



2023 Midyear Benefits Trends

Presented by Sullivan Benefits



Table of Contents

Employers Struggle to Mitigate Rising Health Care Costs	3
AI Aims to Improve Benefits Administration	4
Pay Transparency Becomes the New Norm	5
Paid Leave Laws Are Impacting More Employers	6
The Battle Over Remote and Hybrid Work Continues	6
Organizations Expand Family-building Benefits While Prioritizing Reproductive Health	8
Employer Takeaways	9



Heading into the latter half of 2023, there are several benefits trends impacting employers. While some of these trends are new, many are not, and employers have been trying to address many of the same benefits challenges for the last few years. Some employers have responded to these challenges by attempting to meet employee demands, such as offering competitive benefits or flexible work arrangements, but by and large, most employers are currently struggling to find adequate solutions. These challenges are likely to continue through the remainder of 2023. However, understanding the latest benefits trends can help employers evaluate their offerings to best meet employee needs, respond successfully to their challenges and give them an advantage over their competitors. Proactively reacting to these trends can help keep employees happy, healthy and loyal.

This article explores benefit trends to watch in the second half of 2023, discussing how they will likely impact employers and offering strategies to address them.

Employers Struggle to Mitigate Rising Health Care Costs

Finding ways to reign in rising health care costs while keeping benefits affordable is critical for employers during the second half of 2023; however, this won't be easy. Health care costs have risen sharply over the last few years and will likely continue to rise. While average costs increased by 3.2% in 2022, employers expect an increase of 5.4% in 2023, according to a Mercer survey. What's worse, many employers feel they're running out of cost-containment strategies to combat increasing costs.

Zywave's 2023 Broker Services Survey found that employers seem to be frustrated by the limited options to address their rising health care costs. Many feel they've exhausted traditional approaches to health care cost mitigation, such as guiding employees to cost-effective care, improving health care literacy and leveraging technology. As a result, unless employers are willing to take more drastic measures, such as modifying health plan designs or funding, there may be little they can do to mitigate such rising costs. Compounding concerns, if a recession arrives during the second half of the year, as many economists predict, addressing health care costs will likely become even more challenging for employers.

Employers also revealed in the 2023 Broker Services Survey that they are uncertain whether their current plan design provides the best value as they try to mitigate health care costs. This uncertainty likely stems from employers feeling they have limited options to alleviate such costs, especially since established mechanisms that have helped reduce health care costs seem less effective. As a result, employers may need to implement significant changes to mitigate rising health care costs; however, many organizations will likely find altering health plan funding or design unpalatable because of the substantial risk of making mistakes and uncertainty, especially as the U.S. economy is in flux.

Despite these challenges, many employers will likely find it difficult to reduce or eliminate benefits due to a surprisingly strong labor market and employee expectations. While health care costs are not likely to decline any time soon, planning and implementing proactive strategies to minimize the impact of rising costs will likely have the largest impact.

AI Aims to Improve Benefits Administration

In 2023, artificial intelligence (AI) has made its way into many workplaces nationwide and is revolutionizing how organizations operate and make decisions. Employers are searching for ways to leverage this technology's ability to create efficiencies, enhance workflows, streamline operations and improve customer experience. This technology has the potential to help employers streamline employee benefits administration, thus reducing costs, increasing accuracy and improving compliance. AI can improve and enhance employers' benefits administration by:

