# US Employers Abandon Group Health Insurance as Price Hikes Bite

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## Summary by Bloomberg AI

- A growing number of US employers are opting out of group insurance and entering Health Reimbursement Arrangements (HRA) due to the largest price hikes on employee health plans in 15 years.
- Under the HRA model, companies give employees a stipend to purchase health insurance on the Affordable Care Act marketplace or another exchange, shifting more risk and responsibility for health care to individual employees.
- The HRA Council reports that more than 20,000 companies entered HRAs in 2026, a 53% increase from last year, with ICHRAs covering an estimated 350,000 to 700,000 American workers' families.

As US employers brace for the largest **price hikes** on employee health plans in 15 years, a growing number are opting out of group insurance altogether.

Instead of providing medical benefits directly, more than 20,000 companies entered Health Reimbursement Arrangements (HRA) in 2026. That's an increase of 53% from last year, according to a new report by advocacy group the HRA Council.

Under the HRA model, companies give their employees a stipend to purchase health insurance for themselves and their dependents on the Affordable Care Act marketplace or another exchange. The growing popularity of HRAs has **garnered comparisons** with the transition from defined-benefit pensions to **the 401(k) savings plan** as corporate America's default retirement option.

Like 401(k)s, HRAs shift more risk and responsibility for health care to individual employees. The plans available to workers can vary widely by where they live, with more than a dozen insurers offering plans in some counties and only one in others. Individual plans also often have higher deductibles than traditional employer-sponsored group plans and are accepted by smaller networks of doctors and hospitals, according to **Georgetown University's** Center on Health Insurance Reforms. Premiums in the ACA market also rose about 20% last year after Congress declined to extend Covid-era cost subsidies.

Robin Paoli, the HRA Council's executive director, called the reimbursement plans an "elegant" solution to growing frustration among workers over spiraling costs and coverage changes. Allowing each employee to purchase their own plan frees them to pick the most useful benefits and to stick with the same plan if they change jobs, Paoli said.

"It's putting the employees' health and wealth and wellbeing into their own hands," she said, but added that workers will likely have to put more effort into selecting their first policy with an Individual Coverage Health Reimbursement Arrangement (ICHRA), compared with enrolling in a traditional employer group plan.

Before 2020, only small companies could use HRAs to reimburse employees for individual health plans. That changed when the **introduction** of the ICHRA made such programs available to all employers. Companies had been slow to adopt HRA plans until recently and uptake is still relatively modest: ICHRAs cover an estimated 350,000 to 700,000 American workers' families, while 160 million Americans receive health benefits from their employers, according to the Employee Benefit Research Institute.

Still, awareness is growing as the cost of group plans rises. Consultancy Mercer forecasts that expenses will reach **$18,500 per employee** this year, a 6.7% increase over 2025 and the biggest jump in 15 years. ICHRAs give employers more control over how much spending on employee benefits changes from year to year.

The median employee on an ICHRA received a monthly allowance of $459 in 2026 and paid a premium of $567, according to the HRA Council. They estimate that nearly one in five workers found a plan that cost less than their employer's contribution, with many able to use the extra funds to cover other medical expenses.

TURN Community Services human resources director Brenda Harris transitioned the Utah nonprofit from traditional group health insurance to an ICHRA four years ago after the insurer they were using proposed a 19% rate hike.

"It was, 'do we close our doors? Do we make everyone a part-time employee and not offer benefits, or do we go with the ICHRA?'" Harris said. "Getting everybody's head wrapped around that took a minute, though employees loved it."

Harris added that TURN has saved about $500,000 a year on health benefits, with roughly 200 employees participating. The workers themselves also now pay less out of pocket each month, she added, though last year's **double-digit premium increases** on marketplace plans ate into their savings.

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