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HR Edge

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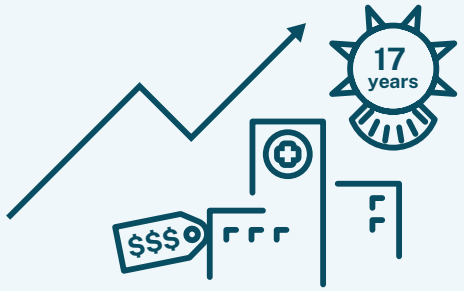
Rising Healthcare Costs and 2027 Predictions

Entering 2026, employers braced for another year of rising healthcare costs, and that prediction has more than held up. Zywave's 2026 Broker Services Survey found that healthcare cost management continues to define the market, ranking as the No. 1 benefits challenge for employers for the fourth straight year. Finding ways to manage rising healthcare costs while keeping benefits affordable for employees is critical for employers as the open enrollment season approaches; however, it won't be easy. Healthcare costs in the United States continue to climb at a staggering pace, and there are no signs that it'll slow down anytime soon.



PwC projects that the commercial healthcare cost trend will rise to **9%** in 2027, the highest figure in **17 years**.

This 2027 projection is an uptick from the 8.5% that has held steady over the past several years. The increase marks the continuation of a sustained run of elevated cost growth. The U.S. healthcare system is heading into another year of powerful inflationary forces.

What's Driving Costs?

There are several key factors driving up healthcare spending this year and into 2027.

Chronic Health

Chronic health condition prevalence remains the deepest structural driver of spending. In a recent report published in 2026, the U.S. Centers for Disease Control and Prevention shared that 90% of the nation's nearly $5.3 trillion in annual healthcare spending goes toward people living with chronic and mental health conditions, with roughly 3 in 4 American adults living with at least one, and more than half managing two or more.

The financial weight of individual conditions illustrates the scale. Heart disease and stroke alone account for more than $223 billion in direct medical costs and another $191 billion in lost productivity each year, while the total economic burden of diabetes, including medical costs and lost productivity, is estimated at $640 billion. As the population ages, this pressure compounds further. As such, data from the U.S. Centers for Medicare and Medicaid Services (CMS) shows per-person healthcare spending for adults 65 and older runs about five times higher than for children and nearly 2.5 times higher than for working-age adults. For employers, this underscores why prevention and chronic disease management programs, not just plan design tweaks, are becoming central to any credible cost-containment strategy.

Specialty Medications

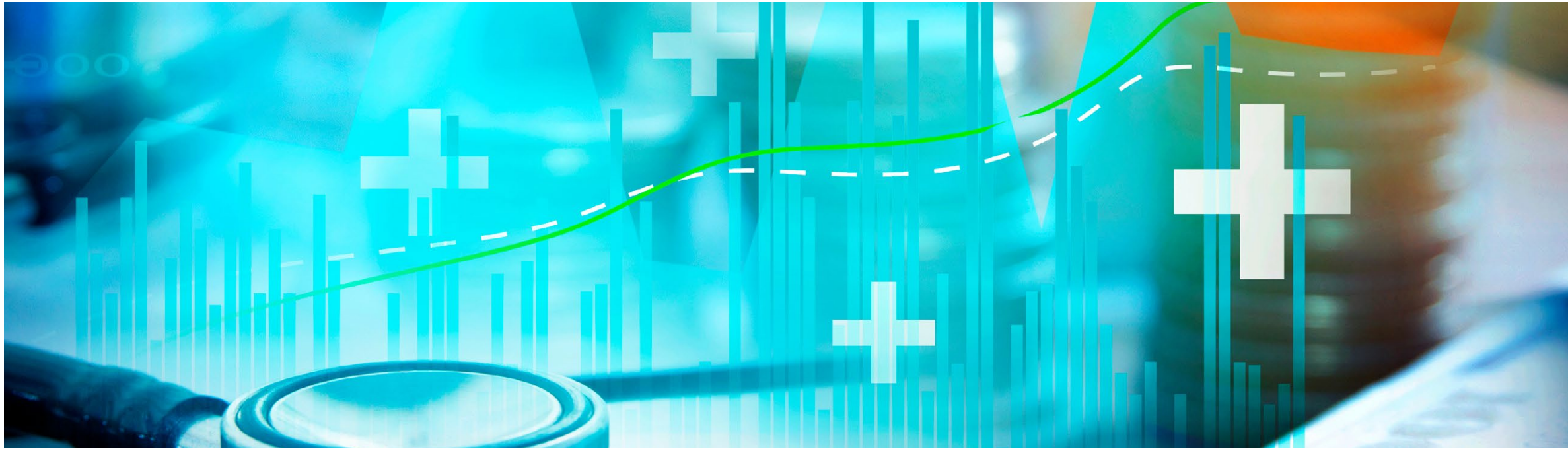
Higher utilization of specialty medications, particularly glucagon-like peptide-1 (GLP-1) drugs, continues to climb. Pharmacy remains one of the clearest sources of medical cost pressure, as more than 85% of PwC survey participants cited a 2027 pharmacy cost trend that was outpacing the overall medical trend. GLP-1 prescriptions have more than tripled since 2020, and roughly 12% of Americans report having used a GLP-1 for weight loss, with another 14% interested in starting. Medications typically cost about $1,000 per month and are often taken indefinitely to maintain results.

