-Funded vs. Fully-Insured Considerations

Administrative Considerations	Self-Funded	Fully-Insured
Administrative Staffing	Additional staff may be needed	N/A
Reporting Capabilities	Robust	Limited
Claims Fiduciary and Appeals Roles	Employer responsible but can delegate the role of claims fiduciary to ASO Carrier/TPA	Insurer handles
Services	Customize or carve out portions of healthcare delivery: claims administration, provider network, PBM, case and disease management, telehealth, wellbeing, customer service/advocacy etc.	Carrier typically provides full-service package

Plan Design Considerations	Self-Funded	Fully-Insured
Flexibility	Customize plan design and eligibility to fit population needs & budget constraints; legislative limitations do exist	Limited
State Insurance Mandates	Not applicable to ERISA plans generally; may be able to opt-in to some mandates	Apply

Note: The components of a plan that can be carved out depends on several factors, such as the ASO carrier or TPA, network, and group size.

Source: Gallagher Legislative Compliance's *Key Considerations When Contemplating Self-Insuring Health Benefits* Checklist

Funding Arrangements

Self-Funded vs. Fully-Insured Considerations I Cont.

Financial Considerations	Self-Funded	Fully-Insured
Administrative & Claim Expenses	Employer pays fixed costs and claims monthly.	Employer pays premium monthly; carrier pays claims as they are incurred
Incurred But Not Reported (IBNR) claims	Employer is responsible for paying claims that have been incurred by the members, even if they have not yet been paid. There is a future liability to the employer for these claims.	Carrier collects premium in advance to cover the cost of incurred claims that have not yet been paid; there is no future liability for claims.
Who is responsible for claims upon termination (run-out)?	Employer retains liability upon termination	Carrier retains liability upon termination
Claims Better than Expected	Employer receives immediate benefit	Carrier profit; Employer won't realize potential savings until following year renewal, if at all
Risk Tolerance	Employer bears risk of claims exceeding expectations; risk may be limited by stop loss insurance	Insurer bears risk of claims exceeding expectations; employer liability limited to premium
Cash Flow	Variable and unpredictable	Fixed; steady & predictable
Appeals/Claim Litigation Liability	Employer retains	Insurer retains

Source: Gallagher Legislative Compliance's *Key Considerations When Contemplating Self-Insuring Health Benefits* Checklist

Funding Arrangements

Why Self-Funding? Why Not?

The employer/plan sponsor has more control over the plan offering and cost.

- Use utilization data to identify high claims spend for certain disease states and implement plan design changes or management programs. For example, a diabetes management program.
- Terminate carrier bundled programs that are not generating the desired outcomes, which could result in direct savings
- Shift cost from a program with low traction to one that better meets the population's needs
- Partner with a best-in-class vendor, to enhance the engagement and outcomes
- Compare cost of carve-out options and expected return on investment (ROI)

Risk / Reward is not the same for all employers.

- Smaller employers are usually not able to take advantage of all the flexibility afforded to large employers
- The smaller the employer, the lower the number of employees to spread the risk
- The unpredictability of monthly expenses and potential impact to budget and cash flow is not tolerable by all employers
- Level-funded or captive stop loss programs may be a suitable alternative for smaller employers

Biggest risk is employer **may pay more** when self-funding.

Biggest reward is employer **may pay less** than being fully-insured.

Note: The components of a plan that can be carved out depends on several factors, such as the ASO carrier or TPA, network, and group size.

Funding Arrangements

Level-Funding

- First step into self-funding for smaller groups
- Combines financial predictability with the opportunity to benefit from a favorable claims year
- Employer pays a monthly premium that is held in an account to cover claims, administration, and stop loss coverage.
- If claims are lower than expected, employers are eligible to receive a portion of the savings
  - Savings are split with the carrier
  - Receiving the refund is often contingent upon renewing with the same carrier or only offered as a credit for the next plan year's renewal
- If claims are higher than expected, stop loss covers the excess, which will be a factor for future renewals
- May cost more than a fully-insured alternative because some level-funded plans have claim factors that are higher than expected claims
- Review contract termination provisions
  - Some contracts may provide coverage for run-out claims and some may require additional employer funding
  - Employer may forfeit any claims savings upon termination

36% of covered workers in small firms (3-199 workers) were in a level-funded plan in 2024.

