



J.P.Morgan

Preparing for Rising Health Care Costs

Whether you offer health care benefits today or are considering coverage for the first time, here's how to plan for cost rises

Health care costs are expected to increase in 2024 and to continue to rise for the foreseeable future. Businesses covering employees' health care today will need to navigate rising costs, and those weighing whether to provide insurance for the first time will likely have tougher decisions to make. J.P. Morgan Chase is committed to helping businesses being impacted by these rising costs and offering content and resources for business leaders powered by Morgan Health.

For businesses without employees, health care coverage options can be found at healthcare.gov.

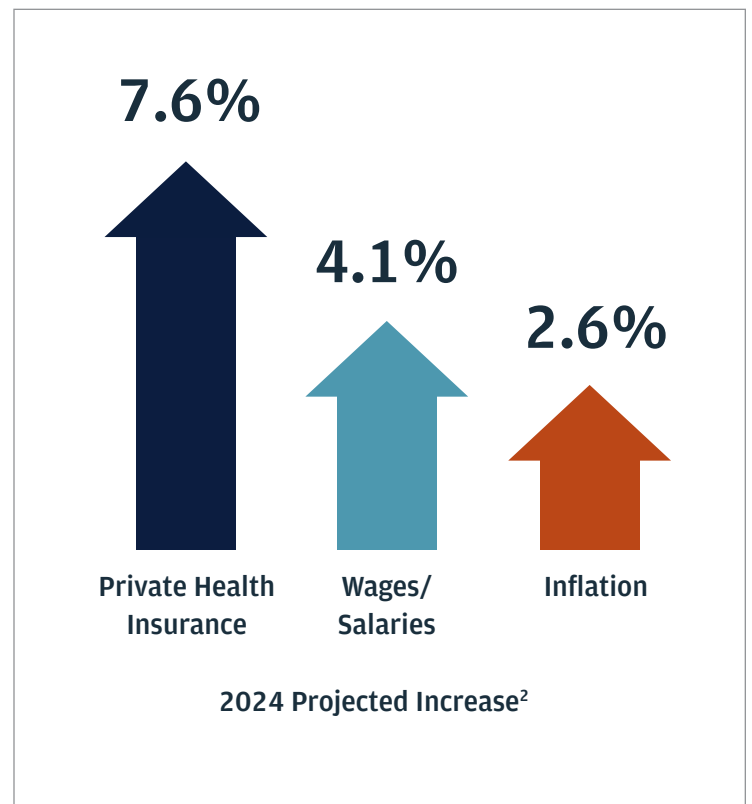
There are many reasons you might choose to offer health care benefits to your employees, from recruiting and retaining talent to keeping your workforce healthy and productive.

If you have 50 or more full-time employees, including full-time-equivalent employees, you're also likely required to offer health benefits.

While adoption may vary by employer size and industry, a recent Business Leaders Outlook survey conducted by J.P. Morgan Chase found a significant increase in small businesses offering health care to their employees today compared to just four years ago.¹ That same survey found that improved benefits are being used to attract and keep top talent, as a quarter of owners focus on driving retention and hiring by enhancing benefits and engagement efforts. By understanding health care benefits trends, you can better anticipate cost pressures and evaluate plan options that will set you up as an employer of choice.

Expect costs to continue to increase

If you're already offering health care benefits or considering covering benefits in the future, prepare for costs to increase. For decades, U.S. health care costs have risen at rates faster than inflation and generally outpaced wage increases. **This year, costs are expected to increase by 7.6% or more**, and projections show rising costs for the foreseeable future.



Small and mid-sized businesses are disproportionately impacted

Employers of all sizes are grappling with these cost increases, but they are especially burdensome for small and mid-sized businesses, often ranking as the number one challenge for their business.³ Further, in an already tight labor market, small and mid-sized businesses face unique challenges in offering health care benefits that are competitive in the war for talent. For example, many large employers meet worker demand for mental health services or fertility coverage by offering easy-to-use point solutions – benefits that would be a luxury for smaller employers to cover.



Over 50%

of surveyed small business owners reported taking a loss to address health care costs in the past five years.⁴



65%

of business leaders now see managing stress and mental health as a key priority for their teams and for the viability of their businesses. This is a notable shift in attitude, signaling a deeper and growing understanding that the mental state of employees can make or break business success.¹



Workers are paying the price

Despite attempts to shield employees from rising costs, small business workers incur significantly higher health care costs than employees of large businesses. It's important to understand the impact rising costs might have on your employees' financial, mental and physical health.

Higher deductibles⁵

The average deductible for employees of small businesses is

\$1,000

more than it is for employees of large businesses

- 47% of workers at small businesses face an annual deductible of

\$2,000

or more

Worker contributions⁵

Employees of small businesses pay

\$2,500

more toward family premiums than workers of large businesses

- 25% of workers at small businesses contribute

\$12,000

or more in annual premiums

These higher costs can make health care unaffordable to access even when it's covered, potentially resulting in medical debt or employees avoiding care altogether.

