Employee Benefits Report

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Cost Control

The 2026 Healthcare Cost Surge: Mid-Year Strategies Employers Can Still Deploy

Healthcare costs are rising faster in 2026 than most employers expected. Mid-year projections from national carriers show medical trend running between 6.5% and 10%, driven by higher inpatient costs, increased specialty-drug use, and a sharp rise in GLP-1 prescriptions. Many employers are already feeling pressure on their budgets. The good news is that there are still practical steps employers can take before fall to stabilize costs and prepare for 2027.

Why Costs Are Rising Faster Than Expected

The biggest driver of cost volatility continues to be pharmacy spend. GLP-1 drugs, originally approved for diabetes, are now widely used for weight management. They are effective, but expensive, and utilization keeps climbing. Specialty drugs for cancer, autoimmune conditions, and rare diseases also continue to push pharmacy budgets higher.

Hospital costs are rising as well. Inpatient admissions are up, and hospitals are raising prices to offset labor shortages and higher operating expenses. Out-of-network claims are also increasing, especially for emergency care.

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This Just In ...

GLP-1 Coverage Shake-Up: Major Carriers Announce New Restrictions for 2027

Major carriers have announced significant, late-breaking changes to GLP-1 coverage policies for 2027, signaling a major shift in how these high-cost medications will be managed going forward. The updates come after months of rising pharmacy spend tied to GLP-1 drugs used for diabetes and weight management. Carriers say the current growth rate is unsustainable and that new rules are needed to ensure appropriate use and better clinical outcomes.

The new policies include stricter prior-authorization requirements, expanded step-therapy protocols, and more detailed documentation for weight-management prescriptions. Some carriers will require proof that employees have participated in lifestyle-modification programs before GLP-1 therapy is approved. Others are introducing outcomes-based contracts that tie reimbursement to measurable improvements in blood sugar, weight, or other clinical markers.

Employers should expect plan-design adjustments and employee-communication challenges as these rules roll out. Many employees rely on GLP-1s, and changes to coverage may create con-

These trends are hitting employers mid-year, forcing many to rethink their cost-management strategies sooner than planned.

Strengthening Pharmacy Management

Pharmacy costs are the fastest-moving part of employer healthcare spending, and mid-year adjustments can make a meaningful difference. Employers are adopting step-therapy rules, outcomes-based contracts, and tighter clinical criteria for GLP-1 drugs. These measures don't eliminate access, but they help ensure the drugs are used appropriately.

Some employers are exploring specialty-drug carve-outs, which move high-cost medications into separate funding arrangements. This approach can stabilize costs and reduce volatility, especially for mid-sized employers.

A few carriers now offer "specialty care allowances," which give employees access to modern treatments while protecting the core medical plan from unpredictable spikes.

Expanding Virtual Care Options

Telemedicine remains one of the most cost-effective ways to deliver primary care, mental health support, and chronic-condition management. Usage dipped slightly after the pandemic, but it is still strong—and employers that expand virtual-care access mid-year often see lower urgent-care and ER utilization in the second half of the plan year.

Carriers now offer bundled virtual-care packages that include behavioral health, nutrition counseling, and chronic-condition coaching. These programs help employees manage health issues early, before they turn into high-cost claims.

Evaluating Alternative Funding Models

Alternative funding models are gaining traction because they offer more predictable costs. Level-funded plans continue to grow among employers with 25 to 250 employees. These plans combine the stability of fully insured coverage with the potential for year-end savings.

Larger employers are exploring reference-based pricing and direct-to-provider contracting. These models require careful communication, but they can reduce long-term cost growth and give employers more control over pricing.

Boosting Preventive Care Participation

Preventive care remains one of the most reliable ways to reduce claims, yet participation rates are still low. Employees often skip annual physicals, screenings, and age-appropriate tests simply because they don't understand what's covered or how to schedule appointments.

Employers can improve engagement by offering small incentives, simplifying scheduling, and communicating clearly about preventive-care benefits. When employees complete screenings and manage chronic conditions early, employers see fewer high-cost claims later in the year.

Communicating Clearly and Often

Employees often don't understand how their plan works, what it covers, or why certain rules exist. Clear, simple messaging helps employees make better choices and reduces unnecessary claims. Mid-year is an ideal time for a benefits "refresh" that reminds employees how to use their plan effectively.

fusion or frustration. Clear communication will be essential to help employees understand new requirements, timelines, and alternative treatment options.

