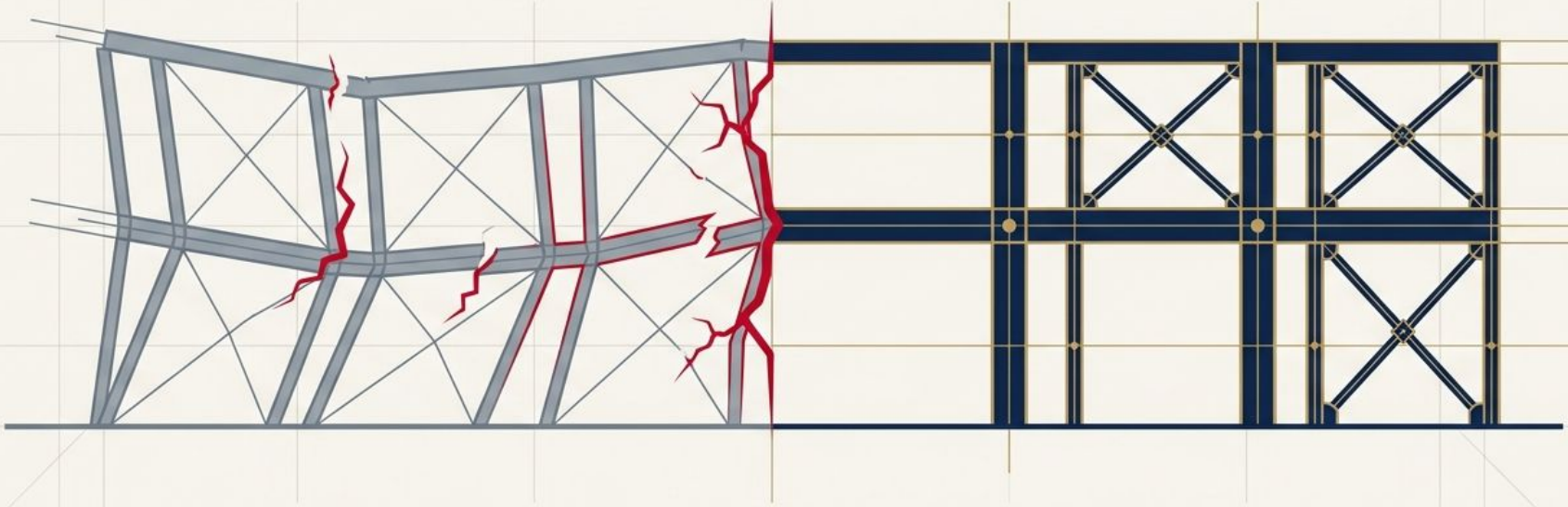
The Benefits Breaking Point

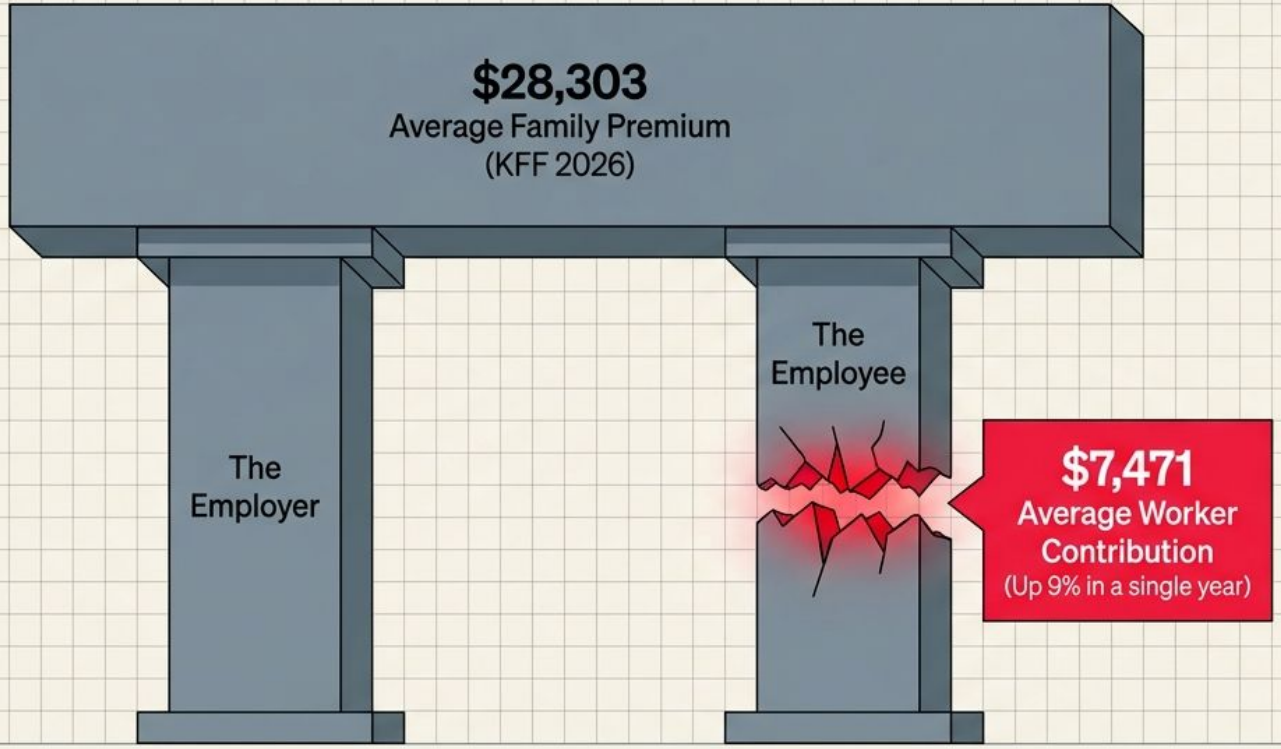
A Fiduciary Blueprint for Navigating Rising Costs, the GLP-1 Dilemma, and Multi-Year Resilience



