



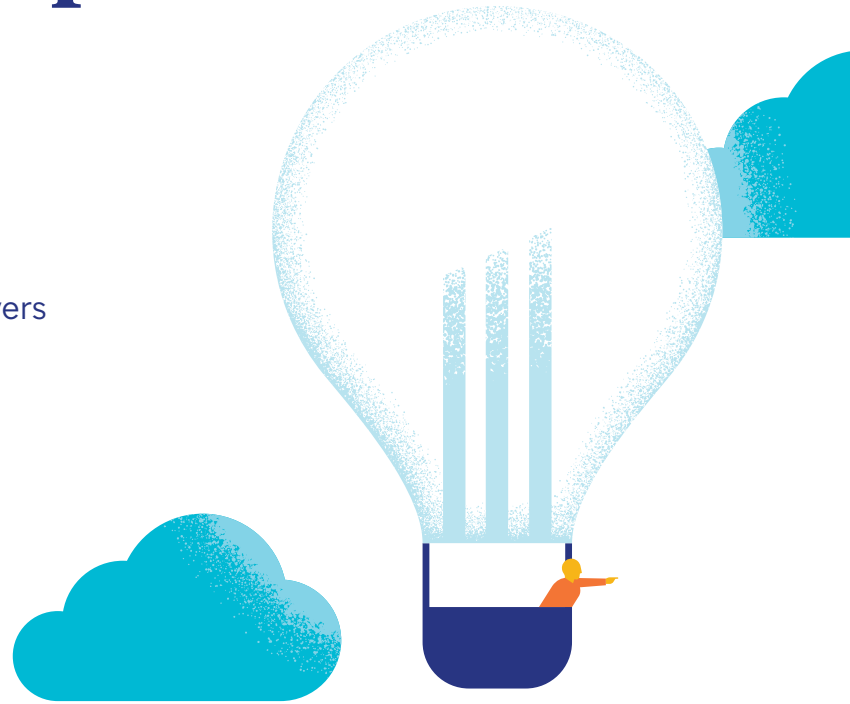
# Rethinking group health plans in a high-cost era

Soaring health care costs have pushed employers to embrace innovative benefits strategies.

Economic uncertainty, rising health care costs and consistently high employee expectations are pushing employers – and the broader health system – to think differently about how group health plans are structured and designed.

With three-quarters of surveyed employers planning to renegotiate current contracts and two-thirds launching RFPs, it's a clear signal that the status quo is no longer sufficient and employers are seeking more innovative approaches.<sup>1</sup>

The convergence of financial pressures and evolving workforce needs has created an environment where incremental adjustments are giving way to full-scale strategic redesigns, prompting organizations to explore more flexible funding arrangements, modern plan designs that help employees make smarter care decisions and offerings that can be customized to fit diverse needs.



↑ 9%

expected health care cost increase for 2026<sup>2</sup>

## It's critical to understand how:



**Financial pressure has necessitated new health plan structures**



**Insurers are breaking the mold with more innovative benefits approaches**



# Financial pressure has necessitated new health plan structures

Year-over-year medical spending in 2025 increased by an estimated 8.8% in North America, outpacing U.S. inflation by nearly 3 times. Those medical trend rates are expected to tick up to 9% in 2026.<sup>2</sup> While traditional fee-for-service models and other inefficiencies have contributed to these costs, pharmaceutical innovations, technology investments, regulatory changes and high-cost drug utilization have also played a significant role.