These updates reflect a broader trend: carriers are tightening control over specialty medications across the board. Employers should review carrier notices carefully as renewal season approaches and prepare for additional pharmacy-management changes heading into 2027.

Healthcare costs will remain a challenge through 2026 and into 2027, but employers still have time to make meaningful adjustments. By focusing on pharmacy management, virtual care, alternative funding, preventive care, and clear communication, employers can stabilize costs and support employees at the same time.

Lifestyle Spending Accounts (LSAs): The Fastest-Growing Benefit of 2026

Lifestyle Spending Accounts (LSAs) are becoming one of the fastest-growing benefits of 2026. Employers are adopting LSAs because they solve a problem traditional benefits have struggled with for years: personalization. Employees want benefits that fit their lives, not one-size-fits-all programs. LSAs give them that flexibility. And because July is a major decision month for 2027 plan design, many employers are evaluating LSAs right now.

Why LSAs Are Growing So Quickly

LSAs are simple. Employers set a fixed allowance, and employees choose how to use it. This flexibility makes LSAs feel more valuable than traditional wellness incentives, which often focus on narrow goals like step counts or gym attendance.

The biggest reason LSAs are growing is that they work for every generation in the workforce. Younger employees may use their allowance for fitness memberships or mental-health apps. Mid-career employees may choose financial-planning tools or childcare support. Older employees may use LSAs for nutrition counseling or stress-management programs. The benefit adapts to each employee's needs without requiring employers to manage dozens of separate programs.

Cost predictability is another major advantage. Employers set the annual allowance, which means LSAs are easy to budget and don't create unexpected claims. LSAs also reduce administrative complexity because they consolidate multiple wellness programs into a single platform.

How LSAs Improve Employee Engagement

Traditional wellness programs often struggle with participation. Employees may not understand the rules, may not see the value, or may feel the program doesn't apply to them. LSAs solve these problems by giving employees control.

When employees can choose how to use their benefit, participation rises. LSAs also feel more inclusive because they support a wide range of needs—physical, mental, financial, and family-related. This makes LSAs especially valuable for employers with diverse workforces.

Communication plays a major role in engagement. Employees need clear guidance on how LSAs work, what's covered, and how to access the benefit. Employers that launch LSAs with strong communication see higher participation and better employee satisfaction.

What Employers Should Consider Before Launching an LSA

LSAs are flexible, but they still require thoughtful planning. Employers should start by defining the purpose of the benefit. Some employers focus on well-being, while others use LSAs to support retention, reduce stress, or improve financial stability.

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Next, employers should choose an allowance amount that fits their budget and goals. Most mid-market employers offer between $300 and $1,000 per year, depending on the scope of eligible expenses.

Employers should also decide which expenses to include. Common categories include:

- Fitness and wellness
- Mental-health apps and counseling
- Financial-planning tools
- Nutrition and stress-management programs

Finally, employers should select an LSA vendor that offers easy administration, mobile access, and clear reporting. Most vendors provide apps that make it simple for employees to submit receipts and track their balance.

Why LSAs Matter for 2027 Planning

LSAs are more than a trend—they represent a shift toward personalized benefits that support employees in practical, meaningful ways. As employers plan for 2027, LSAs offer a modern approach to well-being that fits today's workforce and tomorrow's expectations.

For brokers and benefits managers, LSAs are a forward-looking design trend that can help clients improve engagement, simplify administration, and offer benefits employees actually use.

ICHRAs Gain Momentum: Why Employers Are Reconsidering Defined-Contribution Health Benefits

Individual Coverage Health Reimbursement Arrangements (ICHRAs) are gaining real traction in 2026 as employers look for predictable costs and more employee choice. For many organizations, traditional group health plans have become too expensive, too complex, and too difficult to manage across multiple states. ICHRAs offer a different approach: employers set a defined contribution, and employees choose the individual health plan that fits their needs. With new regulatory updates and stronger carrier integrations, 2026 is shaping up to be a breakout year for ICHRA adoption.

