Employer Health Costs Are Expected to Spike in 2027

A new U.S. survey anticipates an average increase of 11 percent unless benefits are cut, the highest rate in decades. Other findings also predict a sharp rise.

By Reed Abelson
Sept. 2, 2026

Large and small employers are bracing for what looks to be the sharpest increase in health care costs in more than two decades. The cost per worker is projected to go up an average of 11 percent next year, or somewhat lower if workers' insurance benefits are reduced, according to a U.S. survey released Wednesday.

The employers' final costs, after they make changes to health plans, are still expected to increase about 8 percent next year, the steepest since 2003, according to Marsh, the benefits consultant formerly known as Mercer.

More than a third of the 1,800 employers surveyed said they anticipated that costs would rise at least 10 percent after making cuts.

"This year was a rough year, and next year looks like it will be even rougher," said Beth Umland, director of employer research for health and benefits at Marsh, in an interview.

The Marsh survey is the latest report by an employer group or benefit consultant predicting a sharp rise in health care costs next year. Many Americans, even those with insurance, are already struggling to afford care, according to various surveys, and health care has become a top issue for voters.

"This seems to be a new normal," said Ellen Kelsay, the chief executive of Business Group on Health, which represents large employers that offer health benefits.

From 2018 to 2027, health care costs could increase 76 percent, roughly twice the rate of general inflation, according to a survey the employer group released last month. For next year, companies predicted a 9.2 percent median increase, which fell to 8 percent after they made benefit changes.

The cost of providing coverage to employees is becoming an existential business issue, said Mike Pasterick, an executive at the insurance broker Aon, which issued its own projection last month. Aon estimated employers' costs would rise 9.5 percent next year, pushing the average cost per employee above $19,000 if no changes are made. "This is impacting the companies in a very material way," he said.

The upshot is that about 160 million people under 65 who rely on employers for health insurance will again confront higher costs and shoulder more of the burden. More and

more, workers are facing year-over-year increases that further stress household budgets already dealing with the growing expenses of groceries and gasoline.

Workers are facing higher premiums, deductibles and co-pays, which require them to carry a larger share of their medical bills. Some companies are cutting benefits by discontinuing coverage of expensive GLP-1 drugs to treat obesity, or dropping coverage for spouses who have other insurance options.

Employers and benefits consultants cited a number of factors contributing to higher costs: rising prices for hospital care and prescription drugs, including expensive medicines for cancer, and robust demand for GLP-1 drugs to treat conditions like diabetes.

But they also pointed to new contributors like hospitals' and doctors' use of artificial intelligence to increase payments through better documentation of care. They also blamed increasing reimbursements to some doctors who are out of network and are exploiting a new consumer protection law that allows them to challenge what they were originally paid.

The pressure by hospitals and doctors to charge employers even more is likely to intensify with looming cuts to government plans like Medicaid, the federal-state program for low-income individuals. Hospital groups are already seeing an increase in the number of patients who don't have insurance or can't pay their bills, and many are expected to charge employers more to help make up for lost revenue.

Many employees are already being asked to pay significantly more of their medical bills. Workers are paying an average of 10 percent more in out-of-pocket costs in 2026 — some $2,167 — than they were last year, Aon estimated.

These kinds of increases are not sustainable, said Rosa Novo, the benefits administrator for Miami-Dade County Public Schools, which covers about 45,000 employees and their families. "It's become really, really difficult, extremely difficult," she said. The bulk of the system's costs are for hospital care, she said, but among the fastest-growing expenses are pharmacy costs.

For the first time, the school system is exploring new ways of delivering care. "We're having to reinvent the way we operate," Ms. Novo said. The system is considering contracting directly with hospitals and doctors for some of its employees' care, like imaging, rather than relying on its insurer to negotiate for it. The system is also starting to demand more visibility into what it pays for care, requiring audits and detailed information about claims.

"I personally see a readiness to do things differently," said Elizabeth Mitchell, the chief executive of the Purchaser Business Group on Health, which represents employers. She

said employers were more interested in seeing more information from insurers about how they were spending their money and consideration of alternatives.

“It’s more than just talk,” she said, saying many companies are revisiting their arrangements with their insurer or pharmacy benefit manager.

Like the Miami-Dade school system, many companies are in discussions directly with local hospital groups or other organization to provide care outside their traditional insurance plans. Others are contemplating ways to steer patients to select hospitals or doctors, either by charging them less to see those providers or limiting where employees can get care.

“We’re seeing a lot of employers taking a closer look at the network,” said Eric Miller, a vice president at Segal, another benefits consultant, despite concerns that employees will be upset if they can’t see their longtime doctor or go to the hospital of their choice.

“Unequivocally, there is more openness to change and disruption than there ever has been,” he said.

Smaller employers may be making the most significant changes, said Shawn Gremminger, the chief executive of the National Alliance of Healthcare Purchaser Coalitions, many of whose members are smaller companies.

“I think it’s the smaller market where the pain is most acute,” he said.

While some are considering moves like offering employees a fixed amount of money to pay for a plan, others are taking a close look at the giant companies that sell them insurance or pharmacy benefit management. In the alliance’s most recent survey, 54 percent of employers said they were working with one of the three largest pharmacy benefit managers, a drop from 63 percent the year before. Many said they were moving to one of the smaller pharmacy benefit managers, many of which promise more transparency about how they operate and what they pay for drugs.

“We may be seeing a tipping point,” Mr. Gremminger said.