



MarshMcLennan
Agency

2026 Employee Health & Benefits Trends

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Four themes driving benefit design, cost management, and workforce strategy in 2026

01

The health of the nation

Early-onset and chronic conditions are increasing, while population health priorities continue to change

Early-onset cancers and pediatric chronic diseases are increasing, women's health needs are still under-addressed, and oral health presents an opportunity to improve outcomes and reduce costs. Growing wildfire exposure adds operational risk for organizations nationwide, and eldercare is becoming an important workforce concern.

Proactive prevention and early intervention will help reduce both health risks and operational disruptions.

02

Pharmacy trends

Increasing use of specialty drugs and GLP-1s is leading to new approaches in pharmacy management.

Specialty drugs account for 60% of pharmacy spending, and GLP-1 use continues to grow. Employers are adopting biosimilar-first contracts, outcomes-based payments, and stop-loss protection to manage costs.

As new treatments enter the market, pharmacy strategy will play a key role in maintaining benefit competitiveness and long-term affordability.

03

Healthcare economics

Rising costs and new regulatory requirements are reshaping employer strategy.

Premiums and plan costs are increasing as inflation and expiring ACA tax credits take effect. Although new transparency rules add compliance requirements, they also provide employers with data that can be combined with alternative funding models and predictive AI to manage risk and improve plan efficiency.

Employers will need to use these tools and data strategically to maintain affordability and support fiduciary accountability.

04

Workforce trends and technology

A new era of work is challenging traditional talent models and speeding up digital transformation.

Declining employee engagement, changing career aspirations among Gen Z, and the rise of hybrid work are putting pressure on long-standing workplace norms. While HR technology integration and AI governance are advancing quickly, adoption often moves faster than the structures needed to support it.

Employers should invest in education and oversight to help ensure AI improves efficiency without introducing new risks.



The state of employer health benefits in 2026

2026 brings both familiar challenges and new opportunities as employers face rising costs and changing workforce needs with an evolving set of solutions.

Costs continue to climb at rates well above inflation, while workforce health challenges become more acute and diverse. **Rising pharmacy costs are combining with clinical, demographic, and economic factors to reshape how employers approach coverage and affordability.**

New tools and models are emerging that provide employers with ways to address these challenges. Advances in transparency data, financing strategies, AI-driven risk management, and workforce technology offer opportunities to manage volatility and improve outcomes.

The question is no longer whether employers need to adapt, but how quickly they can implement forward-looking strategies that support both organizational performance and employee well-being.

01

The health of the nation



The new demographics of cancer

Cancer will affect roughly 40% of Americans over their lifetime, and for about one in seventeen women and one in twenty-nine men, that diagnosis will occur before age fifty.¹

The sharpest increases were in breast, colorectal, kidney, uterine, and pancreatic cancers; these accounted for more than 80% of new early-onset cases.¹

Among Gen X and Millennial adults, 17 of 34 cancer types are rising. In older generations, a number of those same cancers have declined.²

This shift signals a need to rethink cancer not only as a disease of older age, but as a growing concern for younger populations as well.

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17 of 34
cancer types are rising among Gen X and Millennial adults, while a number of those same cancers have declined in older generations.²

1. Ducharme, "The Race to Explain." 2. Hyuna Sung et al., "Differences in Cancer Rates among Adults Born between 1920 and 1990 in the USA: An Analysis of Population-Based Cancer Registry Data," *The Lancet Public Health* 9, no. 8 (August 2024): e583–93, <https://www.thelancet.com/journals/lanpub/article/PIIS2468-2667%2824%2900156-7/fulltext>. 3. Andrew Matthias, "Examining the Rise of Early-onset Incidence Across Cancer Types," *AACR Cancer Research Catalyst*, American Association for Cancer Research, July 25, 2025, <https://www.aacr.org/blog/2025/07/25/examining-the-rise-of-early-onset-incidence-across-cancer-types/>. 4. American Cancer Society, "Cancer Mortality Still Declining, but Progress Threatened by Increasing Incidence as Projected New Cancer Cases Top Two Million for 2024," January 17, 2024, <https://pressroom.cancer.org/acs-cff-2024>. 5. Digestive Disease Week, "Colorectal Cancer Cases More than Tripled among Teens over Two Decades," May 9, 2024, <https://ddw.org/colorectal-cancer-cases-more-than-tripled-among-teens-over-two-decades/>.

Colorectal cancer stands out among early-onset cases.

Colorectal cancer is now the:

#2 leading cause of cancer death in women

#1 leading cause of cancer death in men^{3,4}

Incidence among adults aged 20–39 has increased by about 2% annually since the mid-1990s, and **one in five diagnoses** today occurs in people under 55.^{3,4}

Notably, rates of colorectal cancer tripled among teens aged 15–19 between 1999 and 2020.⁵

Underfunded, misunderstood, and overlooked: Women's health is too important to ignore.

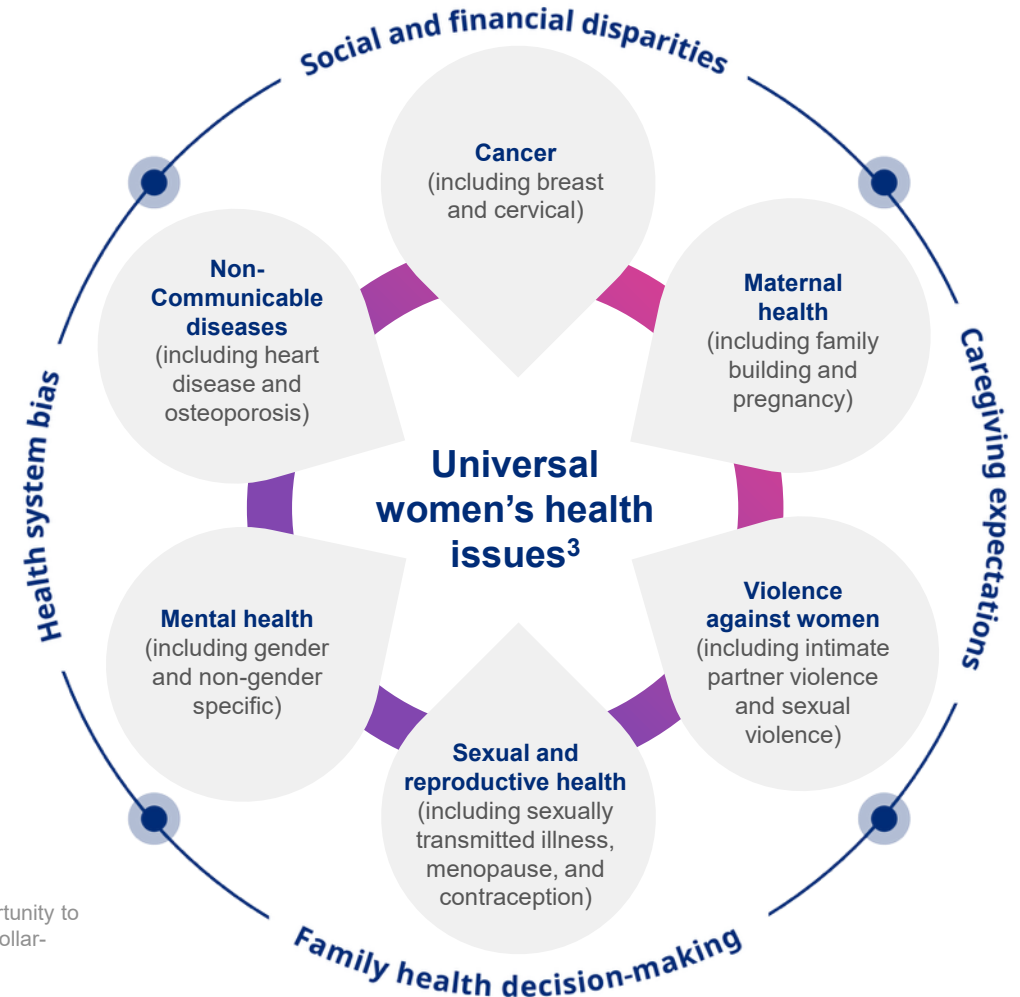
Women's health is central to workforce well-being, yet areas such as reproductive, metabolic, and cancer care have long received inadequate attention, creating significant gaps in coverage and support.

Only 5% of the global women's health burden comes from maternal and gynecological conditions, while nearly half is linked to conditions that affect women disproportionately, such as autoimmune disease, depression, and migraine.²

True support for women's health requires a broader view that considers health system bias, social and financial disparities, family dynamics, and caregiving demands.

1. Mercer, "2023 Innovative Benefits Survey and Health on Demand Canada," 2023, <https://www.mercer.com/en-ca/insights/people-strategy/innovative-benefits-survey-2023-highlights/>. 2. McKinsey Health Institute, "Closing the Women's Health Gap: A \$1 Trillion Opportunity to Improve Lives and Economies," March 6, 2024, <https://www.mckinsey.com/mhi/our-insights/closing-the-womens-health-gap-a-1-trillion-dollar-opportunity-to-improve-lives-and-economies>. 3. Mercer, "2023 Innovative Benefits Survey and Health on Demand Canada."

50%
of women report
that their benefits
packages don't
meet their needs.¹



Eldercare support emerges as the next workforce imperative.

Eldercare has overtaken childcare as the most common caregiving responsibility among working adults.¹

Eldercare support goes beyond protecting employee mental health and well-being; **employers increasingly see it as essential to sustaining retention and productivity**, as more workers struggle to balance professional demands with caring for aging relatives.

14%

of workers are now affected by eldercare responsibilities, and this share is expected to grow as the 65+ population becomes the fastest-growing age group in the U.S.²

3 in 4

employees report they would change jobs for an employer that provides caregiving benefits, as caregiving responsibilities increasingly influence employment decisions.³

Offer or will offer eldercare support in 2026⁴

■ Employers with 500+ employees ■ Employers with 5,000+ employees

Grief counseling/coaching



Self-service platform to search for elder care



Access to backup elder care services



Care coordination/navigation services (navigating benefits, Medicare, Medicaid, SS)



Concierge caregiver/expert guide support



Elder care leave



Digital app/tool to support caregivers



Subsidies for elder care (reimbursement via payroll, lifestyle spending accounts, etc.)

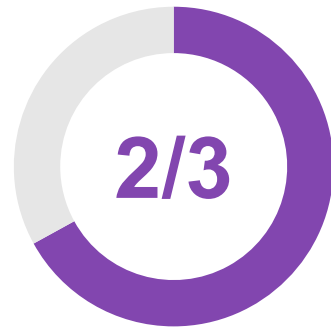


1. Ken Dychtwald et al., "Your Company Needs an Eldercare Policy," *Harvard Business Review*, July–August 2025, <https://hbr.org/2025/07/your-company-needs-an-eldercare-policy>. 2. U.S. Bureau of Labor Statistics, "Table 1. Eldercare Providers by Selected Characteristics, Averages for the Combined Years 2023–2024," *American Time Use Survey*, U.S. Department of Labor, September 2025, <https://www.bls.gov/news.release/atus.t01.htm>. 3. Homethrive Employee Benefit Survey Insights White Paper, Homethrive, 2025. 4. Mercer, "Survey on Health & Benefit Strategies for 2026."

