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HEALTH CARE

TREND REPORT

TABLE OF CONTENTS

2024 HEALTH CARE TREND REPORT

- 03 INTRODUCTION
- 04 OVERVIEW
- 05 EMPLOYER CATEGORIES
- 07 REGIONAL SNAPSHOT
- 11 HIGH DEDUCTIBLE PLANS
- 13 PLAN STRUCTURES
- 15 FINAL THOUGHT



INTRODUCTION

It's no surprise that benefit plan premiums are getting more expensive. As an employer, you've likely gotten used to this trend (*fact: we've seen plan premiums increase each of the 21 years that this report has been in production*), but it's still hard to accept when you think about how it affects your bottom line.

In the same breath, we cannot emphasize enough that your benefits program is a deciding factor for talent when they're choosing whether to join your team.

Knowing where you stand in the marketplace is vital to understanding what your prospective employees and current employees are comparing you against.



Are your costs comparable to your peers?

Do your employees contribute more or less to their premiums than your competitors'?

The 2024 Health Care Trend Report shares the trends we are seeing across M3's book of business, which encompasses employers ranging in size from three to more than 10,000 employees in a variety of major industry sectors. We've broken apart the data based on geography, employer size, private vs. public sector, and plan structure.

There's something to discover for everyone – eye-opening insights that may just change how you approach your benefits going into your next renewal. As your advisors, your M3 team is eager to dissect what these trends mean for your organization and provide recommendations for creating the most effective benefits program within the current environment. Let's get into it.



M3 clients have access to *even more detailed data trends and benchmarking* through our BenchmarkPRO platform.

Reach out to your M3 team to request your custom benchmark report today.



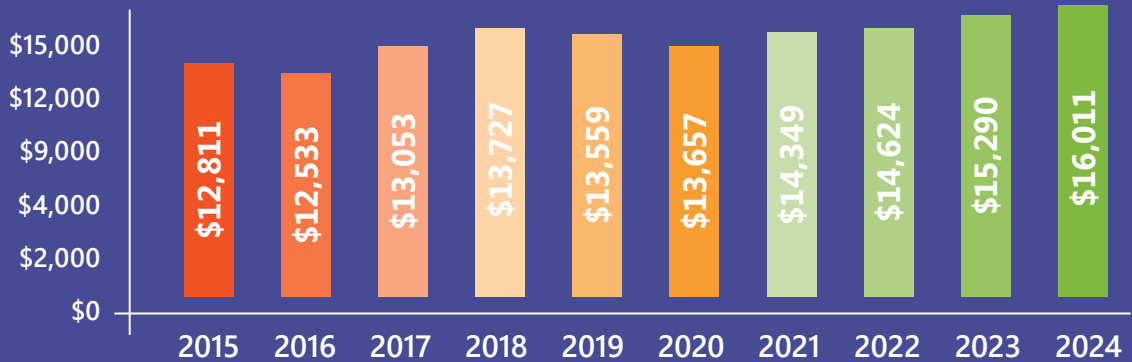
OVERVIEW

In 2024, health benefit plan premiums grew at an overall rate of 8.0 percent. This is higher than the historical norm of 6.6 percent since the report began in 2004 and is the highest rate of change since 2007 (8.4 percent). It is also almost an entire point higher than 2023's rate of change.

To further underscore the trend, the overall annual average cost per employee increased to \$16,011 in 2024, a jump from \$15,290 in 2023.

AVERAGE ANNUAL HEALTH BENEFIT COST

PER EMPLOYEE



Why the increase? While it's difficult to pinpoint the exact cause of rising costs, there are a few factors employers should note. The inflation we're all feeling—from skyrocketing grocery bills to increased living costs—is driving up premiums, too. Add the influx of high-priced specialty drugs to the mix, and it's no wonder this report shows a trend of rising premiums.



M3 clients experienced an average premium change of 8.0 percent in 2024 compared to 7.1 percent in 2023.