## Pharmaceutical innovations

New diagnostic tests and specialty drug therapies – especially in oncology – are improving detection and treatment but at a high cost for health plans. **Cancer** has become one of the most expensive conditions to cover, and its incidence is rising, particularly for those under the age of 40.<sup>3</sup>

At the same time, the rapid uptake of **GLP-1 medications** for weight loss and diabetes management illustrates the tension between clinical promise and financial sustainability. Among large employers surveyed, 59% reported that GLP-1 utilization has driven plan costs beyond expectations, prompting some to limit coverage to members with higher BMI or specific comorbidities until longer-term outcomes and value are clearer.<sup>3</sup>

These dynamics contribute to a high concentration of spending among a very small share of members. Nearly one-third of total plan costs can be attributed to about 1% of covered individuals, often tied to complex cancers, advanced specialty drugs and catastrophic events, such as severe trauma or organ failure.<sup>4</sup>

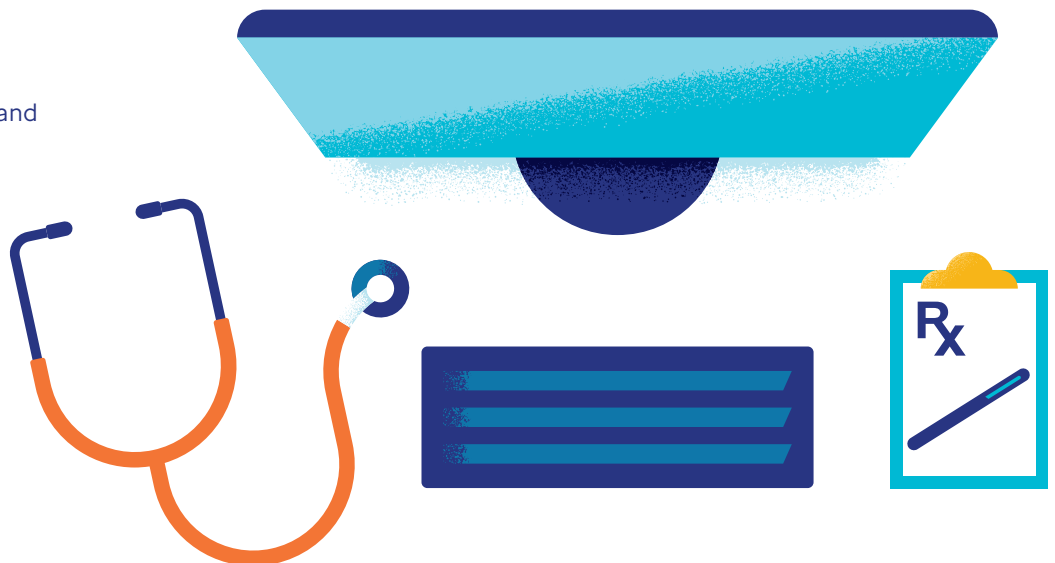
## Technology investments

According to HG Insights' data, companies in the health care market will spend \$231.2B on IT in the next 12 months.<sup>5</sup> And although 50% of respondents in a McKinsey survey cited budget or capital limitations as the No. 1 challenge to executing digital and artificial intelligence (AI) transformation in their organizations, 72% of those who invested expressed satisfaction with the results.<sup>6</sup>

Providers are incurring significant costs as they update electronic medical records, cybersecurity and other internal systems, while also investing in new technologies, such as surgical robotics, virtual care delivery and AI.<sup>6</sup> And 74% of insurers indicated that new medical technologies are the top driver of costs globally.<sup>7</sup>

## Regulatory changes

New tariffs and trade policies are expected to further impact health care costs over the next several years, with roughly 8 in 10 insurers globally anticipating higher prices for imported drugs, active pharmaceutical ingredients and medical devices – costs that will ultimately flow through to provider contracts and premiums for employers and members.<sup>3</sup> Simultaneously, drastic cuts to federal spending for Medicaid and Affordable Care Act (ACA) Marketplaces under the One Big Beautiful Bill Act (OBBBA) may increase uncompensated hospital care,<sup>8</sup> which may prompt providers to seek higher reimbursement from commercial payers, adding further upward pressure on employer health plan costs.





