

Top trends and innovation in health & benefits

Mercer Health



For 2026, employers are addressing faster health cost growth while staying focused on affordability and inclusivity



Disrupting cost growth with bolder strategies

Expecting another year of higher cost growth, employers are doubling down on cost management. While some will use traditional cost-shifting, others are choosing alternative medical plans that steer employees to higher-value providers



Considering all dimensions of affordability

Affordability concerns are shaping health benefit cost management strategies as employers seek to ensure benefits' long-term value creation

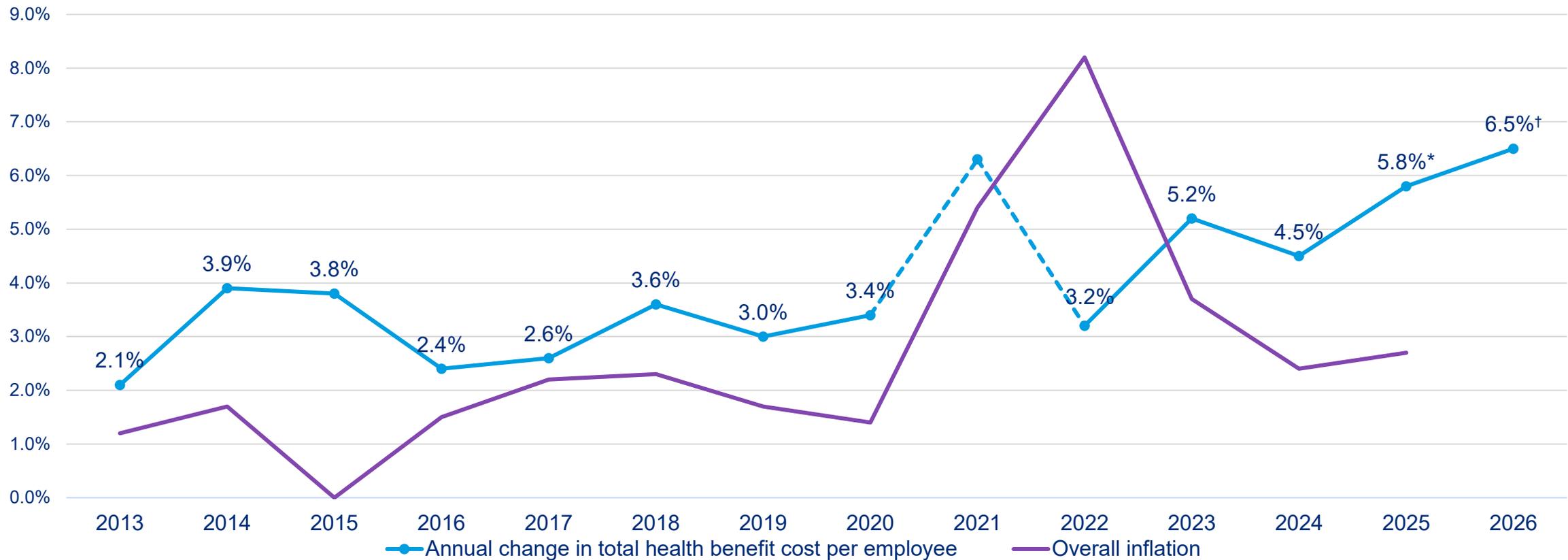


Inclusive benefits build workforce resilience

Employers are seeking to support varied workforce needs with inclusive benefits that have meaningful impact.

Employers expect health benefit cost per employee to rise 6.5% in 2026 (after making any changes to current plans), far outpacing CPI

Change in total health benefit cost per employee compared to CPI



*Projected. The actual cost increase for 2025 will be available later this year. †Preliminary data

2021 cost trend was disrupted by pandemic-related fluctuations in utilization

Source: Mercer's National Survey of Employer-Sponsored Health Plans (beginning in 2020 results are based on employers with 50 or more employees); Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation (September to September) 2013-2024, (July to July) 2025.

Key drivers of medical and pharmacy trends

Elements mitigating healthcare trend factors

Site of care redirection

- Shifting care delivery to less costly outpatient settings
- Higher adoption rates of virtual care enabled by new technologies



Availability of biosimilars

- Anticipated to drive price competition
- Potential improvement in originator product rebates as pharmaceutical manufacturers attempt to maintain market share



Elevated unit costs due to challenging provider contracting

- Inflationary environment adds provider pressure due to rising wages & expenses
- Growing clinician shortages
- Continued provider consolidation



Higher demand & utilization of services

- General elevated utilization patterns continue
- Continued increase in high-cost claimant prevalence and cost
- Mental health utilization remains high across all member types



Worsening health & aging population

- Growing chronic condition prevalence
- Rising cancer rates and costs, even across younger demographics
- Increased frequency of extreme weather events driving up heat-related illnesses, infectious diseases, respiratory issues and more



Rx trend driven by auto-immune, cancer, cellular & gene therapies and GLP-1s

- Robust pipeline of new specialty medications and expanded indications for existing specialty drugs
- Ongoing FDA approvals of new cellular and gene therapies
- Increasing use of expensive GLP-1s for diabetes, weight-loss (if covered) and other emerging clinical indications