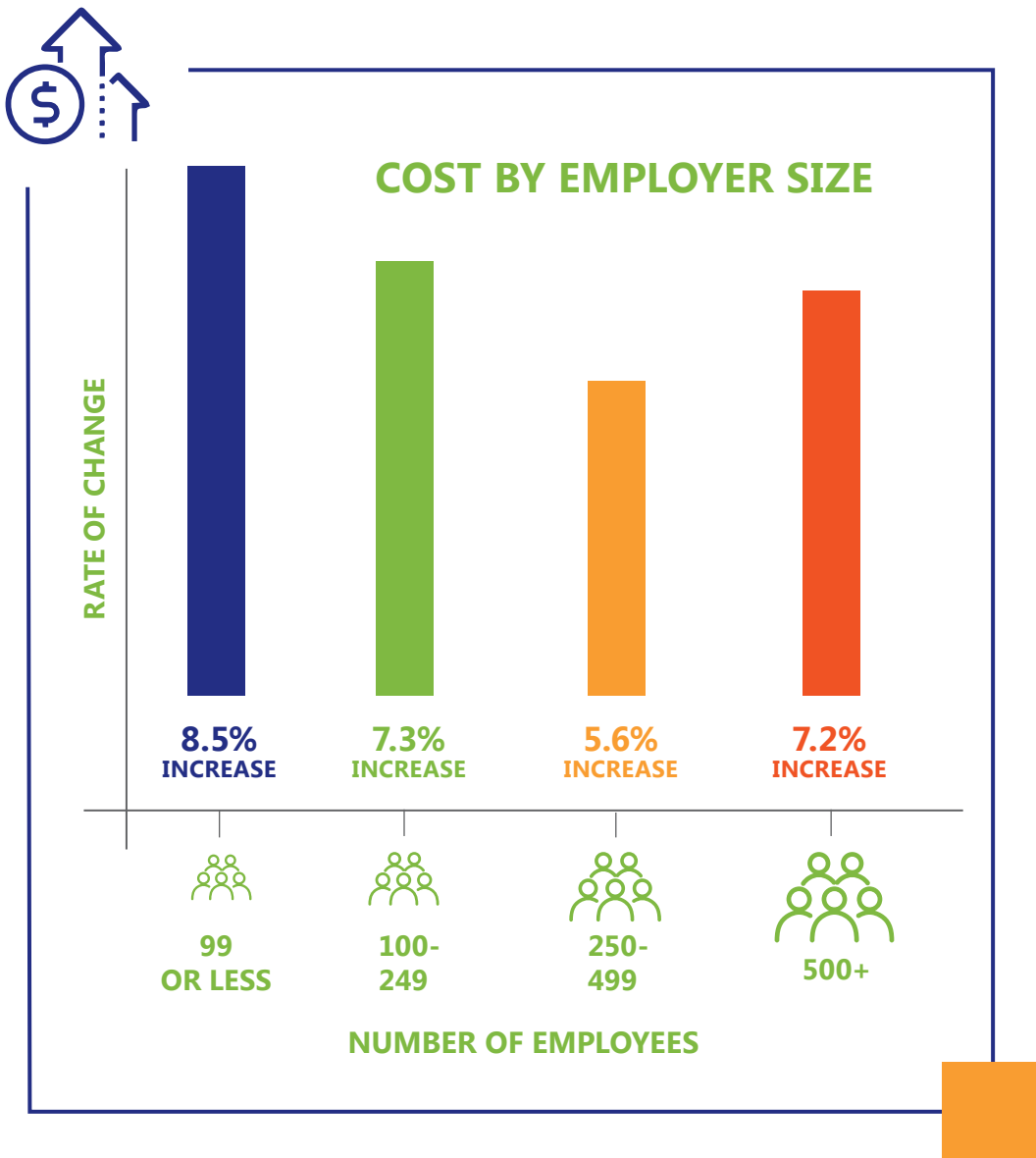


EMPLOYER CATEGORIES

EMPLOYER GROUP SIZE

This year's data showed most employers following the larger trend when broken out by size based on employee count. Most categories experienced an increase of around 1 percent, similar to the overall rate of change we reported on in the Overview.