# Insurers are breaking the mold with more innovative benefits approaches

Necessity is driving insurers to rethink how care is delivered, paid for and experienced. Rather than relying solely on traditional cost-shifting strategies, many are redesigning plan structures, payment models and member support tools to help improve value and better manage risk.

## Virtual health solutions

Virtual care continues to expand access and convenience often at a lower cost than traditional in-person alternatives. It can also reduce time away from work by eliminating commutes to and from appointments, improving both productivity and work-life balance. Employers should consider whether carriers, networks and programs include virtual options, as they may deliver meaningful value to employees and the organization.

## Shift from broad to focused network strategies

Employers are further refining these efforts with **network strategies**, such as focused access networks, tiered providers or provider-centered plans, often backed by integrated contracts that align incentives across primary care, specialists and facilities. These measures build on **value-based care (VBC) arrangements** principles by concentrating volume with efficient providers while maintaining quality and access – helping employees make more appropriate and cost-effective care decisions.

## Value-based care models

The traditional fee-for-service model is gradually giving way to VBC models that reward providers for outcomes rather than volume. While up to 60% of primary care physicians participate in VBC networks, specialist participation lags – an opportunity analysts estimate could save \$100B per year.<sup>9</sup> For example, UnitedHealthcare uses Centers of Excellence (COEs) to provide evidence-based, quality-of-care protocols for certain complex medical procedures, contributing to better outcomes and lower costs. COEs at UnitedHealthcare have led to 25–42% savings through Cancer Resource Services<sup>10</sup> and an average of 58% savings for in-vivo therapies with cell, gene and molecular therapy COE providers.<sup>11</sup>

## More transparent cost and care options

With 57% of consumers reporting that pricing information influences where they seek care,<sup>12</sup> employers may want to consider carriers and plans that provide upfront cost and quality data. This may include search tools that prioritize results based on these metrics to help simplify comparison shopping. **Copay-only plans** may also reduce cost confusion by communicating what members will owe before they seek care.

## Access to additional offerings

Recognizing the diverse needs of their workforce and rising chronic condition costs, employers are increasingly prioritizing targeted, market-leading offerings tailored to their specific employee population. Because contracting individually with vendors can be costly and complex, some payers – including UnitedHealthcare – now streamline access to these programs. **UHC Hub**<sup>®</sup> is designed to help employers more easily offer health support and care coordination resources, while **UHC Store** is designed to help empower members to personalize their health and wellness offerings based on individual needs and goals. This shift toward customization and personalization may deliver greater value for both employers and employees by offering resources that may align with employee needs, program utilization goals and cost management strategies.

## Flexible funding approaches

Self-funded plans allow employers to assume financial risk in exchange for potential savings and greater flexibility. While historically more common among larger firms (500+ employees),<sup>13</sup> **level funding** brings similar advantages to smaller and mid-sized firms by blending self-funding's cost control and refund potential with the predictability of fully insured plans. For instance, with a **UnitedHealthcare Level Funded Plan**, plan sponsors may pay an average of 22% less compared to a fully insured plan.<sup>14</sup> Adoption is growing quickly, with 37% of workers at small firms (10–199 workers) enrolled in level-funded plans in 2025 – up from just 6% in 2018.<sup>15</sup>

## Health spending accounts

Health reimbursement accounts (HRAs) and Individual Coverage HRAs (ICHRAs) allow employers to provide predetermined, tax-advantaged allowances that employees can use to purchase qualified health care offerings, such as individual health insurance plans, or for specific medical expenses. A similar trend is emerging around Lifestyle Spending Accounts (LSAs), which are post-tax accounts funded by employers and used by employees to purchase health and wellness offerings that matter most to them. Moving away from one-size-fits-all benefits may help employers avoid funding underutilized offerings and instead invest predictable, fixed contribution amounts in benefits employees actively value.





## Navigating change

The scale of today's health challenges has grown so significantly that employers increasingly recognize the need for fundamental change to remain sustainable. Successfully navigating this transformation requires working with carriers, brokers and consultants who can provide expert guidance and support throughout this complex journey.