GLP-1 approval for obesity treatment in children under 12 could have significant implications for plan sponsors.

GLP-1 treatment for obesity in children under 12 has not been approved by the FDA.

However, with childhood obesity rates rising and strong parental interest in access to these drugs, employers should be aware that future approvals could increase demand and benefit costs.



Nearly two-thirds of parents with children struggling with weight want access to GLP-1s for their children.¹



1. Brian Yermal Jr., "A Third of Parents Are Interested in Weight Loss Drugs Like Ozempic for Their Children," *Morning Consult*, December 4, 2023, <https://pro.morningconsult.com/analysis/consumer-interest-weight-loss-drugs-for-children>.

The health of the nation

Action items and best practices

Align benefits with cancer trend.

Ensure your benefits plan reflects rising cancer rates in younger populations by aligning coverage with current screening guidelines and building employee awareness of the value of early detection.

Enhance women's health coverage.

Strengthen support for women's health by evaluating coverage for reproductive, metabolic, and preventive cancer care to align plan design with the needs of a multigenerational female workforce.

Support menopause health needs.

Address the effects of menopause-related health conditions on your employee population and consider enhancing coverage where needed.

Expand eldercare support.

Explore expanding eldercare support offerings to help employees with caregiving responsibilities.

Evaluate GLP-1 cost impact.

Consider the potential cost implications for your plan if FDA approval extends GLP-1 treatments to members under age 12.

Leverage oral health benefits.

Leverage oral health benefits as a tool to improve health outcomes and reduce downstream medical costs within your employee population.

Ensure HVAC wildfire readiness.

Verify both your HVAC readiness for wildfire particulates and your compliance with state and local air quality regulations.

02 Pharmacy trends



Growing costs, growing solutions

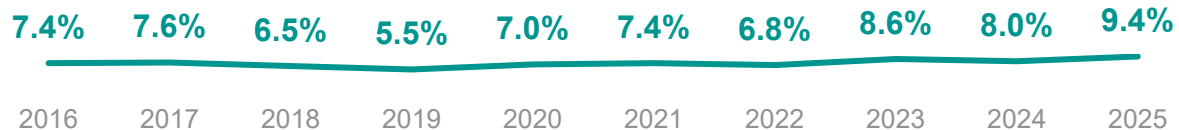
Pharmacy costs are rising faster than overall medical costs, and plan sponsors are feeling the pressure.

As specialty drugs and GLP-1s now account for a disproportionate share of prescription spending, employers are exploring new financing and contracting models that balance access with sustainability.

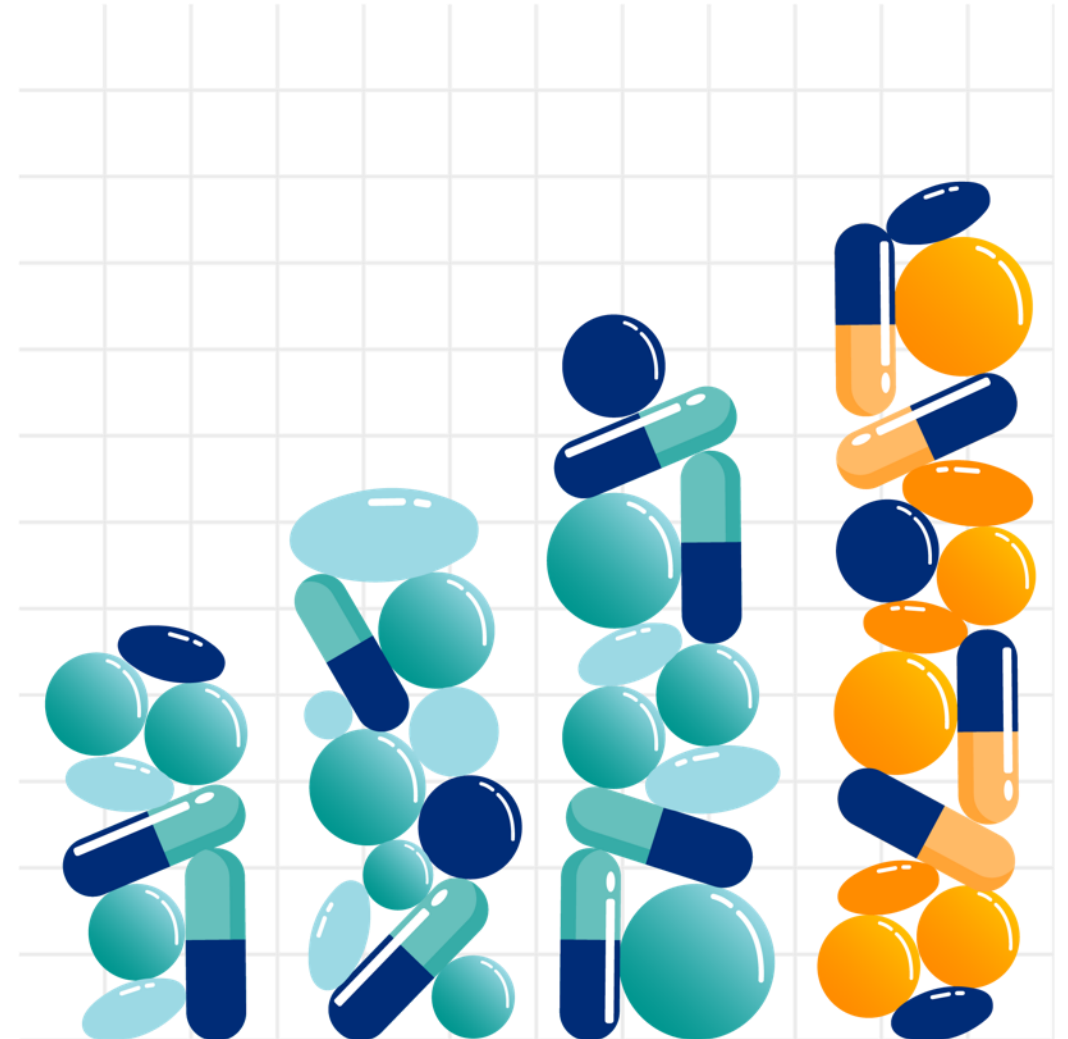
Prescription drug costs rose 9.4% in 2025, with specialty drugs up 8.9%.¹ Although drug prices themselves are beyond an employer's control, strategies for managing them are not.

Staying ahead requires a clear understanding of available options and a proactive approach to ensuring plan members have access to necessary treatments without compromising long-term affordability.

Average annual change in prescription drug benefit cost per employee (after rebates), among employers with 500 or more employees¹



1. Mercer, "National Survey of Employer-Sponsored Health Plans."



As breakthroughs multiply, costs rise in kind.

Pharmacy cost trends were 2.5 points higher than medical cost trends in 2025.¹

Oncology, immunology, and obesity treatments are now the largest drivers of healthcare spending, with **cancer treatments accounting for 50% of specialty drug costs.²**

As breakthrough and novel therapies in these categories expand, plan sponsors face pressure to ensure members can access the most effective treatments available.

Specialty pharmacy—and how employers choose to pay for it—has become central to sustaining affordable coverage in today’s environment.

\$965.5B

is the expected size of the specialty pharma market by 2030, growing from \$92.5 billion in 2023 to \$129.23 billion in 2024.³

75%

of the nearly 7,000 new drugs under development in the U.S. are specialty therapies as of 2024.³

11–12%

is the expected increase in pharmacy costs for large employers in 2026.⁴

1. PwC, “Behind the Numbers 2026: No Let Up in Sight. Medical Cost Trend Set to Grow at 8.5%. Is Your Playbook Ready?,” July 16, 2025, <https://www.pwc.com/us/en/industries/health-industries/library/behind-the-numbers.html>. 2. Springbuk, “Employee Health Trends 2025,” 2025, <https://www.springbuk.com/registration/eht25>. 3. CarelonRx, “Specialty Drug Growth Is Here to Stay,” February 25, 2025, <https://www.carelonrx.com/perspectives/specialty-drug-growth>. 4. Rebecca Pifer, “Large Employers Forecast ‘Daunting’ 9% Hike in Healthcare Costs Next Year,” *Healthcare Dive*, August 19, 2025, <https://www.healthcaredive.com/news/employers-2026-healthcare-cost-trend-business-group-health/757907/>.

