

Benefits Insights

Helping Employees Understand Rising Health Care Costs



Health care costs in the United States continue to climb, placing increasing pressure on employers and employees alike. Organizations that offer health benefits are challenged with managing escalating expenses while maintaining transparency and trust with their workforce.

As employers are likely to spend more on health care, it's important for them to understand the drivers behind rising health care costs and communicate these realities effectively to their employees. It's no longer reasonable for organizations to fully absorb cost increases, so cost sharing is one of the primary ways they will deal with rising costs this year and beyond.

This article explores why health care costs are continuing to rise in 2026 and how to communicate this to employees.

2026 Health Care Cost Projections

Finding ways to manage rising health care costs while keeping benefits affordable for employees is critical for employers in 2026; however, it won't be easy. Health care costs in the United States continue to climb at a staggering pace. A recent Business Group on Health (BGH) survey revealed that U.S. employers predict a 9% increase in health care costs for 2026. This would be the most significant annual increase in health care costs in more than a decade, outpacing recent years where organizations generally predicted 7%-8% growth in costs. The projected 9% increase is before plan design changes and is 7.6% after cost-control measures, such as cost sharing, revisiting benefits offerings and evaluating vendors. Other surveys are also predicting a cost increase between 8.5% and 10% in 2026.

Reasons Why Health Care Costs Are Rising

Employers credit the 2026 increase in part to general rising pharmacy costs, especially the high cost and usage of glucagon-like peptide 1 (GLP-1) agonists, spending on cancer care, more prevalent high-cost treatments, rising incidences of chronic and complex conditions, and an uptick in mental health conditions. BGH survey results revealed that employers expect pharmacy cost trend to increase by 12% in 2026 (11.3% after plan design changes).

According to the BGH survey data, employers are implementing several cost management strategies. Surveyed employers say they will focus more on preventive care and screening coverage, limit or reduce coverage for GLP-1 agonists, bargain harder with vendors and explore nontraditional prescription drug models.

In preparation for 2026, employers are expected to double down on cost-containment strategies, including more aggressive contract negotiations, increased cost sharing and greater investment in employee well-being programs aimed at reducing long-term health risks. There's also growing interest in alternative funding models, such as level funded plans.

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Communicating With Employees

Transparent and empathetic communication is essential to help employees understand and navigate rising health care costs. Consider the following communication strategies:

- **Develop clear, concise and simple messaging.** Employers should avoid jargon and complexity when sharing open enrollment and general employee benefits information. It's important to use straightforward language to explain why costs are rising and what steps the organization is taking to manage them. Consider highlighting any positive changes, such as coverage for more specialty drugs or added wellness benefits.
- **Educate employees on cost drivers and plan usage.** The end goal is to help employees become informed health care consumers so they feel confident in their health care decisions and make informed decisions that can result in lower costs. To do this, employers can share insights on how employees can use their plans effectively, avoid unnecessary costs and understand the value of their benefits. Resources like cost comparison tools and provider directories can be helpful for employees.
- **Communicate the changes proactively.** It's best to inform employees about benefit changes before they take effect. Regardless of whether the change is for the better or worse, explain the rationale behind adjustments and how they impact care options. This transparency can help reduce confusion and build trust.
- **Highlight cost-containment efforts.** Show employees what you're doing to manage costs (e.g., negotiating with providers, using reference-based pricing, offering telehealth or investing in wellness programs). This reassures them that you're actively working to protect their benefits.
- **Use real-world examples.** When possible, employers can put benefits offerings in context with real-world scenarios. Employees can relate to stories, so find ways to bring the options to life. For example, use relatable scenarios to illustrate how cost drivers affect the organization and employees. For example, explain how a new high-cost medication impacts premiums or why increased mental health utilization is a positive but costly trend.
- **Explain macroeconomic factors.** The main point for employees to understand is that these rising costs aren't specific to the organization—they are happening everywhere. Employers can share resources that explain why costs are going up (e.g., inflation, labor costs, diagnostics and therapeutics advances and provider consolidation) so that employees understand the bigger picture.
- **Use multiple communication channels.** No matter the topic, organizations should tailor communication methods to their workforce. Working arrangements, such as on-site, hybrid and remote, also will play into communication channels. For some employers, it may be best to combine in-person meetings, digital tools (e.g., intranet, chat and email), and printed materials to ensure everyone receives and understands the information.

Conclusion

Staying ahead of rising health care costs will require not just tactical adjustments but a strategic rethinking of how benefits are designed, delivered and measured for value. Savvy employers who act now will be better positioned to weather the challenges of this year and beyond. Ultimately, employers can play a pivotal role in helping employees understand and manage the impact.

Contact us today for more workplace resources.

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