Specialty drugs now account for nearly 80% of all new U.S. Food and Drug Administration (FDA) approvals overall, reflecting a broader shift toward complex, high-cost therapies for chronic and rare conditions. In response, more employers are layering in prior authorization requirements, weight-management program participation, and tighter formulary management to keep GLP-1 spend in check without restricting access outright.

Cancer Care

Cancer care has been the top driver of employer healthcare cost increases for four years running, according to the Business Group on Health. Roughly 1.9 million Americans are diagnosed with cancer each year, and total cancer care costs are projected to exceed $240 billion by 2030 as incidence rises and treatment grows more advanced. Diagnoses are increasing not just among older adults but among younger working-age employees, meaning more employees and dependents are entering long-term, intensive treatment. New therapies—including cell and gene therapies, immunotherapies and targeted drugs—can cost hundreds of thousands of dollars per patient, especially in late-stage cases, and don't follow a predictable cost trajectory the way more established treatments do. This unpredictability is pushing more employers toward centers of excellence and specialized cancer care networks designed to improve outcomes while managing cost variability.

Rising Healthcare Costs and 2027 Predictions (cont.)



Medical Inflation

Medical inflation is outpacing general inflation, with the consumer price index's medical care index, and the CMS projecting overall national health expenditure growth to average roughly 5.4% annually through 2034. That gap between medical and general inflation means healthcare is consuming a growing share of both employer budgets and household income year over year.

The Future of Healthcare Costs

Healthcare costs are on track to hit $9 trillion annually by 2035, and the pressure is already reshaping how coverage is priced and structured across the market. Health plans are adjusting benefits and networks, employers are rethinking vendors and funding models, and more costs are shifting directly to consumers through higher deductibles and narrower coverage, raising real concerns about affordability and access.

The broader message is that 2027 should be treated as a turning point. If costs remain on their current trajectory, employers will likely scale back benefits and begin to mirror the cost-control approaches used by government health plans. Every part of the healthcare system will need to adapt. Where possible, leaders are encouraged to collaborate rather than work in silos, with transparency and consumer education as key tools to improve outcomes and reduce administrative burden.

For employers, a 9% trend demands a proactive benefit strategy. In preparation for open enrollment and 2027 plan design, employers are expected to double down on cost-containment strategies. Plan sponsors should evaluate plan design features before compounding cost pressures narrow their options. Staying ahead of rising healthcare 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 2027 and beyond.