- **Streamlining benefits administration** — AI can help automate manual, repetitive tasks, such as open enrollment, eligibility verification, claims processing and plan design. By automating these tasks, organizations can reduce their administrative burdens and improve accuracy.
- **Boosting employee self-service** — AI chatbots can support employees by answering benefits-related questions, guiding them through enrollment and resolving potential issues. Utilizing AI technology can improve benefits accessibility and help employees to better manage their benefits on their own.
- **Personalizing benefits offerings** — Employers can tailor their offerings to meet employee needs and preferences with the help of AI. These systems can sift through large amounts of data, such as demographic information, employee health records and health care utilization, to better personalize an organization's benefits offerings.
- **Providing decision support** — AI tools can empower employees to make informed benefits-related decisions by analyzing individual health and utilization data and providing tailored recommendations.
- **Improving compliance and risk management** — Complying with benefits requirements and regulations can be challenging and often creates large administrative burdens for organizations as they try to stay informed and up to date on any changes. AI technology can monitor legislative changes and automate compliance updates in an organization's benefits administration systems.
- **Delivering predictive analytics and cost optimization** — AI tools can also help organizations forecast future benefits trends and needs by analyzing market data and historical trends. This can enable employers to make more informed decisions regarding plan designs and modifications, adjust benefits offerings to better suit employee needs and negotiate better rates.

While many employers have embraced AI technology to aid in benefits administration, more employers are expected to follow suit in the second half of 2023 and beyond. However, employers must proceed with caution when implementing AI tools because these systems' capabilities are limited by the information used to train them. Additionally, these tools may inadvertently reveal employee health information or make decisions that lead to biased or discriminatory outcomes. AI-generated errors like these can be costly, subjecting organizations to government audits, fines and penalties. Understanding how this technology works and ensuring human oversight can help organizations anticipate and address potential issues before they become problems.

Because AI technology in the workplace is still largely unregulated, there are many gray areas employers must navigate. Laws and regulations haven't kept up with employers' acceptance and incorporation of this technology. While many existing laws address AI-related issues, as a whole, such technology is a relatively new legal area. There's currently a patchwork of federal and state regulations that address aspects of using AI tools in the employment context and benefits administration; however, legal issues related to these tools will likely continue to emerge as AI technology develops and becomes more advanced. Therefore, employers should stay current on all applicable laws and regulations impacting AI systems. Employers should consider establishing governance policies and procedures to evaluate and monitor AI tools as well as assess their long-term impacts. This can help ensure that organizations use AI tools responsibly and integrate such technology to complement human activity in the workplace in 2023 and beyond.



Pay Transparency Becomes the New Norm

Despite many employers' reluctance to embrace pay transparency—because it can reveal unintended pay gaps and trigger questions from current employees—the practice is expected to become the norm in 2023. At the start of 2023, a fifth of all U.S. workers were covered by pay transparency laws. In 2021, Colorado was the first jurisdiction to enact such laws. Since then, many states and localities have enacted their own pay transparency laws, including:

- California
- Cincinnati, Ohio
- Connecticut
- Ithaca, New York
- Jersey City, New Jersey
- Maryland
- Nevada
- New York City
- Rhode Island
- Toledo, Ohio
- Washington
- Westchester County, New York

Even if employers are currently unaffected by pay transparency mandates, they should consider developing strategies to address this issue since pay transparency likely already impacts them directly or indirectly. Employers can protect themselves and help ensure compliance with applicable laws by understanding applicable pay transparency requirements and regularly reviewing job postings.

Pay transparency laws present distinct compliance challenges for employers subject to them since they vary depending on the state or locality. Employer compliance difficulties are often greater for organizations that recruit and hire employees across state lines. This has been further complicated by the general acceptance of remote work. Hiring remote workers can trigger legal obligations and create potential risks even in states where employers do not have a physical presence. To limit potential compliance issues, some employers may avoid hiring remote workers or workers who reside in states with pay transparency laws; however, this is likely

an unsustainable strategy for employers, as it can drastically limit their recruiting pool. In contrast, some employers are ensuring their job postings comply with the strictest pay transparency requirements. This can include revamping hiring and recruitment practices to comply with pay transparency requirements, standardizing job postings to include salary ranges and benefits information, or tailoring job postings for states and localities with pay transparency laws.

