HUB INTERNATIONAL

2027 Benefits Cost Trends Report

HUB

Overview

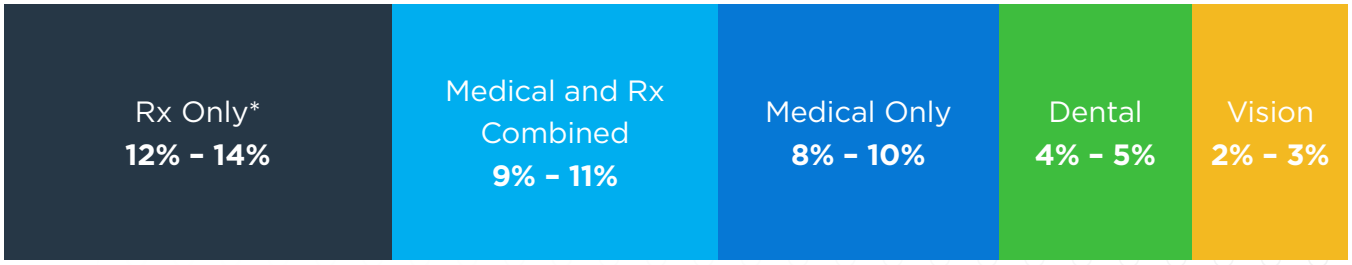
As healthcare costs continue to accelerate, accurate trend projections remain essential for effective renewal planning and budget forecasting.

HUB International's 2027 Benefits Cost Trends Report helps organizations prepare for the upcoming renewal cycle by incorporating carrier, third-party administrator (TPA) and pharmacy data to deliver trend projections that support more accurate budget forecasting and smarter benefits strategy. Now in its second year, the report has expanded significantly in both the breadth of carrier, TPA and pharmacy partners surveyed and the granularity of data collected. In preparation for the 2027 renewal cycle, HUB's National Actuarial Team took a multi-faceted approach to gather comprehensive industry trend insights, including:

- A proprietary survey of carrier, TPA and pharmacy partners, with an expanded participant list from the prior year.
- Qualitative insights on cost drivers, pharmacy benefit manager (PBM) landscape changes and cost-containment strategies from survey participants.
- HUB's own internal business trend data for benchmarking and projections.

2027 Trend Recommendations

Based on our comprehensive analysis, HUB's National Actuarial Team recommends the following trend projections for 2027 budget planning:



2027 projected trends by line of coverage. These figures are intended to be used for budget projections as the trend component and do not equate to expected renewal numbers.

Note: *These ranges represent national averages based on commercial business, excluding prescription drug rebates and before pooling. Specific factors including region, industry sector, demographics, funding arrangement and administrator relationships may result in variations from these projections.*

National Trend Summary — All Lines of Coverage

The table below provides a consolidated view of where healthcare costs have been, where they are heading, and which lines of coverage are driving the acceleration.

National Trend Summary — All Lines of Coverage			
Line of Coverage	**2025 Actual**	**2026 Expected**	**2027 Projected**
Medical and Prescription Drug (Rx) combined	**9.0%**	**9.3%**	**9.7%**
Medical only: All plans	8.4%	8.8%	**9.0%**
Medical only: PPO	8.5%	9.0%	**9.5%**
Medical only: High-deductible health plan (HDHP)	8.8%	9.2%	**9.4%**
Medical only: HMO	7.9%	8.5%	**8.7%**
Medical only: Indemnity	8.3%	8.5%	**8.5%**
Rx only*	**12.2%**	**12.4%**	**12.9%**
Dental only	3.9%	4.1%	**4.3%**
Vision only	1.9%	2.3%	**2.3%**

National averages based on carrier, TPA and pharmacy partner survey responses. The numbers for 2025 are actual reported; 2026 are expected and 2027 are projected. Individual plan type regional breakouts are available in the detailed sections of this report.

A few key observations:

- **The combined trend picture shows consistent upward movement across all three years.** Medical and prescription drug (Rx) combined trend rose from 9% in 2025 to an expected 9.3% in 2026, then to a projected 9.7% for 2027. As projections mature into actual and new study years are added, budget assumptions should be updated accordingly.
- **Pharmacy is accelerating while medical trends remain more measured.** Gross pharmacy trend was 12.2% in 2025, 12.4% expected in 2026 and 12.9% projected for 2027. Medical-only trends tell a more nuanced story, with most plan types increasing modestly from 2025 to 2027. For medical plans as a whole, trend has risen from 8.8% expected in 2026 to 9% projected in 2027. This is a smaller increase than pharmacy, suggesting that medical management and site-of-care efforts may be beginning to exert modest moderating influence on the medical component even as pharmacy trend continues to climb at a higher rate.

- **HMO plans project the lowest medical trend in every year.** HMO medical-only plan trend was 7.9% in 2025, 8.5% in 2026 and 8.7% in 2027, consistently below PPO and HDHP medical-only plans for each period. This is consistent with the integrated care and tighter network management inherent to HMO plan designs, making it worth considering for plan sponsors evaluating their plan offering mix.
- **Dental and vision remain the most stable lines of coverage**. Dental trend rose from 3.9% to 4.3% across the three-year window, a predictable, manageable increase. Vision is flat at 2.3% for both 2026 and 2027 after a modest step up from 1.9% in 2025. Neither line presents a planning risk, though the vision trend increase from 2025 to 2026 is worth monitoring as benefit cap pressure builds over time.
- **The divergence between drug spending only and other spending is significant**. At 12.9% projected for 2027, gross pharmacy trend is running more than 3 percentage points above the next highest line of coverage — and more than double the medical-only trend for most plan types. Plan sponsors who are not actively managing their pharmacy benefits are absorbing a disproportionate share of total cost growth than may be manageable.

Trend Versus Renewals

One of the most important concepts to remember is that **trend is not the same as a renewal increase.** Trend is a single component of what drives a renewal, representing the underlying cost inflation in healthcare services and drugs, independent of an insured's specific claims experience. A renewal is shaped by several factors working together.

The components of a fully insured or equivalent renewal typically include:

- **Claims experience,** or how actual claims compare with expectations. A good claims year can significantly offset trend; a bad year can turn even a low-trend environment expensive.
- **Claims margin,** which is the carrier's loading for profit, risk and reserve adequacy.
- **Effective trend,** which represents the annualized cost trend, projected from the midpoint of an experience period to the midpoint of the renewal period. This is not simply the national trend figure, but is trend applied over a specific time horizon. This means a longer projection period or mid-year renewal can amplify the effective trend component.
- **Fixed costs,** comprising administrative, network access and other non-claims costs, typically increasing 2% to 4% annually.

Two Groups, Same Trend, Different Renewals.

Consider two plan sponsors facing an effective trend of similar magnitude:

A group with favorable claims experience might see a total budget increase of 8% to 9% even when effective trend is running above 12% because strong claims performance offsets the trend component.

Conversely, a group with poor claims experience might face a total budget increase of more than 20% even when effective trend is modest due to adverse claims and margin loads compounding on top of trend.

The practical implication? A projected 9% to 11% combined medical-pharmacy trend for 2027 is a planning input, not a renewal forecast. Groups with clean experience may renew well below that range. Groups with large claimants, high pharmacy benefit utilization or declining health of insureds may see renewals greater than combined trend.

The value of trend data is in setting a credible baseline assumption for budget planning and in benchmarking a renewal against what the broader market is experiencing — not to predict a specific number.

