

2026 Healthcare Cost Increases: A Perfect Storm of Rising Expenses

Healthcare organizations entering 2026 face an unprecedented convergence of cost pressures across virtually every segment of the insurance market. From employer-sponsored plans to individual marketplace coverage, the healthcare financial landscape is shifting in ways that will fundamentally reshape strategic planning and operational budgeting for the foreseeable future. This Health Capital Topics article discusses the projected healthcare cost increases for 2026 and implications for healthcare organizations navigating this challenging environment.

Global Trends Signal Persistent Inflation

Willis Towers Watson's (WTW) *2026 Global Medical Trends* report projects that global health insurance costs will rise by 10.3% in 2026, following increases of 10% in 2025 and 9.5% in 2024.¹ This marks a sustained period of elevated healthcare inflation that shows no signs of abating. For U.S. healthcare organizations, the projected cost increase is 9.6% for 2026, which represents a slight decrease from 9.7% in 2025 but remains substantially higher than the 7.6% increase experienced in 2024.²

The WTW survey, which gathered responses from 346 leading health insurers across 82 countries, reveals a sobering consensus about the durability of these trends.³ More than half of insurers expecting higher trends anticipate these elevated levels will persist for more than three years, driven by structural factors that transcend temporary market disruptions.⁴

Three-quarters of insurers identified new medical technologies as the primary driver of medical cost inflation, followed by the decline of public health systems at 52% and advancements in pharmaceuticals at 49%.⁵ These findings underscore a fundamental shift in the cost equation: innovation in healthcare delivery and treatment, while clinically beneficial, carries substantial financial consequences that the market has yet to fully absorb.

From a disease perspective, cancer emerged as the leading condition driving medical costs in every global region, with 57% of insurers naming it as the fastest growing and most expensive diagnosis.⁶ Particularly concerning for long-term cost projections, 75% of insurers observed an increase in cancer incidence among individuals under age 40, suggesting that demographic assumptions underlying many cost models may require revision.⁷

ACA Marketplace Faces Dramatic Premium Increases

The individual insurance marketplace confronts perhaps the most acute cost pressures heading into 2026, exacerbated by the scheduled expiration of enhanced premium tax credits on January 1, 2026. Kaiser Family Foundation (KFF) analysis projects that premiums for *Affordable Care Act* (ACA) coverage will increase 26% on average in 2026, representing one of the largest jumps since these plans debuted more than a decade ago.⁸

The magnitude of this increase becomes more striking when examining its impact on subsidized enrollees. If Congress does not extend enhanced premium tax credits (which probability is increasingly unlikely⁹), subsidized enrollees would experience a 114% increase in their annual premium payments, rising from an average of \$888 in 2025 to \$1,904 in 2026.¹⁰ This dramatic escalation reflects both underlying premium growth and the withdrawal of temporary subsidy enhancements that have been in place since 2021.

The human toll of these increases extends beyond individual affordability concerns. The Congressional Budget Office (CBO) estimates that the uninsured population would increase by 2.2 million in 2026 without an extension of enhanced subsidies.¹¹ For healthcare organizations, this projected surge in uninsured patients portends increased uncompensated care burdens while operational margins face pressure from other cost escalations.

The dynamics driving ACA marketplace premium increases extend beyond simple subsidy mechanics. Based on CBO estimates, the expiration of enhanced subsidies is likely to push up pre-subsidy premiums by approximately 5% as healthier enrollees drop coverage and the remaining risk pool becomes sicker on average.¹² This adverse selection spiral represents a structural challenge that will likely persist regardless of subsidy policy decisions.

State-level variation adds additional complexity to marketplace dynamics. In states like New Jersey, premiums are projected to increase by more than 174% on average due to the combined effect of subsidy expiration and insurer rate increases, creating regional pockets of severe access challenges that may drive increased emergency department utilization and demand for charity care.¹³

Employer-Sponsored Coverage Experiences Historic Increases

The employer-sponsored insurance market, which covers approximately 154 million Americans under age 65, faces cost increases of historic proportions. Mercer's *2025 National Survey of Employer-Sponsored Health Plans* projects that total health benefit cost per employee will rise 6.5% on average in 2026, representing the highest increase since 2010.¹⁴ Employers estimated that plan costs would increase by nearly 9% on average if they took no action to lower costs, underscoring the degree to which anticipated increases reflect substantial employer cost-mitigation efforts.¹⁵

The Business Group on Health's *2026 Employer Health Care Strategy Survey* of 121 large employers found that companies predict healthcare cost increases for 2026 will reach a median of 9%, which employers will manage down to 7.6% through plan design changes.¹⁶ This pattern of aggressive cost management through benefit modifications carries significant implications for patient financial responsibility and access to care. The survey found that 59% of employers will make cost-cutting changes to their plans in 2026, up from 48% making changes in 2025 and 44% in 2024.¹⁷ These modifications generally involve raising deductibles and other cost-sharing provisions, effectively shifting a greater portion of healthcare costs directly to patients. For healthcare organizations, this shift may manifest as increased difficulties with patient collections and higher rates of unpaid balances as patients struggle with elevated out-of-pocket expenses.