The outlier category was employers with a group size of 250-499 employees, who experienced the lowest categorical increase of 5.6 percent, only a slight increase from 2023's 5.1 percent rate of change.



2024 HEALTH CARE TRENDS BY REGION

Geography plays a critical role in the benefits marketplace. Each region represented in this report faces unique opportunities and challenges that impact their benefit costs, including network availability, supply and demand for top talent, and carrier competition. These factors influence not only the care that is available to local employees, but also the associated costs and individual employers' desire for innovation.

WESTERN

5.7% of all M3 Clients
 4.0% of all M3 Client Full-Time Employees
 9.2% Average Increase
 \$18,048 Average Annual Cost
 14.4% Contribution - Single
 \$3,617 Average Deductible
 42.1% Public Sector

NORTHCENTRAL

9.2% of all M3 Clients
 14.4% of all M3 Client Full Time Employees
 5.1% Average Increase
 \$18,466 Average Annual Cost
 18.4% Contribution-Single
 \$2,735 Average Deductible
 36.9% Public Sector

NORTHEAST

13.3% of all M3 Clients
 14.1% of all M3 Client Full Time Employees
 9.1% Average Increase
 \$15,595 Average Annual Cost
 22.5% Contribution - Single
 \$3,212 Average Deductible
 22.2% Public Sector

SOUTHCENTRAL

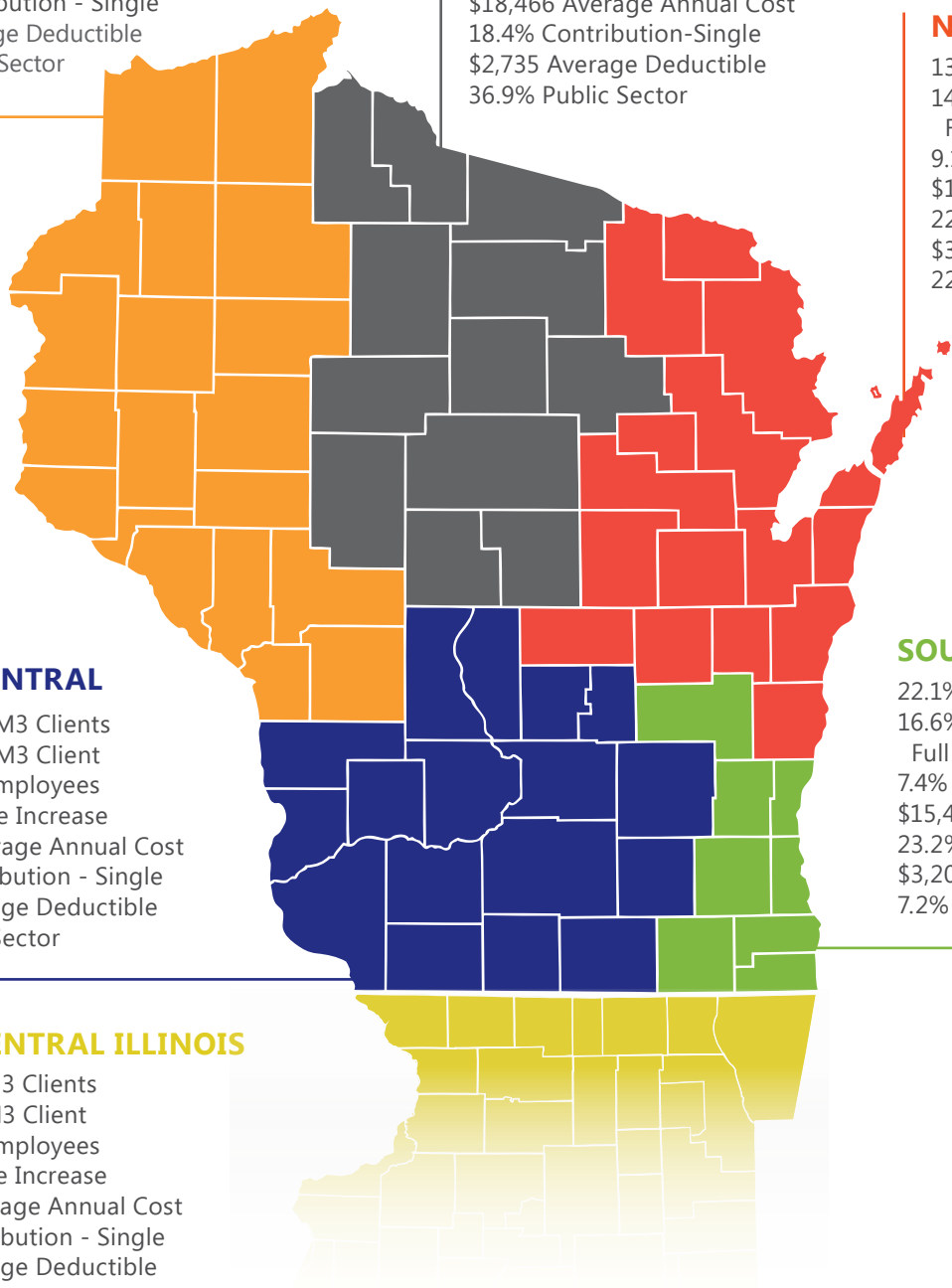
40.4% of all M3 Clients
 44.6% of all M3 Client Full-Time Employees
 8.4% Average Increase
 \$15,887 Average Annual Cost
 24.1% Contribution - Single
 \$1,885 Average Deductible
 7.1% Public Sector