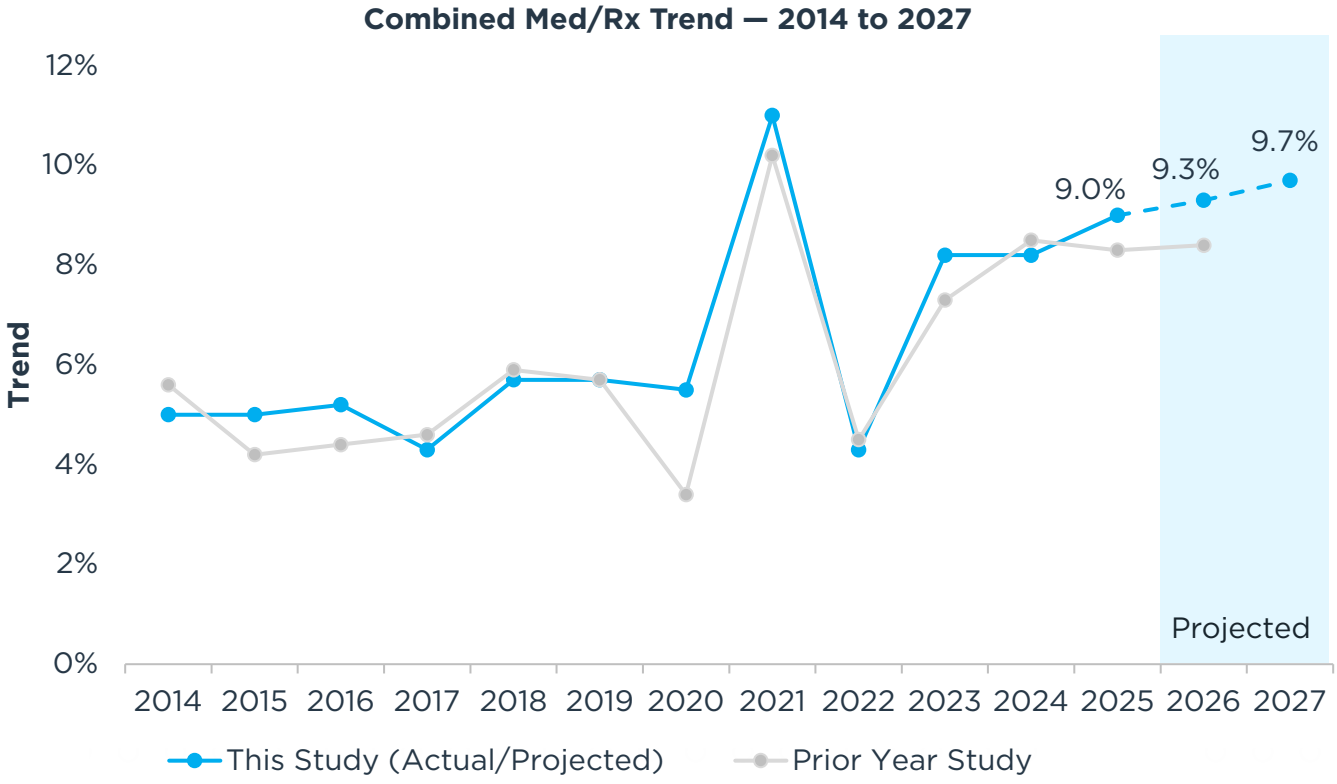
Component	**Plan Sponsor A:** Favorable Experience	**Plan Sponsor B:** Adverse Experience
Claims Experience	-9.9%	+10.4%
Claims Margin	+3.7%	+4.7%
Effective Trend	**+12.3%**	**+4.9%**
Fixed Costs	+2.6%	+3.3%
Total Renewal	**+8.7%**	**+23.3%**

Plan Sponsor A: *Strong claims performance more than offsets elevated trend.*

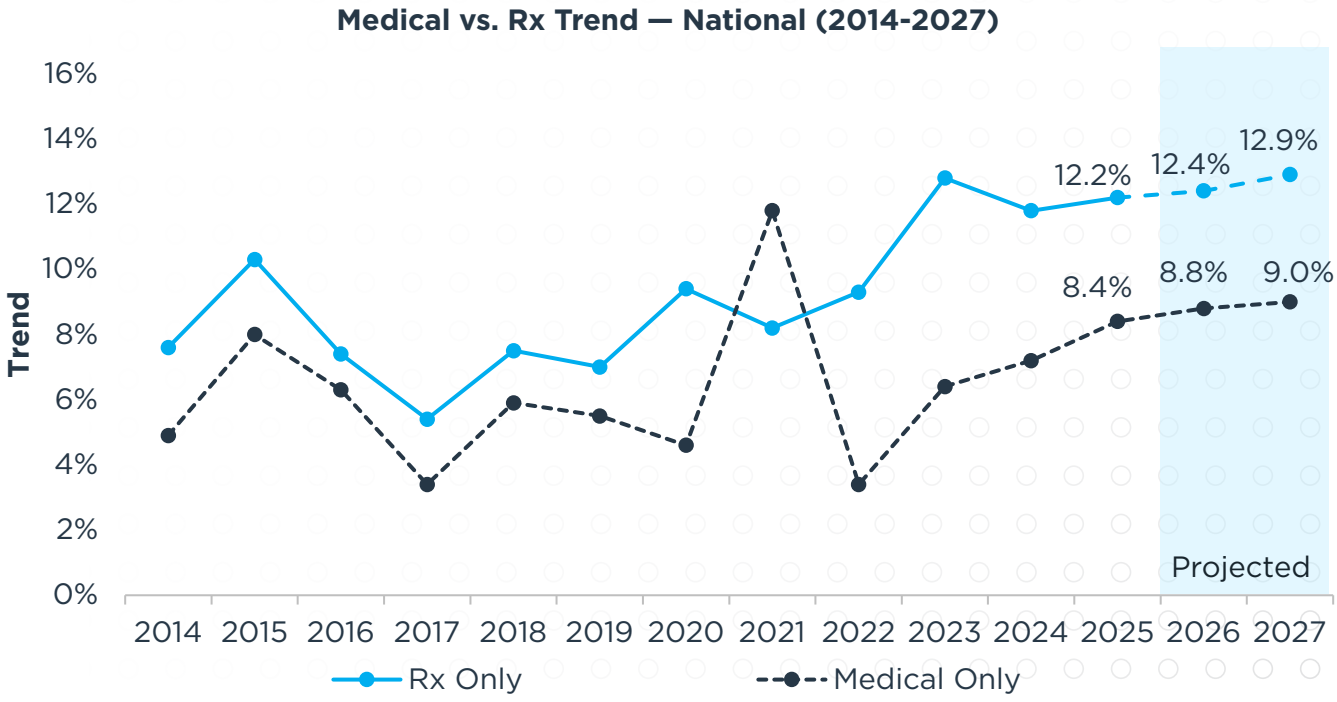
Plan Sponsor B: *Adverse claims experience drives a significant renewal increase even when trend is modest.*

Historic Trend Summary

Understanding historical trend patterns is essential for understanding 2027 projections. An analysis of multi-year partner data reveals significant patterns that reveal valuable insights.



Combined medical and pharmacy trend, 2014-2027. Changes from prior year may vary based on participants and the data provided from one year to the next.

