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THE BENEFITS REPORT

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Coverage Concerns

Weight-Loss Drugs Start to Drive Pharmaceutical Costs

THE EXPLOSION in demand for new, costly and highly effective weight-loss and diabetes drugs is poised to play an outsized role in increasing the cost of health care, and in turn, health insurance in America.

These groundbreaking drugs — sold under the brand names Mounjaro, Ozempic and Wegovy — are partly to blame for overall pharmaceutical benefit costs jumping 8.3% in 2023, according to a report by Mercer.

The effects are amplified by the cost of these drugs — around $1,000 a month — as well as the growing number of presciptions doctors are writing.

These pharmaceuticals, known as GLP-1 drugs, can tackle the obesity epidemic in the U.S., which contributes significantly to medical costs.

Employers and insurers are now faced with the prospect of exploding drug costs if demand continues to boom and doctors write more prescriptions for them. To head that prospect off, they are trying to formulate approaches that could keep costs from spiraling while still attending to the demand for weight-loss regimens.

Booming demand

While Novo Nordisk A/S's Ozempic and Wegovy have been used to treat diabetes for some time, the latter has been approved to treat obesity using smaller doses. Ozempic has not been approved for weight loss, but doctors often use it off-label for This purpose.

In November 2023, Eli Lilly & Co. won clearance from the U.S. Food and Drug Administration for its new drug called Zepbound — a version of its diabetes drug Mounjaro — to be used to treat obesity.

People who take these medications can see dramatic weight loss, which has spurred a surge in prescriptions.

GLP-1 FAST FACTS

5 million	Number of prescriptions written in 2022
+2,082%	Prescription number change 2019-2022

One of the biggest challenges with these drugs is that people who stop taking GLP-1s regain most, if not all, of the weight they lost. That may require a lifetime commitment to taking these medications for some individuals. Also, many people stop taking these drugs because they say they no longer derive pleasure from eating, rendering dining a boring experience.

See 'Experts' on page 2

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Medical Cost Outlays

Flexible Spending Account Contribution Limit Climbs

THE IRS recently announced that the annual contribution limit for flexible spending accounts will rise to $3,200 in 2024, up $150 from this year.

Also, employees will be able to carry over up to $640 next year into 2025 if they have funds left over in their account, if their employer allows it (it's optional). That's up $30 from this year. Anything above the limit at the end of the year is forfeited back to the employer.

The FSA announcement came unusually late this year, right in the middle of open enrollment, making it difficult for employers and employees to plan.

Earlier in 2023, the IRS also announced the maximum contribution limits to health savings accounts, which are similar to FSAs, but they must be attached to a high-deductible health plan. The annual limits on HSA contributions in 2024 are $3,850 for individuals and $8,300 for families, both up more than 7% from 2023's limits.

FSA basics

Funds in an FSA can be used for a myriad of health care expenses, from dental and vision (including eyeglasses) to medical care costs and prescription and over-the-counter pharmaceuticals.

An FSA must be funded exclusively through employer contributions or employee pre-tax contributions, or a combination of the two. Employees are not taxed on withdrawals from their account.

2024 Contribution Limit	**$3,200**
2024 Carryover Limit	**$640**

At the end of the year unused funds in an FSA are handled in one of three ways, based on how the employer designs the plan:

- They are forfeited at the end of the plan year.
- Up to $640 of the balance is rolled over to the next plan year. The employer can choose how much the employees can roll over, up to the limit. If there is a remaining balance beyond the $640, it is forfeited.
- A grace period is allowed in the first few months of a new plan year to be paid with old plan year funds. Remaining balances are then forfeited.

The FSA caveat: Employees have access to the full annual FSA election amount at the beginning of the year, so there's always a risk that they could use their FSA allotment and quit or be let go before they've fully funded the account through payroll contributions or after you funded it.

Just as employees risk forfeiting their money if they don't spend it in time, you risk this money if the employee leaves before their and your contributions have caught up to their reimbursements.

If you are caught in this situation, you are not allowed to withhold additional funds from the employee's final paycheck to make up for those funds, and you are also barred from sending them a bill to recapture those funds. ❖

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Experts Recommend a Step Program First

What employers can do

Einstein Consulting Group has found that traditional plans with fewer than 300 employees rarely offer GLP-1 drugs for weight management.

Meanwhile, Mercer's "National Survey of Employer-Sponsored Health Plans 2023" of employers with 500 or more workers found that:

- 35% cover GLP-1 drugs for treating obesity with prior authorization and/or reauthorization requirements.
- 7% said they cover the drug with no special requirements.
- 19% said they don't cover them but are considering it.
- 40% said they are not considering covering GLP-1s

Experts recommend step therapy to reduce possible costs:

Step one — Focuses on helping the patient change their lifestyle through dietary changes and exercise.