AI Reshapes the Labor Market

Artificial intelligence (AI) has already made headlines this year, with major employers announcing tens of thousands of job cuts and citing AI adoption as a contributing factor. However, the full picture is more nuanced. The displacement many predicted, which would be sudden or sweeping, hasn't fully materialized. Instead, AI is reshaping the workforce through structural shifts that are quieter and, in many ways, more consequential. Hiring patterns are changing, entry-level pipelines are thinning and the types of roles employers are actively seeking are moving in a clear direction.

How AI Is Driving Both Layoffs and Job Growth

Headlines so far this year have largely focused on AI-attributed job cuts, and the numbers are real. According to outplacement firm Challenger, Gray & Christmas, companies are citing AI as the leading reason for cuts through the first half of 2026. Most recently, a new study from consulting firm Mercer revealed that virtually every employer is planning to cut jobs due to AI.

> The 2026 Global Talent Trends report, which gathered intel from 825 C-suite leaders and 1,650 HR leaders, found that 99% of those executives expect AI to drive headcount reductions over the next two years.

Nevertheless, economists caution that the bigger story is not displacement, but rather suppression. AI's broader effect may be more subtle, showing up as weaker hiring, especially for junior and entry-level roles. On the other hand, senior roles are generally more sophisticated and considerably harder to replace. Despite layoffs, total job numbers from the U.S. Bureau of Labor Statistics are not that abnormal; while some organizations are laying off workers, others are growing.

Adding nuance to these layoffs, some research suggests that companies are cutting workers based on AI's projected capabilities instead of its current performance. In addition, a significant share of those workers may ultimately be rehired, often offshore or at lower wages. In some cases, there is "AI-washing" in layoff announcements, where companies attribute cuts to AI that they would have made anyway. At the same time, AI's expansion is generating demand in adjacent sectors (e.g., energy infrastructure, data centers and AI development itself), all of which are adding jobs as the technology scales. This indicates that the labor market story is one of reallocation as much as reduction.

The Reshaping of Job Demand

The anxiety around AI and jobs is genuine, but the data is more complex than a simple case of mass displacement. What's happening instead is a fundamental reshaping of which skills employers value and which roles they're actively building toward. In fact, an analysis of U.S. job postings between 2019 and early 2025 found that postings for occupations dominated by structured, repetitive tasks dropped 13% after ChatGPT's launch, while postings for roles requiring analytical, technical or creative work rose 20%. These findings demonstrate that AI is not eliminating work uniformly, but rather redirecting it.

Goldman Sachs Research reached similar conclusions. In occupations where AI substitutes for human labor, employment is declining. Yet, in roles where AI augments human workers by automating some tasks while still requiring personal judgment, creativity and interpersonal skills, employment levels are rising. This analysis estimates AI has reduced monthly U.S. payroll growth by nearly 16,000 jobs over the past year and raised the unemployment rate by 0.1%, a modest net drag that falls disproportionately on younger, less experienced workers.

Roles most exposed to AI substitution tend to be those centered on routine, rule-based processing or predictable tasks with limited variability. Those with the strongest augmentation potential are leadership and management roles that require human judgment, presence and relational complexity that AI cannot replicate.

What Employers Should Watch

The labor market signal for employers is two-sided. On the cost and efficiency side, AI is delivering real reductions in the scope of work that requires headcount. AI tools (e.g., Claude and Copilot) allow employers to complete mundane tasks more cost-effectively and can help employees be more productive. From a talent perspective, demand is intensifying for workers who can operate alongside AI tools, and those workers command a wage premium. Employers who ignore either side of that equation risk both overstaffing roles that AI can absorb and losing talent that knows how to use it.

Lastly, the entry-level pipeline deserves particular attention. Cutting away at it may generate short-term savings, but it risks undermining the development pathway for future midlevel managers and experienced employees. Employers who invest in reskilling now and prepare workers to operate in AI-augmented roles will be better positioned for a labor market where the competitive divide between AI-capable and AI-excluded workers is only expected to intensify. As AI capabilities continue to expand through the back half of 2026 and into 2027, organizations that have already built internal fluency with these tools will hold a meaningful advantage, both in operational efficiency and in their ability to attract workers who expect AI to be part of how they do their jobs.