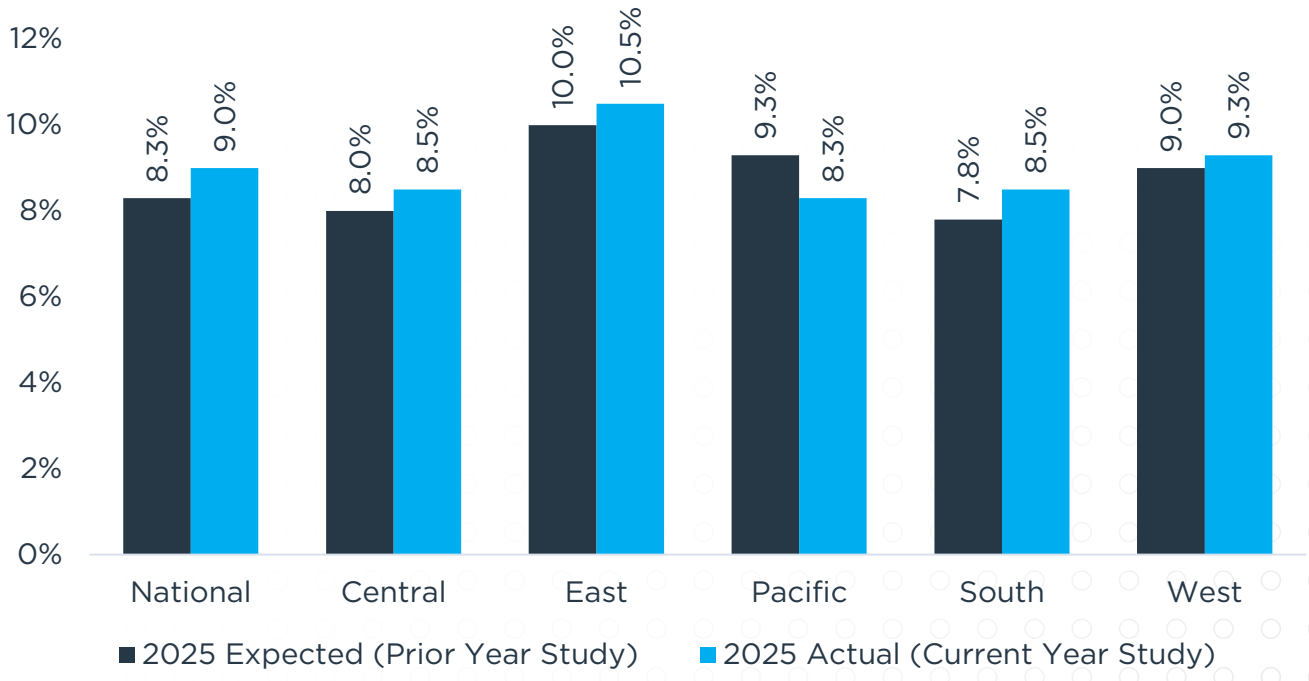


Medical-only versus Rx-only trend, 2014-2027. Changes from prior year may vary based on participants and the data provided from one year to the next.

- **Post-pandemic trend has reset to a structurally higher baseline**. Combined trend averaged around 5% from 2014 to 2020 before COVID-19 pushed it to 11% in 2021. While trend moderated in 2022, it has climbed steadily since, reaching 9% in 2025 and a projected 9.7% in 2027. Data does not support a return to the pre-pandemic trend environment.
- **Pharmacy continues to be the engine of cost growth**. Pharmacy drug-only trend has consistently outpaced medical trend since 2014 and the gap is accelerating. In 2027, pharmacy trend is projected to be 12.9% versus 9% for medical. The spread was far narrower pre-COVID-19 pandemic.

Results Compared to Prior Year

With one exception, 2025 actual trends came in above what was projected last year. In the Pacific region, actual trend landed below prior year expectations, the result of changes in participant data reporting rather than an underlying shift in market conditions. Specifically, several Pacific region carriers submitted national-only data in the prior year study; this year, responses were properly regionalized, recalibrating the Pacific baseline and making a direct year-over-year comparison less straightforward.

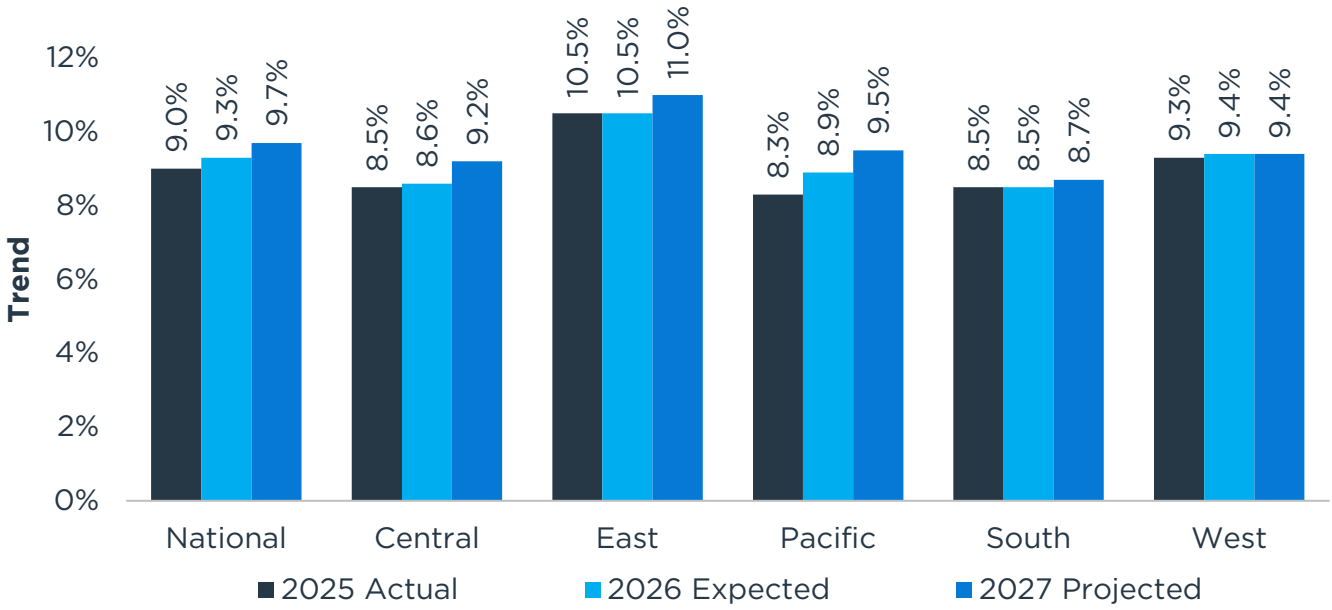


2025 expected reflects projections from HUB's 2026 Benefits Cost Trends Report, based on survey responses collected in early 2025. The 2025 actual trend reflects final survey respondent reported figures as of early 2026, looking back at year-end results. Additional variation may exist due to differences in participation year over year.