Not only are more states and localities implementing pay transparency laws, but pay transparency is also becoming more important to workers. Employees overwhelmingly support pay transparency because it can help them to avoid applying for jobs they wouldn't accept due to low pay, negotiate for better salaries and build trust with their employers. It also helps hold employers accountable for providing similar wages for similar roles. According to recent data from global employment website Monster, 98% of employees said employers should disclose pay ranges in job postings, with more than half saying they'd refuse to apply for jobs that do not disclose pay ranges, even in states where pay transparency isn't legally required. Since applicants and employees value pay transparency, employers can benefit from providing pay-related information even when not required to do so; those who offer pay transparency tend to receive more applicants and save time and money in recruitment efforts by ensuring candidates don't reject job offers due to insufficient pay.

Paid Leave Laws Are Impacting More Employers

Several employers expanded their leave policies in response to the COVID-19 pandemic, including increasing paid leave; however, in 2022, many organizations reversed course and reduced leave benefits to pre-pandemic levels. Despite this, many states have enacted laws to provide paid family and medical leave, and more are expected to do so in the near future. Currently, 11 states and the District of Columbia have state-run, mandatory paid family and medical leave programs that cover most private-sector employees. Some of these laws have or will become effective in 2023. Other states, including New Hampshire and Vermont, have enacted voluntary paid leave laws. As a result, paid leave laws will soon impact more employers. Therefore, employers who are or will soon be subject to paid leave laws should ensure their workplace policies are compliant with 2023 requirements.

For employers not subject to paid leave requirements, now is a critical time for employers to consider their leave policies. Providing employees with paid leave is an effective way to support employee well-being and strengthen their attraction and retention efforts. Paid leave can include:

- **Medical leave**, covering a worker's own serious health condition
- **Parental leave**, covering bonding with a new child (may also be referred to as maternity leave, paternity leave or bonding leave)
- **Caregiving leave**, covering caring for a loved one with a serious health condition
- **Deployment-related leave**, covering needs in connection with a loved one's current or impending active duty military service
- **Safe leave**, covering needs when a worker or their loved one is a victim of sexual or domestic violence

Expanding paid leave benefits can be an important talent acquisition strategy for employers since candidates and employees prioritize these benefits. These benefits can provide employees with an important safety net and peace of mind, helping build trust and increase loyalty.

The Battle Over Remote and Hybrid Work Continues

Remote and hybrid work arrangements were widely embraced by employers and employees at the outset of the COVID-19 pandemic. As lockdown orders lifted, many employers continued to offer these flexible work arrangements for various reasons, including acquiescing to employee demands during a tight labor market. Although remote and hybrid work is expected to continue to play an integral role in the work landscape, 2023 has seen some significant changes to these arrangements. These changes will likely continue to change and evolve throughout the remainder of the year.

Employers are concerned that remote and hybrid work arrangements have led to a drop in employee production.



According to a Microsoft survey, 85% of leaders believe hybrid work has made it difficult to be confident that employees are productive, despite 87% of employees reporting they are productive at work; only 12% of senior leaders have full confidence their employees are productive.

Many employers believe that having employees return to in-office work will boost workforce productivity. Organizations also believe that activities such as culture building, collaboration, employee engagement, mentoring and innovation are easier in in-office settings. However, the COVID-19 pandemic caused many workers to reprioritize work as an aspect of their life instead of the main focus. Additionally, remote and hybrid work arrangements allowed employees to experience the benefits of working from home. Many have come to prefer these flexible work arrangements because they feel they can remain productive at work but have more resources and personal time for families and hobbies by not having to commute. This has allowed many employees to improve their work-life balance and general well-being.

While many employers requested that employees return to in-office work in 2022, they started requiring it in 2023. Organizations attempted to leverage the economic downturn to force employees to return to the office. However, as employers request or require employees to return to in-person work, many have refused or are not fully complying. Large corporations like Amazon, Apple and Twitter are currently struggling with workers refusing to follow return-to-office (RTO) orders. Employee refusals have caused some organizations to change course and soften RTO orders; others have doubled down on their efforts to have employees return, threatening to terminate those that don't return. The return-to-work battle that has been simmering for the last few years seems to be nearing a boiling point, leaving many employers in a difficult position.