Pressures driving up healthcare trend factors

Top five priorities for plan sponsors over the next 3-5 years

Slowing cost growth without shifting cost

1 Managing high-cost claimants

86%

2 Managing cost for specialty drugs

77%

Adding benefits that add value

3 Enhancing benefits to improve attraction and retention

71%

4 Improving health care affordability

66%

5 Expanding behavioral healthcare access

64%

Employers with 500 or more employees

A look at other strategies that the largest employers – the trendsetters -- are pursuing

Offering high-performance networks or steering to high-value care

59%

Addressing health inequities/social determinants

57%

Enhancing benefits/resources to support women's reproductive health

51%

Increasing use of virtual care throughout the health care journey

46%

Employers with 5,000 or more employees

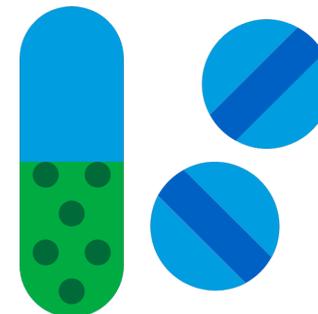
Health benefit cost after plan changes is expected to rise 6.5% on average in 2026

Behind the average cost, increases ranged from flat to double digits

Primary drivers are increased unit costs for healthcare services, specialty Rx and GLP-1s, And ongoing market consolidation are significantly impacting future medical and pharmacy trends

Innovative actions:

- Tighten vendor management
- Alternate funding (level funding, self-funding)
- Spousal coverage strategies
- Manage pharmacy trends through enhanced utilization management or manufacturer coupon programs



Employers have been adding coverage for GLP-1 drugs for the treatment of obesity – but will this trend continue?

Most employers covering obesity medications impose authorization requirements



In Mercer Survey on Health & Benefit Strategies for 2026, 77% of employers stated that managing costs for GLP-1 medications as being extremely/very important for 2026

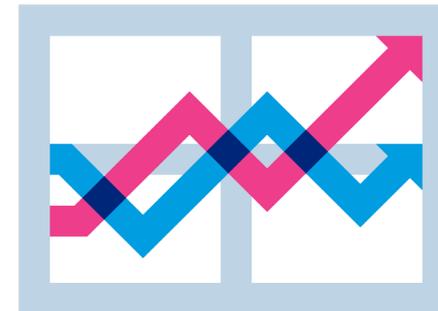
Affordability is a primary concern

Employers are exploring strategies to steer members towards high-quality, efficient providers to avoid cost shifting to employees and improve clinical outcomes

59% of employers are offering high-performance networks or steering to higher quality providers

Innovative actions:

- Strategies to support low-wage workforce
- High-performance networks
- Driving to quality provides through variable copay plans (e.g. Surest, SimplePay, etc) or other programs (e.g. Garner)



High-performance networks and alternative health plans allow employers to offer more affordable options

		Currently in place/planned for 2026	Considering for 2026 or 2027
1	National carrier high-performance network Typically, an overlay on a major carrier's broader PPO network	18%	24%
2	Independent vendor high-performance network Not including traditional HMOs	2%	12%
3	Other high-performance network plan Traditional HMO, regional health plan, reference-based pricing plan, etc.	15%	14%
4	Variable copay plan A plan in which copay amounts vary by individual providers and members can see the amounts prior to making an appointment	7%	20%

35%
offer one of these non-traditional medical plans or will in 2026

29%
are considering it

36%
are not considering it

Employers with 500 or more employees

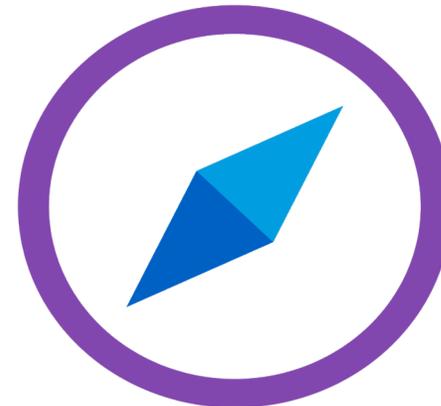
Employers are still wrestling with competing priorities

Main strategies focused on managing costs, enhancing benefits and improving affordability

Focus on providing benefits that meet employees where they are – behavioral health, financial wellbeing, reproductive health and policies that support work/life balance

Innovative actions:

- Point solutions or carrier buy-ups
- Wellbeing programs
- Inclusive plans and programs



3 Step Action Plan

1

Drive financing and vendor management efficiencies

- Work with vendors on packaged fees and bundled pricing
- Evaluate alternative financing (i.e. level funding or self-insurance)
- Evaluate spousal coverage strategies
- Tighten management of specialty Rx spend
- Guide employees to high quality, cost-effective providers with tiered or narrow networks and centers of excellence
- Audit vendors periodically

2

Improve access to care to improve health outcomes and reduce downstream costs

- Provide access to onsite or near-site clinics
- Introduce Virtual Primary Care options
- Invest in condition management via targeted point solutions or carrier buy-up programs
- Create a culture of health with general wellbeing programs

3

Understand unmet workforce needs to create an inclusive and affordable program

- Provide comprehensive mental health support (i.e. digital and virtual resources, carrier network evaluation, manager trainings)
- Expand resources to support reproductive health (concierge and navigation to care)