Historic Regional Trend Analysis

Segmented results showed variations in trend by geography, showing the following trends:

Med/Rx Combined Trend Region — 2025 Actual vs. 2026 Expected vs. 2027 Projected



- **East remains the highest-cost region.** The East region has ranked as the highest-cost area every year, projecting at 11% for 2027, approximately 1.3 percentage points above the national average. Plan sponsors with employees concentrated in East regional markets should expect renewal pressure to remain disproportionately elevated relative to peers in other geographies.
- **South is the most-favorable market.** The South geography consistently projects the lowest combined trend of any region, holding flat from 8.5% actual in 2025 to 8.5% expected in 2026, with a modest uptick to 8.7% projected for 2027. Organizations with South-concentrated workforces carry a meaningful cost advantage relative to peers in higher-cost markets like the East and Pacific.
- **National trend climbs steadily.** National combined medical/pharmaceutical benefit rose modestly from 9% actual in 2025 to 9.3% expected in 2026, before increasing to 9.7% projected for 2027. The increase is driven primarily by accelerating pharmacy rather than medical costs. While the incremental increase from 2025 to 2026 may appear manageable, the 2027 projection signals a more significant shift that plan sponsors should not dismiss as a continuation of a stable trend environment.
- **Regional variation spans more than two points.** The spread between the highest region (East, at 11%) and lowest (South, at 8.7%) projected 2027 regional trends is 2.3 percentage points, a difference that translates into millions of dollars in plan costs for larger employers. For organizations with employees concentrated in a specific region, benchmarking against regional data rather than the national average will produce a more accurate picture.

2026-2027 Regional Trend Detail

Regional trend data tells a more nuanced story than national averages alone.

At the regional level, a 2-percentage-point spread between the highest- and lowest-cost regions means that two plan sponsors with identical plan designs can face materially different cost trajectories depending on where employees are located — and that spread is widening. In 2026, the East projects the highest combined trend at 10.5% and the most favorable in the South at 8.5%, a gap of 2 percentage points.

By 2027, that gap is expected to grow to 2.3 percentage points, with the East at 11% and the South at 8.7%. National combined medical and pharmacy trend has climbed steadily across both years — from 9% actual in 2025 to 9.3% expected in 2026, then to 9.7% projected for 2027 — driven primarily by accelerating pharmacy trend rather than medical costs.

The 2027 projection represents the most-elevated combined trend outlook and should not be dismissed as a continuation of a stable trend environment. For organizations with geographically distributed workforces, benchmarking renewals against regional data rather than the national average is not a footnote to planning — it is central to it.

Expected 2026 Trend Summary

Line of Coverage	National	Central	East	Pacific	South	West
Medical and Rx combined	9.3%	8.6%	10.5%	8.9%	8.5%	9.4%
Medical only: All plans	8.8%	8.8%	11.3%	10.3%	8.5%	10.5%
Medical only: PPO	9.0%	8.8%	10.1%	10.0%	9.6%	10.1%
Medical only: High-deductible health plan (HDHP)	9.2%	8.4%	10.0%	9.5%	7.7%	9.6%
Medical only: HMO	8.5%	8.4%	10.6%	8.8%	9.9%	9.8%
Medical only: Indemnity	8.5%	—	—	—	—	—
Rx only*	12.4%	11.2%	11.0%	11.0%	10.4%	11.1%
Dental only	4.1%	4.6%	4.5%	4.4%	4.4%	4.6%
Vision only	2.3%	2.8%	2.2%	2.8%	2.3%	2.8%

Indemnity by region trend has been removed due to a low frequency of responses within the category.

Projected 2027 Trend Summary

Line of Coverage	National	Central	East	Pacific	South	West
Medical and Rx combined	9.7%	9.2%	11.0%	9.5%	8.7%	9.4%

Projected 2027 Regional Trends

Line of Coverage – National only	2027 Projected
Medical only: All plans	9.0%
Medical only: PPO	9.5%
Medical only: High-deductible health plan (HDHP)	9.4%
Medical only: HMO	8.7%
Medical only: Indemnity	8.5%
Rx only*	12.9%
Dental only	4.3%
Vision only	2.3%

Regional breakouts for individual plan types were not supportable for 2027 due to limited survey participation at the regional level.

Key National and Regional Observations

- **Pharmacy is the defining story of 2027 and the primary driver of national trend acceleration.** Gross pharmacy trend rises from 12.4% expected in 2026 to 12.9% projected in 2027 — a 0.5 percentage point increase reflecting continued GLP-1 expansion, specialty drug pipeline pressure and autoimmune drug cost escalation. Plan sponsors without active pharmacy management programs such as PBM auditing, formulary controls and biosimilar mandates are at risk of experiencing trend at the upper end of the projected range.

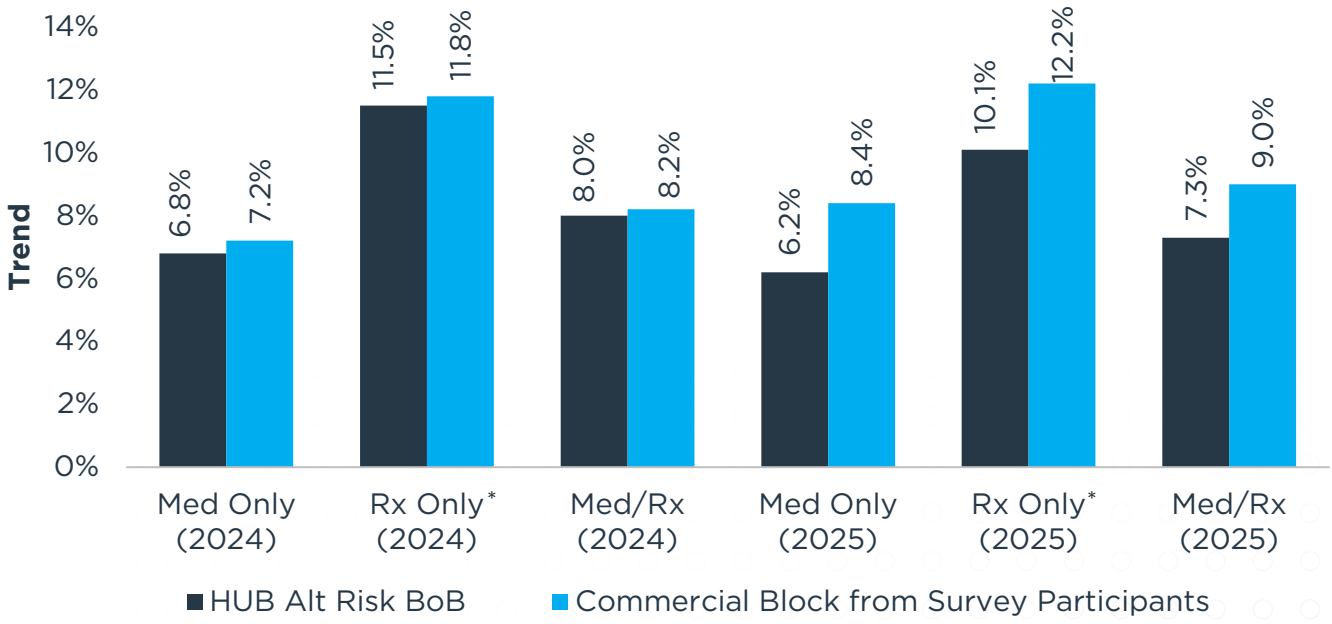
- **East remains the highest-cost region across both years.** The East projects combined trend of 10.5% in 2026 and 11.0% in 2027, approximately 1.2 to 1.3 percentage points above the national average in each year. Plan sponsors with employees concentrated in East regional markets should expect renewal pressure to remain disproportionately elevated relative to peers in other geographies.
- **South is the most favorable market and holds that position into 2027.** The South projects 8.5% in 2026 and 8.7% in 2027 — the lowest combined trend of any region in both years, and nearly a full percentage point below the 2027 national average of 9.7%. For plan sponsors with workforces based in the South, this regional advantage should be reflected in renewal assumptions and carrier negotiations.
- **Regional variation spans more than two percentage points and widens year over year.** The East-to-South spread is 2 percentage points in 2026 and grows to 2.3 percentage points in 2027. Benchmarking against regional data rather than the national average will produce a more accurate picture.
- **Medical-only trend climbs modestly but consistently from 2026 to 2027.** PPO rises from 9% to 9.5% and HDHP from 9.2% to 9.4% nationally, while HMO plans project the lowest medical trend at 8.5% in 2026 and 8.7% in 2027, consistent with their closed network structure and integrated care model. The increases are smaller than for pharmacy trend, suggesting biosimilar adoption and site-of-care efforts may be beginning to exert a moderating influence on the medical component even as drug costs accelerate.
- **PPO and HDHP show the widest regional spread of any plan type in 2026 at 2.5 percentage points each.** PPO ranges from 8.8% in Central to 10.1% in East and West. HDHP ranges from 7.7% in South — the lowest single figure in the entire medical trend table — to 10.0% in East, making South a particularly attractive market for plan sponsors considering HDHP expansion.
- **Dental trend is stable and regionally consistent.** Dental ranges from 4.1% nationally to 4.6% in Central and West in 2026, rising modestly to 4.3% nationally in 2027. Dental trend is less sensitive to regional cost dynamics than medical or pharmacy and presents the most predictable planning environment of any major line of coverage other than vision.
- **Vision shows the least regional variation of any line of coverage.** Vision ranges from 2.2% to 2.8% across regions in 2026 and holds flat at 2.3% nationally in 2027, making it the most stable and predictable component for budget planning regardless of geography.

