Health Insurance Costs for Businesses to Rise by Most in 15 Years

Insurers say that the rising premiums are driven by growing healthcare costs

By
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U.S. businesses are facing the biggest health-insurance cost increases in at least 15 years, after already-steep boosts in recent years that have pushed the annual expense for family coverage high enough to equal the price of a small car.

Costs for employer coverage are expected to surge about 9.5% in 2026, according to an estimate from Aon, while an employer survey by WTW suggested 9.2%. Both benefits-consulting firms' projections, which were provided exclusively to The Wall Street Journal, would represent the fastest rate of increase since at least 2011, when the price tags for employer coverage were far lower than the recent average of roughly $25,500 for a family plan.

Other employer surveys conducted this year have generated similar findings—sharp hikes in health-coverage spending for next year, on top of two years of significant increases.

"It's an unsustainable number for a lot of employers," said Shawn Gremminger, chief executive of the National Alliance of Healthcare Purchaser Coalitions, which represents employers. The reaction from employers to the increases "ranges between upset, shocked, freaked-out and resigned," he said.

Insurers say rising premiums for health coverage are driven by the growing cost of healthcare. The causes include higher prices for hospital care, expanding use of services—due in part to higher prevalence of conditions such as cancer in the working-age population—and pricey drugs, including the popular weight-loss and diabetes treatments known as GLP-1s.

Employers are moving to blunt the spike, and tactics such as changing plan designs are likely to shave a percentage point or two from the average increase, the benefits firms said. Some are pushing more costs to employees through larger payroll deductions for premiums or higher out-of-pocket charges such as deductibles.

"It's a hard choice that makes you sick to your stomach," says Troy Morris, CEO of Kall Morris Inc., a space-services company in Marquette, Mich., with about 20 employees. His firm pays the entire cost of its workers' premiums, and has long tried to hold down what they pay to access care, he says.

The cost of the company's health plan grew roughly 20% for the plan year that started Aug. 1, after a 9% increase in 2024. Kall Morris ended up sticking with the same plan design. However, the plan's out-of-pocket maximum—the annual cap on what workers might have to pay for care—increased to $10,000 per family, up from $8,150.

In one sign of corporate America's dissatisfaction with the health-coverage status quo, the WTW survey, which was performed this summer and largely focused on bigger employers, found that 60% were planning to look at replacing their health insurer or pharmacy-benefit manager in the next few years. It also found that nearly a third of employers surveyed are giving priority to new plan designs that could include changes such as limits on access to certain doctors or hospitals.

Mutual of Omaha stopped covering GLP-1 drugs for weight loss this year. PHOTO: MUTUAL OF OMAHA

Mutual of Omaha, which sells life insurance and other financial products, expects to launch a process later this year to find new health-plan and drug-benefits administrators, after seeing healthcare costs increase by double digits this year. The company wants to include smaller vendors offering alternative products, not just the giants that serve most employers, said Steven Schlange, vice president of human resources.

The Omaha, Neb.-based company, with roughly 6,300 employees, this year stopped covering GLP-1 drugs for weight loss, a category that includes Wegovy and Zepbound. Spending for the drugs had grown, and the company wanted to implement a program that would help patients maintain weight loss after stopping their GLP-1 medications. But its pharmacy-benefit manager said that if Mutual of Omaha moved forward, it would forfeit lucrative rebate payments.

“We’re certainly frustrated,” Schlange said. Requesting new benefits vendor bids “gives us an opportunity to go out in the marketplace and look at different options.”

Rising employer healthcare costs are driven in part by the continuing impact of inflation, which has been playing out in higher prices negotiated by hospital systems. New, higher-cost drug therapies, including the GLP-1s, are also raising spending, insurers and benefits consultants say.

What will be the ripple effects of the spike in health insurance costs? Join the conversation below.

“This is the worst I’ve seen,” in rapid escalation of healthcare costs, said Pam Kehaly, CEO of Blue Cross Blue Shield of Arizona. “It’s happening so fast, it’s happening so broadly.” She points to more aggressive billing by some healthcare providers, potentially powered by artificial-intelligence tools.

In addition, Americans are using more healthcare services, partly due to rising care for serious health issues such as cancer, cardiovascular conditions such as atrial fibrillation, and musculo-skeletal problems that can lead to lower-back and joint procedures, said Kirk Roy, chief actuary at Blue Cross Blue Shield of Michigan.

“Diseases that we usually thought of as for elderly, we’re seeing more and more in a younger, working-age population,” he said.

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