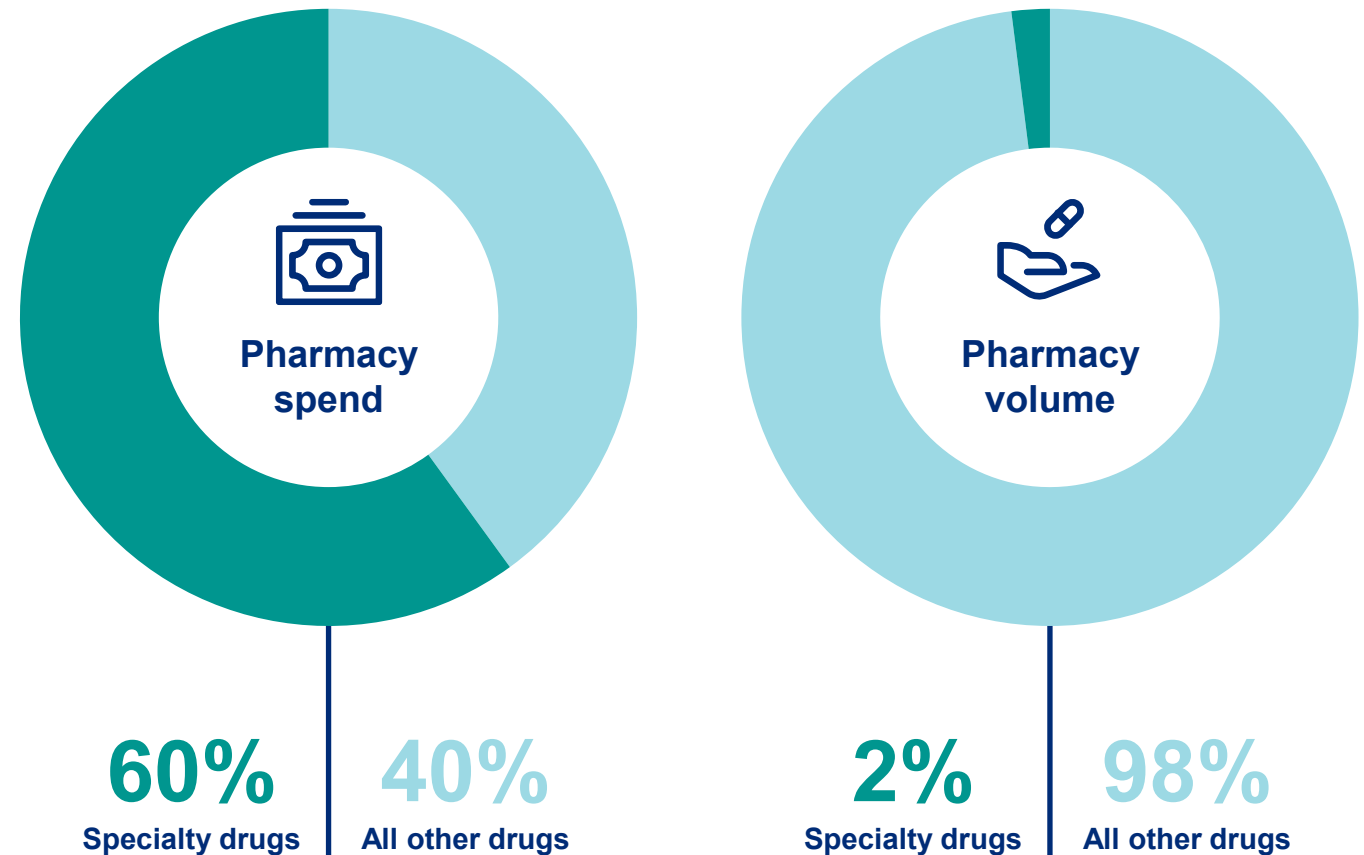


Specialty drugs: 2% of pharmacy volume, 60% of pharmacy spend

The specialty pharma market grew from \$92.5 billion in 2023 to \$129.23 billion in 2024. It is expected to reach \$965.5 billion by 2030.²

With specialty drugs now accounting for over half of plan sponsors' total drug spend (including both pharmacy and medical benefits), many are exploring contract and payment innovation models to keep up with escalating costs and ensure sustainable access to high-value treatments.

Pharmacy spend versus pharmacy volume¹



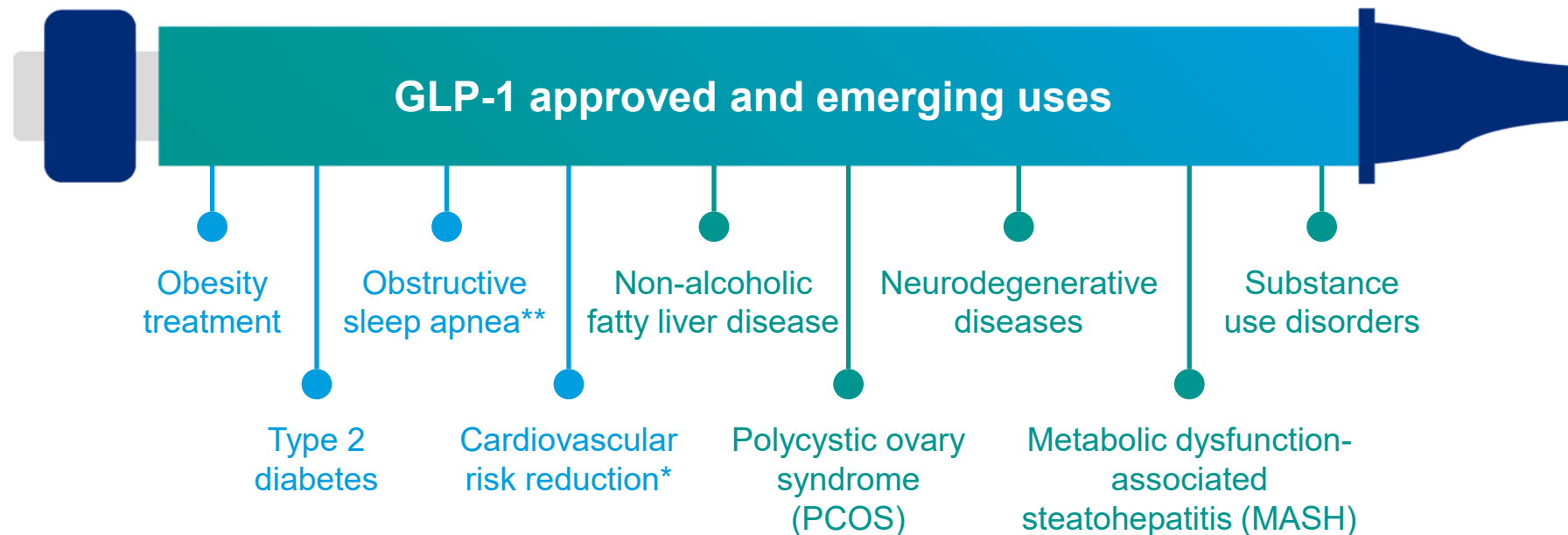
1. UnitedHealthcare. Prioritizing Pharmacy Care Costs. UHC. 2025. <https://www.uhc.com/agents-brokers/employer-sponsored-plans/news-strategies/prioritizing-pharmacy-care-costs?msockid=38cdb398aef362f51406a744af656332>.

2. CarelonRx, "Specialty Drug Growth Is Here to Stay."

GLP-1 use is expanding to treat a broader range of conditions.

GLP-1 medications are rapidly changing how conditions are managed. Originally prescribed for diabetes, they are now used to treat a wide variety of conditions, both off-label and with FDA approval.

• Approved uses • Emerging uses



11.8%

of U.S. adults used a GLP-1 medication in 2025 to lose weight or treat chronic conditions like diabetes or heart disease, while 14% reported interest in starting treatment.¹

Oral GLP-1 medications like Orforglipron, now in clinical development for diabetes and weight management, could broaden use by eliminating injections.

*Approved for use by adults with obesity or overweight and established cardiovascular disease. **Approved for use by adults with obesity.

1. Robert Bozick et al., "New Weight Loss Drugs: GLP-1 Agonist Use and Side Effects in the United States," RAND Corporation, August 6, 2025, https://www.rand.org/pubs/research_reports/RRA4153-1.html.

GLP-1s are a key cost driver for employers.

While use of GLP-1s to treat diabetes continues to rise, as they are a first-line therapy, coverage for GLP-1 weight loss treatment is decreasing due to stricter eligibility, caps, and prior authorization requirements.

Nevertheless, **41% of employers cited GLP-1s as one of the most significant drivers of cost in 2025–2026**, and their expanding scope raises both financial and workforce health implications. Plan sponsors anticipate that **GLP-1 use will increase their overall medical spend by 0.5–1% in 2026.**¹

As GLP-1 coverage for obesity expands, so do authorization requirements. Despite ongoing cost concerns about GLP-1 obesity treatments, employer coverage has continued to rise year over year. However, as coverage grows, prior authorization requirements have increased as well, as employers seek to ensure appropriate use and control escalating costs.

41%
of employers cited GLP-1s as one of the most significant drivers of cost in 2025–2026.¹

96%
of employers report being concerned about the long-term cost implications of GLP-1s.³

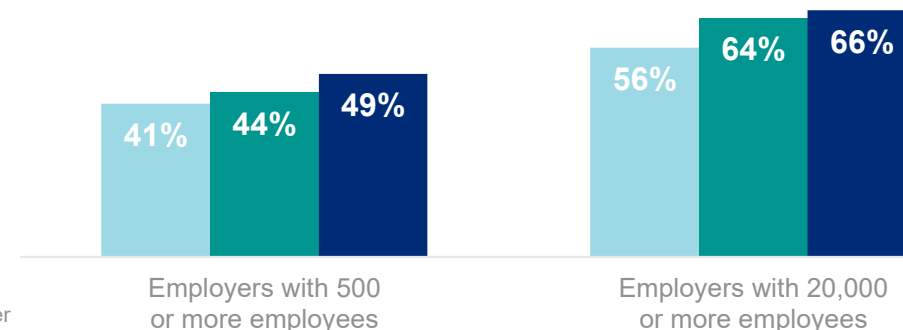
Managing cost for GLP-1 medications²

■ Extremely/very important ■ Somewhat important ■ Not very/not at all important



Authorization requirements for GLP-1 obesity coverage

■ 2023 ■ 2024 ■ 2025



1. PwC, "Behind the Numbers 2026." 2. Mercer, "Survey on Health & Benefit Strategies for 2026." 3. Business Group on Health, "2025 Employer Health Care Strategy Survey, August 20, 2024, <https://www.businessgrouphealth.org/resources/2025-employer-health-care-strategy-survey-intro>.

Adherence and lifestyle support are key challenges to weight-loss GLP-1 treatment.

More than half of patients prescribed GLP-1s for obesity discontinue treatment before reaching a clinically significant level of weight loss.³

Although adherence issues are largely driven by adverse side effects, particularly gastrointestinal events, clinicians stress that sustainable outcomes require lifestyle support: **87%** of primary care providers say GLP-1s must be paired with dietary changes, and **79%** emphasize the need for regular exercise.⁴

85%
of patients prescribed
GLP-1s for weight loss stop
taking them after two years.¹

Only 10%
of large employers require
participation in lifestyle or
weight-loss programs in
conjunction with GLP-1 use.²



1. Prime Therapeutics, "Prime Continues to Lead Industry on GLP-1 Research: 1 in 7 Stays on GLP-1 Drugs for Weight Loss After Two Years," July 10, 2024, <https://www.primetherapeutics.com/w/prime-continues-to-lead-industry-on-glp-1-research-1-in-7-stays-on-glp-1-drugs-for-weight-loss-after-two-years>. 2. Kaiser Family Foundation, "2024 Employer Health Benefits Survey," Section 13, October 9, 2024, <https://files.kff.org/attachment/Employer-Health-Benefits-Survey-2024-Annual-Survey.pdf>. 3. Blue Health Intelligence. Trends in GLP-1 utilization: An analysis of prescribing, adherence, and costs. Blue Cross Blue Shield Association. 2024. <https://bluehealthintelligence.com/reports/real-world-trends-in-glp-1-prescribing-and-treatment-persistence-for-weight-management/>. 4. Omada Health, "Survey Report: Primary Care Perspectives on GLP-1 Prescriptions," February 11, 2025, <https://www.omadahealth.com/resource-center/survey-report-primary-care-perspectives-on-glp-1-prescriptions>.

Biosimilar strategy vs. biosimilar-first strategy

Employers should carefully assess whether their PBM contract is built around a “biosimilar strategy” or a true biosimilar-first strategy. While the distinction may seem semantic, it has significant cost implications.

A standard biosimilar strategy often means biosimilars are technically available but not actively prioritized over originator drugs. This leaves members on higher-cost therapies unless they or their providers push for change.