HUB Benchmarking Insights

HUB's incorporated internal trend data from its analytics platform to provide a real-world benchmark alongside market-reported projections. This data represents HUB's Alternative Risk clients, specifically focused on self-funded plans, with complete data across the measurement period. Groups with incomplete data due to carrier changes, partial data feeds or lack of prior-year comparatives were excluded.

Survey participant data represents their broader commercial business, which may include a broader range of funding arrangements from fully insured to self-funded and may include smaller groups with higher trend. The comparison illustrates how HUB-managed alternative risk groups are trending relative to the broader commercial market.

HUB Alt Risk BoB vs. Commercial Block from Survey Participants — National



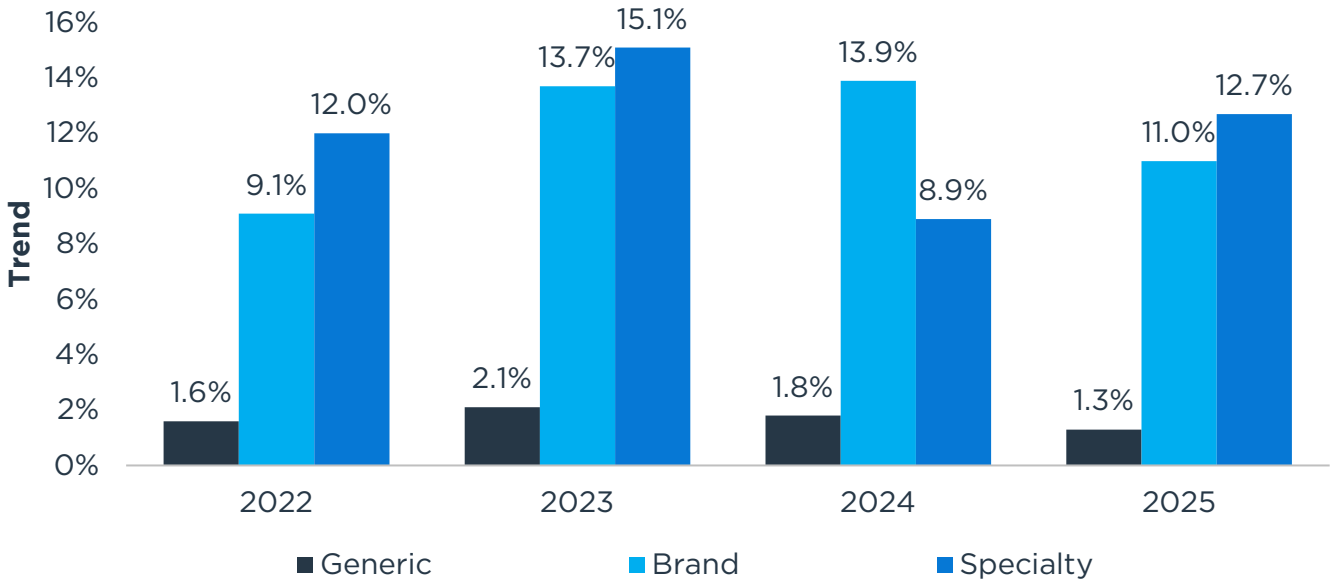
What the data shows is that HUB's Alternative Risk clients consistently trend below the survey averages across both medical and combined medical and pharmacy trend — and the gap widened in 2025. Alternative funding arrangements give plan sponsors tools that fully insured groups cannot access, including full claims transparency, the ability to carve out high-cost services, direct pharmacy contracting and the ability to potentially capture surplus rather than going to a carrier.

Why it matters in a 9% to 10% trend environment is straightforward: When combined trend is projected at 9.7%, a group running 1 to 2 percentage points below that through active plan management isn't just saving money today but compounding savings year over year. The savings between a group trending at 7% and one trending at 10% over several years is quantifiably dramatic.

Pharmacy Trend by Category

Not all pharmacy trend is created equal, with different stories for generic, brand and specialty drugs. The pharmacy cost challenge is almost entirely concentrated in brand and specialty drugs, while generic trend remains relatively low.

Rx Trend by Category — Generic, Brand & Specialty (2022-2025)



Generic trend has remained stable and low, ranging from 1.3% to 2.1% across all four years. The mature generic drug market, combined with continued biosimilar entry, is keeping this category well-controlled and does not represent a meaningful planning risk for most plan sponsors. This illustrates a highly mature generic drug market with significant price compression. Meanwhile, the upcoming patent cliff is largely concentrated in biologics rather than small-molecule drugs, meaning traditional generics are unlikely to see a meaningful uptick in trend from these expirations.

Branded drugs trend spiked 13.7% in 2023 and 13.9% in 2024 before decreasing to 11% in 2025. GLP-1 medications have been the dominant driver of recent volatility, as their rapid uptake following FDA approval for obesity created an unprecedented spike in spending, while subsequent coverage restrictions and employer hesitancy have reduced trend. In addition, traditional brand drugs continue to exert steady upward cost pressure through annual price increases, expanded indications and the growth of high-cost therapies.

Specialty drug trend is the defining cost driver and the most volatile category pharmacy trend. Trend for specialty drugs was 12% in 2022, 15.1% in 2023, 8.9% in 2024, and 12.7% in 2025. This volatility reflects the pipeline-driven nature of specialty drug costs: New therapies, expanded indications and biosimilar disruption in high-cost categories are creating annual changes that make specialty trend particularly difficult to forecast and important to manage.

Leading Factors Increasing Trend

The following factors have been identified as primary contributors to increasing trend for 2025 through 2027, drawing on responses from carrier, TPA and pharmacy partners.

