Employee Benefits Tracker, Cost volatility forces employers to reassess health care strategy, (Aug. 28, 2026)

Employee Benefits Tracker

Employers report that health care cost volatility has intensified the need for an overhaul in strategies to mitigate health care costs and optimize health outcomes, according to recent research from the Business Group on Health. The *2027 Employer Healthcare Strategy Survey* found that employers are predicting that health care cost trend increases for 2027 will come in at a median of 9.2 percent, offset to 8 percent with plan design changes. A median 8.5 percent trend is expected for 2026, potentially reducing to 7 percent after plan changes.

When including the 2026 and 2027 predicted trends before plan changes, health care costs could potentially rise a cumulative 76 percent in just 10 years, about double the rate of general inflation in the United States for a comparable period.

These unprecedented trends follow three consecutive years during which actual costs have exceeded employer predictions, with each successive forecast "miss" being greater than the one before it. Taken together, employers are experiencing levels of volatility not seen previously, initiating increased CFO and other senior leader involvement.

"An array of forces across the health care industry, from soaring hospital and drug costs to the rapid innovation of specialized treatments and unintended impacts from federal health policy changes, have contributed to a considerable unpredictability in cost," said Ellen Kelsay, president and CEO of Business Group on Health. "This represents an unfortunate new reality for employers, who now face growing difficulty in budgeting and forecasting. It's a call to take a more disruptive approach and rethink how to deliver value and improved health outcomes."

The survey found that cancer is the top condition driving health care spending, with 70 percent of respondents saying it was their No. 1 cost driver in 2026, up from 58 percent in 2025. Fully 92 percent of employers categorized cancer as one of the top three conditions fueling costs. While musculoskeletal (68 percent) and cardiovascular (37 percent) again ranked second and third, respectively, employers also identified maternity (21 percent), gastrointestinal (15 percent) and autoimmune (14 percent) conditions as emerging drivers.

To achieve better outcomes, employers said they have taken more aggressive approaches, which include leveraging the request-for-proposal (RFP) process to secure lower pricing (71 percent), elevating prevention and primary care (60 percent), eliminating vendors that underperform (58 percent), and adding programs to address areas of high cost (52 percent). Employers also noted plans for 2027 to offer at least one Center of Excellence (84 percent).

According to the Business Group, pharmacy now represents 25 percent of employers' total health care spend, and employer drug costs are estimated to rise 12 percent in 2026, a sharper uptick than overall trend. Contributing factors attributed to cost increases include the rapid growth in GLP-1 use for obesity and expanded indications; a broader availability of cell and gene therapies; and a greater prevalence of chronic conditions, among other factors.

Employers reported more proactive cost-containing strategies for pharmacy, across areas such as GLP-1 coverage and eligibility, specialty drugs, biosimilars and new pharmacy benefit management (PBM) approaches. Fewer employers are covering GLP-1s to treat obesity, with coverage dropping from 72 percent in 2025 to 60 percent in 2026. Other tactics include exploring transparent/newer generation PBM models, moving to formularies that prioritize lowest net cost and/or clinical effectiveness; and implementing site-of-care management.

"Employers remain deeply committed to sponsoring health coverage and are uniquely positioned to transform the current landscape through near- and long-term strategies," Kelsay said. "That means engaging both leadership and

the workforce in discourse about the need for disruption that eliminates waste, rewards value and holds vendor partners accountable for results. The right kind of disruption can improve affordability and clinical outcomes."

SOURCE: www.businessgrouphealth.org

Healthinsurancenews; GCNNews; Prescriptionnews; Surveynews

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