Based on the research of Jonathan H. Westover, PhD | Human Capital Leadership Review

Human Capital Innovations

The structural load of healthcare costs is exceeding system capacity



- **Projected 2027 Trend:** 8.2% to 9.2% cost growth after plan changes, the highest since 2003 (Marsh / Business Group on Health).
- **The Small Firm Squeeze:** Workers at small firms pay $9,687 annually for family coverage; **32% pay over half the total premium.**
- **The Wage Tax:** Decades of economic data prove rising premiums directly suppress employee wage growth and drive part-time shifts.

HCIO Human Capital Innovations

Three compounding forces are driving the 2027 cost surge

Valve 1: Hospital Consolidation & Pricing Power

Metric: 62% of large employers cite hospital prices as a primary driver.

Context: Commercial plans pay negotiated rates that are highly inflated multiples of Medicare rates.

Valve 2: The Specialty Pharmacy Squeeze

Metric: Pharmacy is now 25% of total large-employer health spending.

Context: Driven by cell/gene therapies, rare disease treatments, and cancer care (a top-three cost for 92% of employers).

Valve 3: The GLP-1 Explosion

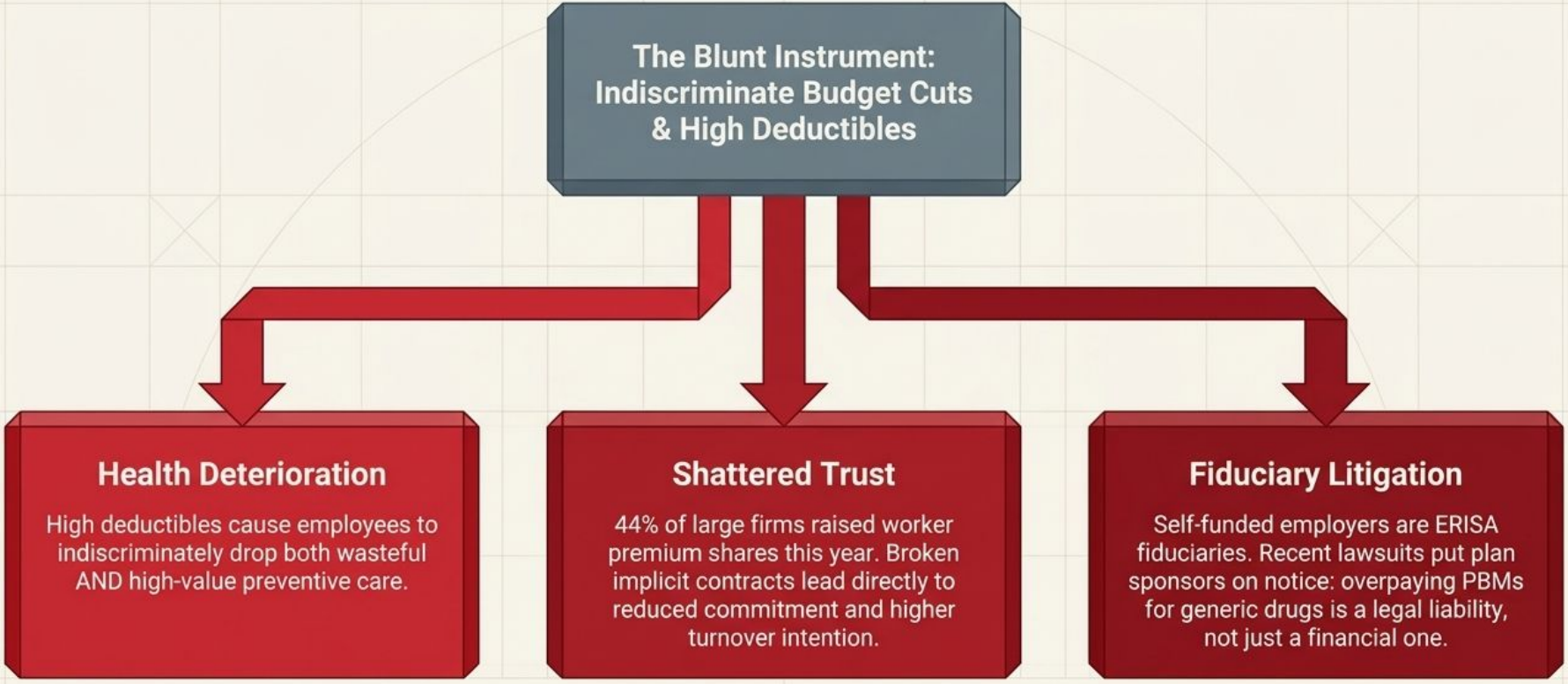
Metric: GLP-1s alone account for ~1% of all projected 2027 cost growth.

Context: Massive demand for semaglutide and tirzepatide is forcing immediate, high-stakes coverage decisions.