Why Employers Are Taking a Fresh Look at ICHRAs

The biggest appeal of ICHRAs is cost stability. Traditional group plans can swing dramatically from year to year, especially for employers with younger workforces, high turnover, or multi-state operations. ICHRAs eliminate renewal volatility by letting employers set a fixed allowance. Employees then use that allowance to purchase individual coverage, often through the ACA marketplace.

ICHRAs also solve a long-standing challenge for employers with remote or geographically dispersed teams. Group plans often struggle to provide consistent coverage across multiple states. ICHRAs give employees access to local plans that match their region, provider networks, and pricing. This flexibility makes ICHRAs especially attractive for employers with hybrid or remote workforces.

Regulatory updates in 2026 have strengthened the model. New affordability rules, improved carrier integrations, and expanded enrollment support have reduced administrative complexity. Employers can now offer ICHRAs alongside traditional plans, giving employees more choice without forcing a full transition.

How ICHRAs Change the Employee Experience

Employees often appreciate the flexibility ICHRAs provide, but they need guidance. Many employees are unfamiliar with individual coverage and may not know how to compare plans. Employers that provide clear, simple instructions see smoother enrollment and fewer questions.

Most ICHRA vendors now offer licensed advisors who help employees evaluate plan options, understand subsidies, and choose coverage that fits their needs. This support is especially important for employees who have only ever enrolled in employer-sponsored group plans.

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Communication is the key to success. Employees need to understand:

- How the allowance works
- How to shop for coverage
- How premiums and subsidies interact

When employees understand the process, they feel more confident and more in control of their healthcare choices.

What Employers Should Evaluate Before Moving to an ICHRA

ICHRAs are flexible, but they require thoughtful planning. Employers should start by reviewing their workforce demographics, geographic distribution, and current plan costs. ICHRAs tend to work best for employers with:

- Multi-state or remote teams
- High renewal volatility
- Younger or diverse workforces

Employers should also evaluate allowance levels carefully. The allowance must meet affordability rules and provide meaningful support for employees. Most mid-market employers set allowances that align with local marketplace premiums for silver-level plans.

Finally, employers should choose an ICHRA vendor that offers strong enrollment support, clear communication tools, and reliable administration. The vendor experience plays a major role in employee satisfaction.

A Growing Part of the 2027 Benefits Landscape

ICHRAs are not the right fit for every employer, but they are becoming a major part of the benefits conversation. As organizations plan for 2027, many are reconsidering defined-contribution health benefits as a way to control costs, expand choice, and modernize their approach to healthcare.

For brokers and benefits managers, ICHRAs represent a timely, compliance-adjacent trend that will continue to shape employer strategy throughout 2026 and beyond.

Preventive Care Incentives: Small Changes That Reduce Big Claims

Preventive care has become one of the most reliable ways for employers to reduce long-term medical claims, yet participation rates remain stubbornly low across many organizations. The challenge isn't employee resistance—it's lack of structure. When preventive care is easy, incentivized, and clearly communicated, utilization rises quickly.

Employers are increasingly turning to targeted incentives to encourage screenings, early intervention, and chronic-condition management. These incentives don't need to be expensive. In fact, the most effective programs rely on simple behavioral nudges: small gift cards for completing annual physicals, premium differentials tied to biometric screenings, or wellness points redeemable for lifestyle benefits.

Digital tools are also reshaping preventive care engagement. Many employers now offer app-based coaching programs that help employees track blood pressure, glucose levels, or weight-management goals. These platforms integrate with medical carriers, allowing HR teams to monitor participation trends without accessing personal health data. When employees receive reminders, encouragement, and easy scheduling options, preventive care stops feeling like a chore.

Chronic-condition management is another area where incentives pay off. Diabetes, hypertension, and obesity drive a significant portion of employer medical spend. Employers are piloting programs that reward employees for attending disease-management classes, meeting with nutritionists, or maintaining medication adherence. These initiatives reduce complications, improve quality of life, and lower claims over time.

Communication remains the most important factor. Employees often don't understand what preventive care is covered, what it costs, or why it matters. Clear messaging—especially during open enrollment and mid-year reminders—helps employees make informed decisions. When preventive care is framed as a benefit rather than an obligation, participation increases.

Preventive care incentives are one of the few benefits strategies that improve employee well-being while reducing employer costs. With medical trend rising sharply in 2026, this is a timely opportunity for employers to strengthen their programs.