Benefits Insights

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5 Employee Benefits Trends Shaping 2025

Employee benefits are transforming, and employers can get ahead of these changes as they strive to attract and retain top talent. The modern workforce is multigenerational, with evolving expectations around work-life balance, mental health and personalized benefits. In this dynamic environment, understanding and implementing the latest trends in employee benefits can set an organization apart as an employer of choice.

This article explores five key trends that will shape employee benefits in 2025.

1. New Administration's Benefits Changes

Following the 2024 election and the return of the Trump administration to the White House, employers are keeping their eyes out for imminent changes to the health care system. It remains to be seen whether Trump and the Republicans will renew the Affordable Care Act subsidies passed through the Inflation Reduction Act. Nonrenewal of these subsidies, set to expire at the end of 2025, could lead to premium increases and decreased enrollment. Potential changes could also occur to Medicare and Medicaid, which could influence employer decisions regarding retiree health benefits and supplemental coverage options for those enrolled.

Furthermore, employers will have to wait and see how Trump's platform will impact reproductive health and family policies (e.g., paid leave, child care and the child tax credit) for their employees. The latest election results could bring significant changes to employee benefits for the next four years and beyond.

2. Health Plan Design Modifications

Several industry surveys and reports reveal that employers anticipate health care costs to grow between 7% and 8% in 2025. Provider shortages, rising drug costs, chronic health conditions and aging populations continue to drive health care costs. In addition, glucagon-like peptide-1 (GLP-1) drugs and advanced treatment options, such as cell and gene therapies and biologics, are becoming more popular, even though they come with a high price tag.

This year, employers may struggle to mitigate skyrocketing health care costs while keeping benefits affordable for employees. As a result, many employers will plan and implement multiple cost-saving strategies to mitigate rising health care costs. One such popular strategy is modifying health plan designs. A Mercer survey revealed that half of employers (53%) will make cost-cutting changes to their plans in 2025, up from 44% in 2024. These changes generally involve raising deductibles and revisiting other cost-sharing arrangements. These changes often result in higher out-of-pocket costs for employees seeking care. Employers were hesitant to pass on cost increases in previous years due to attraction and retention concerns. While cost sharing is not the first option, more employers this year may raise deductibles, premiums and copays to offset costs. While many employers have held off on making plan-related changes, they're finding it more difficult, as health care costs have remained high for the last few years.

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Employers may also maintain full coverage of recommended prevention and screening services or incentivize employees to seek cost-effective care options. Efforts to increase employee health care literacy can also help individuals make educated and cost-effective care choices.

3. Supportive Family-building Benefits

Reproductive health care benefits remain a key issue for employers as they strive to meet employee needs and remain competitive. A ResumeBuilder.com survey revealed that 1 in 5 American workers are unlikely to consider a job offer in a state with a highly restrictive abortion policy. Also, 3 in 10 employees are unlikely to work in a state that passes legislation banning in vitro fertilization (IVF), and 14% of workers are likely to leave to work elsewhere if legislation effectively banning IVF is passed in the state where they work. While employers can't necessarily control which state they're located in, it's important to understand employee sentiment and consider benefits and support that meet employee needs.

Additionally, more employers are offering family-building benefits because they have proven highly valued among employees looking to start or build their families. This year, many employers are expanding benefits offerings to include the following:

- Paid parental and adoption leave
- Child care subsidies
- Flexible scheduling
- Surrogacy benefits
- Family planning assistance
- High-risk pregnancy care
- Pregnancy, lactation, postpartum and menopause support
- Testosterone deficiency treatments

Employers providing legal reproductive care benefits should assess the implications of these offerings as reproductive health care laws continue to evolve.

4. Growing Popularity of GLP-1s

Americans' heightened interest in and spending on GLP-1 drugs is a major driver of rising health care costs. While GLP-1 drugs were traditionally used to treat diabetes, they are now in demand for weight loss.

These drugs are available in various doses and strengths and are meant to be used as a long-term treatment for their approved uses. GLP-1 treatment costs an average of around $1,000 per individual each month and should be taken continuously. When considering covering weight loss drugs, many employers are concerned that they require a long-term commitment to be effective.

GLP-1 use is already widespread but is expected to increase in popularity. KFF reports that around 1 in 8 Americans have already used a GLP-1 drug, while 6% are currently taking one. However, this number is projected to rise in the coming years. Investment bank J.P. Morgan estimates that 9% of the U.S. population could be on GLP-1s by 2030.

This trend impacts workplaces as employees ask their employers to cover weight loss drugs. Given the priciness of GLP-1 drugs and their long-term commitment, employers may still be on the fence about whether they should cover the drugs despite demand.

5. The Rise of Biosimilars

Specialty drugs, including biological drugs, are one the fastest-growing categories of pharmacy spending. Biologics are medications that come from living organisms, such as sugars, proteins and DNA. Biologics treat a range of conditions, such as cancer, psoriasis, rheumatoid arthritis and inflammatory bowel diseases. Even though these drugs are effective at treating complex health conditions, they are expensive. According to a report published in the medical journal JAMA, biologics make up only 2% of prescriptions but account for 37% of net drug spending. What's more, biosimilars have the ability to be a deflationary force in an otherwise rising-cost health care industry.

Biosimilars are an emerging category of biologic medications. These treatments are similar to a reference drug, which is an existing biologic that was previously approved by the U.S. Food and Drug Administration (FDA). For a biosimilar to be approved, there must be no meaningful differences in safety and effectiveness from the original biologic. Compared with original biologics, biosimilars are lower-cost drugs that allow for greater access to more patients. New biosimilars are gaining FDA approval and entering the market each year. As of December 2024, 64 of these medications are currently approved and have been frequently entering the market since the first biosimilar was approved in 2015.

In the past decade, $36 billion of biosimilar spending has saved $56 billion on original biologics. These savings could total over $180 billion in the next five years. However, efforts to integrate biosimilars into the drug market have faced challenges with reaching widespread adoption, such as drug exclusivity rights, active patents, approval processes and success rates for developing biosimilars.

Looking forward, the total biologics industry is projected to expand. Industry projections show that the market size is expected to grow from a current spend of around $450 billion to almost $850 billion over the next decade.

Summary

As the workforce's needs continue to evolve, so must the benefits that companies offer to remain relevant and meaningful to employees. Every workplace is different, but employers can strive to monitor and understand the latest benefits trends to better attract and retain workers.

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