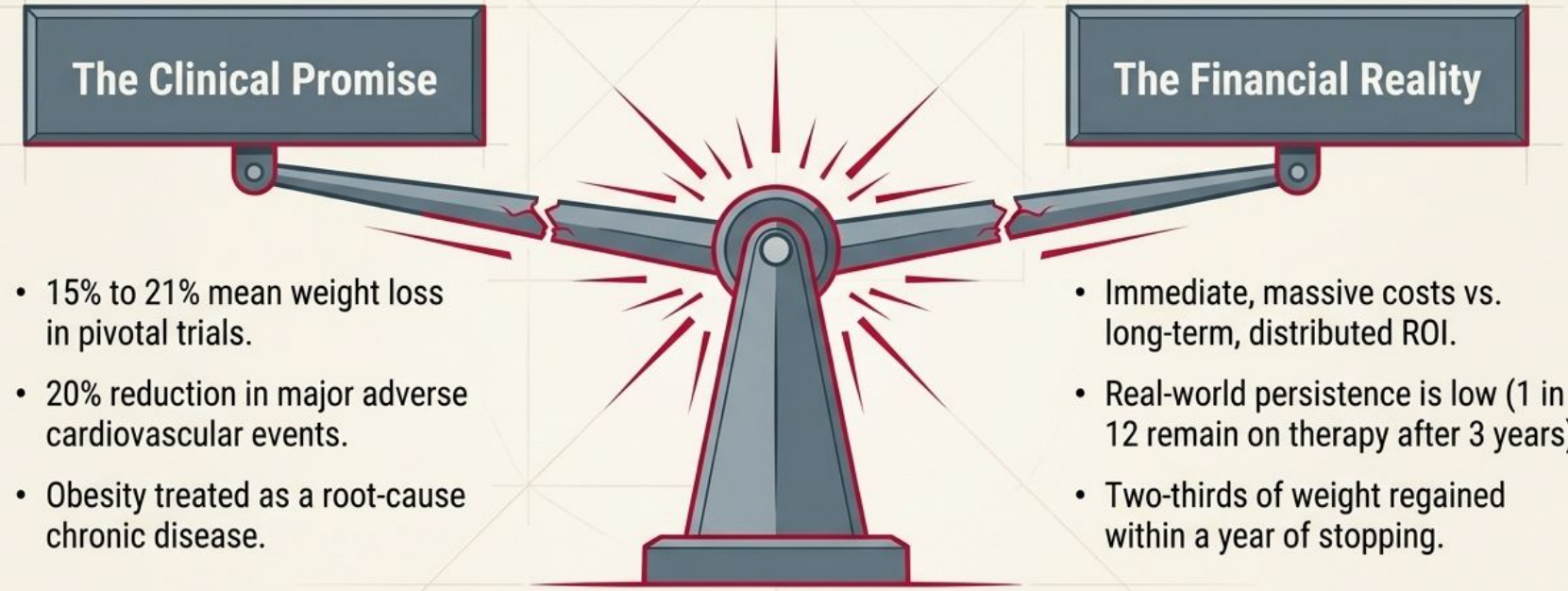
Human Capital Innovations

The default reaction of indiscriminate cost-shifting generates severe collateral damage



Human Capital Innovations

GLP-1s are the ultimate stress test for modern benefits governance



- 15% to 21% mean weight loss in pivotal trials.
- 20% reduction in major adverse cardiovascular events.
- Obesity treated as a root-cause chronic disease.

- Immediate, massive costs vs. long-term, distributed ROI.
- Real-world persistence is low (1 in 12 remain on therapy after 3 years).
- Two-thirds of weight regained within a year of stopping.

Takeaway: An all-or-nothing coverage decision fails. Employers must govern the gray area.