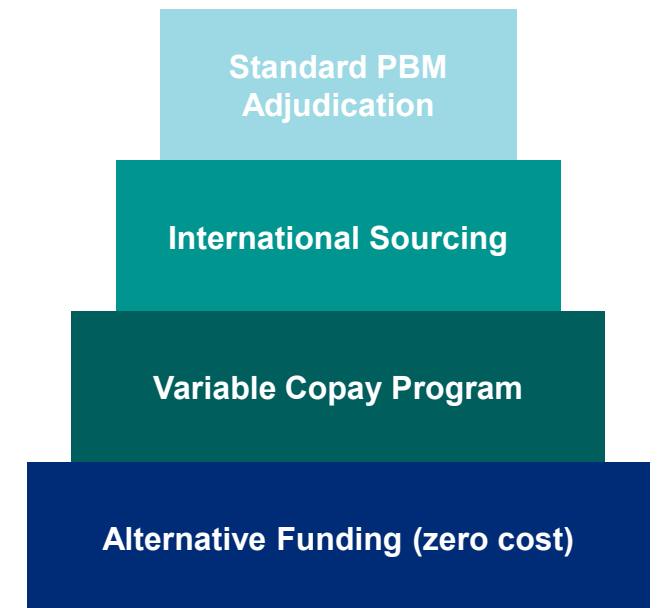
By contrast, a biosimilar-first strategy embeds **clear utilization management protocols that require patients to start with the lower-cost biosimilar before escalating to brand therapies.**

Without this explicit framework, plan sponsors risk missing a major savings opportunity and lack the infrastructure to ensure biosimilar adoption when clinically appropriate.

Even when no biosimilar or lower-cost alternative exists for a high-cost drug, employers still have levers to manage spending.

Employers should consider a tiered approach to managing high-cost drugs.

First, explore whether alternative funding can reduce the claim to zero cost; if not, move to variable copay programs; if those fall short, evaluate international sourcing; and only if none of these approaches are viable, allow the claim to run through the standard PBM adjudication process.



Pharmacy trends

Action items and best practices

Evaluate benefit design and stop-loss.

Evaluate pharmacy benefit design and stop-loss coverage to ensure high-cost specialty drugs and related volatility are fully accounted for.

Prepare GLP-1 coverage and support.

Prepare for expanding GLP-1 use with clear coverage criteria and required lifestyle support programs to sustain outcomes.

Assess PBM transparency and contracts.

Assess PBM transparency and contracting terms to confirm pricing models align with organizational needs.

Optimize PBM contracts first.

Ensure your PBM contract is optimized before pursuing alternative funding strategies to avoid layering solutions on an inefficient foundation.

Explore biosimilar and tiered management.

Explore biosimilar-first and tiered approaches to managing high-cost drugs that sequence funding, copay, and sourcing options before defaulting to PBM adjudication.

03

Healthcare economics



Price check: healthcare economics in 2026

Healthcare costs are rising faster than inflation, and ACA markets are experiencing their steepest increases in nearly a decade.

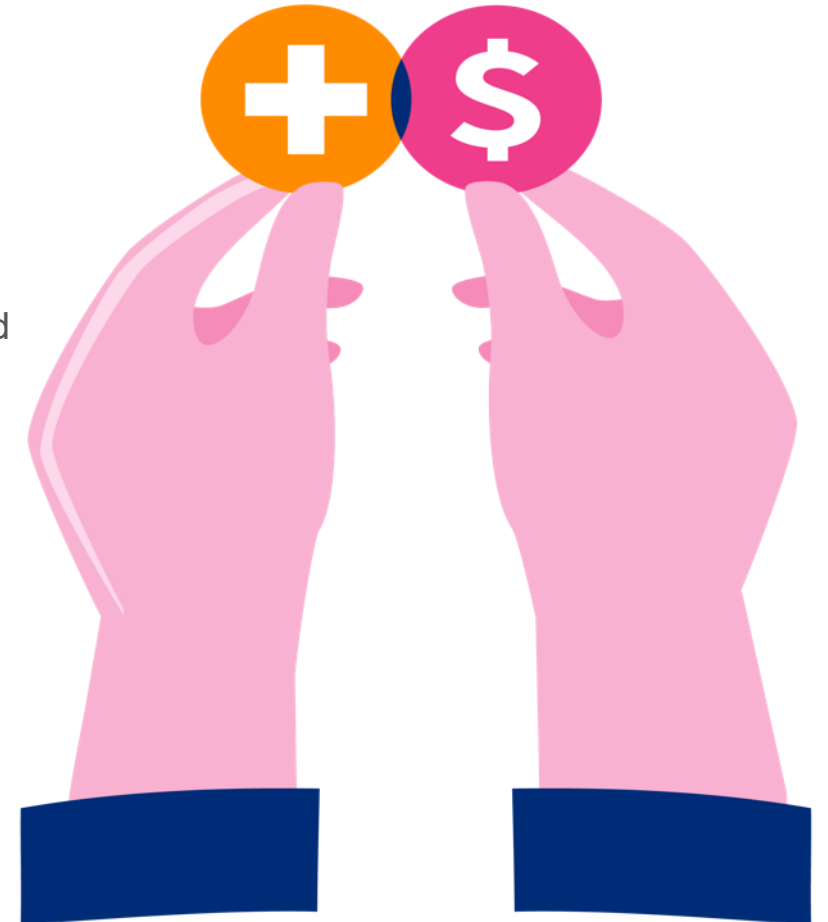
Employers are bracing for significant premium hikes in 2026 and looking to new strategies to manage risk.

Nevertheless, more than half of employers say they are likely or very likely to shift more plan costs to employees in 2026.^{1,2,3}

New cost transparency regulations create near-term compliance pressures, but clearer data from providers and carriers give plan sponsors new levers to negotiate smarter contracts, steer members to high-value care, and design more sustainable networks.

Tariffs on imported medical supplies are expected to raise hospital and health system costs by around 15%, while proposed changes to Medicare and Medicaid reimbursement could reduce provider margins by 8–18%. Together with the expiration of enhanced ACA exchange subsidies, these pressures are likely to intensify overall cost trends and prolong contentious provider–payer contract negotiations.^{4,5}

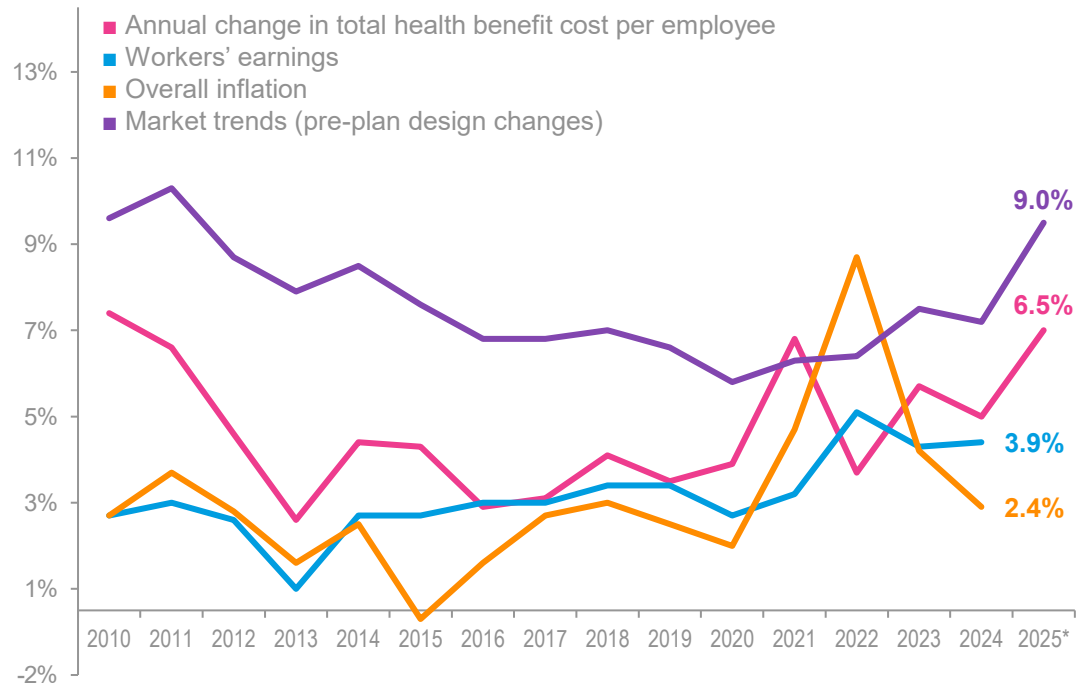
More than 400 rural hospitals nationwide are at risk of closure due to sustained financial losses and reimbursement pressures. These closures often lead to **higher costs for insurers** through increased claim denials, reduced provider networks, greater out-of-network spending, and overall system disruption.^{6,7}



1. Mercer. Mercer Survey on Health & Benefit Strategies for 2026. Mercer. 2. Mercer. 2025 National Survey of Employer-Sponsored Health Plans Preview. Mercer. 2025. 3. Bureau of Labor Statistics. Consumer Price Index, U.S. City Average of Annual Inflation (April to April); Seasonally Adjusted Weekly Earnings from the Current Employment Statistics Survey (April to April). U.S. Department of Labor. 2025. 4. Umland, B., and Patel, S. Employers Prepare for the Highest Health Benefit Cost Increase in 15 Years: An Employer Guide to AI and Health Insurance. Mercer. 2025. 5. D. Lipschutz and A. Bers, "Impact of the 'Big Bill' on Medicare," Center for Medicare Advocacy, July 24, 2025, <https://medicareadvocacy.org/impact-of-the-big-bill-on-medicare/>. 6. Michael Topchik et al., "2025 Rural Health State of the State," Chartis Center for Rural Health, February 10, 2025, <https://www.chartis.com/insights/2025-rural-health-state-state>. 7. Gruessner, Rainer W. G. "Consequences of Hospital Closures for the Health Insurance Industry in the United States." Hospitals, vol. 2, no. 1, 26, article 2. 2025.

Employers prepare for the highest health benefit cost increase in 15 years.