Specialty and GLP-1 drug costs

- GLP-1 medications are the single-largest emerging driver of pharmacy trend, projected to add 2 to 2.5 percentage points to pharmacy trend through 2027. While originally prescribed for diabetes management, expanded indications for weight loss and cardiovascular risk reduction have dramatically broadened the eligible population. Off-label access continues to add further short- and mid-term volatility.
- Gene therapies, CAR-T treatments and other high-cost specialty drugs are adding significant pressure on the medical benefit side, with single-treatment costs frequently exceeding $1 million.
- Specialty drugs now represent the dominant share of total pharmacy spend for most commercial plans. Autoimmune drug costs continue to climb as members transition from Humira® to newer — and more expensive — agents like Skyrizi® and Stelara®.

Increased utilization

- Healthcare utilization has not returned to pre-pandemic norms and has in fact exceeded them. Outpatient surgeries, emergency room volume and physician visits are all running above 2019 levels and show no signs of declining.
- Mental health and substance abuse services continue to show sustained elevated utilization, driven by need and reinforced by behavioral health parity requirements that are increasing both access and unit costs.

Provider consolidation and unit cost inflation

- General inflation embedded into provider contracts during 2022 and 2023 is flowing through current multi-year renewal cycles, creating an extended period of above-normal cost increases that will persist through at least 2027.
- Provider wage inflation and ongoing consolidation — particularly hospital system acquisitions of independent physician practices — continue to drive higher service rates across all care settings.
- The federal arbitration process for out-of-network ER and certain other claims, known as independent dispute resolution, consistently awards rates above in-network benchmarks, adding structural upward pressure on emergency service pricing.

Population health trends

- The prevalence of chronic disease continues to rise across commercial populations, increasing both the frequency and severity of high-dollar claims. Oncology, cardiovascular disease and metabolic conditions are the primary drivers of trend.
- Higher acuity inpatient admissions (particularly in oncology and complex chronic condition management) are pushing average inpatient costs higher, even in years when admission volumes are flat.

The effect of regulatory and legislative action

- State-level mandated benefit expansion, such as the infertility coverage requirements in a number of states, is adding structural upward cost pressure that plan sponsors cannot offset through plan design alone.
- Medicaid has shifted a significant number of previously enrolled members to commercial plans, bringing with them a higher-acuity, higher-cost utilization profile.
- Cost-shifting from uncompensated care to commercial payers persists. Provider systems use commercial contracting leverage to offset losses from government program underpayment.
- Federal legislative uncertainty, with potential Medicaid funding reductions and Affordable Care Act (ACA) subsidy changes, poses potential higher trend to commercial projections.

Leading Factors Decreasing Trend

Despite persistent upward pressure, several forces are working to offset trend increases. The following deflators are drawn from partner survey responses and broader market observations:

Biosimilar adoption

- Biosimilar conversion for autoimmune drugs, particularly Humira® and Stelara®, is the most-cited deflator across survey responses. Plan sponsors are realizing savings with biosimilar formulary changes.
- Mandatory biosimilar substitution programs are generating more predictable and durable savings than voluntary programs, which have seen inconsistent member and provider uptake.
- Manufacturer-direct private-label biosimilar models are emerging as a next step in this evolution — removing intermediary layers and potentially accelerating the savings that biosimilar adoption was always expected to deliver but has only partially achieved to date.

Site-of-care optimization

- Steering members away from high-cost outpatient hospital departments and emergency rooms toward ambulatory surgical centers and lower-cost care settings remains one of the highest-ROI levers available to plan sponsors. Participants report continued progress in this area.
- Utilization management programs that direct care to cost-effective sites of service are becoming more sophisticated, with real-time decision support tools helping members and providers identify lower-cost alternatives at the point of care.
- Specialty centers of excellence for high-cost procedures — including oncology, cardiac care and complex musculoskeletal cases — are demonstrating measurable improvements in both cost and clinical outcomes.

GLP-1 drug management

- Excluding GLP-1 coverage for obesity indications while maintaining coverage for diabetes has become one of the most widely deployed near-term pharmacy cost control strategies and is generating short-term pharmacy trend relief for plans that have implemented it.
- Prior authorization, step therapy and member-facing pharmacy cost comparison tools are reducing off-label demand and directing utilization toward clinically appropriate uses, limiting the trend volatility that unconstrained access would otherwise create.

Medical management and care programs

- Oncology management, musculoskeletal programs and high-cost claimant case management are showing measurable ROI across multiple carrier responses. Outreach to high-risk members is mentioned as a key mechanism for reducing claim severity downstream.
- Patient-centered medical home and advanced primary care models demonstrate lower trend versus standard fee-for-service primary care, driven by better chronic disease management and reduced utilization.
- Technology-enabled care delivery — including AI-assisted clinical decision support, virtual care expansion and evidence-based pharmacy management — is emerging as a trend deflator, particularly in integrated delivery systems. While not yet broadly affecting commercial trend, it represents a possible long-term deflator as adoption expands.

PBM Landscape

A new element of HUB's 2027 Benefits Cost Trends Report comprised questions about pharmacy benefit managers (PBMs). The Consolidated Appropriations Act of 2026, passed in February 2026, represents the most significant federal PBM reform in years, and its implications on transparency, spread pricing and rebate structures are still unfolding. Against this backdrop, key themes from participant responses include:

- **Rebate model restructuring:** Transparency mandates are driving a structural shift away from rebate-based models toward administrative fees and net-cost pricing. Insurers mostly view the net financial impact as largely neutral for plan sponsors in the near term, but the operational implications are significant, and the transition is creating additional administrative complexity for PBMs.
- **Dual drivers continue to accelerate pharmacy trend:** Drug spend is being driven by rising specialty drug costs and rapid growth in high-cost traditional drugs like GLP-1s. Specialty therapies continue to command a disproportionate share of total spend due to high per-patient costs and pipeline innovation, while GLP-1s are driving trend through expanded indications, consumer demand and sustained utilization growth.
- **Compliance complexity is increasing costs:** Reporting requirements, contract administration burdens, system modification needs and dispensing fee legislation are expected to increase pharmacy-related administrative expenses. Respondents noted these costs will ultimately flow through to the market.
- **Increased transparency creates opportunity for plan sponsors:** Several respondents noted that reforms are expected to produce better contract structures, greater vendor accountability and reduced spread pricing over time. Plan sponsors who engage with PBMs stand to benefit most.
- **Integrated models and independent oversight positioned favorably:** Respondents that operate within integrated delivery models cited the ability to secure competitive manufacturer pricing without relying on rebates that are now at regulatory risk. Independently, those focused on PBM oversight noted that financial misalignment within PBM relationships remain a significant cost driver, and that rates and rebates alone are insufficient without standalone, clinical-led utilization management.

Dental and Vision Trend

Dental

Dental trend projects to be 4.3% nationally for 2027, up from 4.1% expected for 2026. Key observations include the following:

- Provider behavior is emerging as a meaningful cost driver. Insurers report an increase in the number of dental services performed per visit and a rise in providers terminating lower-reimbursement network contracts in favor of higher-paying alternatives. The latter introduces midyear network disruption risk for plan sponsors and members that advisors should address in client conversations.

- Unit cost inflation from provider contract pressure and network shopping by providers remains the primary structural driver for dental trend, as providers seek higher reimbursement and terminate lower-paying network relationships.
- Utilization has risen higher than pre-COVID levels and has stabilized into a predictable range, with richer benefit designs and increased emphasis on preventive care sustaining claims volume.

