



Beyond quick fixes: Building sustainable health plans amid rising costs



When benefits don't deliver desired results, employers may be tempted to make quick changes. Consider the advantages of taking a more measured approach instead.

With employer medical costs projected by industry sources to rise by 8.5% or more in 2026 – and pharmacy costs expected to surge even higher¹ – the challenge of offering quality benefits while managing the bottom line is intensifying.

Employers are under growing pressure to deliver health plans that meet employee expectations and remain financially sustainable. That's why strategic planning and long-term cost management are more critical than ever.

"As we head into 2026, employers are facing significant health care cost increases as well as a growing number of solutions and technological advances that can add to the complexity of building a sustainable health plan strategy," explains Jim Winkler, chief strategy officer for Business Group on Health. "Employers may need to take a closer look at their existing plans and be prepared to make bold moves, if necessary, to accomplish the task ahead."

However, when considering bold actions, it's important to assess both the short- and long-term implications of any changes – on health outcomes, costs and employee satisfaction. While being nimble and responsive to current trends is essential, staying focused on broader goals and understanding the full context may help avoid reflex decisions based on short-term plan performance.

Reactionary tactics like cost-shifting or benefit reductions may offer immediate relief but can also have a negative effect. For instance, employees who are accustomed to certain cost-share or coverage may resist changes, potentially leading to dissatisfaction or even turnover.²

"It can be difficult for employers to accurately gauge a health trend after 1 year. That data can be skewed by a number of factors," explains Craig Kurtzweil, chief data and analytics officer for UnitedHealthcare Employer & Individual.

"For instance, the impact of making a change to benefit offerings may not be felt that same year if many employees aren't accessing that particular benefit. So that change may not lead to a reduction in costs, but then the next year, when more employees access that benefit, that's when employers may see the cost savings."

Conversely, a newly introduced benefit may see a spike in utilization simply because it's new – only for interest to wane in subsequent years. Evaluating data across a 3-year span may offer a more accurate picture.

This kind of long-term analysis can be challenging, especially when costs spike due to catastrophic or high-cost claims and leadership pressures mount to contain spending. But often, such spikes are anomalies, with costs reverting to the norm the following year.

Instead of focusing solely on costs in the first year, employers could prioritize engagement metrics. In year 2, with a full set of data, they can begin analyzing costs. By year 3 to 5, they'll have a more complete picture to more informed decisions – whether that means removing underutilized or redundant benefits, adding solutions to address cost drivers or focusing on programs that deliver strong value.

It's important to remember that some programs and benefits naturally take longer to show results. **Wellness initiatives** that help employees establish healthier habits may boost engagement and morale within months, but reductions in health care costs and absenteeism often take longer to materialize.³ Similarly, chronic condition management programs may require time to stabilize **complex conditions** before they begin to deliver better outcomes and lower costs.

Key takeaways for employers

Looking at long-term trends in claims data – rather than reacting to a single year – may help employers:



Avoid short-term anomalies

Data analysis from a single year may be skewed by unusual events, such as a spike in single-occurrence catastrophic claims or high initial adoption of a new benefit



Identify recurring patterns

Multi-year analyses may help reveal recurring patterns, seasonal fluctuations or underlying trends in claims frequency, severity and costs – giving employers a more accurate picture of their workforce utilization



Develop effective interventions

Identifying persistent trends in health issues or claim types may help pinpoint areas needing targeted interventions – such as specific clinical management programs or preventive screenings – potentially leading to better cost control and improved health outcomes



Prevent additional costs

Switching carriers or adding a new program or vendor may incur administrative, implementation and education costs and resources



Reduce employee abrasion

Removing established benefits may be perceived by employees as a reduction in total compensation or care options, potentially impacting satisfaction and retention

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¹ No let up in sight. Medical cost trend set to grow at 8.5%. Is your playbook ready? PwC, July 16, 2025. Available: <https://www.pwc.com/us/en/industries/health-industries/library/behind-the-numbers.html>.

² Sustainable solutions for rising costs: a new era in employer healthcare benefits. MarshMcLennan Agency, March 26, 2025. Available: <https://www.marshmma.com/us/insights/details/how-to-reduce-employer-healthcare-costs.html>.

³ Evaluating ROI for Employee Wellness Programs: Updated Insights for 2025. Macorva, Sept. 10, 2024. Available: <https://www.macorva.com/blog/evaluating-roi-for-employee-wellness-programs-updated-insights-for-2025>.

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