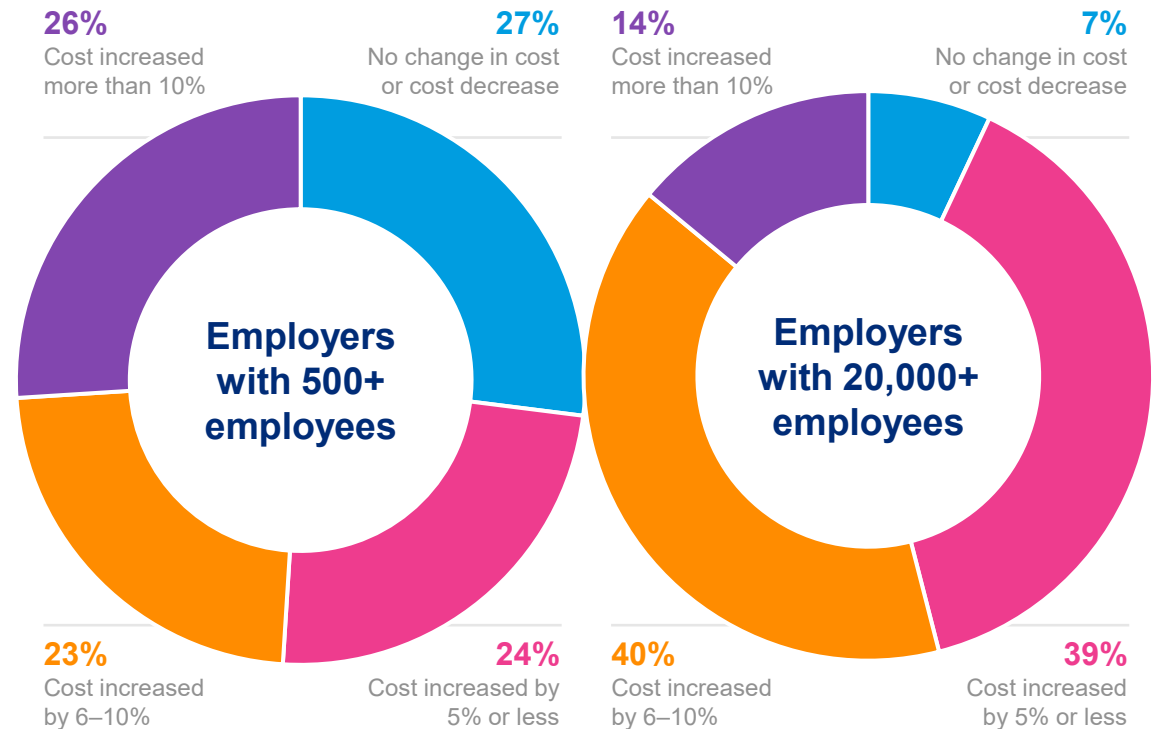
Annual changes in health benefit costs, workers' earnings, inflation, and market trends (2010–2025)¹



1. Mercer, "2025 National Survey of Employer-Sponsored Health Plans."
*Projected. Bureau of Labor Statistics, "Consumer Price Index, Seasonally Adjusted Weekly Earnings."

Behind the average, cost experience for individual employers varied widely in 2025.

Percent of employers with specified change in total health cost (based on employers providing cost for both 2024 and 2025)¹

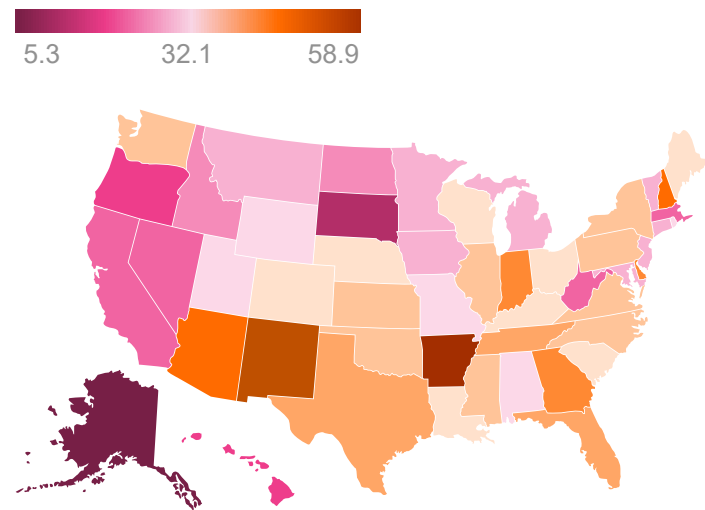


What's driving up premiums?

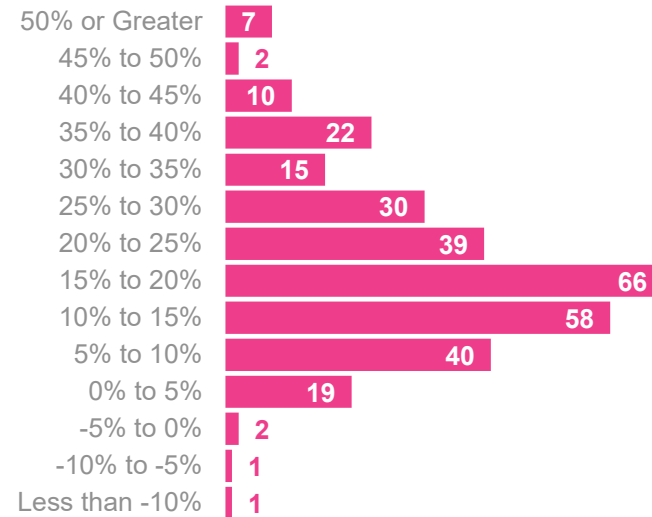
ACA insurers are raising premiums by an average of 20% in 2026.¹

This marks the **largest increase in premiums since 2018**. The trend is driven by rising costs of care, adverse selection, legislative changes, and the expiration of enhanced tax credits. **Overall healthcare costs in 2026 are 62% higher than they were in 2017** due to compounding price increases over the past decade.²

States with health insurers requesting highest premium rate change for 2026¹



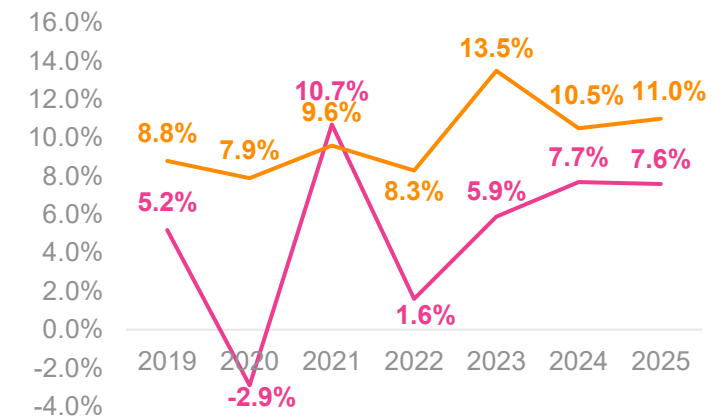
Distribution of proposed 2026 rate changes among 312 ACA Marketplace insurers¹



Medical and pharmacy claim trends³

Medical claim trends dipped during COVID, rebounded sharply in 2021, and have since stabilized around 7% as outpatient utilization continues to drive costs. Pharmacy claim trends dipped early in the pandemic, then surged in 2023 with the rise of GLP-1 therapies. Growth has since plateaued at 10–11%.

■ Medical trends ■ Pharmacy trends



1. Jared Ortaliza et al., "How Much and Why ACA Marketplace Premiums Are Going Up in 2026," Peterson–KFF Health System Tracker, August 6, 2025, <https://www.healthsystemtracker.org/brief/how-much-and-why-aca-marketplace-premiums-are-going-up-in-2026/#Distribution%20of%20proposed%202026%20rate%20changes%20among%20312%20ACA%20Marketplace%20insurers>. 2. Business Group on Health, "2026 Employer Strategy Survey," August 19, 2025, <https://www.businessgrouphealth.org/resources/2026-employer-health-care-strategy-survey> 3. Marsh McLennan Agency, "Medical and Pharmacy Claim Trends 2019–2025," Marsh McLennan Agency, 2025.

Coverage losses push hospital costs onto patients and employers as insurers warn of higher risks.

As more individuals lose coverage under the “One Big Beautiful Bill,” hospitals are expected to absorb higher levels of unpaid emergency care, and those costs are increasingly shifted onto paying patients and employer-sponsored plans.¹

Without the stabilizing effect of tax credits, insurers warn that healthier members may drop coverage altogether, creating a higher-risk pool that drives costs even higher.²

5.1M

people are projected to lose coverage under the “One Big Beautiful Bill.”³

75%

is the expected average increase in out-of-pocket premiums for ACA marketplace enrollees after the expiration of enhanced tax credits.”⁴



1. Jed Graham, “The Big, Beautiful Bill Health Care Squeeze Is Here: What That Means for Your Coverage,” Investor’s Business Daily, July 18, 2025, <https://www.investors.com/news/big-beautiful-bill-trump-budget-health-care-coverage/> 2. Jared Ortaliza et al., “ACA Marketplace Premiums.” 3. Jed Graham, “The Big, Beautiful Bill Health Care Squeeze.” 4. Jared Ortaliza et al., “ACA Marketplace Premiums.”

Employers who have taken action to address fiduciary risk or plan to in 2026¹

88%	Ensure all plan documents, notices, and communications are up to date
78%	Ensure timely compliance with ERISA's reporting and disclosure requirement
74%	Analyze participant costs and compare to benchmarks
54%	Monitor litigation and enforcement efforts to be aware of potential areas of concern
52%	Be prepared to demonstrate that service providers have been selected based on qualifications, quality, and cost
47%	Monitor plan service providers through plan audits or other means
43%	Work with PBM to file RxDC with CMS at the plan level to gain access to previously undisclosed Rx benefit financial data
38%	Reassess fiduciary duties (roles, responsibilities, delegations, processes)
30%	Document steps taken to meet fiduciary responsibilities
23%	Establish a fiduciary committee for the health plan
20%	Review the fiduciary insurance policy for coverage gaps
5%	Other actions
5%	Not currently taking action to address fiduciary risk

1. Mercer, "Survey on Health & Benefit Strategies for 2026."

Using direct primary care

Direct primary care (DPC) allows plan sponsors to contract with primary care providers at a set monthly rate. This gives employees access to convenient, affordable, and timely primary care and a defined set of preventive and routine services.

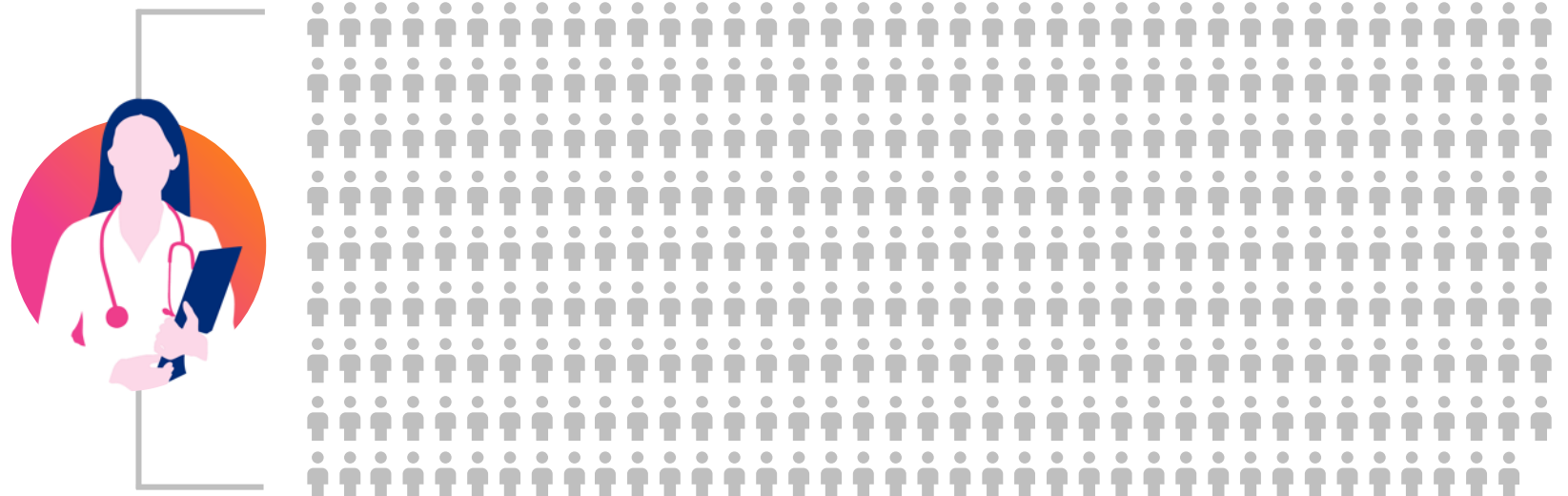
The share of DPC memberships sponsored by employers rose 18% between 2022 and 2024.