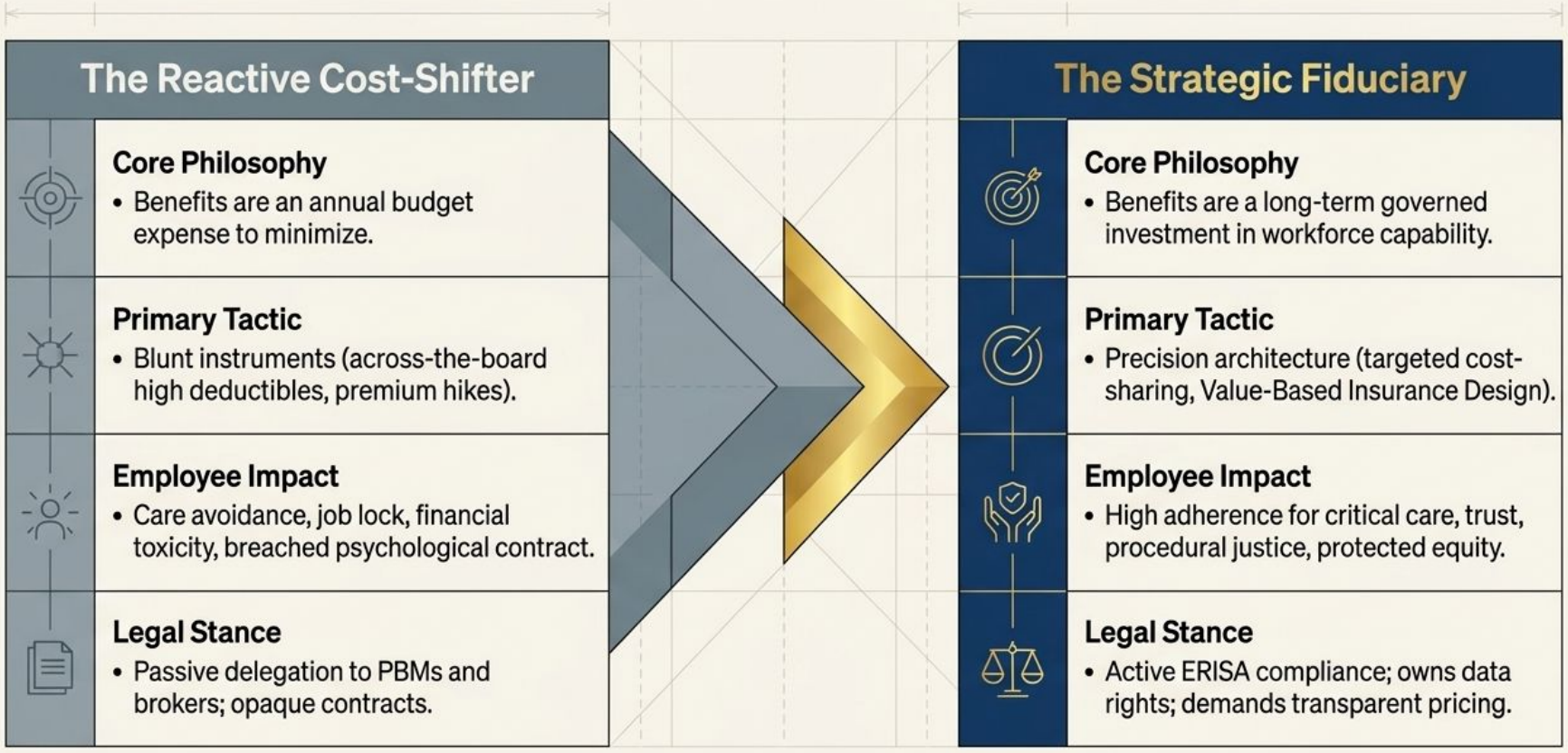
HCIO Human Capital Innovations

The GLP-1 Decision Spectrum: Navigating the coverage dilemma

The Ban (e.g., NC State Plan, Univ. of Missouri, Cigna)	The Free-for-All (Unrestricted Coverage)	The Structured Pathway (e.g., Jefferson Health, Connecticut)
Financial Outcome Immediate budget relief, but long-term chronic disease costs remain unchecked.	**Financial Outcome** Unsustainable premium inflation.	**Financial Outcome** **$20M savings** achieved at Jefferson Health by curbing waste.
Clinical Outcome ~12 million Americans lost coverage recently; many resort to unregulated compounded drugs or stop therapy.	**Clinical Outcome** High start rates, but low persistence leads to weight regain and wasted spend.	**Clinical Outcome** **90% active persistence** via required dietitian/lifestyle program integration.
Cultural Outcome Severe backlash, inequity (only wealthy can afford cash price).	**Cultural Outcome** High short-term satisfaction, but requires shifting costs to all employees via premium hikes.	**Cultural Outcome** Preserves access for those committed to treatment, defending equity and trust.

