ThreeFlow

GUIDE

Cost management in high-cost markets: California

Broker strategies for a competitive market

LETS TAKE A LOOK

What's inside

In California, benefits costs run higher than the national average. Here's what's impacting the benefits landscape and how brokers can help employers control spending—without cutting corners

What makes California unique

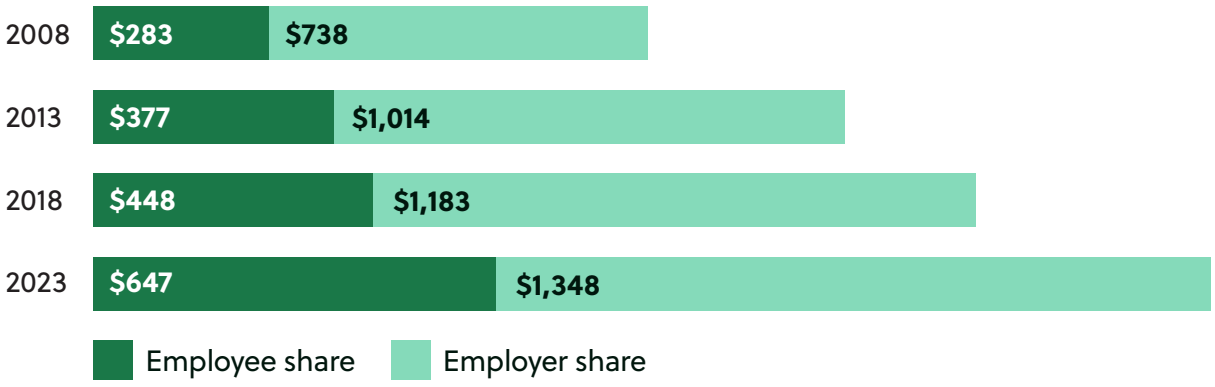
It's a big, competitive market

CA's benefits market is **massive**. With over 39 million residents, California has the largest state benefits market. And as of 2023, 47% get insurance through their employer.	CA premiums have **more than doubled** the rate of inflation. Since 2008, average monthly premiums for families with employer-provided health coverage in California increased by $975—**up 95%**.	CA employers **pay more** for employee benefits. According to 2025 Bureau of Labor Statistics numbers, employers in the Pacific region pay **roughly 9% more** benefits per hour worked than the US average.

Average family health insurance premiums in California

Average monthly premiums for families with employer-provided health coverage in California's private sector grew by $975, or 95%, from 2008 through 2023. It's more than double the pace of inflation.

Average monthly cost of family insurance:



It's a strict, highly regulated environment

CA has **higher hourly wages**. California's state minimum wage is $16.50 per hour, **more than double** the federal minimum wage. Average weekly wages went up 6.5% between 2023 and 2024.	CA has comprehensive **paid leave laws**. Employers must allow workers to receive **partial pay** while on family or medical leave. Review California's paid leave requirements here →	CA has additional **continuation coverage**. Employees pay the premium for Cal-COBRA, but employers face a longer compliance burden and **potential renewal increases** if high-claimants stay in the risk pool for the max 36 months.	CA has extended **sick leave**. **5 days a year** or more, depending on the city (Los Angeles, Santa Monica, Emeryville, Berkeley, San Francisco, Oakland). Rules also apply more broadly—to part-time employees and in terms of accrual, carryover, and start date.

Cutting back on coverage may ease short-term pressures for employers, but creates a long-term risk: **The Economist Group found 70% of US workers are willing to switch jobs for better benefits.**

A better way: cost management

Even in a high-cost state like California, brokers have levers to pull. Smart advisors are educating their clients about these four strategies:

1. Self-funded and level-funded programs

Both kinds of programs give employers more control over their claim spend.

Self-funded

Instead of buying a fully-funded commercial insurance plan, employers pay for some (even all) of their employees' health services directly. They typically need to hire a third-party administrator to handle claims processing and buy stop-loss insurance, but self-funded plans can still be a win-win:

- **Cash savings.** If an employer's workforce is relatively healthy, they could save millions on premiums. They may also be exempt from certain state insurance laws.
- **A better employee experience.** Many employers reinvest self-funded plan savings into richer benefits, like therapy coverage, wellness programs, or significantly lower deductibles.

Though smaller companies may not be able to consider a self-funded plan, it is one of the more popular options: As of 2024, 63% of covered workers are in a self-funded health plan.

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Level-funded

In a level-funded plan, employers pay a fixed monthly amount. If claims are lower than expected, they receive a refund at the end of the year. This strategy is ideal for more risk-averse employers because:

- **It's predictable.** No surprise spikes.
- **It's flexible.** Employers can find carriers that provide specific benefits they want to offer employees (offering telemedicine, for instance).
- **It offers exemptions** from certain ACA requirements.

As of 2024, 36% of covered employees in small companies (3 - 199 workers) are enrolled in a level-funded plan.

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Be proactive.

Run a side-by-side savings analysis to show how much your clients could be saving by switching to a self-funded or level-funded plan.