Employees' refusal to return to the office has highlighted the different understanding between employees and employers as to the purpose of the office. It has also signaled a significant change in work culture and employee expectations. While the majority of U.S. workers do not work from home, for those who do, there's currently a battle about where they'll work in the future. By considering the reasons why employers want employees to return to in-office work and communicating those reasons to employees, employers are more likely to experience less pushback



from employees. Employers can also consider the following strategies when asking employees to return to the office:

- Determine the reasons why employees need to return.
- Obtain employee input.
- Provide clear guidelines.
- Support employees during the transition.

Whether employers embrace flexible work arrangements or ask employees to return to the office, it's important they help employees to find ways to help improve their mental health and well-being. This can enable employees to feel happier and more productive regardless of where and how they work.

Organizations Expand Family-building Benefits While Prioritizing Reproductive Health

The U.S. Supreme Court's decision in *Dobbs v. Jackson Women's Health Organization* to overturn *Roe v. Wade*—ending federal protections for abortion rights and permitting states to implement their own regulations—continues to impact employee benefits considerations in 2023. The Supreme Court's ruling eliminating the federal constitutional right to abortion care has led to a patchwork of state laws on this type of health care; several states banned or restricted insurance coverage for abortion, while others require plans to cover the procedure. Legal challenges to these laws are currently ongoing, and more are expected going forward, making it unclear what the landscape will look like in the near future. This has created challenges for employers as they try to find ways to support their employees' needs and provide competitive benefits. As a result, employers must carefully evaluate any reproductive health-related benefit offered under their group health plans to ensure full compliance with applicable laws and restrictions.

While the Supreme Court's ruling has presented several important considerations for employers providing abortion-related benefits, it has also brought a renewed focus on reproductive health and family-building benefits. Many larger employers, such as Walmart and Target, have embraced fertility and family-planning benefits. This seems to be part of a broader trend of employers offering benefits that employees say they need, like mental health and financial planning resources. According to Maven Clinic's [State of Fertility & Family Benefits in 2023](#) report, 87% of HR



professionals said they recognized family benefits are “extremely important” to current and prospective employees and 63% said they planned to increase family health benefits within the next few years. The same report revealed that 30% of employees are currently expecting a child or hope to grow their family within the next couple of years. Additionally, 43% said they expect to need fertility treatments, adoption services and surrogacy services to do so.

Many employers are doing more to support their employees through every stage of their family-building process. For example, employers are increasingly providing employees with family-friendly benefits, such as paid parental leave, paid adoption leave, surrogacy benefits, hormone replacement therapy and doula care. Others are providing specialized benefits to support women’s reproductive health by offering the following benefits:

- Family planning assistance
- High-risk pregnancy care
- Pregnancy, lactation, postpartum and menopause support
- Travel benefits

These benefits can have a significant impact on an employee’s productivity, happiness and overall well-being. Family-building benefits can also strengthen an organization’s attraction and retention efforts, improve

employees’ quality of life and create an inclusive, healthy workplace. As workers continue to struggle financially because of inflation and other economic concerns, family-building benefits have become even more important since they can provide individuals and families with vital medical and economic support, enabling them to safely achieve their family-planning goals. In 2023, employers have a great opportunity to impact employees on and off the job by offering or expanding family-building benefits.

Employer Takeaways

In 2023, employers continue to deal with many of the same challenges they’ve faced for several years. Unfortunately, many of these challenges will likely continue through the second half of 2023 and into the foreseeable future.

It’s vital for employers to find ways to meet these challenges in practical and cost-effective ways, especially as the U.S. economy remains in flux. While the best strategies will vary by workplace, being aware of current benefits trends can guide employers as they strategize and take action. Recognizing these trends can help employers to respond in meaningful ways to help keep employees healthier, happier and more productive.

For more information on today’s benefits trends, contact us today.