

BENEFITS BREAKDOWN

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How AI Is Shaping Employee Benefits

Artificial intelligence (AI) is reshaping how employer-sponsored benefits are designed, delivered and experienced. In fact, Mercer's latest Global Talent Trends study found that approximately 40% of HR leaders use AI for benefits administration. AI can enhance how employees interact with and understand their benefits. Consider the following ways that AI is shaping employee benefits:

- **Benefits personalization**—AI systems can analyze employee data (e.g., health claims, lifestyle preferences and engagement history) to recommend benefits that align with individual needs.
- **Benefits navigation**—Available 24/7, virtual assistants and chatbots can help employees navigate complex benefits decisions, compare plans, estimate out-of-pocket costs and understand coverage.
- **Predictive insights**—AI enables predictive insights, allowing employers to anticipate future health care needs and costs by analyzing claims and wellness data patterns.
- **Benefits administration**—Tasks like responding to employee inquiries or completing compliance reporting can be automated. AI can also enable real-time monitoring of benefits usage and costs.

AI is not just optimizing benefits; it's transforming them by making benefits more personalized, accessible and responsive. Employers should consider how AI can improve or streamline their benefits-related processes.

Key Drivers of 2026 Health Care Cost Increases

Health care costs have been growing at an alarming rate in recent years, and they're not slowing down. Surveys project that health care costs in the United States are likely to increase by 6.5% to, in many cases, as much as over 10% in 2026. Here are key factors that will impact rising health care costs in 2026:

- **Specialty medications, specifically glucagon-like peptide-1 (GLP-1) drugs**—High-cost, high-impact treatments, such as GLP-1s, biologics, biosimilars, and cell and gene therapies, are reshaping the pharmaceutical industry. The momentum behind specialty drug innovation shows no signs of slowing.
- **Chronic health conditions**—About 90% of health care spending is for people with chronic and mental health conditions. Moreover, many people have two or more chronic, high-cost diseases.
- **Aging populations**—Health care costs generally increase as people age. While life expectancy has increased significantly over the past 50 years, birth rates have consistently trended downward.
- **Cancer care**—This has been the top driver of employer cost increases for four years in a row. Spending has worsened due to the growing prevalence of cancer diagnoses and the escalating cost of treatment.
- **Health care labor costs**—The worker supply continues to fall short of the growing demand for utilization.

Rising health care costs may be unavoidable, but informed employers can better understand these trends and act appropriately. Contact us for more health care resources.