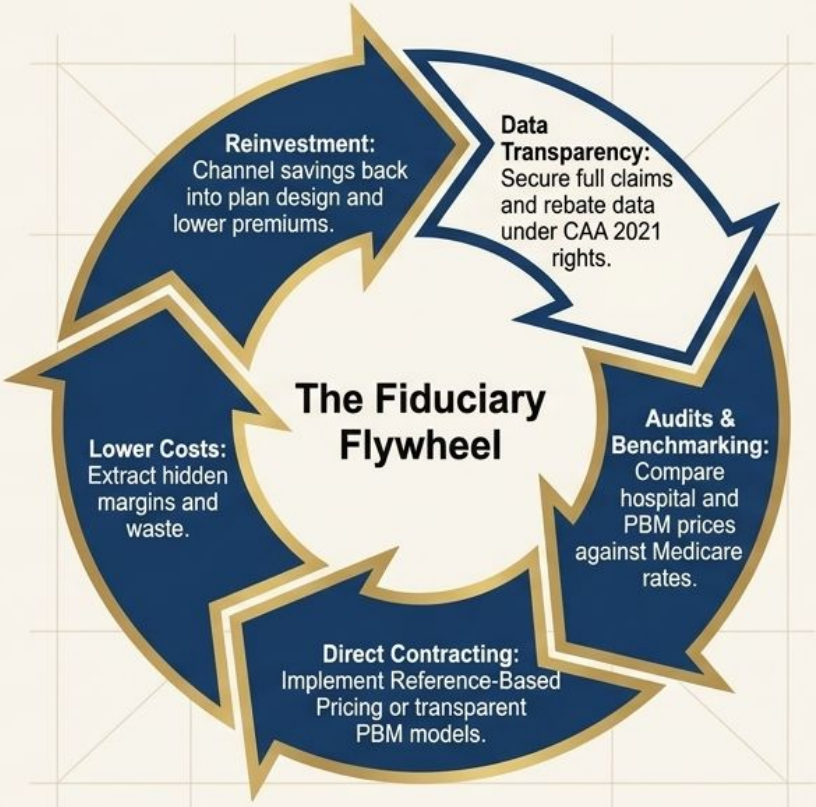
HCI Human Capital Innovations

The Pivot: From annual cost-shifting to fiduciary governance



Human Capital Innovations

Pillar I: Govern purchasing like a fiduciary



Evidence in Action: The Montana State Employee Health Plan

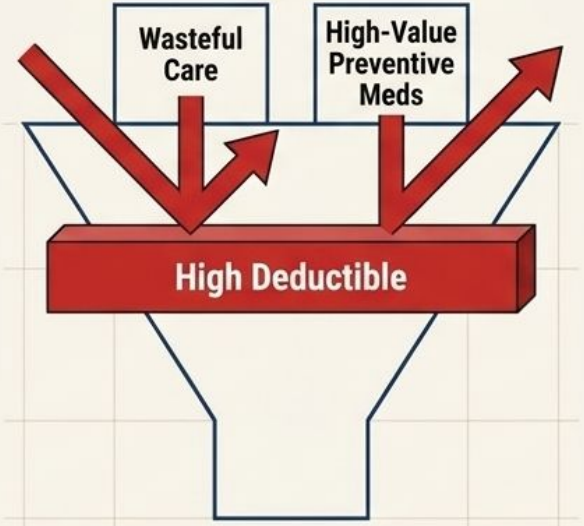
By moving to reference-based pricing (2.2x to 2.5x Medicare) and auditing their PBM, they turned a projected insolvency into a $112M reserve, saving $47.8M on hospitals and cutting drug costs by 23%.

HCIO Human Capital Innovations

Pillar II: Design for value, not just cost

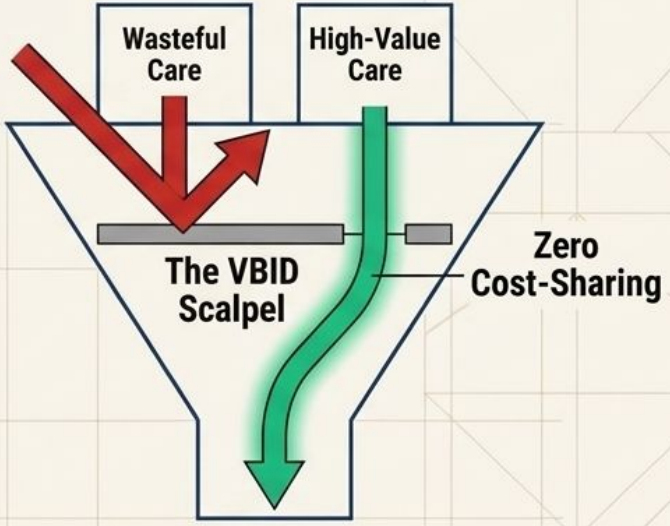
The Blunt Instrument vs. The VBID Scalpel

The Blunt Instrument



Employees blindly reduce all care.

The VBID Scalpel

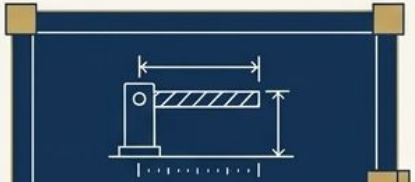


Employees access high-value care without cost barriers.

The Evidence: In a landmark Aetna trial, completely eliminating copayments for post-heart-attack medications improved adherence and reduced serious vascular events—without increasing total health spending.

Human Capital Innovations

Pillar III: Institute structured, evidence-based specialty pathways



Clinical Gate

Explicit, governed clinical criteria (not just a PBM default).



Required Support

Mandatory integration with telehealth, dietitians, or behavioral pathways prior to/during coverage.



Transition Management

Grandfathering clauses, tapering protocols, and clinical guidance for alternative therapies.



