Benefits Insights

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Market Forces Impacting Self-funded Employers in 2026

For many self-funded employers, 2026 is shaping up to be a year defined by rising complexity. Healthcare utilization remains elevated, specialty drug costs continue to climb, high-cost claims are occurring more frequently and stop-loss carriers are responding with tighter underwriting practices. Because self-funded employers fund claims directly rather than transferring that risk to a carrier, these pressures tend to show up in their plans faster and more visibly than in the fully insured market.

This article examines the market dynamics influencing self-funded employers in 2026 and how they may continue to shape costs, risk management and plan strategy in 2027.

The Stop-loss Market Continues to Tighten

Higher claim severity and a growing number of large claims continue to influence the stop-loss market in 2026. Cancer treatment, specialty drugs, complex surgeries and chronic illness remain the leading drivers of that growth. Carriers are responding with tighter underwriting, particularly on plans carrying ongoing high-cost claims or heavy specialty pharmacy exposure. At renewal, employers may notice:

- **Increased underwriting scrutiny**—Carriers are requesting individual-level data on ongoing treatments, upcoming procedures, and specialty drug utilization, not just aggregated claims history, to identify participants likely to generate catastrophic claims.
- **Higher specific deductibles**—Standard attachment points are moving up across the board, not just for lasered individuals, as carriers price in the assumption that large claims will keep arriving at a faster pace.
- **More restrictive laser provisions**—A laser sets a higher specific deductible, sometimes two to three times the standard attachment point, for one individual identified as elevated risk, shifting more of that person's risk back to the employer.
- **Closer review of specialty drug exposure**—Carriers are digging into formulary detail rather than total pharmacy spend, and some contracts now carve out pharmacy exposure entirely or apply lasers specific to a drug category.

Provider Costs Continue to Climb

Hospitals and health systems are under financial pressure of their own, and that pressure works its way into the claims that self-funded employers pay. Labor is the biggest driver, accounting for roughly 60% of hospital expenses, according to the American Hospital Association. Ongoing staffing shortages and wage growth continue to put upward pressure on those costs.

Rising costs are also being driven by provider consolidation. When hospitals and health systems merge, they often gain greater leverage in negotiations with insurers, which can lead to higher reimbursement rates for the same services. Unlike a fully insured plan, a self-funded plan feels the impact of reimbursement increases immediately. There is no premium renewal cycle to delay or absorb those higher costs, which is why network design and reimbursement strategy have become increasingly important tools for managing plan spending.

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Specialty Pharmacy Remains a Key Cost Driver

Specialty drugs accounted for 53% of total U.S. prescription drug spending in 2025, with specialty spending up 15.2% from 2024, according to a peer-reviewed analysis published in the American Journal of Health-System Pharmacy in July 2026. Glucagon-like peptide-1 (GLP-1) medications remain among the fastest-growing categories in that spend. A 2026 survey from the International Foundation of Employee Benefit Plans found that GLP-1 drugs accounted for 11.4% of annual claims this year, up from 6.9% in 2023, and cost remains a primary factor in employer decisions about whether to continue covering these medications for weight loss.

Cancer and rare-disease treatments continue to dominate the new drug development pipeline, with half of the novel drugs approved in 2025 carrying an orphan drug designation. A growing share of that pipeline consists of cell and gene therapies, which often carry one-time price tags ranging from hundreds of thousands to millions of dollars. As these therapies become more prevalent, costs are likely to become increasingly concentrated in specialty drug categories. In response, many employers are taking a closer look at pharmacy benefit manager contract terms, specialty drug management programs and biosimilar alternatives as part of their cost-containment strategy.

When a high-cost specialty claim occurs, a self-funded plan absorbs the expense right away. Without a premium cycle to spread costs over time, decisions about formulary management and pharmacy benefit manager contracts have a more direct and immediate effect on plan spending.

Utilization and Chronic Conditions

Healthcare spending is affected by more than price. Utilization continues to rise across most areas of care. A data brief released in June 2026 by the Centers for Disease Control and Prevention's (CDC) National Center for Health Statistics found that 14% of U.S. adults received counseling or therapy in the past 12 months, and behavioral health claims have grown accordingly. Chronic conditions such as diabetes, cardiovascular disease and obesity remain closely tied to a plan's largest claims. The CDC estimates that people with chronic and mental health conditions account for 90% of the nation's $5.3 trillion in yearly healthcare spending, and an aging workforce is adding to demand across a wide range of treatment categories. For self-funded plans, rising utilization shows up directly in claims experience rather than being smoothed out over time, making ongoing monitoring, condition management and early intervention standard components of a long-term benefits strategy rather than optional add-ons.

Conclusion

Self-funded plans continue to offer employers flexibility and long-term opportunities to manage healthcare spending. At the same time, organizations are operating in an environment shaped by tighter stop-loss underwriting, concentrated specialty pharmacy spending and growing healthcare utilization. GLP-1 medications, cell and gene therapies, chronic disease prevalence and sustained demand for healthcare services are likely to remain key areas of focus for employers and stop-loss carriers heading into 2027.

Contact us to discuss how these market developments may affect your self-funded plan and explore strategies that align with your benefit goals.