



# HR Edge

## Q1 2025

Presented by Higginbotham

# 7 Factors Driving Health Care Cost Increases in 2025

Health care costs are projected to increase substantially in 2025. Estimates show a similar growth in spending to 2024, marking multiple years of compounding costs.



Several industry surveys and reports reveal that employers anticipate health care costs to grow between 7% and 8% in 2025.

Here are seven key factors impacting rising health care costs this year:

## 1. Glucagon-like peptide-1 (GLP-1) Drugs

GLP-1 drug use is already widespread but is expected to increase in popularity. According to KFF data, 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. JP Morgan estimates that 9% of the U.S. population could be on GLP-1s by 2030.

GLP-1 medications typically cost around \$1,000 per month. These costly medications are intended to be taken in perpetuity to achieve their benefits. This means that GLP-1 users may experience health benefits but will be required to use these high-cost treatments on an ongoing basis.

## 2. Drug Cost Increases

A number of commonly used drugs are expected to have price increases this year. Drugs used to treat osteoporosis, cancer, atopic dermatitis and Type 2 diabetes are expected to rise anywhere from 4% to 10% or more. In addition, increased utilization of these drugs could drive spending even higher.

## 3. Cell and Gene Therapies (CGTs)

Advanced treatments, such as CGTs, are designed to treat conditions like blood and lung cancer, sickle cell anemia

and spinal muscular atrophy. These therapies demonstrate significant medical advancement, but they come with a high price tag. Some of these treatments may cost thousands of dollars per week; others can cost between \$250,000 and \$4.25 million for a single dose. Given the massive price tag, if only a small number of plan participants use these expensive prescriptions, it can significantly raise health care spending.

Many of these treatments have recently been approved, and hundreds more are currently in clinical trials and could be available in the coming years. By 2025, it's estimated that nearly 100,000 patients in the United States will be eligible for CGT, which could cost \$25 billion.

## 4. Biologics

Specialty drugs, including biological drugs, are one of 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 carry a high cost. According to a report published in medical journal JAMA, biologics make up only 2% of prescriptions but account for 37% of net drug spending.

Biosimilars are an emerging category of biological medications. These treatments are similar to a reference drug, which is an existing biologic that was previously approved by the 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.

## 5. Health Care Labor Costs

The current supply of health care workers does not meet the growing demand for utilization. This shortage is due to factors such as rising health care demands, an aging population, retiring workforces and not enough talent entering the health care industry. When key players in the health care industry are required to spend more on labor, those expenses are often passed on to both employers and users of the health care benefit: employees and their dependents.

## 6. Chronic Health Conditions

Around 90% of U.S. health care spend is for people with chronic and mental health conditions. Chronic conditions include heart disease, stroke, cancer, diabetes, arthritis and obesity. In general, chronic disease is increasing in prevalence in the United States and is projected to continue to do so in 2025 and the upcoming years.

## 7. Aging Populations

The percentage of the U.S. population that is 65 or older continues to rise, with over 55 million Americans over the age of 65. Estimates show that there will be almost 80 million people aged 65 and older in the United States by 2040. Per-person personal health care spending for the 65 and older population is around five times higher than spending per child and almost 2.5 times the spending per working-age person.

## Employer Takeaway

Offering quality health care to employees carries a significant financial cost for organizations, comprising a substantial part of an overall budget. It's more than just organizations that pay the price for growing health care costs; such expenses are often shared between employers and employees. Rising health care costs may be unavoidable, but informed employers can better understand these trends and act appropriately.

# What Is People Operations?

Many organizations continue to retool the role of HR within their organizations. While “people operations” may be a new term interchangeable with HR at some organizations, others may use the term for a team within or next to HR designed to supplement and improve a workforce. In general, people operations is a forward-thinking approach to rethinking the role of people in the workplace. Larger companies, including Google and IBM, are rolling out people operations teams with a more holistic business approach.

People operations, often shortened to people ops, is a strategic business function that focuses on creating systems and strategies to maximize employee value and engagement. It's about putting the employee first and humanizing impersonal systems. Successful people operations cultivate a company culture that makes employees feel happy and proud to work at the organization.

While traditional HR focuses on administrative tasks such as payroll, compliance and employee relations, people operations takes a more holistic and strategic view. Key responsibilities of people operations include the following:

- Managing the employee journey and lifecycle, including interviewing, orientation, onboarding, performance reviews, learning and development, change management and exit interviews
- Supporting employee reward and recognition systems, which can provide a sense of accomplishment and make employees feel valued for their contributions
- Engaging employees continuously by connecting with them to understand their experiences and any pain points
- Developing employees through skills training, career pathing, and other types of learning and development opportunities
- Connecting individual performance to overall company

goals by reinforcing how critical and meaningful employee contributions are

- Connecting HR goals and objectives to organizational goals by making HR a strategic partner instead of a cost center
- Championing company culture, mission and values

Overall, people operations aims to engage and empower employees while facilitating their day-to-day work experience. The focus of people operations is people.

## The Benefits of People Operations

People operations is all about humanizing impersonal employee systems. Organizations often expect the following advantages of embracing people operations:

- **Improved employee satisfaction**—People operations help create a more satisfied and motivated workforce by prioritizing employee experience and engagement.
- **Enhanced employee productivity**—A positive work environment and effective performance management lead to higher productivity and better business outcomes.
- **Increased employee retention**—Engaged and fulfilled employees are more likely to stay with an organization, reducing turnover and associated costs.