DPC programs can deliver upwards of **\$25,000 in annual cost savings compared with fee-for-service models.**¹

Direct primary care improves patient experience and access to physicians. Typical panel sizes under DPC arrangements range from **200 to 600 patients**, compared with about **2,500** in a traditional practice.^{2,3}

One in four Americans lives in a designated primary care health professional shortage area, where the population-to-primary care physician ratio is greater than 3,500 to 1.⁴

 = 10 people



1. Halle Tecco et al., "Direct Primary Care: Financial Analysis and Potential to Reshape the U.S. Healthcare Landscape," *Journal of General Internal Medicine* 40, no. 2 (2025): 448–452, <https://doi.org/10.1007/s11606-024-09038-5>. 2. Fritz Busch et al., "Direct Primary Care: Evaluating a New Model of Delivery and Financing," *Society of Actuaries*, 2020, <https://www.soa.org/49c889/globalassets/assets/files/resources/research-report/2020/direct-primary-care-eval-model.pdf>. 3. Caroline Harrington, "Considerations for Patient Panel Size," *Delaware Journal of Public Health* 8, no. 5 (2022): 154-157, <https://doi.org/10.32481/djph.2022.12.034>. 4. KFF, "Primary Care Health Professional Shortage Areas (HPSAs)," as of December 31, 2024, <https://www.kff.org/other-health/state-indicator/primary-care-health-professional-shortage-areas-hpsas/?currentTimeframe=0&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D>.

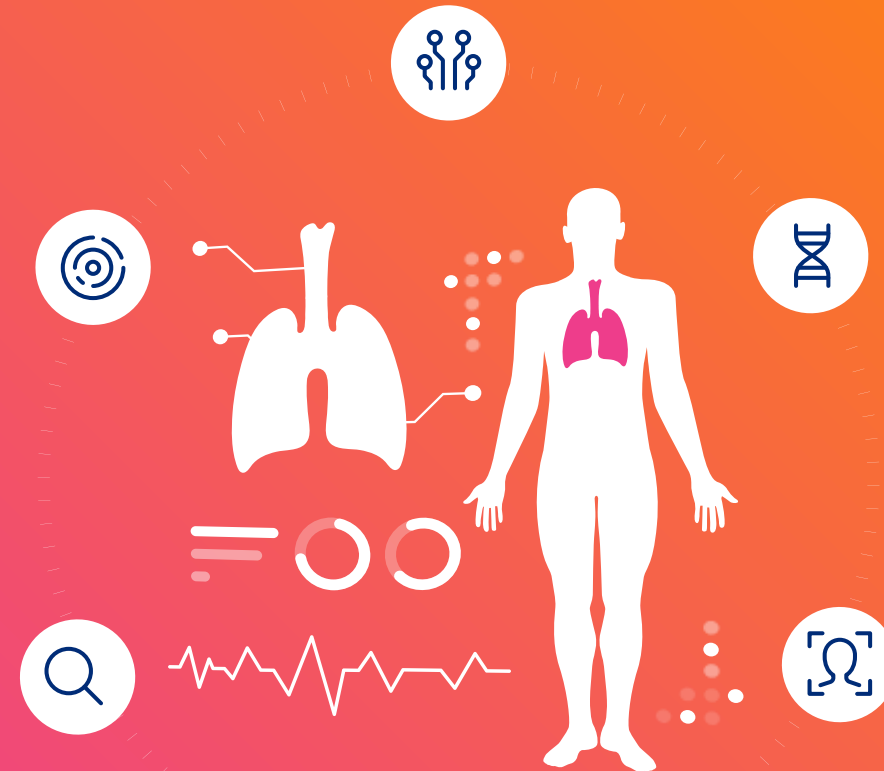
Taming healthcare costs with AI

Employers are scaling up their use of AI-driven tools to shift risk mitigation from reactive audits to proactive intervention. This helps employers address fraud, denials, and high-cost claims before they escalate.

Employers and plan sponsors are increasingly using AI to tame rising healthcare costs by shifting from postpayment audits to proactive, prepayment screening.¹

Predictive analytics and risk-scoring algorithms can identify members at risk for catastrophic claims, such as specialty drug use or emerging chronic conditions, and facilitate earlier interventions and targeted care management.

Alongside potential savings, AI-driven coding errors can inadvertently raise healthcare costs. Upcoding (where AI assigns higher-level codes than clinical documentation supports) results in significantly higher billing and overpayments, which can lead to increased expenses for health plan sponsors.²



¹. PwC, "Behind the numbers 2026." ². Timothy Powell, "Avoiding AI-Driven Upcoding: How Providers Can Embrace Innovation Without Inviting Audits," *ICD10monitor*, August 11, 2025, <https://icd10monitor.medlearn.com/avoiding-ai-driven-upcoding-how-providers-can-embrace-innovation-without-inviting-audits/>.

The impact of high-cost claimants: 1% of enrollees drive 29% of health plan spending

As employers refine benefits strategies amid rising healthcare costs, managing high-cost claimants has become a critical focus.

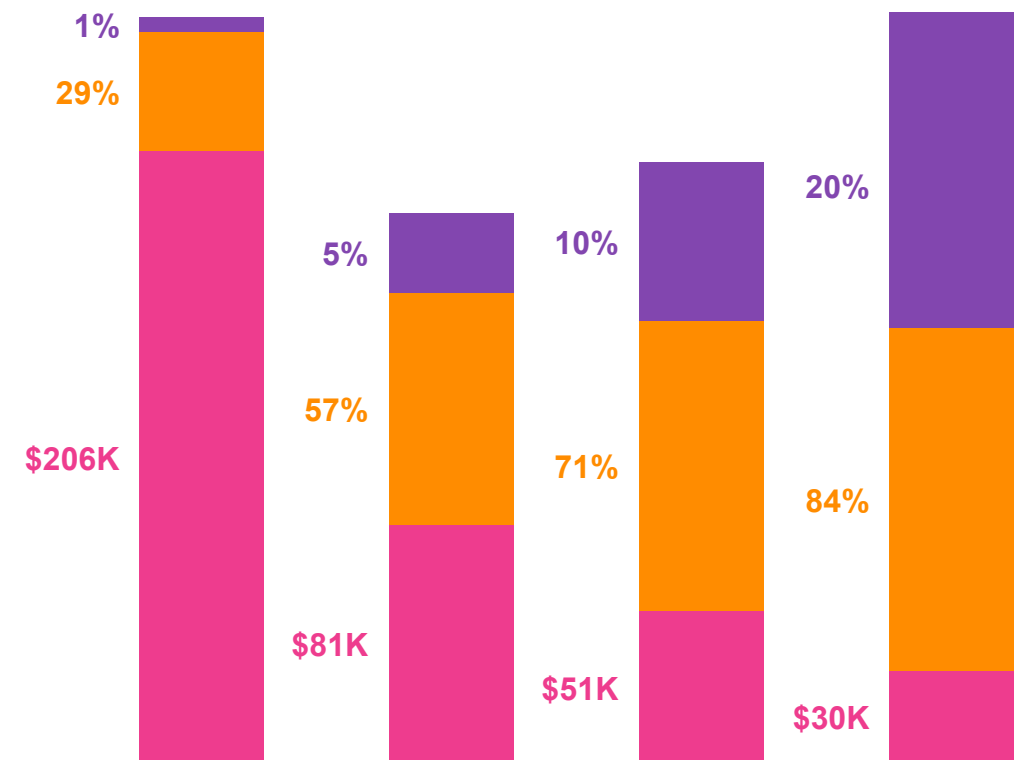
Twenty percent of employees account for 84% of costs, with the top 1% responsible for 29%. The remaining 80% of employees account for 16% of spending and often use little or no healthcare in a given year.²

This imbalance calls for more targeted plan design and support for high-cost members.

89% of employers say focusing on high-cost claim management is the most important part of their strategy for the next three to five years.¹

Distribution of health spending among individuals with employment-based health coverage, 2022²

■ Percentage of enrollees ■ Percentage of spending ■ Average spending per person

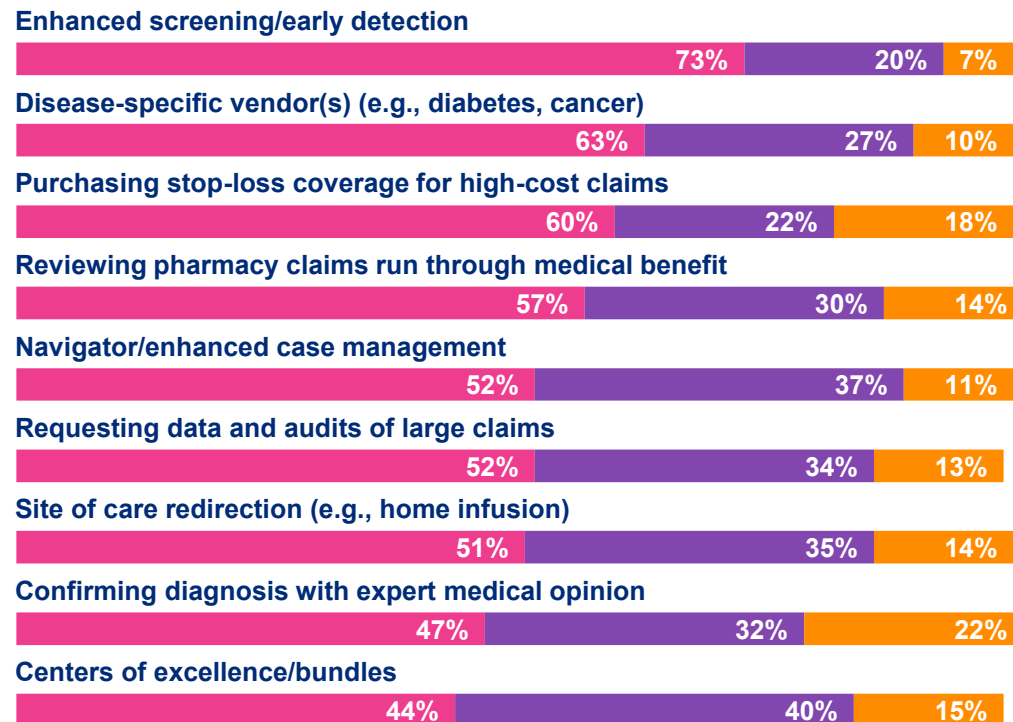


1. Mercer, "2025 National Survey of Employer-Sponsored Health Plans." 2. Employee Benefit Research Institute. "A Small Number of Workers Account for Most Health Costs — Here's What to Know." EBRI. 2025

Employers are leaning in on high-cost claims and considering strategies for the next few years.