Key Cost Drivers Across Market Segments

Several common factors emerge as primary drivers of cost increases across both employer-sponsored and individual market coverage. Cancer has been identified as the top condition driving employer healthcare costs for the fourth consecutive year, exacerbated by growing prevalence of diagnoses and escalating treatment costs.¹⁸ The oncology cost trend represents a multifaceted challenge combining increased screening and early detection, novel therapeutic modalities including immunotherapies and targeted treatments, and an aging patient population with complex comorbidities.

Pharmaceutical costs, particularly glucagon-like peptide-1 (GLP-1) medications used for diabetes and weight management, represent another major cost driver. In 2024, nearly a quarter of all employer healthcare spending went to pharmacy expenses, with employers forecasting an 11-12% increase in pharmacy costs for 2026.¹⁹ The rapid adoption of GLP-1 therapies for obesity management has outpaced virtually all utilization projections, creating budget pressures that employers find difficult to manage through traditional benefit design modifications.

Mental health services utilization has emerged as an additional cost driver with long-term implications. 73% of employers reported an increase in mental health and substance use disorder services, while another 17% anticipate a future increase.²⁰ This sustained growth in behavioral health utilization reflects both improved access to care and genuine increases in clinical need following the COVID pandemic's mental health impact.

Implications for Healthcare Organizations

The convergence of these cost trends creates a complex operating environment for healthcare organizations in 2026 and beyond. The projected surge in uninsured patients resulting from ACA subsidy expiration may directly impact hospital balance sheets through increased uncompensated care.

The shift toward higher patient cost-sharing in employer-sponsored plans may necessitate enhanced revenue cycle capabilities. Organizations may face challenges related to point-of-service collection processes, financial counseling resources, and charity care policies as patient financial responsibility increases.

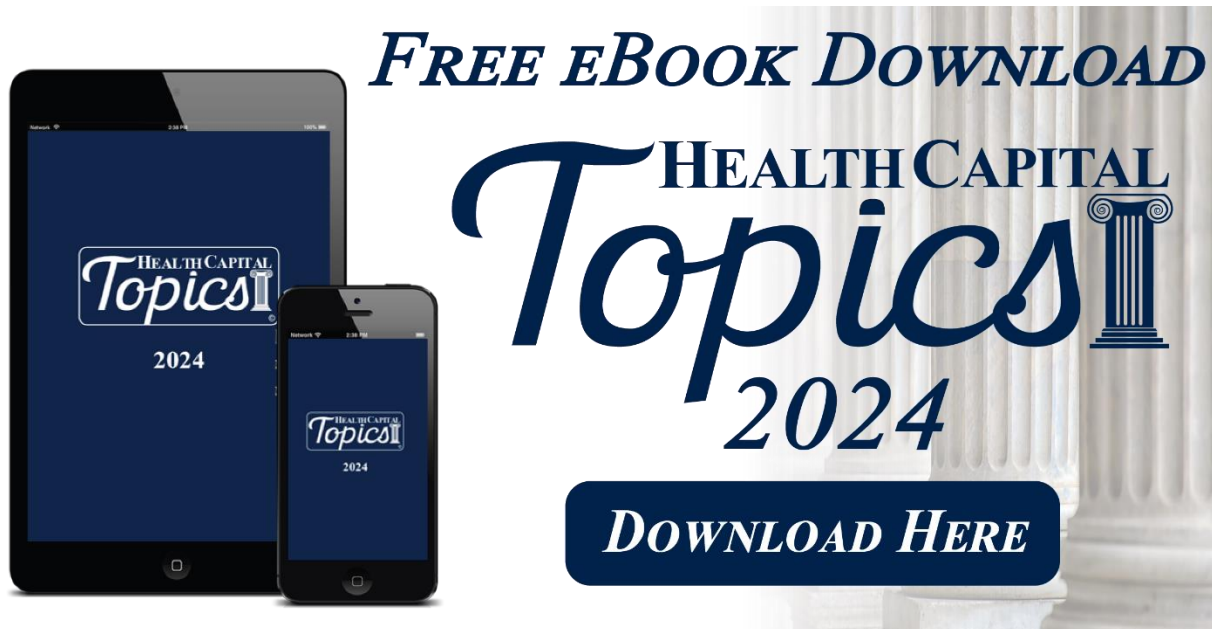
Provider reimbursement negotiations with commercial payors will likely intensify as both health plans and employers seek to moderate cost increases. Organizations may encounter more aggressive utilization management, narrower network designs, and increased pressure to demonstrate value through quality metrics and cost-efficiency measures.

