The Advisor

Open Enrollment 2026

Employee benefits costs continue to rise. Here's what's driving them.

Employer-sponsored health insurance costs are expected to jump again in 2027, largely driven by rising health care expenses and increasing pharmacy spending.

Here are four trends shaping the market:

Health care inflation continues to outpace general inflation

Health care costs continue to rise faster than inflation across the broader economy – the result, in part, of increasing labor and transportation costs and supply chain interruptions.

While Mercer projected medical costs would increase approximately 11 percent during 2026, Schauer Group's Employee Benefits advisors continue to see renewal increases closer to 15 to 20 percent among many Northeast Ohio employers.

Hospital consolidation is making care more expensive

While hospital system consolidation can improve efficiency and availability of care, research shows it ultimately increases costs.

Not only does it reduce market competition, but as physician practices and outpatient facilities become part of larger health systems, patients are more likely to receive routine services in hospital-owned facilities that charge additional facility fees, increasing the overall cost of treatment.

In Northeast Ohio, continued consolidation involving several health systems is expected to remain a significant driver of rising health care costs.

Prescription drug spending continues to increase

Pharmacy costs remain one of the fastest-growing components of employer health plans.

Increased demand for GLP-1 medications for weight management continues to add pressure to prescription drug spending, though it's unclear how efforts to make the drugs more affordable and accessible might impact future costs for employers.

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In addition, the cost of specialty medications used to treat complex or chronic conditions accounts for an increasing share of overall pharmacy costs – even as less-costly biosimilar alternatives enter the market.

The most expensive specialty drugs can carry an annual price tag of more than $200,000 and, subsequently, have a major impact on employer spending.

More catastrophic claims are driving higher costs

Employers are seeing more high-cost medical claims, often as the result of years of delayed preventive care.

In recent years, many people put off routine screenings, both because of affordability and because of ongoing shortages of primary care physicians. That means serious health conditions are being diagnosed later, when treatment is often more intensive and expensive.

A new report from UnitedHealthcare found claims totaling $100,000 or higher jumped nearly 13 percent from 2024 to 2025 – and that younger workers account for 10 percent of high-cost claims.

At the same time, an aging workforce means more employees are living — and working longer — with chronic conditions that require ongoing treatment, contributing to higher overall claims costs.

While many of these trends are expected to continue, employers still have opportunities to manage their long-term health plan costs through proactive planning, thoughtful benefits plan design and employee engagement.

The Employee Benefits team at Schauer Group specializes in helping employers understand the benefits marketplace and developing customized strategies to navigate it. If you'd like to discuss how these trends might affect your organization, please reach out to your Schauer Group benefits advisor.

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