SOUTHEAST

22.1% of all M3 Clients
 16.6% of all M3 Client Full Time Employees
 7.4% Average Increase
 \$15,489 Average Annual Cost
 23.2% Contribution - Single
 \$3,206 Average Deductible
 7.2% Public Sector

NORTHCENTRAL ILLINOIS

5.5% of all M3 Clients
 2.2% of all M3 Client Full-Time Employees
 7.2% Average Increase
 \$13,776 Average Annual Cost
 20.9% Contribution - Single
 \$2,819 Average Deductible
 5.5% Public Sector



Outside WI/NC-IL: 3.8% of all M3 Clients, 4.1% of all M3 Client Full-Time Employees, and 4.0% Public Sector. Please refer to the map for data that is representative of your area, including average price increase, annual costs, employee contributions and more.

NORTHCENTRAL WISCONSIN

With a balance of managed care and fee-for-service options, employers in Northcentral Wisconsin have choices for HMO, POS, and PPO plans. However, our team notes a trend in provider consolidation within this region that may contribute to fewer insurance options for employers.

In 2024, the average increase came in at 5.1 percent, nearly the same level of increase as 2023 (5 percent). However, the average cost per employee in this market increased more notably, rising to \$18,466 in 2024 from \$18,041 in 2023.

NORTHEAST WISCONSIN

Northeast Wisconsin, spanning the Fox Valley and Lakeshore regions and north to the Upper Peninsula of Michigan is a strong fee-for-service market. Most plans leverage either PPO or POS plan types, although provider networks continue to drive innovation to help control costs with focused network options. The fee-for-service structure makes this market stronger for employers who choose to self-fund.

This market experienced an overall increase of 9.1 percent, which is up from 8.1 percent in 2023. The average cost of \$15,595 was up from \$14,819 the previous year.

SOUTHEAST WISCONSIN

Including Milwaukee, Fond du Lac and Kenosha, this market is notably the most predominantly self-funded market in the state, though we are starting to see a shift to high performance/narrow network approaches that we have not seen historically.

This year, the average increase came in at 7.4 percent, down from 7.9 percent in 2023. The average cost per employee was \$15,489, which is an increase from \$15,083 the prior year.

SOUTHCENTRAL WISCONSIN

Centered in Madison, this market largely utilizes HMO providers, making self-funded plan less prevalent than in other markets.