Increasing health care costs have not led to commensurate improvements in employee health. Findings from a report commissioned by **Morgan Health** revealed significant health disparities for individuals receiving insurance through their employer. For example, the report found underdiagnoses of key conditions for certain patient populations, variations in chronic diseases and maternal health outcomes by race and ethnicity, and barriers to accessing care.



The value imperative for employers

Like all good business decisions, when shopping for health care products you should define what value means to your business and select high-value options that meet those expectations.

Historically, health care has operated in a fee-for-service payment model, meaning employers and employees pay for the service they receive regardless of quality or outcomes. As parts of the health care industry shift to a value-based model, defined as improved health outcomes at a lower overall cost, small businesses should define what value means for their business, so that they can

find high-value care for their employees. Increasingly, employer insurance contracts include performance incentives for health outcomes. While these trends are mostly found in large employer contracts today, you should also understand how your business can shift from paying for services to paying for value.



What can small business leaders do?

While rising health care costs are not something you can address outright, there are strategies you can take to mitigate the impact on your business and employees while getting greater value out of benefits plans. We offer tips for business leaders providing health care benefits today and those contemplating covering health benefits in the near future.

Deciding to offer benefits for the first time

Many small businesses cite cost as the reason they are not offering health insurance today, and as insurance prices go up, the bar for offering health care may become even more out of reach. If you're weighing the costs and benefits, consider the following factors.

Regulatory considerations: Companies with under 25 full-time equivalent employees are not required to offer health insurance, but those that choose to offer a qualifying health plan may be eligible for a **Small Business Health Care Tax Credit** that could cover up to 50% of employee premiums. Check out the **Small Business Health Care Tax Credit Estimator** and learn how much a business can save. As companies grow and reach 50 or more employees or full-time equivalent employees, you will likely be **required to offer insurance**.

Benefits to growing a business: Beyond meeting regulatory requirements, consider how health insurance benefits can advance the strategic goals of your business. In a tight labor market, offering competitive benefits to job candidates can bolster recruitment strategies and help retain current talent. Offering an attractive package will require understanding the unique needs of the employees you're trying to recruit and keep. A healthy workforce also makes for a healthy business, and ensuring employees have access to high-quality health care that meets their needs can help improve productivity and workplace attendance, reduce unnecessary sick days, and reduce turnover.

Where to shop for insurance: If you have between one and 50 employees, your business may be eligible to purchase medical and/or dental insurance on the **Small Business Health Insurance Options Program** (SHOP). The program gives flexibility to you and your employees, including how much you contribute to employee premiums, whether to offer coverage to dependents, and how long an employee must wait before enrolling. Once enrolled, your business can renew SHOP coverage even if it grows beyond 50 employees. Employers of all sizes often work with a licensed benefits broker to navigate insurance decisions. Read **5 Important Questions to Ask a Broker** to learn more about how to find the right broker partner. New alternatives to traditional brokers that aim to simplify benefit design are also entering the market, so be sure to spend time evaluating the right option for your business.

Alternatives to group health plans: As a small business owner, you have a variety of health care funding options to choose from and should spend time researching the best choice for your business. For example, a Health Reimbursement Arrangement is an alternative to traditional group coverage that allows you to cover qualifying health care expenses. Read **Health Plan Funding Considerations to help offset health care costs**. Alternatively, if you have fewer than 50 employees and choose not to offer insurance, you can refer employees to a **state or private insurance exchange**. Exchanges are marketplaces where individuals can shop for their own insurance plan instead of receiving insurance through their employer.

Maximizing this year's benefits

If you've already rolled out your health care benefits, consider these best practices to get the most out of your benefits program this year.

Effectively communicate the value of health care benefits: Offering health care benefits is an investment in your employees and their health, so you'll want to be sure your benefits messaging resonates with them in a way that shows that your company cares for their well-being. Use messaging that's relevant to your employees' needs, reflects your company values, encourages uptake, and extends beyond the open enrollment period. Continue to communicate about your benefits offering throughout the year. It's also important to help employees understand the value of their benefits in their overall compensation.

Help employees navigate their health care options: The complexity of the U.S. health care system leaves many individuals struggling to understand how to take advantage of their benefits. This may result in an employee unknowingly seeing a provider out of network that leads to a surprise medical bill, or avoiding seeking health care out of fear of what it might cost. Helping your employees understand their benefits can result in a better experience for them, lower out-of-pocket costs for you, and a healthier workforce. Many insurance brokers offer services to help employees navigate their insurance plan, giving them a reliable resource outside of work to ask sensitive health care questions. And if you have employees who are non-native English speakers, you'll want to ensure you offer a trusted source of information to discuss their benefits in their native language.