Vision

Vision trend projects to be 2.3% nationally for 2027, flat from 2.3% expected for 2026. Key observations include the following:

- Vision remains relatively stable and predictable due to fixed-dollar benefit caps and high in-network utilization, with respondents broadly characterizing vision trend as low-volatility compared with medical and pharmacy trend.
- Unit cost inflation and shift in provider mix are the primary drivers of vision trend, with exam and materials costs rising in line with general inflation. Utilization has stabilized post-COVID-19 pandemic.
- Pressure to increase benefit caps is an emerging risk. As the gap between fixed-dollar coverage limits and service costs widens, plan sponsors will face increasing pressure to enrich vision benefits, which will put upward pressure on trend.

Key Findings

HUB's Benefits Cost Trends Report draws on responses from more than 30 carriers, TPAs and pharmacy partners to deliver a comprehensive view of healthcare costs. Trend is accelerating with pharmacy being the primary drive — and the window for action is now.

The key findings below distill the most critical takeaways to help plan sponsors translate these trends into strategy:

- Healthcare costs continue to accelerate, with 2027 trend projected between 9% to 11% for combined medical and prescription drug coverage nationally. Pharmacy remains the primary driver of trend, with Rx-only trend projected at 12.9%, up from 12.4% expected for 2026 and 12.2% actual in 2025. The 2027 combined trend is the highest increase across all years in this study.
- Specialty drug and GLP-1 cost pressures are no longer emerging risks but are the defining driver of drug benefit cost management. Plan sponsors without active management programs will see disproportionate trend impact.
- Regional variation remains but should be interpreted carefully. The East region continues to project the highest combined trend at 11%, approximately 1.3 percentage points above the national average of 9.7%. The South region remains the most favorable market at 8.7%. Benchmarking renewals against an organization's region — not just the national average — is essential for credible budget planning.

- HUB's Alternative Risk clients trended below participant survey averages in both 2024 and 2025, and the gap widened each year. This outperformance reflects the cost management advantages of alternative funding, which include transparency, plan design flexibility and active claims management. It is also worth noting that participant survey data represents broader commercial business, which may include smaller and fully insured groups.
- PBM reform is reshaping the pharmacy economics landscape, but transparency rules do not address specialty drug list price growth, which is the real engine of prescription drug trend. Plan sponsors should actively review their PBM arrangements for alignment with net cost structures and ensure independent clinical oversight is part of their pharmacy strategy.

What to Do Next

The trends outlined in this report represent both challenges and opportunities. HUB International's actuarial and financial consulting team is ready to help leverage these insights into action. Here are some next steps to get you started:

- **Monitor data before problems surface.** Rising trends are a market-level story, but your renewal is a group-level one. Understanding how your population is actually performing against these benchmarks requires continuous visibility into your own claims data, not just at renewal. HUB's Health Insights platform empowers plan sponsors with a centralized data warehouse that unifies medical, pharmacy and ancillary claims into a single view, enriched with clinical intelligence to identify emerging high-cost risks before they affect performance. Whether it's a member heading toward a catastrophic claim, specialty drug utilization outpacing expectations or a cost driver that won't show up in your renewal for another 12 months, Health Insights turns data into early action.
- **Benchmark your benefits program.** Understanding how your plan stacks up against the market is a critical first step in any benefits strategy. HUB's Plan Assessment tool is powered by employer data, comprising nearly 75,000 employers — and growing — of all sizes benchmarked across 32 industries and state-level geographies, updated quarterly. With nearly 390 variables covering everything from medical plan design and cost sharing to premiums, contributions, ancillary benefits and employee sentiment, HUB's Plan Assessment tool provides a far more granular and current picture of your benefits program than simple annual surveys.
- **Network optimization.** With unit cost inflation accelerating, ensuring your workforce is in the most cost-efficient network is one of your highest-impact levers. HUB's Network Comparison tool uses federally mandated price transparency data — updated monthly — to compare your current carrier's network rates against available alternatives on a claim-by-claim basis, matched to your actual utilization patterns and workforce geography. The result is a clear, apples-to-apples comparison showing whether your incumbent network is delivering competitive rates or leaving money on the table. In a typical analysis, network cost differences of 2% to 5% of total allowed spend are common — a meaningful number when medical trend is running at 9% to 10%.

- **Pharmacy cost optimization and contract benchmarking.** DiagnosticRx, HUB's proprietary pharmacy contract benchmarking tool, deconstructs PBM agreement across contract terms, rebates, discounts and administrative fees, evaluating each against industry best practices and HUB National Pharmacy benchmarks. The result is a report card that highlights what's working, what's not and where dollars are being left on the table. With pharmacy trend rising into the double digits, this level of transparency gives you the insight needed to optimize your PBM strategy, strengthen negotiations and better manage overall drug spend.
- **GLP-1 strategy.** GLP-1 medications are projected to add 2 to 2.5 percentage points to pharmacy trend alone through 2027 and that figure only reflects diabetes indications — for plan sponsors that cover GLP-1s for weight loss, the cost exposure is significantly higher. Deciding how to handle GLP-1s for non-diabetes indications has become a core financial decision. HUB's pharmacy consultants can model the cost impact of your current coverage position against alternative strategies, including step therapy protocols, prior authorization requirements and indication-specific coverage tiers, so you can make an informed decision that balances cost management with employee access and clinical appropriateness.
- **Ensure proper compliance.** The benefits compliance landscape has never been more complex. Mental health parity requirements, price transparency mandates, ACA reporting obligations, state-level benefit mandates and the evolving regulatory environment around PBMs and pharmacy transparency are all creating new compliance obligations. At the same time, plan sponsors operating across multiple states face an increasingly fragmented patchwork of requirements that vary by jurisdiction. As you implement new strategies in response to an increasingly complex future, compliance review should be part of the process, not an afterthought.
- **Evaluating alternative funding opportunities.** As healthcare costs continue to rise, employers who take an active role in managing their benefits achieve better outcomes than those who remain in traditional fully insured arrangements. Alternative funding gives employers greater transparency into where their dollars are going, more flexibility in plan design, and the potential to capture savings. HUB's Alternative Risk practice helps employers evaluate whether a different funding strategy could deliver better cost outcomes for their specific workforce — and the analysis starts with your own data. The practice encompasses a full range of solutions designed to address different risk tolerances, group sizes, and workforce profiles, including Professional Employer Organizations (PEOs), level-funded plans, medical stop-loss captives, true self-funded ASO arrangements, reference-based pricing, ICHRA and MEC+ for employers with large hourly or variable-hour workforces. HUB doesn't own any of these solutions, which means our guidance is objective. We model your specific claims experience and demographics against each strategy before making a recommendation, and we support implementation, compliance and ongoing optimization end-to-end. If you haven't evaluated your funding structure recently, rising trend is the right catalyst to do so.

Rising healthcare costs will not resolve on their own, but they will respond to strategy. The employers who will navigate 2027 most successfully are those who treat rising trend as a call to action rather than a budget line item. HUB's team of actuarial consultants, financial advisors and benefits strategists is here to help you build that strategy, grounded in your specific data, workforce and goals.

Ready to get started? Visit hubemployeebenefits.com or reach out to your HUB International representative today.