In 2024, the market experienced an overall increase of 8.4 percent, which is a jump up from a 7 percent change rate in 2023. The average cost of \$15,887 represents an increase from \$14,879 the previous year.

WESTERN WISCONSIN

Western Wisconsin's benefits market is influenced both by Wisconsin-based providers and those of the Twin Cities metropolitan area right across the border. Over the past year, this region has seen multiple providers merge, and some close altogether, which has affected the access this region has to health care services.

In 2024, this market experienced an average increase of 9.2 percent, up from 7.1 percent in 2023. The average cost of \$18,048 also represents a meaningful increase from \$17,754 in 2023.

NORTHCENTRAL ILLINOIS

The Northcentral Illinois benefits market is largely made up of fee-for-service health plans. The majority of employers in this market are fully insured, but there is a rising interest in pursuing alternative funding strategies, along with unique network solutions and direct contract offerings for employers. In 2024, the market experienced an overall 7.2 percent increase versus 6.7 percent in 2023. The average cost per employee in the market is the lowest in the M3 footprint at \$13,776 per employee.

PRIVATE VS. PUBLIC SECTOR

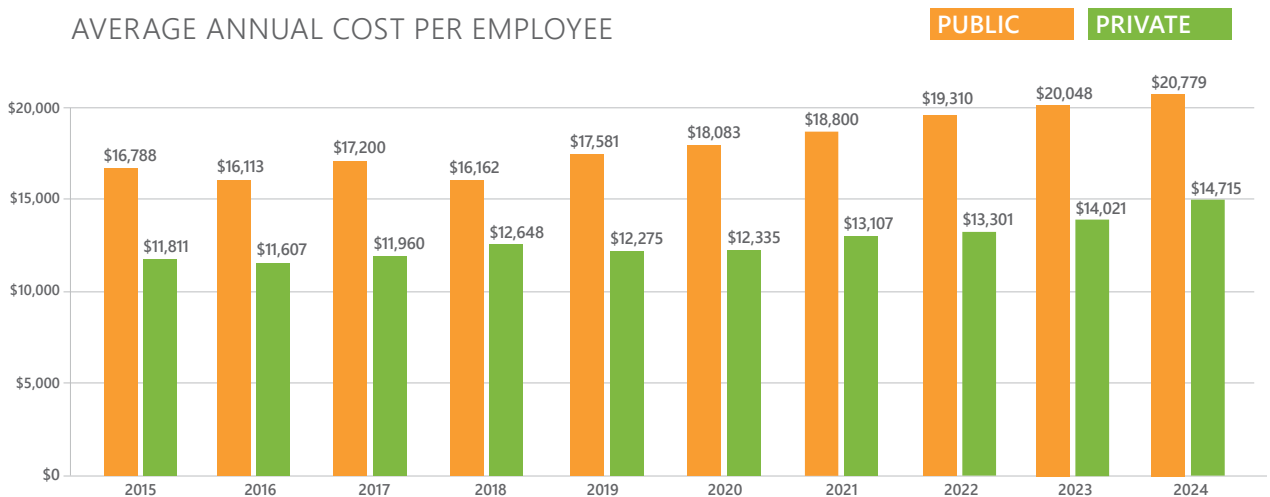
For the fifth year in a row, the public sector rate of change grew more slowly than that of the private sector. M3 public sector clients experienced an overall cost increase of 6.2 percent compared to 8.3 percent in the private sector.

- The average private sector annual cost per employee increased to \$14,715 in 2024, up from \$14,021 in 2023.
- The 2024 public sector annual cost per employee rose to \$20,779 from \$20,048 in 2023.

Employers in both sectors appear to be managing the influences of deferred care during the pandemic, an element of increased medical claims. This is coupled with employers appearing to be very resistant to changing much of their cost sharing mechanisms in ways that would expand employee-cost sharing. This is likely a reaction to the highly competitive labor market.

PUBLIC VS. PRIVATE PLAN

AVERAGE ANNUAL COST PER EMPLOYEE



The 2024 public sector annual cost per employee rose to \$20,779 from \$20,048 in 2023.