GLP-1 Trends Transform Employer-sponsored Healthcare

Few developments have reshaped employer benefits strategy as rapidly or as forcefully as GLP-1 medications. What began as a niche diabetes treatment category is now among the most significant cost drivers in employer-sponsored health plans, and the market continues to expand. This year, new drugs have entered the market, and pipeline candidates, including triple-agonist retatrutide, continue to advance, with the next generation of therapies approaching approvals in 2027. The market is not slowing down, and therefore, neither are the decisions plan sponsors face.

While most employers cover GLP-1s for diabetes, 67% currently cover them for weight management. However, that figure may shrink. Of those offering coverage for weight management, **10% say they're unlikely to do so in 2027**, and only 72% say they're likely to continue.

New Drug Developments Signal More Demand Ahead

The Wegovy pill became the first GLP-1 approved for weight loss in pill form in early 2026, and this oral GLP-1 milestone is already registering with employers. In addition, the FDA approved Foundayo, Eli Lilly's GLP-1 weight loss pill, in April. The convenience factor of oral pills has expanded the eligible population, particularly among people who have avoided injections. In fact, a study by the health data firm Truveta found that among early users of the Wegovy pill, 36% had no prior experience with GLP-1 medications, signaling that the oral medication is reaching new patients rather than only taking market share from injectables.

A number of GLP-1s and similar drugs are currently under development and are likely to completely reshape the market.

Retatrutide, developed by Eli Lilly, represents one of the most closely watched candidates. Unlike existing GLP-1 medications, it is a triple hormone receptor agonist that activates receptors for glucose-dependent insulinotropic polypeptide (GIP), GLP-1 and glucagon simultaneously.

CagriSema, from Novo Nordisk, takes a different approach by combining semaglutide (the active ingredient in Ozempic and Wegovy) with cagrilintide, a long-acting amylin receptor agonist. Neither retatrutide nor CagriSema is FDA-approved yet, but their efficacy data signals that the market will likely look meaningfully different within just a few years. For employers already contending with the cost of today's GLP-1s, the pipeline makes long-term benefit strategy planning all the more urgent.

Federal Pricing Policy Enters the Picture

On the pricing side, the Trump administration's most-favored-nation (MFN) policy is beginning to affect GLP-1s, bringing prices in line with the lowest paid by other developed nations. Under a November 2025 agreement with Novo Nordisk and Eli Lilly, patients purchasing GLP-1s through the TrumpRx platform pay approximately $350 per month for oral and injectable medications, with prices expected to drop to $245 over the next two years. As of July 1, Medicare is offering injectable weight-loss medications at a monthly cost of $245 for eligible members, with a copayment of no more than $50. State Medicaid programs will also have access to these rates.

For employer-sponsored plans, MFN-driven pricing has not yet produced direct relief. The agreements are structured for government programs and direct-to-consumer channels. However, they add pressure on manufacturers to justify list prices in commercial markets and may accelerate the adoption of direct-to-employer pricing models that bypass traditional pharmacy benefits manager structures entirely.

What Employers Should Do Now

GLP-1 coverage decisions made today will have multiyear financial consequences. Effective strategies include limiting plan eligibility to defined clinical criteria, requiring prior authorization and participation in lifestyle programs, and exploring direct-to-employer platforms that offer fixed, transparent pricing for specific drug classes. Employers should also evaluate flexible spending accounts and health reimbursement accounts as supplemental access tools that preserve some affordability without adding GLP-1s to core major medical coverage.

The business case for GLP-1 coverage remains mixed in the short term as drug costs continue to outpace clinical savings within typical employee tenure windows. However, with next-gen obesity drugs approaching, the decisions employers make about access, eligibility and cost sharing in 2026 will define their exposure for years ahead.

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