**Learn the pros and cons of switching benefit carriers with practical tips for a smoother transition >**

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<sup>1</sup> Global Medical Costs to Rise 9.8% in 2026, Returning to Single-Digit Growth, Risk & Insurance, Oct. 13, 2025. Available: <https://riskandinsurance.com/global-medical-costs-to-rise-9-8-in-2026-returning-to-single-digit-growth/>.

<sup>2</sup> Business Group on Health Survey: 9% Health Care Cost Increase for 2026. Business Group on Health, Aug. 19, 2025. Available: <https://www.businessgrouphealth.org/newsroom/news-and-press-releases/press-releases/2026-employer-health-care-strategy-survey>.

<sup>3</sup> 2026 Global Medical Trends Survey, WTW, Nov. 10, 2025. Available: <https://www.wtco.com/en-cm/insights/2025/10/2026-global-medical-trends-survey>.

<sup>4</sup> Staying ahead of healthcare costs: Employer strategies for 2026 and beyond, WTW, Oct. 8, 2025. Available: <https://www.wtco.com/en-us/insights/2025/10/staying-ahead-of-healthcare-costs-employer-strategies-for-2026-and-beyond>.

<sup>5</sup> Healthcare Technology Trends: IT Market Share & Buyer Landscape. HG Insights, Available: <https://hginsights.com/resource/healthcare-tech-trends/>.

<sup>6</sup> Digital transformation: Health systems' investment priorities. McKinsey & Company, June 7, 2024. Available: <https://www.mckinsey.com/industries/healthcare/our-insights/digital-transformation-health-systems-investment-priorities>.

<sup>7</sup> 2025 global health care outlook, Deloitte Center for Health Solutions, Jan. 29, 2025. Available: <https://www.deloitte.com/us/en/insights/industry/health-care/life-sciences-and-health-care-industry-outlooks/2025-global-health-care-executive-outlook.html>.

<sup>8</sup> What are the Implications of the 2025 Budget Reconciliation Bill for Hospitals? KFF, June 12, 2025. Available: <https://www.kff.org/medicaid/what-are-the-implications-of-the-2025-budget-reconciliation-bill-for-hospitals/>.

<sup>9</sup> Specialty risk: The next frontier of value-based care, McKinsey, July 22, 2025. Available: <https://www.mckinsey.com/industries/healthcare/our-insights/specialty-risk-the-next-frontier-of-value-based-care>.

<sup>10</sup> Optum internal analytics, 2022-2023.

<sup>11</sup> UnitedHealthcare cell, gene & molecular therapy data analysis, January-December 2024.

<sup>12</sup> Engaging the evolving US healthcare consumer and improving business performance. McKinsey, March 7, 2025. Available: <https://www.mckinsey.com/industries/healthcare/our-insights/engaging-the-evolving-us-healthcare-consumer-and-improving-business-performance>.

<sup>13</sup> 2024 Employer Health Benefits Survey, KFF, Oct. 9, 2024. Available: <https://www.kff.org/health-costs/2024-employer-health-benefits-survey/>.

<sup>14</sup> Average savings for UnitedHealthcare Fully Insured groups nationwide migrated to UnitedHealthcare Level Funded, Jan. 1, 2024-Dec. 31, 2024. Savings are not guaranteed.

<sup>15</sup> 2025 Employer Health Benefits Survey, KFF, Oct. 22, 2025. Available: <https://www.kff.org/health-costs/2025-employer-health-benefits-survey/>.

The Centers of Excellence (COE) program providers and medical centers are independent contractors who render care and treatment to health plan members. The COE program does not provide direct health care services or practice medicine, and the COE providers and medical centers are solely responsible for medical judgments and related treatments. The COE program is not liable for any act or omission, including negligence, committed by any independent contracted health care professional or medical center.

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