

Health Care Costs for Workers Begin to Climb

A survey shows employers expect a sharp increase in benefit costs for next year, and many will want workers to shoulder more of the burden.



By [Reed Abelson](#) | The New York Times

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Employees of large and small companies are likely to face higher health care costs, with increases in premiums, bigger deductibles or co-pays, and will possibly lose some benefits next year, according to [a large survey](#) of companies nationwide that was released on Thursday.

The survey of 1,700 companies, conducted by Mercer, a benefits consultant, indicated that employers are anticipating the sharpest increases in medical costs in about 15 years. Higher drug costs, rising hospital prices and greater demand for care are all contributing factors, experts said.

With the projected increases, this is the fourth consecutive year in which employers — and their workers — have faced significantly higher costs for health insurance, with next year representing the biggest jump since 2010.

A portion of the increases can still be traced to the lingering effects of the pandemic, but experts say the higher costs could represent a significant challenge. “I think affordability is a real issue for their work force,” said Ellen Kelsay, the chief executive of the Business Group on Health, which represents large employers that provide health insurance to their workers.

Without making any changes to benefits — which would involve moves like shifting more costs to workers or reducing benefits — employers said they expected next year’s increases in health costs to reach nearly 9 percent on average. By altering plans, they projected increases overall of 6.5 percent on average in health costs next year.

A quarter of those surveyed projected double-digit increases for 2026 even after changes to plans.

What will higher costs mean for workers?

While companies will impose a variety of measures to control health care costs, workers should expect their employers to pass on some of the burden.

Some companies will increase the insurance premiums deducted from workers' paychecks, while others will increase the out-of-pocket costs workers pay to see a doctor or get a prescription. "We're at a point in time where employers are really having to think hard about shifting costs or doing something really disruptive," said Tracy Watts, a senior partner and U.S. leader for health care policy at Mercer, which is a unit of Marsh McLennan.

In recent years, employees have largely been shielded from significant premium hikes. Even as [the cost of coverage](#) for a family of four increased to \$25,572 in 2024, the share paid by employees has remained relatively stable in recent years — about \$6,000 a year, on average, according to KFF, a nonprofit health research group.

Employees are likely to feel the pinch more acutely, given the current economic climate. "The context is different because groceries are more expensive," said Gary Claxton, a senior vice president at KFF. "Everything seems more expensive."

Many people are already struggling to afford medical care — a [recent poll](#) found that a third of Americans, about 91 million adults, said that if they were to need medical care, they would not be able to pay for it.

"People's situations are going to worsen," said Sara R. Collins, a vice president who studies health care coverage and access for the nonprofit Commonwealth Fund. "The drivers are all in the wrong direction in the problems people have in affording health care."

Some companies have become hesitant to ask employees to pay more, worried that workers will skip or delay medical care because they can no longer afford it.

"For a lot of employers, they feel they have stretched their employees as far as they can go," said Shawn Gremminger, the chief executive the National Alliance of Healthcare Purchaser Coalitions, which represents organizations that offer health benefits.

Workers may have fewer options

Some companies are considering changing the design of their benefits to offer less expensive alternatives. Some employers will add a plan that offers tiers of networks in which workers choose to pay less for fewer choices or more for a greater number of options, steering workers to hospitals where care might be less expensive. Others might feature plans in which patients have higher out-of-pocket costs when they get care from certain doctors or hospitals. Roughly a third of employers are considering offering this kind of alternative plan, according to Mercer.

Why are health care costs going up?

Benefit experts say the rising costs are the result of numerous factors, including higher labor costs for health care workers and the introduction of expensive new treatments, including pricey [weight-loss drugs](#).

Prescription drug costs are increasingly a concern, with [a lot of the blame](#) placed on both the drug manufacturers and the middlemen overseeing drug benefits, the pharmacy benefit managers, for keeping prices high.

Some employers are beginning to move toward smaller, independent benefit managers that say they will more aggressively pass on savings to their clients and be more transparent about what employers are actually paying for prescription drugs.

Both prices and the amount of care being used by employees are rising, said Sunit Patel, Mercer's chief actuary for health and benefits in the United States.

Roughly a third of the overall increase is the result of higher prices charged by hospitals, doctors and other providers, he said.

But there is a higher demand for services, and specialized, expensive treatments for cancer and other diseases are driving medical costs upward.

The aging of the population, workers who stay longer in jobs and the ability to more easily receive care through telemedicine and other means has also fueled costs by expanding access and use, said Ms. Watts of Mercer.

Patients are also being diagnosed with cancer at younger ages.

Rising hospital prices are also a culprit. Hospitals have encountered labor shortages and higher costs since the pandemic, and many have taken advantage of less competition to raise their prices.

It is likely to get worse

A series of economic and policy changes will affect many health care sectors.

For one, President Trump's decision to impose tariffs on imports from many countries could eventually increase the price of drugs and medical supplies, because much of the supply chain begins overseas and those items are largely produced in other nations.

Policy changes related to health care under the Trump administration and the Republican-controlled Congress could drop millions of Americans from Medicaid or subsidized Obamacare insurance, driving up costs for hospitals and other providers. They in turn often try to recoup losses indirectly by charging employer plans at higher rates.

“As hospitals and providers see more uninsured, we always worry that those costs will be absorbed in the system and passed along in terms of higher commercial prices,” said Don Moulds, the chief health director for CalPERS, which offers health benefits to state and local employees in California.

Will some employers drop health care coverage as costs rise?

In some competitive business sectors vying for laborers, health benefits remain a lure and, to a great extent, are a mainstay of a stable work force.

“I think employers are stuck with it because it is such a valuable benefit to employees,” said Paul B. Ginsburg, a health policy professor at the University of Southern California.

Reed Abelson covers the business of health care, focusing on how financial incentives are affecting the delivery of care, from the costs to consumers to the profits to providers.