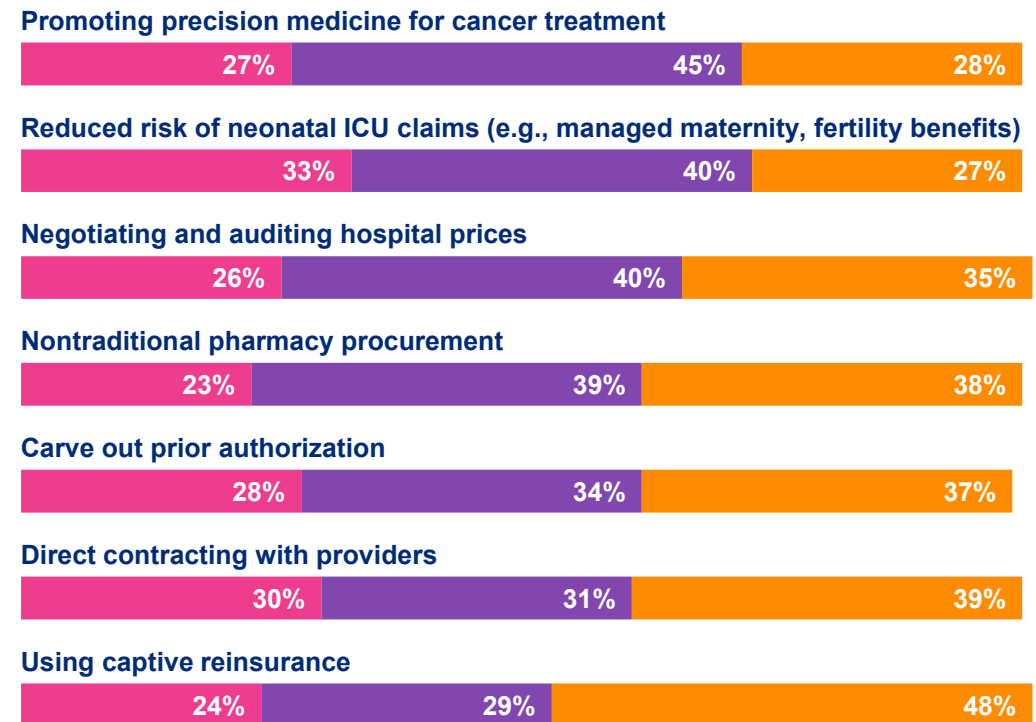
Where employers are leaning in on high-cost claims¹

■ Currently doing ■ Considering next 1–3 years ■ Not considering



Top strategies employers are considering in next 1–3 years¹

■ Currently doing ■ Considering next 1–3 years ■ Not considering

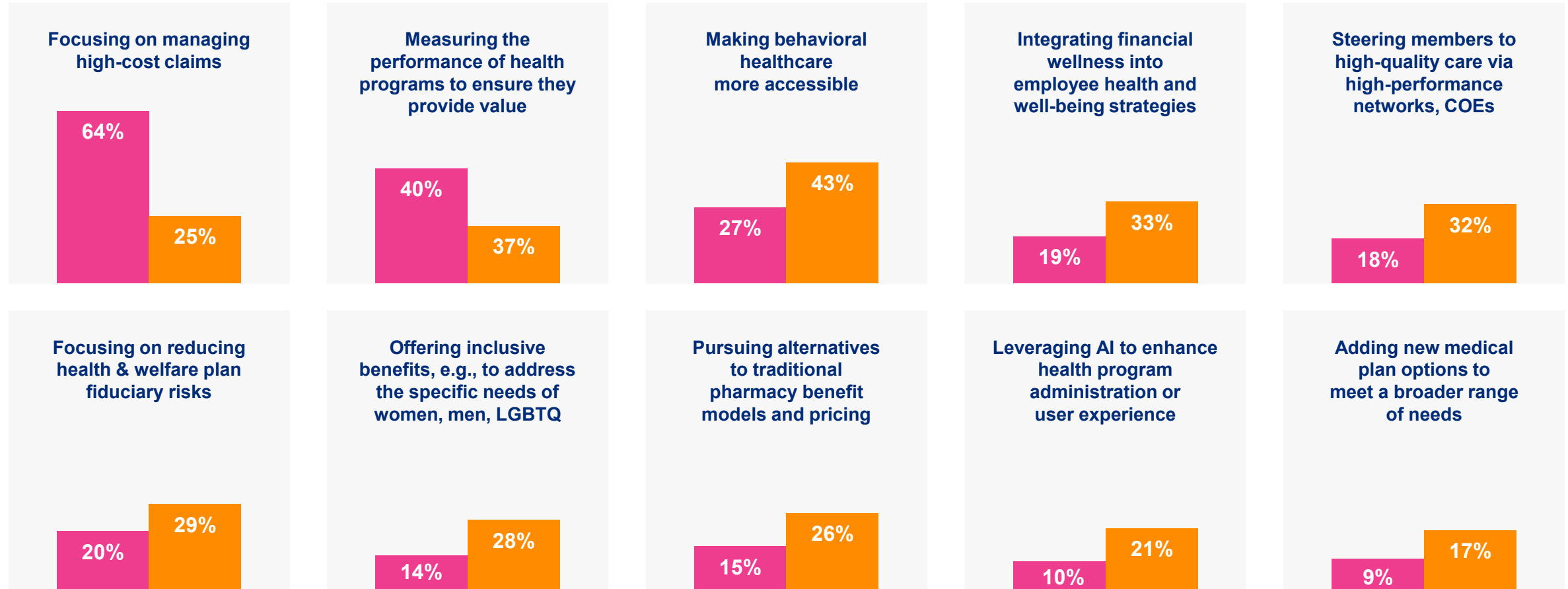


1. National Alliance of Healthcare Purchasing Coalitions, "Pulse of the Purchaser 2025 Survey," September 8, 2025, <https://www.nationalalliancehealth.org/resources/pulse-of-the-purchaser-2025-survey-results/>.

Most important strategies for the next 3–5 years¹

For employers with 500 or more employees

■ Very important ■ Important



1. Mercer, "National Survey of Employer-Sponsored Health Plans."

Healthcare economics

Action items and best practices

Explore alternative funding models for cost and access.

Evaluate whether alternative funding models or solutions like direct primary care align with your employee population and have the potential to lower costs and improve access to care.

Manage resources to reduce fiduciary liability.

Allocate resources toward mitigating the potential for fiduciary liability.

Use cost data to negotiate better contracts.

Leverage newly available cost transparency data to negotiate smarter contracts with providers and carriers and reduce total spend.

Review IDR programs and fees for negotiable savings.

Employers should review IDR-related programs and fees, since federal and IDR entity fees are fixed, but carrier-based and out-of-network shared savings fees may be negotiable.

Identify high-cost claimants with predictive tools.

Use predictive risk-scoring tools to proactively identify potential high-cost claimants and flag emerging risks for early intervention.

Build infrastructure to guide early cost-effective care.

Develop the infrastructure to direct plan members to cost-effective care early in chronic disease onset, as moving them midtreatment can create friction.

04

Workforce trends and technology



Declining engagement, advancing technology

Employee expectations, career ambitions, and workplace culture are shifting in ways that challenge long-standing HR playbooks.

Engagement is falling, loyalty is weakening, and traditional career ladders are losing their appeal, especially among younger generations.

At the same time, organizations face mounting pressure to adapt, as over half of HR leaders say their technology solutions do not meet current business needs.

The organizations best positioned to lead in the future of work will be those that re-engage their people while equipping them to harness AI as a core part of their roles.

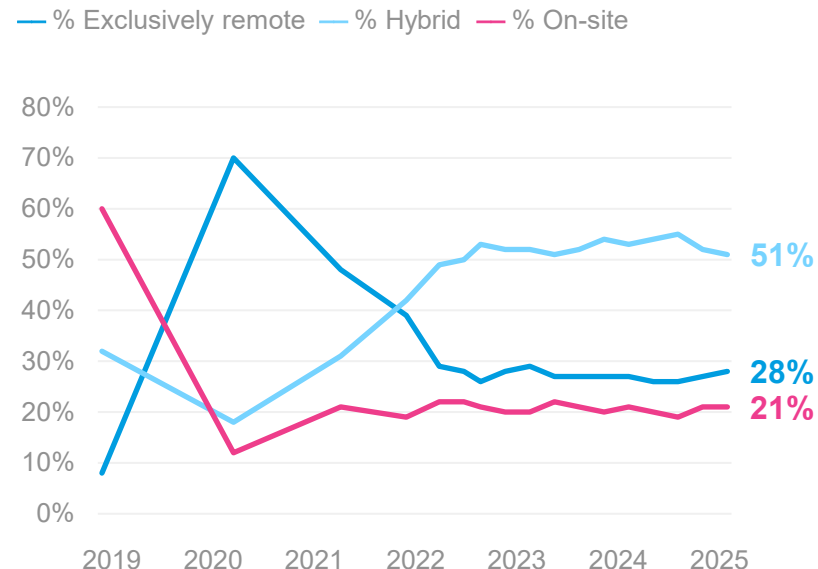


Employees favor hybrid work arrangements and shorter workweeks.

Slightly more than half of U.S. employees now hold jobs that allow for hybrid work.¹ These roles combine remote and in-person arrangements. As fully remote positions have declined postpandemic, hybrid models have emerged as a way to preserve flexibility while still requiring time in the office.