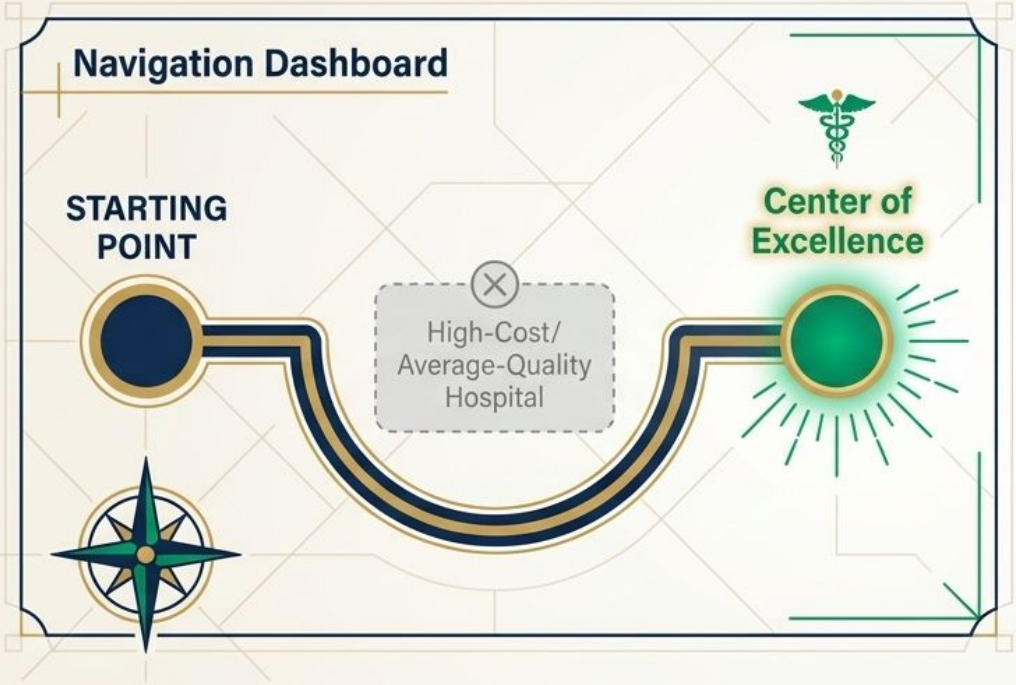
Scheduled Market Review

A formal calendar date to reassess falling drug prices, oral formulations, and direct-to-employer platforms.

Key Insight: A decision to drop coverage in 2026 based on peak pricing may be mathematically obsolete by 2028. Structure outlasts bans.

Human Capital Innovations

Pillar IV: Steer toward high-quality, high-efficiency care



Centers of Excellence (COE): Contract with elite providers for planned procedures. Cover travel; waive cost-sharing.

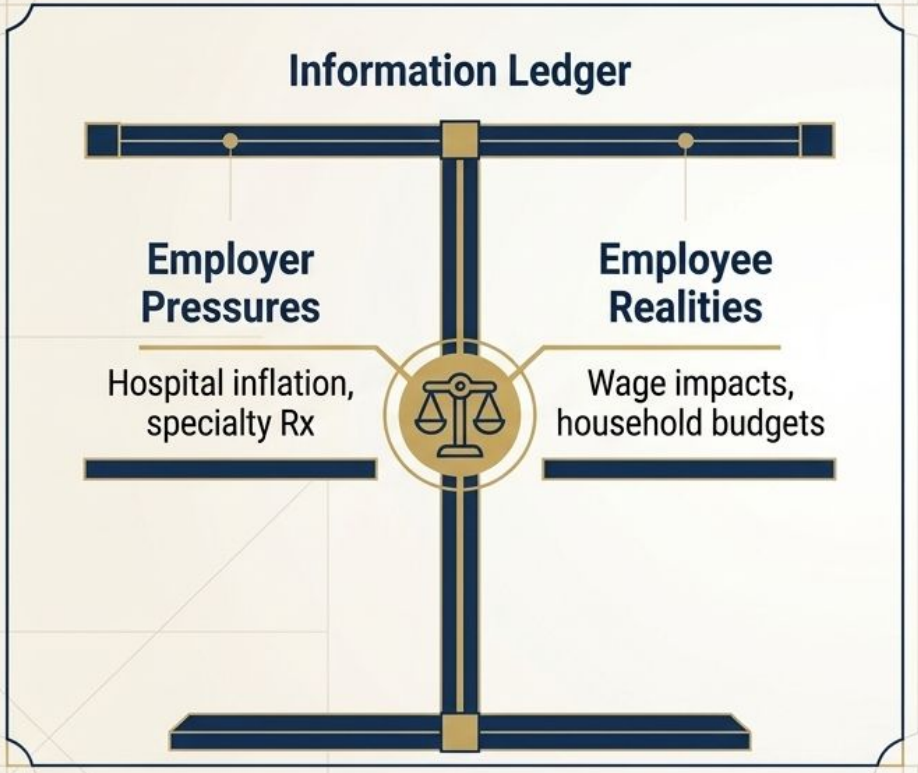
Mandatory Second Opinions: Expert review for high-cost electives.

Frictionless Navigation: Provide human advocacy to make the high-value path the easiest path.

The Walmart Benchmark: Walmart's COE program for joint replacements found that 20% of referred associates did not even need surgery. For those who did, costs were 15% lower, stays were shorter, and readmissions dropped by 70%.

