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2026 Market Forces Impacting Fully Insured Employers

Renewal season has a way of repeating itself for many fully insured employers. Regardless of claims experience, premiums continue to go up.

Insurers do not base rates solely on any one employer's recent claims history. Instead, premium rates are developed months in advance using projected healthcare costs and anticipated trends across the broader population. That means even employers with favorable claims experience can face significant increases when healthcare costs rise across the market.

This article examines the economic and healthcare market trends shaping fully insured premiums in 2026, helping employers better understand the factors behind rising renewal costs, what may lie ahead and where opportunities may exist to influence future spending.

Healthcare Costs Continue to Rise

Healthcare spending continues to climb, and most forecasts suggest the trend will persist for the foreseeable future. PwC projects a 9% commercial medical cost trend for 2027, the highest level in nearly two decades, after revising its 2026 forecast upward to the same 9% level. The pressure shaping this year's renewals is expected to carry into next year's. Likewise, the Business Group on Health reports that employers expect healthcare costs to increase significantly in 2027 before plan design changes help moderate the impact.

The specific percentage affecting any employer will vary based on geography, workforce demographics and plan design. However, the broader takeaway is clear: insurers continue to anticipate elevated healthcare spending, and those expectations are reflected in premium rates long before a plan year begins.

Several factors are contributing to these ongoing pressures, including rising provider expenses, prescription drug spending and increased utilization of healthcare services.

Provider Costs Are Increasing

Healthcare providers continue to face major financial pressure of their own, particularly related to workforce costs.

According to the American Hospital Association, labor accounts for approximately 60% of hospital expenses. Persistent staffing shortages, competition for healthcare workers and wage growth have increased the cost of delivering care across the country. When providers negotiate higher reimbursement rates to offset those expenses, those costs ultimately flow through the healthcare system and contribute to higher premiums.

Provider consolidation adds another layer of pressure. As hospitals and health systems combine, they often gain greater negotiating leverage with insurers. In many markets, this can lead to higher reimbursement rates, increasing costs for health plans and employers alike.

For fully insured employers, these dynamics may feel distant, but they play a crucial role in shaping the assumptions insurers use when developing future rates.

Prescription Drugs Remain a Major Cost Driver

Prescription drugs remain one of the fastest-growing components of healthcare spending.

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While glucagon-like peptide-1 (or GLP-1) medications have attracted considerable attention, they represent only a part of a broader trend. Employers are also facing growing costs associated with specialty medications used to treat complex conditions such as cancer, autoimmune disorders and rare diseases. These therapies can improve health outcomes, but they often come with substantial price tags.

Insurers increasingly cite specialty drug spending as a factor influencing premium growth. In response, some carriers have reevaluated coverage approaches for certain medications, particularly weight-loss drugs, as they work to manage long-term pharmacy costs.

At the same time, emerging biosimilar medications may offer some relief in certain therapeutic categories. Although these alternatives will not eliminate pharmacy cost pressures, they could help moderate spending growth over time as adoption increases.

Healthcare Utilization Continues to Grow

Higher healthcare costs are not driven solely by prices. Utilization is also increasing.

Chronic conditions, behavioral health needs and other complex health challenges continue to account for a growing share of healthcare spending. According to the U.S. Centers for Disease Control and Prevention, 90% of the nation's $5.3 trillion in annual healthcare expenditures are for people with chronic and mental health conditions.

Behavioral healthcare utilization has also increased in recent years as employees seek greater access to mental health and substance use treatment services. At the same time, an aging workforce and growing prevalence of chronic disease continue to increase demand for healthcare services across the system.

From an insurer’s perspective, higher utilization translates directly into higher projected claims costs. Thus, the increasing demand for care remains an important factor in projections of medical trends and premium development.

Employer Takeaway

Although renewal increases can feel disconnected from the employer’s own experience, they are often tied to broader changes occurring across the healthcare system. Rising provider costs, growing prescription drug spending and increased utilization continue to place upward pressure on premiums throughout the fully insured market. As healthcare costs continue to evolve, staying informed remains one of the most effective ways to prepare for future renewals.

Contact us to discuss how these market trends may affect your organization and the steps that can help support your benefits goals.