

NEWS BRIEF

IFEBP Report: Employers Project 8% Increase Health Care Costs in 2025



According to a recent survey of employers by the International Foundation of Employee Benefit Plans (IFEBP), U.S. employers estimate a median 8% increase in health care costs for 2025. Catastrophic health claims and rising specialty prescription drug prices drive the projected increase. The latest findings are greater than those of the past two annual surveys, which both projected a 7% rise in health care costs.

In the survey, employers shared which primary factors likely contributed to a rise in medical plan costs for 2025. The top four factors were:

1. **Catastrophic claims:** 20% (up from 19% last year)
2. **Specialty/costly prescription drugs:** 20% (up from 16% last year); These drug types were predominantly responsible for the rise:
 - Glucagon-like peptide-1 drugs: 75%
 - Cell and gene therapy: 19%
 - Other specialty drugs: 31%
3. **Medical provider costs:** 18% (up from 14% last year)
4. **Utilization due to chronic health conditions:** 16% (down from 22% last year)

According to IFEBP survey data, employers are implementing several cost management strategies, focusing more on utilization control and cost-sharing initiatives. Most employers (27%) plan to manage rising health care costs by implementing control initiatives (22%), such as prior authorization, case and disease management, and nurse advice lines. As employers continue to expect increased health care costs, more (21%) are planning to pass higher costs on to employees by increasing deductibles, coinsurance, copays or premium contributions, compared to 16% of employers who responded the same for 2024. Other cost containment strategies include plan design initiatives (15%), purchase and plan initiatives (19%), administration and data analysis initiatives (7%), and work and wellness programs (6%).

More employers (21%) are focusing on cost-sharing initiatives to manage rising health care costs in 2025, compared to 16% in 2024.

Employer Takeaway

The IFEBP report reveals employers will likely continue to struggle with rising health care costs next year. While the best strategies for reigning in these costs may vary for each organization, employers should review their benefits offerings to determine the most effective cost-saving strategies and whether they are meeting employees' needs.

Contact us for more health care resources.

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