NEWS BRIEF

Mercer Report Projects 5.8% Health Benefits Cost Increase in 2025

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U.S. employers estimate that health benefit costs will increase by 5.8% in 2025, according to Mercer's 2024 National Survey of Employer-sponsored Health Plans. This would mark the third consecutive year that the total cost per employee rose more than 5%. The report attributed the higher costs to the widening gap between the supply of health care workers and the demand for health care services, along with costly behavioral health care and glucagon-like peptide-1 (GLP-1) medications.

The report included an analysis of responses from more than 1,800 employers nationwide. Employers estimated that their costs would rise by an average of 7% if they took no action to lower costs. Not surprisingly, smaller employers (organizations with 50-499 employees) estimate being impacted the most, reporting that costs would rise by an average of 9% if they took no action to lower costs. Mercer's figure is in the 7%-9% range, lining up with other industry reports, such as Aon and the International Foundation of Employee Benefit Plans.

According to the Mercer survey data, half (53%) of employers said they will make cost-cutting changes to their plans next year to manage rising costs, such as raising deductibles. For reference, 44% planned to take cost-saving measures in 2024. Health care coverage cost is generally shared between the employer and employee; therefore, managing costs is important to curtail employee premium contributions.

Prescription drug spending remains the fastest-growing driver of health benefits costs. Mercer data revealed that drug benefit cost per employee rose 7.2% in 2024, influenced by the introduction of costly gene and cellular therapies.

"While we've seen significant increases in utilization in a few areas, such as for behavioral health care and GLP-1 medications, overall utilization has had a relatively modest impact on trend this year. The biggest driver of higher costs is price dynamics, some of which are macro in nature."

- Sunit Patel, Mercer's U.S. chief actuary for health and benefits

Employer Takeaway

In line with other industry data, the Mercer report suggests employers will likely continue to struggle with rising health care costs next year. Many employers will focus on lowering costs and finding ways to balance the competing priorities of health care affordability for employees and the overall cost of health care coverage.

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.