HIGH DEDUCTIBLE PLANS

HIGH DEDUCTIBLE PLANS

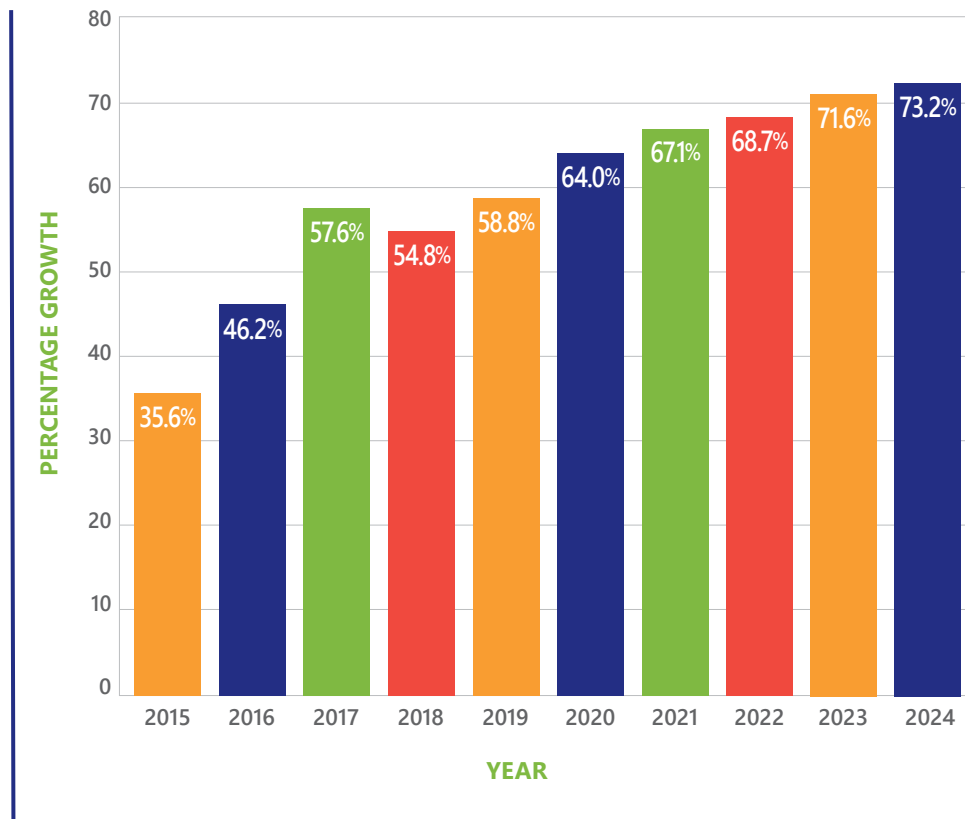
For purposes of this report, a "high deductible plan" is defined as being equal to or greater than the current Internal Revenue Service deductible requirement (\$1,600) but should not be confused with the statutorily defined "High Deductible Health Plan (HDHP)"; which is subject to numerous other regulatory parameters and is typically used in conjunction with a Health Savings Account (HSA).

Over the past year, we continued to see a growing number of employers offer high deductible plans. The percentage of M3 clients who choose to offer a high deductible plan rose from 71.6 to 73.2 percent.

This trend continues to gain traction, appearing to be driven by further adoption of consumer driven plans, economic inflation affecting the medical system, and employers deciding to offer high deductible options to ensure compliance with Affordable Care Act affordability requirements.



HIGH DEDUCTIBLE PLANS



TAX ADVANTAGED SAVINGS PLANS

The growth of employers offering health benefit plans which meet the IRS deductible requirement to qualify for HDHP status coincides with an increase in offering tax advantaged savings plans for employees.