Human Capital Innovations

Pillar V: Communicate with radical candor to build literacy

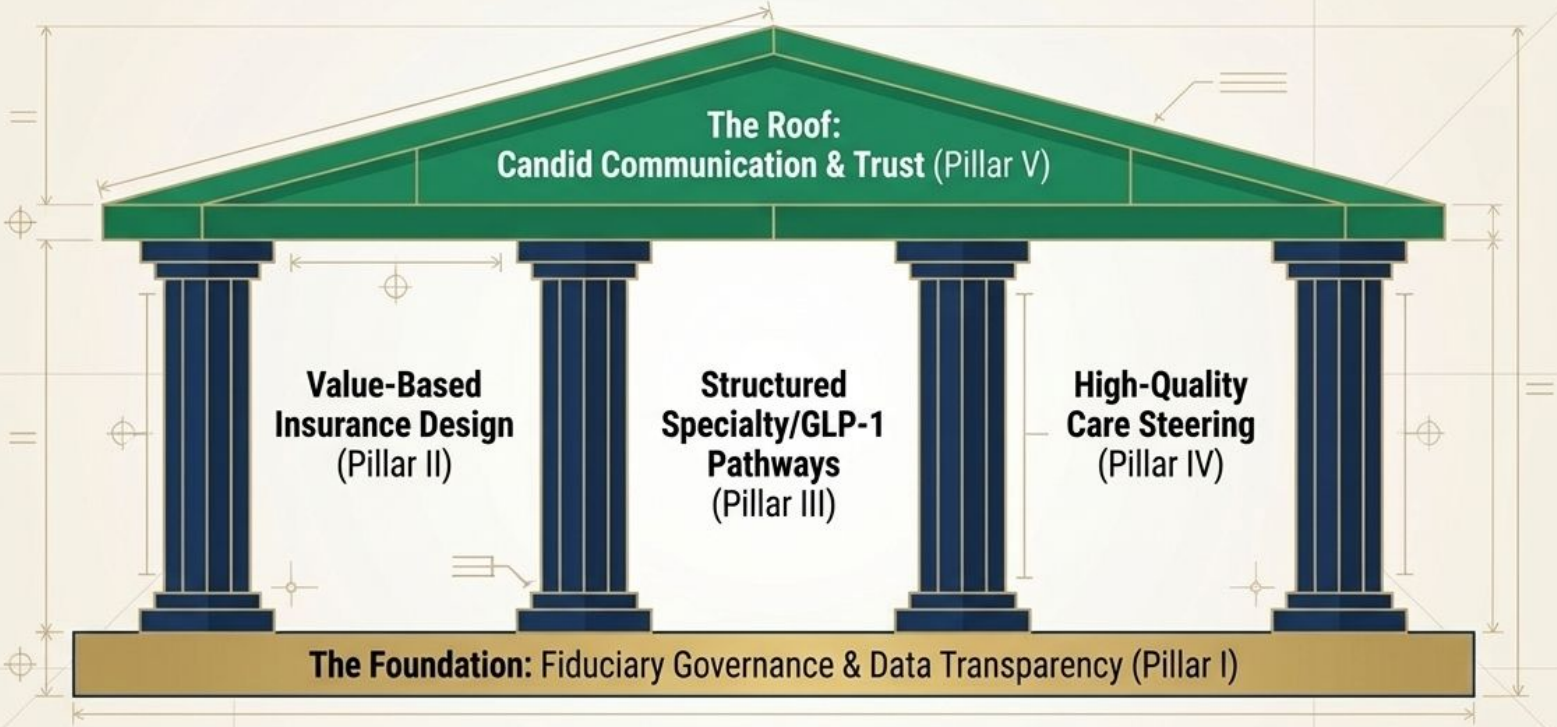


The Organizational Justice Playbook

- **Show the Math:** Explain exactly how much the organization spends and what drives the increases. Treat employees like financial stakeholders.
- **Explain the Trade-offs Early:** The University of Missouri explained that keeping GLP-1s would mean a 28% premium hike for everyone—framing it as an equity choice, not corporate greed.
- **Invite Voice:** Use benefits advisory councils. Procedural justice research proves employees accept difficult outcomes if the process is fair and their voice is heard.

Human Capital Innovations

The Multi-Year Resilience Architecture



Takeaway: Treating any of these as isolated tactics yields temporary relief. Deployed together, they create a structurally sound, self-sustaining benefits ecosystem.

Human Capital Innovations

The Leadership Mandate: Think in years, not renewals



Organizations that act as careful stewards of employees' health dollars earn the trust required to make hard choices when the system demands it.

Human Capital Innovations