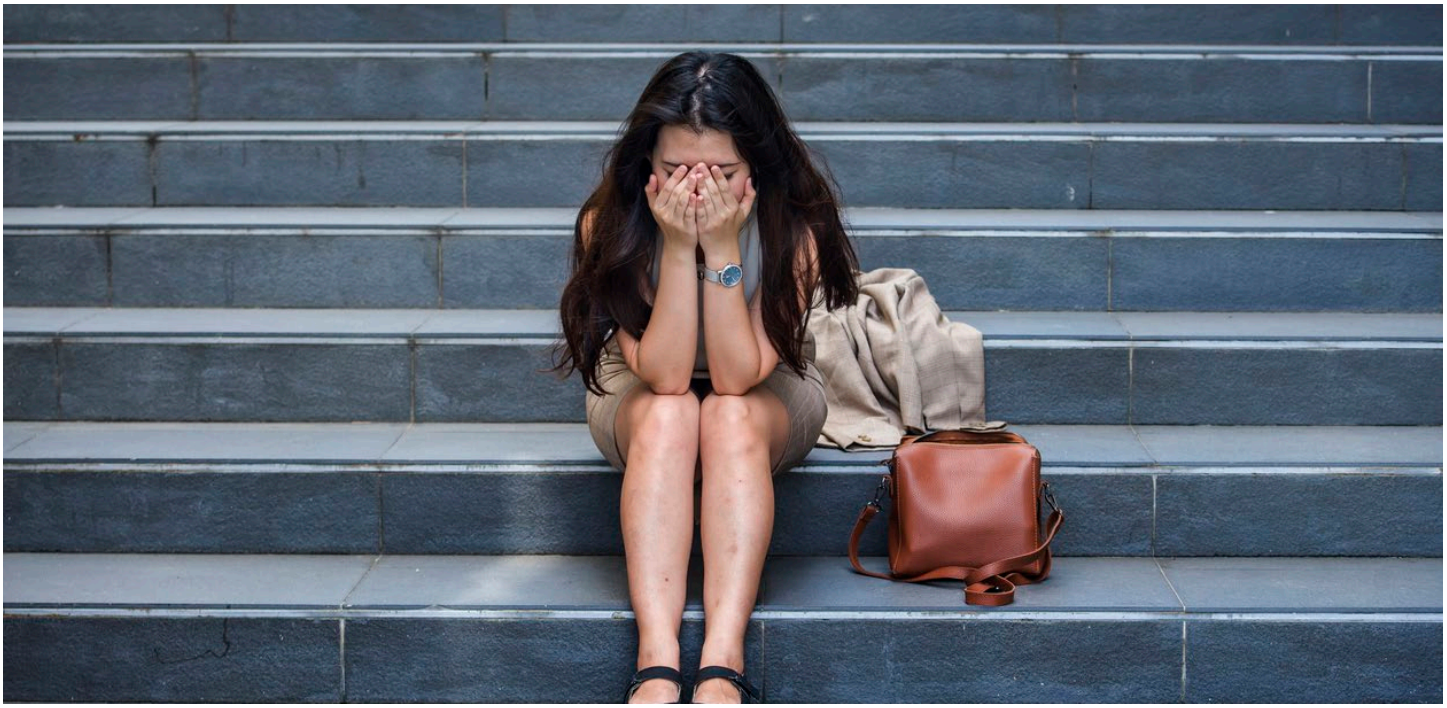
Step two — Focuses on education and ancillary services, such as food delivery or mental health support.

Step three — If they still need help, doctors can prescribe first-generation anti-obesity medications, which are less expensive and often generate satisfactory weight loss.

Step four — If all else fails, doctors prescribe GLP-1s if the plan covers them, fully or partially. ❖

Workplace Issues

EEOC Proposes New Anti-Harassment Guidance



THE EQUAL Employment Opportunity Commission has issued proposed language to update its guidance on harassment in the workplace.

The proposed guidance "reflects notable changes in law, including the Supreme Court's 2020 decision in *Bostock vs. Clayton County* (which held that LGBTQ individuals are protected from workplace discrimination under Title VII), the #MeToo movement and emerging issues, such as virtual or online harassment," the EEOC wrote in its introduction to the proposed guidance.

Employers should read the guidance to understand the many forms of harassment — and in particular harassment against any LGBTQ workers, the most recent group to receive protected status.

LGBTQ harassment

The Bostock ruling found that harassment based on sexual orientation and gender identity, including how identity is expressed, constitutes sex-based discrimination. According to the EEOC guidance, this type of harassment can manifest in the workplace via:

- Physical assault;
- Epithets regarding sexual orientation or gender identity;
- The denial of access to a bathroom or other sex-segregated facility consistent with the individual's gender identity;
- Intentional and repeated use of a name or pronoun inconsistent with the individual's gender identity (which is known as "misgendering"); or
- Harassment because an individual does not present in a manner stereotypically associated with their gender.