- Employers offering an HSA provided an average contribution to an employee health savings account of \$912 in 2024. Private sector employers contributed an average of \$769, whereas the average public sector employer offered \$1,264. Those dollars are controlled by the employee once they are deposited to the HSA account.
- Employers who chose to contribute to an HRA contributed an average of \$2,130 per employee. Public sector employers contributed an average of \$1,703, while private sector employers contributed \$2,366 on average. Those dollars can be used by employees for medical costs, but all unused funds are returned to the employer at the end of the year.



Employers offering an HSA provided an average contribution to an employee health savings account of \$912 in 2024



PLAN STRUCTURE

Plan Design

Employers are still using plan design strategies to drive specific consumer behavior and manage health care costs. In our 2024 report, we see employers using employee cost-sharing mechanisms across plans and strategies that encourage plan members to prioritize and utilize primary care relationships and cut down on emergency room visits.

This year's highlights include:

- Deductibles continued to increase slightly, while maximum out-of-pocket expenses followed suit and increased according to their typical trend.
 - Interestingly, public sector PPO out-of-pocket expenses decreased to \$3,675 in 2024 from \$3,795 in 2023. This was the only plan design tracked for this report that showed a decrease in maximum out-of-pocket expense.
- HMO plans saw an overall increase 1.5% higher than PPO plans, but overall costs per employee remained lower.
 - Public sector HMO plans specifically had an interesting data point: the average deductible for this plan type increased roughly \$150, but the maximum out-of-pocket costs only increased \$53.
- In comparison to other plan design trends, we wouldn't describe the increase in co-payments for emergency room visits as a rise so much as a jump. Most significantly, private sector PPO plans ER visit co-payments rose from \$294 in 2023 to \$314 in 2024. This is a pattern for this plan design type, as these co-payments have risen, on average, \$23.50 per year since 2018.
- Private and public sector co-payments for low-cost services such as office visits remained largely stable, whereas those for high-cost services such as emergency visits continued to increase.



We see employers using employee cost-sharing mechanisms across plans and strategies that encourage plan members to prioritize and utilize primary care relationships and cut down on emergency room visits.



PLAN STRUCTURE

Employee Contributions to Premiums

Health benefit plan premium costs are typically shared between an employee and their employer. In this section of our report, we break down how employers in the private and public sectors are adjusting their employee contribution structure to find a balance between managing rising premiums and maintaining a desirable benefits program to attract and retain talent.

Private sector employee contributions increased this year, reversing a trend that we had seen (from a percentage basis perspective) for the past few years.

- On a percentage basis, private sector employee contributions experienced a slight increase for the first time in four years, rising to 25.2 percent for single coverage and 32.4 percent for family coverage (the corresponding values in 2023 were 25 and 31.2 percent, respectively).
- On a dollar basis, this increase was also reflected with notable changes in monthly dollar premium contributions to \$187 for single coverage and \$721 for a family plan (compared to \$177 and \$667 in 2023, respectively).

After a decrease in 2023, 2024's data shows that public sector employee contributions are on the rise again. Public sector employee contributions were as follows:

- On a percentage basis, public sector employee contributions increased to 13.1 percent for single coverage and 13.7 percent for family coverage (from 11.8 percent and 12.1 percent respectively).
- The amounts on a dollar basis also reflected an increase, as public sector monthly dollar premium contributions were \$115 for single coverage and \$292 for family plans (compared with \$99 for single and \$245 for family coverage in 2023).



After a decrease in 2023, 2024's data shows that public sector employee contributions are on the rise again.



FINAL THOUGHT

This year's Health Care Trend Report follows a similar pattern as 2023's edition: the trendline continued for overall benefit plan premiums and costs per employee, with some notable regional shifts.

As employers seek to find ways to manage these costs, their eyes must also remain on the implications of benefit changes for their talent attraction and retention strategy. For many employers, the most important aspect of their business is the talent on their team. Potential candidates in today's market are choosier about which employers they pursue – and your benefits play a big role in their decision.

We encourage you to take note of the trends highlighted in this report, and then discuss custom benchmarking opportunities with your M3 team to see how your organization stacks up against your peers. M3 is here to help you use data, trends, and innovative strategies to build a benefits program that positions you as an employer of choice in your unique markets.





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