Benefits Insights

Key Takeaways From the 2026 Employee Benefits Market Outlook

NIS
National Insurance Services

In 2026, the employee benefits market is being shaped by a variety of trends, including regulatory volatility, shifting compliance priorities, accelerated cost pressures and ever-evolving workplace demands. Here are six key takeaways from Zywave's 2026 Employee Benefits Market Outlook.

1. Health Care Costs Are Rising

Health care costs have surged in recent years, and this trend shows no signs of slowing. Industry sources project that health care costs are likely to increase by 6.5% in 2026, with some estimates exceeding 10%. As costs climb, offering competitive health benefits has become a major challenge for employers. In fact, Zywave's 2025 Broker Services Survey found that balancing attractive benefits with rising health care costs is employers' top HR and employee benefits concern.

This marked increase is driven by a combination of factors, including, but not limited to, the continued adoption of glucagon-like peptide-1 (GLP-1) drugs, a heightened interest in specialty medications, sustained pressures affecting the health care labor market and an increased prevalence of chronic health conditions. While most employers can't expect to entirely offset projected increases, they can prepare by focusing on targeted cost mitigation, effective employee communication, cost-sharing strategies and engagement. Rising costs may be unavoidable, but informed employers who anticipate these trends will be better positioned to manage financial impact and maintain competitive benefits in a challenging market.

2. Specialty Drug Market Expands

The specialty drug market continues to expand rapidly, driven by a surge in approvals by the U.S. Food and Drug Administration (FDA) and a robust pipeline of innovative therapies. These high-cost, high-impact treatments are reshaping the pharmaceutical industry, with specialty drugs now accounting for the majority of new drug approvals. Around 80% of all FDA approvals in 2025 fell into the specialty category, reflecting a shift toward more targeted, complex therapies for chronic and rare conditions. This rapid growth is fueled in part by plan participants using cell and gene therapies, as well as biologics and biosimilars.

The complexity of these therapies, and in many cases, their unique payment structures, add to the challenge. Still, the momentum behind specialty drug innovation shows no signs of slowing, signaling a continued evolution in how health care is delivered in the years ahead. Although specialty medications account for only a small percentage of prescriptions, they comprise a significant amount of total drug spending. A report from the Department of Health and Human Services found that approximately half of drug spending falls under the specialty category, and this number is expected to climb. Employers should continue to monitor how specialty drugs will impact their health care spending. In 2026, expect specialty drugs to account for the majority of new approvals.

3. Fertility Benefits on the Rise

The market for employer-provided fertility benefits is entering a period of expansion, driven largely by regulatory guidance and strong evidence that these benefits are important for employee attraction and retention. With infertility being recognized as a disease by the World Health Organization and the American Medical Association since 2017 and affecting 1 in 6 people globally, employers are increasingly considering fertility coverage as a critical component of their benefits package. According to the Maven Clinic's 2025 State of Women's and Family Health Benefits report, 2 in 3 employers plan to invest in family health benefits within the next three years, a 44% increase since 2024. This surge is largely due to the positive impact family-building benefits can have on employees' mental health, performance and loyalty.

4. AI Impacts Benefits

Artificial intelligence (AI) is rapidly transforming the way organizations operate, with significant implications for HR and employee benefits administration. Notably, one of the most significant areas of impact is how AI is changing the way employers manage benefits.

Traditional benefits packages often follow a one-size-fits-all approach, which can leave employees feeling underserved. AI changes this dynamic by enabling data-driven personalization. Mercer's latest Global Talent Trends study found that approximately 40% of HR leaders use AI for benefits administration. AI systems can analyze employee data (e.g., health claims, lifestyle preferences and engagement history) to recommend benefits that align with individual needs. This means employees are more likely to be offered relevant options, such as mental health support, fertility services or chronic disease management. The result is a more meaningful benefits experience that drives higher satisfaction and utilization.

Overall, technology is transforming wellness from generic programs to personalized experiences. Wellness platforms driven by AI analyze employee preferences, health data (with consent) and engagement patterns to deliver tailored recommendations (e.g., stress management module, a nutrition plan or a financial wellness resource).

5. Gen Z and Millennials Reshape Wellness

Generation Z (Gen Z) and millennials make up the majority of the workforce—and they're reshaping wellness expectations. These generations (born between 1981 and 2012) prioritize holistic well-being, flexibility and inclusiveness. McKinsey's Future of Wellness research revealed that 30% of these cohorts are prioritizing wellness "a lot more" compared with one year ago, versus up to 23% of older generations. Stress, burnout, anxiety and worry are top mental health concerns for Gen Z and millennials, and they're prioritizing health and sleep. Furthermore, the Gen Z and millennial generations generally consider wellness a daily priority rather than an occasional indulgence. In fact, McKinsey reports that these generations account for more than 41% of annual wellness spending. To put this into perspective, consumers aged 58 and older account for only 28% of wellness spending. These young consumers are more likely to spend their hard-earned money on wellness-related items and services, including recovery, skin care and hair care, and nutrition assistance.

In general, these younger working generations are interested in a personal and holistic approach to wellness that's based on science-backed support and helps them focus on recovery and longevity.

6. Workers Prioritize Financial Wellness

Economic uncertainty and rising health care and living costs have pushed financial wellness to the forefront. Employees increasingly link financial stress to mental health challenges, making this an essential pillar of workplace well-being. Moreover, Vanguard research found that nearly 75% of Americans fell short of their saving and spending resolutions in 2025. However, they're ready to recommit in 2026 and are optimistic about it. As such, 84% of Americans have a financial resolution for 2026, with the top two resolutions being to build an emergency fund and use a high-yielding account for short-term savings goals. While the majority of workers are concerned about economic uncertainty this year, there are some generational differences. For example, baby boomers are concerned about unexpected expenses, millennials are struggling with insufficient income and Gen Z is most likely to live beyond their means. In response to the growing need for financial education and support, more organizations may offer benefits such as student loan repayment, EAPs and financial education workshops.

Conclusion

The employee benefits market is expected to undergo significant changes in 2026. Ultimately, this year will require employers to be strategic and adaptable as they navigate imminent challenges. Contact us today to receive your full copy of the 2026 Employee Benefits Market Outlook.