Data, Assumptions and Limitations

Data sources

In our second annual survey, we received responses from the following carrier, TPA and pharmacy partners:

Aetna	Highmark
AmeriBen	Kaiser Foundation Health Plan, Inc.
Ameritas Life Insurance Corp.	Louisiana Blue
Arkansas BlueCross BlueShield	Meritain Health, Inc.
BCBS of Michigan	MetLife
Blue Cross Blue Shield of Massachusetts	PacificSource Health Plans
Blue Cross and Blue Shield of Alabama	Prime Therapeutics LLC
Blue Cross and Blue Shield of Kansas City	Principal
Blue Cross and Blue Shield of Nebraska	Regence
Blue Cross and Blue Shield of North Carolina	RxBenefits
Blue Cross of Idaho	SlateRx
Blue Cross Blue Shield of Arizona	Sun Life
Blue Shield of California	United Concordia
CareFirst BlueCross BlueShield	UnitedHealthcare (UHC)
Cigna Healthcare	VSP
Delta Dental of Illinois	Wellmark BCBS of Iowa
Elevance Health	Wellmark BCBS of South Dakota
Health Care Service Corporation (HCSC)	

Assumptions and limitations

- We requested data to be provided for the commercial block, without the impact of pharmacy rebates and pooling.
- We removed outlier data that materially impacted final results.
- HUB internal data is sourced from Cedar Gate Technologies, limited to self-funded groups with complete, continuous data. Groups with partial data or no prior-year comparatives are excluded.
- Survey reported information may vary on the basis of trend vs. actual rates.
- Participant data did not explicitly describe the funding level of the trend; as a result, the study may blend fully insured and alternative funding results.
- Regional response rates vary by line of coverage and projection year — not every participant responded to every question. National averages reflect the full response pool and are more statistically reliable than regional breakouts, particularly for 2027 projections where fewer participants responded.
- While we have reviewed the data for reasonableness, we have not performed a complete audit of the information provided and therefore cannot attest to the level of its accuracy.

Appendix: Data Tables

Historic Trend Data Table

Year	Medical Only	Rx Only	Med and Rx Combined
2014	4.9%	7.6%	5.0%
2015	8.0%	10.3%	5.0%
2016	6.3%	7.4%	5.2%
2017	3.4%	5.4%	4.3%
2018	5.9%	7.5%	5.7%
2019	5.5%	6.9%	5.7%
2020	4.6%	9.4%	5.5%
2021	11.8%	8.2%	11.0%
2022	3.4%	9.3%	4.3%
2023	6.4%	12.8%	8.2%
2024	7.2%	11.8%	8.2%
2025 (Actual)	**8.4%**	**12.2%**	**9.0%**
2026 (Expected)	**8.8%**	**12.4%**	**9.3%**
2027 (Projected)	**9.0%**	**12.9%**	**9.7%**

The bottom three rows reflect current study data. Trend for 2026 and 2027 are projected. Prior Year Study reflects the 2026 Benefits Cost Trends Report published in 2025.

Historic Med/Rx Combined Trend

Line of Coverage	Current Study	Prior Study
2014	5.0%	5.6%
2015	5.0%	4.2%
2016	5.2%	4.4%
2017	4.3%	4.6%
2018	5.7%	6.0%
2019	5.7%	5.6%
2020	5.5%	3.4%
2021	11.0%	10.1%
2022	4.3%	4.2%
2023	8.2%	7.3%
2024	8.2%	8.5%
2025	9.0%	8.3%
2026	9.3%	8.4%
2027	9.7%	—

Actual 2025 Trend Summary

Line of Coverage	National	Central	East	Pacific	South	West
Medical and Rx combined	9.0%	8.5%	10.5%	8.3%	8.5%	9.3%
Medical only: All Plans	8.4%	8.5%	12.1%	10.3%	7.5%	9.7%
Medical only: PPO	8.5%	7.6%	9.8%	10.1%	8.1%	7.9%
Medical only: High-Deductible Health Plan (HDHP)	8.8%	8.9%	10.0%	10.3%	8.4%	10.1%
Medical only: HMO	7.9%	—	—	—	—	—
Medical only: Indemnity	8.3%	—	—	—	—	—
Rx only*	12.2%	10.5%	9.4%	—	10.7%	11.3%
Dental only	3.9%	4.4%	4.4%	4.2%	4.0%	4.3%
Vision only	1.9%	3.0%	2.0%	3.0%	3.0%	3.5%

HMO and Indemnity by region trend has been removed due to a low frequency of responses within the category.

Expected 2026 Trend Summary

Line of Coverage	National	Central	East	Pacific	South	West
Medical and Rx combined	9.3%	8.6%	10.5%	8.9%	8.5%	9.4%
Medical only: All Plans	8.8%	8.8%	11.3%	10.3%	8.5%	10.5%
Medical only: PPO	9.0%	8.8%	10.1%	10.0%	9.6%	10.1%
Medical only: High-Deductible Health Plan (HDHP)	9.2%	8.4%	10.0%	9.5%	7.7%	9.6%
Medical only: HMO	8.5%	8.4%	10.6%	8.8%	9.9%	9.8%
Medical only: Indemnity	8.5%	—	—	—	—	—
Rx only*	12.4%	11.2%	10.6%	11.0%	10.4%	11.1%
Dental only	4.1%	4.6%	4.5%	4.4%	4.4%	4.6%
Vision only	2.3%	2.8%	2.2%	2.8%	2.3%	2.8%

Indemnity by region trend has been removed due to a low frequency of responses within the category.

Expected 2026 Trend Summary

Line of Coverage	National	Central	East	Pacific	South	West
Medical and Rx combined	9.3%	8.6%	10.5%	8.9%	8.5%	9.4%
Medical only: All plans	8.8%	8.8%	11.3%	10.3%	8.5%	10.5%
Medical only: PPO	9.0%	8.8%	10.1%	10.0%	9.6%	10.1%
Medical only: High-deductible health plan (HDHP)	9.2%	8.4%	10.0%	9.5%	7.7%	9.6%
Medical only: HMO	8.5%	8.4%	10.6%	8.8%	9.9%	9.8%
Medical only: Indemnity	8.5%	—	—	—	—	—
Rx only*	12.4%	11.2%	11.0%	11.0%	10.4%	11.1%
Dental only	4.1%	4.6%	4.5%	4.4%	4.4%	4.6%
Vision only	2.3%	2.8%	2.2%	2.8%	2.3%	2.8%

Indemnity by region trend has been removed due to a low frequency of responses within the category.

Projected 2027 Trend Summary

Line of Coverage	National	Central	East	Pacific	South	West
Medical and Rx combined	9.7%	9.2%	11.0%	9.5%	8.7%	9.4%

Projected 2027 Regional Trends

Line of Coverage – National only	2027 Projected
Medical only: All plans	9.0%
Medical only: PPO	9.5%
Medical only: High-deductible health plan (HDHP)	9.4%
Medical only: HMO	8.7%
Medical only: Indemnity	8.5%
Rx only*	12.9%
Dental only	4.3%
Vision only	2.3%

Regional breakouts for individual plan types were not supportable for 2027 due to limited survey participation at the regional level.

Historic Rx Data

Year	Generic	Brand	Specialty
2022	1.6%	9.1%	12.0%
2023	2.1%	13.7%	15.1%
2024	1.8%	13.9%	8.9%
2025	1.3%	11.0%	12.7%

HUB Alternative Risk Clients Versus Survey Participants — National

Year	Line of Coverage	HUB Alternative Risk Clients	Survey Participants
2024	Medical only	**6.8%**	7.2%
	Rx only*	**11.5%**	11.8%
	Medical and Rx combined	**8.0%**	8.2%
2025	Med only	**6.2%**	8.4%
	Rx only*	**10.1%**	12.2%
	Medical and Rx combined	**7.3%**	9.0%

HUB internal data sourced from Cedar Gate Technologies, limited to self-funded groups with complete, continuous data. Survey participant figures represent survey participant averages.

*Assumes gross costs

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