Hybrid work benefits employers and employees alike. **It reduces turnover by roughly one-third and increases engagement,** with hybrid employees 1.7 times more likely to be “fully engaged” than those working entirely on-site.^{2,3}

Work locations for U.S. employees with remote-capable jobs¹



1. Gallup, “Global Indicator: Hybrid Work,” accessed November 30, 2025, <https://www.gallup.com/401384/indicator-hybrid-work.aspx>. 2. Kyrsten Crawford, “Hybrid Work Is a ‘Win-Win-Win’ for Companies, Workers, Study Finds,” *Stanford Institute for Economic Policy Research*, June 12, 2024, <https://siepr.stanford.edu/news/hybrid-work-win-win-win-companies-workers-study-finds>. 3. Mary Hayes and Jared Northup, “Employee Engagement Is Up. Hybrid Work—and Teamwork—Deserve the Credit,” *ADP Research Institute*, March 26, 2024, <https://www.adpresearch.com/employee-engagement-is-up-hybrid-work-and-teamwork-deserve-the-credit/>.

Mandated return-to-office policies have largely created challenges for employers:

8 in 10

companies report that their RTO policies caused them to lose talent.¹

At the same time, interest in shorter workweeks is growing:

54%

of employees rank a four-day week as their top desired benefit.²



Employers remain committed to retiree medical coverage even as costs rise.

Rather than exit, they are turning to familiar levers such as plan design changes, defined subsidies, and capped contributions.

For Medicare-eligible retirees, government subsidies and exchanges are gaining traction as cost-control strategies.

Employers emphasize retiree medical benefits as a way to ease employees' transition out of the workforce.

By offsetting the steep healthcare costs that can arise before Medicare eligibility, **these benefits allow workers to retire closer to their intended timeline rather than postponing retirement for financial reasons.**



47% of employers view retiree medical benefits as a way to support workers in their retirement.¹

1. Mercer, "Survey on Health & Benefit Strategies for 2026."



The C-suite overestimates the state of AI in their organizations.

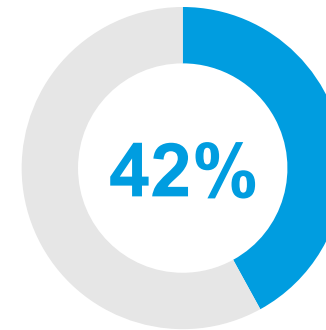
While executives remain bullish on AI's potential, employees suggest the C-suite may be out of touch with the realities on the ground.

Executives are far more likely than senior managers to say their organizations have implemented cutting-edge AI and established strong governance structures.¹

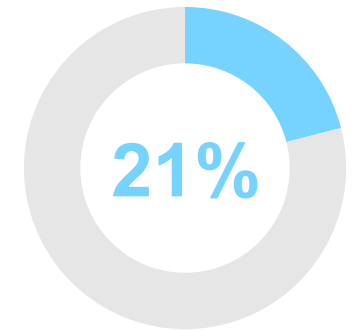
Productivity expectations highlight a similar disconnect. Business leaders anticipate a 23% boost in functional productivity from AI over the next 12 to 18 months, yet 77% of employees say that thus far, AI-enabled tools have actually reduced efficiency and added to their workload.²

“Our organization has implemented the latest cutting-edge AI technology.”¹

% agree



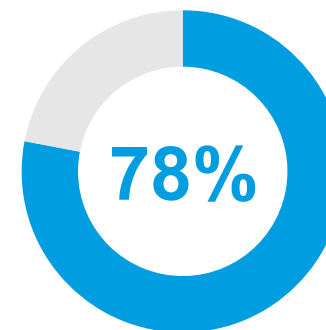
C-Suite Executives



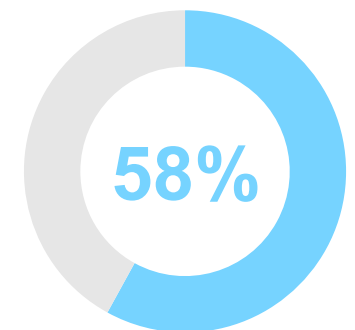
Senior Managers

“Our firm has strong AI governance in place.”¹

% agree



C-Suite Executives



Senior Managers

1. Aly Veenendaal, “AI Agent & Agentic AI Survey Statistics 2025,” SS&C Blue Prism, March 28, 2025, <https://www.blueprism.com/resources/blog/ai-agentic-agents-survey-statistics/>. 2. Gartner, “Top 5 Priorities for HR Leaders in 2025.”

Top AI priorities in benefits

While AI integration into benefits programs may be advancing more gradually than anticipated, employers are converging on a set of clear priorities.

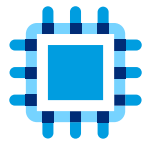
The areas drawing the most focus include:



Navigation



Tools that guide employees through benefit navigation and customer service



Communication



AI-driven communications



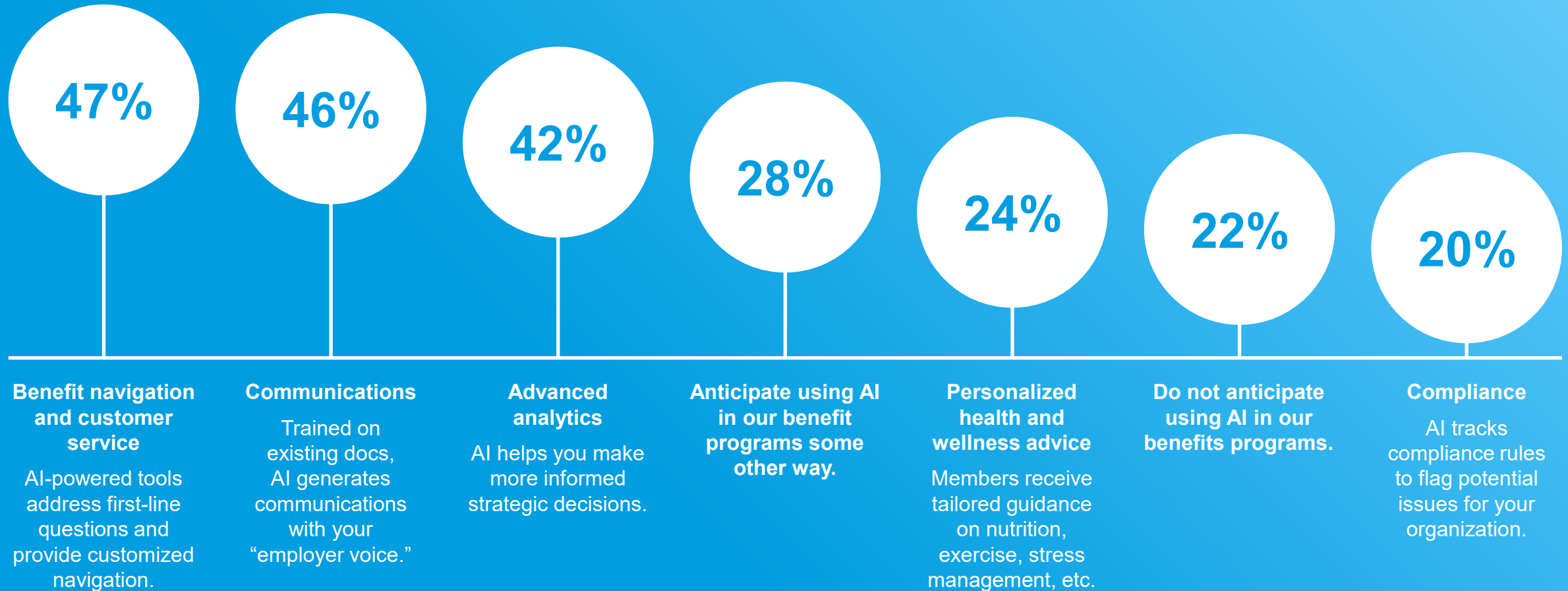
Analytics



Advanced analytics to inform more strategic decision-making



HR anticipated use of AI / generative AI in benefit programs within the next five years



1. Mercer, “Survey on Health & Benefit Strategies for 2026.”

HR leaders caution that tech integration is a slow process.

Fifty-five percent of HR leaders say their current technology solutions fail to meet organizational needs, and 49% admit they can't measure the value of their tech investments.¹

Although HR tech investments—from core HRIS and payroll systems for HR teams to employee-facing tools like self-service portals, benefits platforms, and learning systems—are intended to improve efficiency and employee experience, more than two-thirds of employees report encountering barriers when using these tools in the past year.

These gaps underscore that real progress will require not only stronger integration and measurement, but also a shift in how both employees and HR leaders engage with technology.



1. Gartner, "Top 5 Priorities for HR Leaders in 2025."



Conversational agents
can provide support with requests like time off and managers tracking employees' schedules.



Functional agents
can be programmed to take on specific roles such as recruiting/candidate screening and onboarding.

Agentic AI in practice

Analysts forecast agentic AI to be the next major evolution in HR, as the technology moves from a set of assistive tools to a “team” of proactive digital collaborators.¹



Supervisory agents
assign tasks to other agents, monitor program progress, and compile performance reports.



Utility agents
perform tasks like completing enrollment documents or sending reminders.

1. Nicole Schreiber-Shearer, “How Agentic AI Is Transforming HR Functions: Redesigning the Talent Lifecycle with Autonomous Intelligence,” *Gloat*, August 14, 2025, <https://gloat.com/blog/agentic-ai-in-hr/>.

Workforce trends and technology

Action items and best practices

Adopt hybrid models and microcultures.

Consider adopting a “hybrid” work model and strengthening team-level microcultures to counter workforce disengagement, demotivation, and change fatigue.

Offer alternative Gen Z careers.

Explore moving early on pay transparency as it becomes a growing trend and a clear differentiator in talent attraction and retention.

Increase AI support and upskilling.

Look for opportunities to create alternative career pathways for Gen Z to align with their limited interest in climbing the management ladder.

Implement AI education.

Provide structured AI education to strengthen workforce proficiency and guard against unintentional security risks.

HR AI support and upskilling.

Expand support for HR departments in their evolution with generative and agentic AI by providing resources to measure success, integrate tools effectively, and upskill HR professionals.

Strengthen AI governance.

Evaluate your organization’s AI governance structure and establish cross-department oversight councils to guide decision-making and evaluate risk exposure.

Conclusion





Turning pressure into strategy

The choices employers make in 2026 will shape not just the financial trajectory of their health plans but also the long-term well-being and performance of their people.

Traditional coverage models are under strain from rising costs, siloed data, the earlier emergence of chronic disease, and the growing price of advanced treatments. Incremental fixes are no longer enough; employers must modernize contracting, address emerging needs, and integrate health and workforce data into a unified strategy.

Plan sponsors who prioritize timely access to the right care, use data to anticipate risks, and scale technologies such as predictive analytics and AI will improve outcomes, control costs, and strengthen workforce performance. These capabilities are shifting from optional enhancements to essential tools for competitiveness.

Looking ahead, the organizations best prepared will be those that treat benefits not only as a cost center but also as a core driver of workforce resilience and productivity.

Take action by:

Modernizing contracting, addressing emerging needs, and integrating health and workforce data into a unified strategy

Prioritizing timely access to the right care, using data to anticipate risks, and scaling technologies such as predictive analytics and AI

Treating benefits not only as a cost center but also as a core driver of workforce resilience and productivity

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