

Know Your Benefits

Why Health Care Costs Will Rise Significantly in 2026

Health care costs, and consequently employee benefit costs, have been growing at an alarming rate in recent years, and they're not slowing down. Mercer projects that the total health benefit cost per employee is expected to rise 6.5% on average in 2026, which is the highest increase since 2010. To put it in perspective, the past decade normally increased 3% annually. Nonetheless, other industry reports are projecting similar price hikes for 2026. While the Business Group on Health (BGH) expects a 7.6% increase in costs for 2026, PwC expects medical costs to grow at 8.5% for the third year in a row. Regardless of the exact figure for 2026, employees can expect their health care costs to continue to skyrocket throughout the next year.

Faced with sustained high health care costs, more employers are passing costs along to their employees. As such, that can show up as higher premiums, deductibles and copayments. Keep in mind that Mercer expects workers with employer-based health insurance to pay an additional 6%-7% on average in premiums in 2026. While some organizations may try to limit the premium increase, they could raise other out-of-pocket costs, such as deductibles and copayments, making it important to review all aspects of your health care costs.

[Lastly, individual Marketplace plans are likely to go up even higher, as much as 15%-20%.](#)

Understanding today's drivers of health care costs can help you make informed decisions about your coverage and financial planning. This article explores six key factors in increasing employees' health care costs in 2026.

Cancer Care

According to the BGH, cancer care has been the top driver of employer cost increases for four years in a row. The spending

has worsened due to the growing prevalence of cancer diagnoses and the escalating cost of treatment. Cancer is complex; therefore, its diagnosis and treatment don't follow the same path for every individual.

Cancer diagnoses are increasing, not just among older adults but also among younger working-age individuals. This means more employees and dependents are entering treatment, often requiring long-term and intensive care. Additionally, new and innovative therapies—including cell and gene therapies, immunotherapies, targeted drugs and personalized medicine—may offer better outcomes but come with high price tags. These treatments often cost hundreds of thousands of dollars per patient, especially in late-stage cases.

With cancer cases and costs on the rise, employers may try to focus on healthy lifestyle promotion, cancer prevention and screenings, or centers of excellence partnerships.

GLP-1s and Prescription Drugs

General prescription drug spending is one of the fastest-growing components of health care costs in 2026. While broader pharmacy spending is facing significant inflation, glucagon-like peptide-1 (GLP-1) drugs are standing out as a key pharmacy spending driver.

GLP-1 use for weight loss is already widespread, but these costly medications are expected to grow in popularity. A recent RAND report revealed that 12% of Americans have used GLP-1 medications for weight loss, and 14% are interested in using the drugs. Furthermore, the number of prescriptions for the drugs has more than tripled since 2020.

GLP-1 medications typically cost around \$1,000 per month. Many plans only cover GLP-1s for diabetes or won't cover these prescriptions at all. These costly medications are intended to be taken in perpetuity to achieve their benefits. This means that GLP-1 users may experience health benefits but will be required to use these high-cost treatments on an ongoing basis.

In response to the popularity of GLP-1s, more employers may require employees who use these medications for weight loss to get prior approval, participate in weight management programs or meet other requirements.

Chronic Health Conditions

Chronic conditions affect millions of Americans and require ongoing treatment, monitoring and medication, which adds up quickly for both individuals and employer-sponsored health plans. In fact, around 90% of U.S. health care spend is on people with chronic and mental health conditions. Chronic conditions include heart disease, stroke, cancer, diabetes, arthritis and obesity.

In general, chronic disease is increasing in prevalence in the United States and is projected to continue to do so in 2026 and the coming years.

Catastrophic Claims

Catastrophic claims, which are extremely high-cost medical events, are significant contributors to recent health care costs. These claims typically involve severe illnesses, complex treatments or long-term care needs, and occur across all ages of employees.

Catastrophic claims are often associated with cancer treatments, neonatal intensive care (or NICU) stays, organ transplants, mental health crises, severe trauma or accidents, genetic disorders and advanced therapies (e.g., cell and gene therapy). General inflation and the consolidation of health systems are driving up prices for services, making catastrophic claims even more expensive.

Health Care Labor Costs

Lastly, the supply of health care workers continues to fall short of the growing demand for utilization. This shortage is due to rising health care demands, an aging population, retiring workforces and insufficient talent entering the health care industry. When key players in the health care industry are required to spend more on labor, those expenses are often passed on to both employers and users of the health care benefit: employees and their dependents.

What Can You Do?

While you can't necessarily control these driving factors, educating yourself as a health care consumer is one way to help manage health care costs. Start by fully understanding what your health plan does and doesn't cover to help reduce your health care spending. This step can help you plan and budget accordingly. Additionally, prioritize preventive care services to help avoid costly treatments later.

If you have more questions about your benefits, reach out to your HR representative.