2. Telehealth and virtual care

The pandemic normalized virtual care—and it continues to stick around. When you look at the outcomes, it's easy to see why:

- **Reduced barriers to care**, particularly valuable in rural areas or for mental health consultations. 48% of larger firms (200 or more workers) increased the number of mental health counseling resources available to employees through an employee assistance program or some other third-party vendor between 2023 and 2024.
- **More consistent care for chronic conditions.** Kaiser Permanente's virtual-care model members in California, for example, are 14% less likely to die from stroke and 43% less likely to die from heart disease than are people in the United States as a whole.
- **Cheaper care.** Telehealth steers employees away from high-cost points of care, like the emergency room. Penn Medicine reported that its employees' healthcare visits were 23% less expensive than in-person visits for the same conditions.

Audit telehealth plans.

Does the plan cover virtual specialist visits? What is their availability like? Is it integrated with EAPs? Help your clients do their homework—for the good of their business and the health of their employees.

3. Alternative plan designs

PPOs

Employers in California are competing for top talent. Allowing employees to get care wherever they want to is an undeniable perk. It's why 81% of employers offer a preferred provider organization (PPO) plan in 2025.

Pitch tiered PPOs.

Some carriers group providers based on cost-efficiency, clinical outcomes, utilization, and other performance metrics. When members choose top-tier providers, they pay lower copays or coinsurance.

HDHPs

High-deductible health plans are also favorable—they reduce an employer's premium costs by shifting more of the responsibility to employees. SHRM's 2025 employee benefits survey found that 64% of employers offer a HDHP linked with a savings or spending account.

Pair HDHPs with employer-seeded HSAs.

These help employees cover out-of-pocket costs, which can feel more generous than traditional healthcare plans with higher monthly premiums.

ICHRAs

Individual Coverage HRAs give employees the freedom to purchase their own plans on the exchange or private market (employers give them a monthly stipend).

Target CA clients with a geographically dispersed workforce.

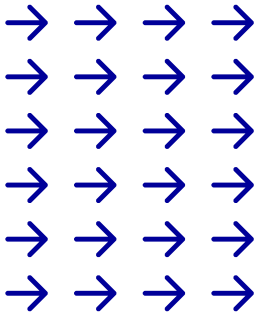
ICHRAs simplify multistate compliance and give employees access to local-specific coverage. They're also a predictable monthly cost and eliminate administrative overhead.

4. Voluntary benefits

Employees want extra protection for themselves and their families, but may not be able to afford it on their own. Supplemental plans—where employers cover some of the costs of accident, hospital indemnity, critical illness, dental, and vision care—boost the total rewards experience.

According to our *2025 State of Benefits Placement* report, voluntary benefits are becoming increasingly popular:

- 69% of employers selected dental insurance.
- 47% of groups included vision plans.
- 46% had Voluntary Life/AD&D.
- 40% included Disability (STD/LTD).
- 20% of employers offered Accident and Critical Illness.



Don't forget about part-time employees.

Last year, 3% of small firms and 14% of large firms that did not offer coverage to part-time workers did offer them a voluntary benefit—a small investment with meaningful upside.

3 moves to make now

Partner with competitive carriers →

You already know this, but let us remind you: not all networks are created equal. Look for carriers with reasonable rates and stable renewal patterns to avoid mid-year sticker shock.

Regularly audit carrier performance (far in advance of renewals) so you have a list of go-to partners to recommend to your clients. Consider using a platform like ThreeFlow to send, receive, discuss, and finalize renewals in one shared system—that way, nothing slips through the cracks.

Put employers at ease →

90% of employers cite rising benefits costs as their number one concern in 2025—up from 67% just two years ago. But many don't know where to start. Show clients how redesigning their plans can not only ease financial strain but attract the right employees and keep them around.

Start with 2-3 high-impact tweaks. To make change less overwhelming, suggest a few things to adjust in your client's benefits placement over the next year. Small savings can make a big difference.

Lead the conversation →

Don't wait for clients to reach out. Take a more consultative, data-driven approach from the get-go—it makes your recommendations easier to trust and harder to ignore.

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Draw on benchmarking insights, like those available through ThreeFlow, to show clients how they stack up against peers on costs, plan design, or funding models.

Did you know?

Large group health plans must cover infertility.

Passed in September 2024, Senate Bill 729 requires large group health plans (100+ employees) to provide coverage for the diagnosis and treatment of infertility. Per CalMatters, this Bill will give nine million Californians access to three egg retrievals and unlimited embryo transfers.

LEADING THE INDUSTRY

$4.1b+	330+	24,000	80+
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→ **Streamline plan marketing and placement in California with ThreeFlow.**

ThreeFlow®

A Benefits Placement System

ThreeFlow is a Benefits Placement System, enterprise software that allows benefits brokers and insurance carriers to maintain their relationships and enhance collaborative efforts to help employers make the best benefit decisions for their employees. We connect people, systems, and information to enable operational advantages, data-driven decisions, and top-talent retention.

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