The pharmaceutical cost trajectory, particularly for specialty medications and GLP-1 therapies, suggests that pharmacy benefit design will continue evolving. Healthcare organizations with integrated pharmacy operations or significant 340B program participation may need to monitor formulary restrictions, prior authorization requirements, and site-of-care optimization strategies that payors may deploy to manage drug spending.

Conclusion

The 2026 projected healthcare cost landscape represents a significant inflection point characterized by the persistence of elevated trend rates across all major coverage segments, the potential disruption of ACA marketplace subsidies, and the highest employer-sponsored insurance increases in 15 years. For healthcare organizations, these dynamics demand proactive strategic planning addressing uncompensated care exposure, revenue cycle optimization, value demonstration, and operational efficiency. The organizations that successfully navigate this environment will be those that move beyond reactive cost management to develop comprehensive strategies addressing the structural drivers of healthcare cost inflation while maintaining their commitment to access and quality of care.

- 1 “2026 Global Medical Trends Survey” WTW, October 2025, www.wtwco.com/en-us/insights/2025/10/2026-global-medical-trends-survey (Accessed 11/20/25).
- 2 *Ibid.*
- 3 *Ibid.*
- 4 *Ibid.*
- 5 *Ibid.*
- 6 *Ibid.*
- 7 *Ibid.*
- 8 “ACA Insurers Are Raising Premiums by an Estimated 26%, but Most Enrollees Could See Sharper Increases in What They Pay” By Cynthia Cox, KFF Quick Takes, October 28, 2025, www.kff.org/quick-take/aca-insurers-are-raising-premiums-by-an-estimated-26-but-most-enrollees-could-see-sharper-increases-in-what-they-pay/ (Accessed 11/20/25).
- 9 “Republican antipathy during key Senate hearing darkens outlook for ACA subsidy extension” By Rebecca Pifer, *Healthcare Dive*, November 19, 2025, <https://www.healthcaredive.com/news/aca-subsidy-unlikely-republican-opposition-senate-finance/805942/> (Accessed 11/20/25).
- 10 “ACA Marketplace Premium Payments Would More than Double on Average Next Year if Enhanced Premium Tax Credits Expire” By Jared Ortaliza, et al., KFF, October 14, 2025, www.kff.org/affordable-care-act/aca-marketplace-premium-payments-would-more-than-double-on-average-next-year-if-enhanced-premium-tax-credits-expire/ (Accessed 11/20/25).
- 11 “Re: The Effects of Not Extending the Expanded Premium Tax Credits for the Number of Uninsured People and the Growth in Premiums” By Phillip L. Swagel, Letter to Senator Ron Wyden, December 5, 2024, www.cbo.gov/publication/60984 (Accessed 11/20/25).
- 12 “Understanding the ACA Subsidy Discussion” Committee for a Responsible Federal Budget, November 2025, www.crfb.org/blogs/understanding-aca-subsidy-discussion (Accessed 11/20/25).
- 13 Ortaliza, et al., KFF, October 14, 2025.
- 14 “National Survey of Employer-Sponsored Health Plans” Mercer, September 2025, www.mercer.com/en-us/solutions/health-and-benefits/research/national-survey-of-employer-sponsored-health-plans/ (Accessed 11/20/25).
- 15 *Ibid.*
- 16 “2026 Employer Health Care Strategy Survey” Business Group on Health, August 2025, www.businessgrouphealth.org/resources/2026-employer-health-care-strategy-survey (Accessed 11/20/25).
- 17 Mercer, September 2025.
- 18 Business Group on Health, August 2025.
- 19 *Ibid.*
- 20 *Ibid.*



FREE EBOOK DOWNLOAD

HEALTH CAPITAL
Topics
2024

DOWNLOAD HERE



(800) FYI -VALU

Providing Solutions in an Era of Healthcare Reform

- Firm Profile
- HCC Services
- HCC Leadership
- Clients & Projects
- HCC News
- Health Capital Topics
- Contact Us
- Email Us

- Valuation Consulting
- Commercial Reasonableness Opinions
- Commercial Payor Reimbursement Benchmarking
- Litigation Support & Expert Witness
- Financial Feasibility Analysis & Modeling
- Intermediary Services
- Certificate of Need
- ACO Value Metrics & Capital Formation
- Strategic Planning
- Industry Research

LEADERSHIP



Todd A. Zigrang, MBA, MHA, FACHE, CVA, ASA, ABV, is the President of **HEALTH CAPITAL CONSULTANTS (HCC)**, where he focuses on the areas of valuation and financial analysis for hospitals, physician practices, and other healthcare enterprises. Mr. Zigrang has over 30 years of experience providing valuation, financial, transaction and strategic advisory services nationwide in over 2,500 transactions and joint ventures. Mr. Zigrang is also considered an expert in the field of healthcare compensation for physicians, executives and other professionals.