The guidance provides real-life examples that illustrate the many nuances of harassment. You can find the full report here.

What you can do

The EEOC recommends that employers create an effective anti-harassment policy that is widely disseminated.

Policy Requirements

- Define what conduct is prohibited.
- Require that supervisors report harassment when they become aware of it.
- Offer multiple reporting avenues for an employee, during both work hours and other times (weekends or evenings).
- Identify accessible points of contact to report harassment (complete with contact information).
- Explain your complaint process, including the ability to bypass a supervisor, along with anti-retaliation and confidentiality protections.

The complaint process must provide:

- For prompt and effective investigations and corrective action;
- Adequate confidentiality protections; and
- Adequate anti-retaliation protections.

The final step in it all is training your employees and supervisors on your anti-discrimination and harassment policy. You can use the EEOC guidance to provide examples of harassment and provide information about your employees' rights if they experience workplace harassment.

Supervisors and managers should receive additional training, including the importance of taking complaints seriously and not retaliating against anyone who makes a complaint. ❖

Study Findings

Family Coverage Costs Hit Small-Business Workers Hardest

A NEW STUDY has found that most employer-sponsored family health plans are increasingly unaffordable for workers due to rising costs and them footing a significant part of the premium, even with employer assistance.

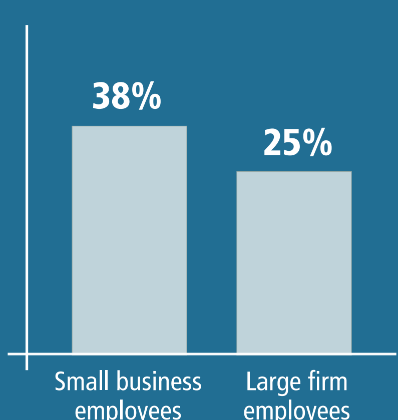
Workers at smaller firms, defined as those with fewer than 200 employees, are especially affected as they typically have to pay a larger share of the family coverage premium than their large-employer counterparts (38% vs. 25%), according to the 2023 Kaiser Family Foundation "Employer Health Benefits Survey."

The amount workers at small firms pay for single-only coverage is comparable to what their counterparts at larger firms pay (17% of the premium vs. 18%).

While family-plan premiums are similar for workers in small and large firms ($23,621 compared to $24,104 on average), due to the higher percentage cost-sharing, employees in small firms are paying significantly more for their share of the premium ($8,334 per year vs. $5,889 at larger firms), according to KFF. Moreover, 25% of workers at small firms pay over $12,000 yearly for family coverage, excluding deductibles that are also often higher.

For low-wage workers that's a tall order, made worse by the fact that those at small employers earn less (an average of $44,600 a year vs. $63,200 for those at larger firms).

AVERAGE EMPLOYEE SHARE OF FAMILY PLAN PREMIUMS



out-of-pocket costs also a factor

- About 59% of employees in small firms have a family-plan deductible of at least $3,000 before the plan will start covering most services.
- Some 34% of workers in small firms have a family-plan deductible of at least $5,000, and it may be higher if multiple family members have to spend towards the deductible during the plan year.

What small firms can do

While small employers really can't do anything about rising group health plan costs, they can take steps to ease their employees' premium obligations and out-of-pocket costs:

Assume more of the premium – If it's within their budget, they can increase the amount of family coverage premium they will cover. This is not something that is feasible for many companies, but for those who are interested in attracting and retaining talent who have their own families, they may need to.

Offer more plans with narrow networks – Narrow networks do reduce premiums, and that's a huge draw for both employers and their employees. But consumers also benefit from these plans through lower overall out-of-pocket expenses.

Narrow networks contain longer-term costs by encouraging individuals to develop a relationship with their primary care providers. Cost savings come from increased use of PCPs and decreased, or more-efficient, use of specialists.

These plans provide a way to contain costs without sacrificing care, but because they're comprised of local, community-based medical providers they're best for a workforce that works at a single location and therefore lives within proximity to the job site/office.

Offer high-deductible health plans – A high-deductible plan's upfront costs are less expensive than a preferred provider organization or health maintenance organization. According to KFF, the average HDHP family coverage costs $22,344 a year, nearly $3,000 less per than a PPO plan and nearly $1,500 less than an HMO.

With that lower premium, employees can set aside additional funds into an attached health savings account, a tax-benefited vehicle that is funded through pre-tax payroll deductions. HSA funds can be used to reimburse for health care expenses, including those towards deductibles. ❖