Encourage or incentivize preventive care: Healthy employees can lead to a healthier business by improving productivity and engagement in the workplace. Appropriate preventive care can also reduce avoidable health care costs. Engagement in primary care and early detection through screening can avoid the onset or advancement of diseases and reduce unnecessary and costly emergency department visits or expensive treatment if a condition progresses. One of the most cost-effective ways to keep employees healthy and reduce absenteeism is to encourage routine immunizations like those for flu or COVID-19. Accessing mental health services has also demonstrated tangible financial returns for businesses in the form of reduced total health care spend, improved productivity, and increased retention. While you may not have the luxury of offering holistic benefits like wellness perks or incentives, you should strive to build a culture that encourages employees to prioritize their health and take advantage of available health benefits.

Set a baseline for measurement: Businesses should routinely assess the value of health care benefits, including employee satisfaction and health care outcomes. Regularly survey your employees to gauge their satisfaction and understanding of their health care benefits, and segment data by employee demographics, geography, or pay tier to capture the nuances of what employees want. It's also helpful to understand how the health care services employees are accessing are improving their health care outcomes for prevalent conditions like diabetes or heart disease. Be mindful of regulatory requirements about accessing or asking employees for information about their health care, especially if you are a business with a small number of employees.

Looking ahead

Whether you've started to plan for 2025 benefits or are waiting until closer to the enrollment period, it's never too early to consider best practices for approaching benefit design.

Proactively manage health care spend:

While many business leaders have grown accustomed to being disappointed by health care spend year over year, you don't want to become complacent. Knowing what questions to ask a broker or insurer and adding scrutiny to health benefits selection, just like other expenses, can ensure you are thoroughly evaluating your options each year. Given the complexity of rising health care costs, having a trusted and knowledgeable partner is essential for every business. And if you have HR or benefits teams evaluating options, support them in pursuing creative or different options they might not explore on their own.

Stay informed of new cost containment strategies:

To contain costs and ensure employees have access to affordable care, stay abreast of the latest health insurance options available. For example, an Individual Coverage Health Reimbursement Arrangement (ICHRA)⁸ can make it easier to manage costs while offering employees customizable plans. For businesses with a high-deductible health plan option, a Health Savings Account can help employees manage expenses. And for mid-sized businesses, transitioning from being fully insured to self-funded can help gain control over rising costs.

Find the right health insurance broker: A licensed insurance broker can be a valuable partner when negotiating and choosing a health insurance plan, but it's important to look for one who can offer the best options for your business and employees. A broker should understand your business strategy, values, and plans for the future, and they should be transparent about any insurance company commissions they're earning. **Read 5 Important Questions to Ask a Broker** before selecting a broker or health plan. New online or technology-enabled benefits navigation companies are also starting to come onto the market and make it easy for businesses to self-service and automate their benefit design. These options may offer a good alternative for small, resource-constrained businesses.

Understand the health care needs of current employees and future candidates: In the competition for talent, understanding what employees want from you as their employer can help you design a benefits program that attracts and retains the best workers. Some employers choose to survey their employees, while others look to national trends to establish requirements. Both approaches work, but understanding the health care needs of your specific employee population will help you better predict costs. For example, as new use cases for pharmaceutical drugs like GLP-1s see unprecedented demand, it's important to understand potential employee utilization alongside financial and health outcomes considerations.

Sources

1. [The Business Leaders Outlook Survey](#)
2. [Centers for Medicare and Medicaid Services, 2023](#); [Congressional Budget Office, 2023](#).
3. [Rhett Buttle, Katie Vlietstra Wonnemberg, and Angela Simaan, Small-Business Owners' Views on Health Coverage and Costs](#) (Commonwealth Fund, Sept. 2019).
4. National Federation of Independent Business (NFIB) Research Center, [Small Business Health Insurance Survey](#), March 2023.
5. [2023 Employer Health Benefits Survey, KFF](#).
6. Generally best for employers with a workforce that can/is willing to go out and shop for care.

This article is for Informational/Educational Purposes Only: The opinions expressed in this article may differ from the official policy or position of (or endorsement by) JPMorgan Chase & Co. or its affiliates. Opinions and strategies described may not be appropriate for everyone, and are not intended as specific advice/recommendations for any individual or business. The material is not intended to provide legal, tax, or financial advice or to indicate the availability or suitability of any JPMorgan Chase Bank, N.A. product or service. You should carefully consider your needs and objectives before making any decisions, and consult the appropriate professional(s). Outlooks and past performance are not guarantees of future results. JPMorgan Chase & Co. and its affiliates are not responsible for, and do not provide or endorse third party products, services or other content. © 2024 JPMorgan Chase & Co. All rights reserved. JPMorgan Chase Bank, N.A. Member FDIC. Visit jpmorgan.com/cb-disclaimer for disclosures and disclaimers related to this content.