Mr. Zigrang is the co-author of "*The Adviser's Guide to Healthcare - 2nd Edition*" [AICPA - 2015], numerous chapters in legal treatises and anthologies, and peer-reviewed and industry articles such as: *The Guide to Valuing Physician Compensation and Healthcare Service Arrangements* (BVR/AHLA); *The Accountant's Business Manual* (AICPA); *Valuing Professional Practices and Licenses* (Aspen Publishers); *Valuation Strategies*; *Business Appraisal Practice*; and, *NACVA QuickRead*. Additionally, Mr. Zigrang has served as faculty before professional and trade associations such as the American Society of Appraisers (ASA); the National Association of Certified Valuators and Analysts (NACVA); the American Health Lawyers Association (AHLA); the American Bar Association (ABA); the Association of International Certified Professional Accountants (AICPA); the Physician Hospitals of America (PHA); the Institute of Business Appraisers (IBA); the Healthcare Financial Management Association (HFMA); and, the CPA Leadership Institute. He also serves on the Editorial Board of *The Value Examiner* and *QuickRead*, both of which are published by NACVA.

Mr. Zigrang holds a Master of Science in Health Administration (MHA) and a Master of Business Administration (MBA) from the University of Missouri at Columbia. He is a Fellow of the American College of Healthcare Executives (FACHE) and holds the Certified Valuation Analyst (CVA) designation from NACVA. Mr. Zigrang also holds the Accredited in Business Valuation (ABV) designation from AICPA, and the Accredited Senior Appraiser (ASA) designation from the American Society of Appraisers, where he has served as President of the St. Louis Chapter. He is also a member of the American Association of Provider Compensation Professionals (AAPCP), AHLA, AICPA, NACVA, NSCHBC, and, the Society of OMS Administrators (SOMSA).



Jessica L. Bailey-Wheaton, Esq., is Senior Vice President and General Counsel of HCC. Her work focuses on the areas of Certificate of Need (CON) preparation and consulting, as well as project management and consulting services related to the impact of both federal and state regulations on healthcare transactions. In that role, Ms. Bailey-Wheaton provides research services necessary to support certified opinions of value related to the Fair Market Value and Commercial Reasonableness of transactions related to healthcare enterprises, assets, and services.

Additionally, Ms. Bailey-Wheaton heads HCC's CON and regulatory consulting service line. In this role, she prepares CON applications, including providing services such as: health planning; researching, developing, documenting, and reporting the market utilization demand and "need" for the proposed services in the subject market service area(s); researching and assisting legal counsel in meeting regulatory requirements relating to licensing and CON application development; and, providing any requested support services required in litigation challenging rules or decisions promulgated by a state agency. Ms. Bailey-Wheaton has also been engaged by both state government agencies and CON applicants to conduct an independent review of one or more CON applications and provide opinions on a variety of areas related to healthcare planning. She has been certified as an expert in healthcare planning in the State of Alabama.

Ms. Bailey-Wheaton is the co-author of numerous peer-reviewed and industry articles in publications such as: *The Health Lawyer* (American Bar Association); *Physician Leadership Journal* (American Association for Physician Leadership); *The Journal of Vascular Surgery*; *St. Louis Metropolitan Medicine*; *Chicago Medicine*; *The Value Examiner* (NACVA); and *QuickRead* (NACVA). She has previously presented before the American Bar Association (ABA), the American Health Law Association (AHLA), the National Association of Certified Valuators & Analysts (NACVA), the National Society of Certified Healthcare Business Consultants (NSCHBC), and the American College of Surgeons (ACS).



Janvi R. Shah, MBA, MSF, CVA, serves as Senior Financial Analyst of HCC. Mrs. Shah holds a M.S. in Finance from Washington University Saint Louis and the Certified Valuation Analyst (CVA) designation from NACVA. She develops fair market value and commercial reasonableness opinions related to healthcare enterprises, assets, and services. In addition she prepares, reviews and analyzes forecasted and pro forma financial statements to determine the most probable future net economic benefit related to healthcare enterprises, assets, and services and applies utilization demand and reimbursement trends to project professional medical revenue streams and ancillary services and technical component (ASTC) revenue streams.

For more information please visit:
www.healthcapital.com