Source: *KFF Employer Health Benefits 2024 Annual Survey*

Funding Arrangements

Fully-Insured vs. Level-Funded vs. Self-Funded

	Fully-Insured	Level-Funded	Self-Funded
Monthly Cost	Predictable	Predictable	Variable & unpredictable
If claims are lower than expected	Carrier typically retains the surplus*	Employer may receive a portion of the surplus	Employer retains the surplus
If claims are higher than expected	Carrier responsible but will typically result in higher renewal	In some plans, the employer will pay more before the Carrier is responsible. For all plans, will typically result in higher renewal	Employer responsible but can mitigate risk by purchasing stop loss coverage
Plan Design	No flexibility	Limited-to-no flexibility; varies by carrier and group size	Very flexible
Data/Reporting	Limited	Increased access	Robust
State Insurance Regulations & Taxes	Applies	Typically exempt; varies by carrier	Typically exempt

*There are types of fully-insured plans where the employer can share in or receive the surplus. These are often referred to as “participating” or “dividend” plans. These plans are less common and typically involve specific agreements between the employer and the insurer.

Funding Arrangements

Summary

Recommendation for Small to Medium Sized Businesses

For most small businesses, **fully insured** or **level funding** plans are the best options:

1.Fully Insured Plans:

- Best for businesses that want a simple, low-risk solution with predictable costs.
- Ideal for businesses with fewer employees or limited financial resources.

2.Level Funding Plans:

- A great middle-ground option for small businesses that want some control and the potential for savings without taking on full risk.
- Suitable for businesses with stable cash flow and a moderate appetite for risk.

Key Considerations for Choosing the Right Plan

- **Budget**: How much financial risk can your business afford to take on?
- **Employee Needs**: What level of coverage and flexibility do your employees expect?
- **Growth Plans**: Are you planning to expand, and will your plan need to scale with your business?
- **Administrative Resources**: Do you have the resources to manage compliance and claims, or do you prefer to outsource these tasks?

Broker Insights & Value

#3

What is the value of having a Broker?

Having an insurance broker, like Gallagher, offers numerous benefits for businesses and individuals. Brokers act as intermediaries between clients and insurance providers, ensuring tailored solutions and expert guidance.

Here are the key benefits of working with a broker:

What is the value of having a Broker?

1. ***Expertise and Knowledge***
Brokers have in-depth knowledge of the insurance market, policies, and regulations.
They can provide expert advice on the best coverage options for your specific needs, whether it's for personal insurance, business insurance, or risk management.

2. ***Tailored Solutions***
Brokers assess your unique risks and requirements to design customized insurance solutions.
They ensure that your coverage aligns with your business goals, industry standards, and personal circumstances.

3. ***Access to a Wide Range of Options***
Brokers have access to multiple insurance providers and products, offering a broader range of choices than going directly to a single insurer.
They can compare policies, coverage, and pricing to find the best value for you.

4. ***Cost Savings***
Brokers negotiate on your behalf to secure competitive premiums and terms.
They help identify unnecessary coverage or gaps in your policy, optimizing your insurance spend.

5. ***Claims Advocacy***
In the event of a claim, brokers act as your advocate, guiding you through the process and ensuring a fair and timely resolution.
They handle the complexities of claims management, reducing stress and administrative burden.

What is the value of having a Broker?

6. ***Risk Management and Mitigation***
Brokers provide risk assessment and management strategies to minimize potential losses.
They help businesses implement proactive measures to reduce their total cost of risk.

7. ***Time Savings***
Brokers handle the research, paperwork, and negotiations, saving you time and effort.
They simplify the insurance process, making it easier to understand and manage.

8. ***Ongoing Support***
Brokers provide continuous support throughout the policy term, including renewals, adjustments, and updates as your needs evolve.
They stay informed about market changes and ensure your coverage remains relevant.

9. ***Compliance and Legal Guidance***
Brokers ensure that your insurance policies comply with local laws and industry regulations.
They help businesses navigate complex insurance requirements, especially in specialized industries.

10. ***Global Reach***
For multinational businesses, brokers like Gallagher offer global expertise and solutions, ensuring consistent coverage across different regions

What is the value of having a Broker?

Why Choose Gallagher as Your Broker?

Gallagher stands out as a trusted partner for insurance and risk management. With a global presence and a commitment to ethical practices,

Gallagher provides:

Comprehensive insurance solutions tailored to your needs.
Expertise in risk management to protect your people and assets.
A strategic approach to organizational wellbeing, focusing on health, financial security, and career growth.

By partnering with a broker, you gain peace of mind, knowing that your insurance and risk management needs are in expert hands.

Thank You OKC Chapter of the OSCPA!

Get in touch to let us know how we can help.

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Gallagher

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