As workplaces continue to evolve, so does the role of HR. People operations represents a forward-thinking approach that prioritizes employee experience, data-driven decision-making and strategic alignment. By embracing the concept of people operations or developing a separate department, organizations can create a thriving workplace that drives the success and growth of their people and the business.





A recent survey by corporate wellness platform Wellhub found that nearly half (47%) of workers identify work stress as the primary cause of their deteriorating mental health—and that was consistent across most generations. Baby boomers are more concerned about inflation, while Generation Z, millennials and Generation X agreed that work stresses them out the most.

# Emerging Wellness Trends in 2025

The days of compartmentalizing physical, mental, financial and emotional well-being are over. In 2025, organizations are adopting a holistic approach that considers the entire employee. Expanding all aspects of wellness support is meant to help meet workers' needs and expectations. While organizations may have already increased their mental health support in the past few years, some are now pivoting and ramping up financial wellness efforts in 2025.

Here are four employee wellness trends to monitor this year:

## 1. Addressing Employee Burnout

Many of today's workers are burnt out. A recent report by talent advisory firm DHR Global revealed that 82% of employees are experiencing burnout.

While health experts used to correlate remote work with positive mental health benefits, in 2025, they're predicting equal levels of stress and burnout regardless of working location. So, unfortunately, employers shouldn't expect employee burnout to disappear anytime soon.

Top drivers of employee burnout include long hours (58%), overwhelming workloads (35%), and difficulty balancing work and personal life (34%), according to DHR Global's report. Burnout can be caused by stress, so employers are also looking at how stress shows up in the workplace and impacts employees.

In an effort to prevent and alleviate rising levels of stress and burnout, more organizations are prioritizing flexible work arrangements, mental health days, realistic workload expectations and designated downtime to help employees maintain a healthy work-life balance. Employee assistance programs, counseling services, stress management workshops and digital platforms for mental health assistance are increasingly becoming key components of workplace wellness initiatives. More employers are also investing in resources to destigmatize mental health (e.g., anti-stigma campaigns and mental health literacy training) and foster a culture where employees feel comfortable seeking mental health support.

## 2. Prioritizing Financial Wellness

Money is a significant stressor for employees, and concerns have been exacerbated by prolonged inflation pressures over the past couple of years, growing debts and skyrocketing medical costs. In fact, more than 6 out of 10 Americans currently live paycheck to paycheck. PYMNTS Intelligence data also revealed that people say the top reason for this is that they don't earn enough. While many organizations' budgets are prepared for salary increases in 2025, they may still be insufficient to keep up with inflation.

Moreover, health care costs will once again increase substantially this year. Add all these financial responsibilities up, and it's no wonder that workers today are worried about how they will earn a living and pay their bills.

Employers can help reduce employees' financial stress by exploring financial wellness resources and support options and offering attractive programs for current and prospective employees. In addition to raising wages and offering competitive benefits, employers are exploring financial wellness resources, such as emergency savings funds, retirement savings, financial literacy workshops and one-on-one financial counseling. Financial wellness is a critical component of well-being and can be a competitive offering, especially as workers closely examine their salaries, medical bills and everyday expenses. Today's workers are not only asking for but now expecting these lifelines from employers.

## 3. Engaging Employees Through Social Connections

According to Gallup, employee engagement in the United States reached an 11-year low in 2024. Additionally, employee satisfaction returned to a record low, and workers are seeking new job opportunities at the highest level since 2015. Organizational changes (e.g., team restructuring, additional job responsibilities and budget cuts) often cause employees to feel frustrated or disconnected from their jobs. Remote and hybrid work models can also make employees feel physically distant from their colleagues and teams.

While employee quit rates haven't increased yet, a troubling trend is at play. Workers are staying with their current employers but feel more disconnected than ever. Gallup has coined this new era as "the Great Detachment." Before workers start switching



## Emerging Wellness Trends in 2025 (Continued)

employers by the masses in 2025, organizations have an opportunity to reengage their workforce and rebuild employee commitment. Some ways to accomplish this can be by confirming organizational priorities and, if needed, resetting work expectations. More than ever, workers want to feel like their work is meaningful and has a purpose, which can further motivate them. Managers and supervisors can help direct reports connect their contributions to a mission or purpose.

### 4. Personalizing Wellness Programs With AI and Data

Recent technological advancements in employee wellness incorporate digital health platforms, wearable technology, artificial intelligence (AI) solutions and data analytics. More employers will explore leveraging technology to personalize employee wellness benefits.

Technology can enable real-time health monitoring, personalized wellness plans and immediate, 24/7 access to health resources and services. Virtual health platforms can help overcome barriers to health care access. With AI, organizations can also gather data on employee health metrics, work habits, stress levels and preferences. This kind of data can be used to customize wellness recommendations and detect or manage health issues. Nutrition, exercise, mental health and stress management are different for everyone, so AI and data analytics can help tailor support to match each person's unique needs. As AI becomes more commonplace in 2025, technology has the potential

to help personalize and improve employees' well-being experiences and encourage preventive care.

### Employer Takeaway

This renewed focus on holistic wellness is not just a trend; it's a fundamental shift in how companies approach employee care. By prioritizing mental, emotional and financial well-being in health and wellness initiatives, organizations can create a supportive culture that encourages education, open conversations and utilization of available resources.

Organizations can start by evaluating their current wellness initiatives and considering ways to improve them. To ensure offerings and investments resonate with the workforce, it can be helpful to survey employees first to see what they find most valuable and necessary for their overall well-being.

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