MARSH

Managing health benefit cost: A practical guide for employers across the globe



Healthcare cost pressure is intensifying

Healthcare costs are rising at sustained and unprecedented levels across the world. Medical trend is forecast to exceed 11% globally in 2026 — the sixth consecutive year of double-digit increases — continuing to outpace both inflation and wage growth.

This rise in costs is not just impacting employers — it is affecting employees too. Even in markets with strong public health systems, employees are increasingly concerned about their ability to afford healthcare. At the same time, many are also reporting declining health and lower levels of thriving at work. Left unmanaged, these pressures can extend beyond individual well-being and affect productivity, engagement, and organizational performance.

The challenge for employers is clear: manage costs while safeguarding value.

Medical trend	2019	2020	2021	2022	2023	2024	2025	2026
Global (Ex-US)	9.7%	5.7%	10.1%	10.1%	12.0%	10.6%	10.8%	11.1%



Note: Medical trend is the year-over-year increase for claims on a per-person basis under a medical scheme and includes medical inflation, changes in treatment mix (e.g., more advanced care options), utilization changes, and regulatory changes. Rates for 2019–2024 are retrospective. Rates for 2025 and 2026 are prospective. Unweighted global averages have been used. Trend rates were gathered from insurers from around the globe, with medical trend rates submitted by insurers validated by our local teams using their own internal book of business data, country-specific insurer surveys, and subjective assessments.

Four drivers of rising health benefit costs

Intensifying health needs

Chronic conditions — such as cancer, cardiovascular disease, diabetes, and musculoskeletal disorders — are driving medical spend across many markets. More people are living with a NCD (non-communicable disease) than ever before, fueled by aging populations as well as lifestyle factors. At the same time, an expanding and often expensive eco-system of diagnoses and treatment options are emerging for chronic conditions — from obesity to mental health.

68% of employees would give up a pay raise for higher quality medical care and coverage.

Global Talent Trends 2026

Advancing healthcare

Medical innovation is transforming the healthcare experience as well as outcomes. Advanced wearables, AI-enabled precision medicines, and break-through cancer therapies are helping people live longer, but adoption raises costs. Employers benefit from a healthier workforce, but they must also prepare for price hikes associated with investing in employee health.

72% of insurers are concerned about medical advancements' impact on health plan affordability.

Health Trends 2026

Constrained capacity

Public healthcare systems around the world are under pressure from workforce shortages, tight budgets, and growing demand, leading to longer wait times and higher cost. This shifts reliance to employer-sponsored health benefits. Delayed treatment can compound damage, with even a simple condition having the potential for more complex and costly claims.

#2 reason employees delayed seeking healthcare in the past two years was long wait times for an appointment.

Health on Demand 2025

Wrong site of care

Employees may see more expensive, private hospitals and specialty care as better quality, and therefore opt to bypass public systems and primary care, even when care quality is comparable and appropriate. Combined with insufficient vendor oversight and uncontrolled reimbursement, this can drive unnecessary utilization and complexity for conditions.

Insurers' #1 concern related to health plan affordability is inefficient and wasteful care.

Health Trends 2026



How will AI impact healthcare costs?

While difficult to predict, we expect AI to increase utilization and short-term cost pressure. In the US, AI “scribes” speed documentation and can also optimize billing. Globally, most health systems still pay per claim or service. AI may increase claims by detecting smaller anomalies, prompting additional procedures, and enabling more personalized, but often more expensive, treatment.

Over time, AI also has the potential to reduce costs: fewer misdiagnoses, streamlined care, fraud detection, more accurate claims payment, administration efficiencies, and better population health management.

Your cost management journey

There is no silver bullet to contain health benefit costs.

Effective cost management demands a structured approach that aligns benefits to strategy, optimizes operations and financing, and improves workforce health over time. These three key elements help employers manage costs while protecting the value health benefits deliver to employees and the business.

Costs are rising, but employers can unlock opportunities to better manage spend

Across health and risk protection benefits





Align benefits to strategy

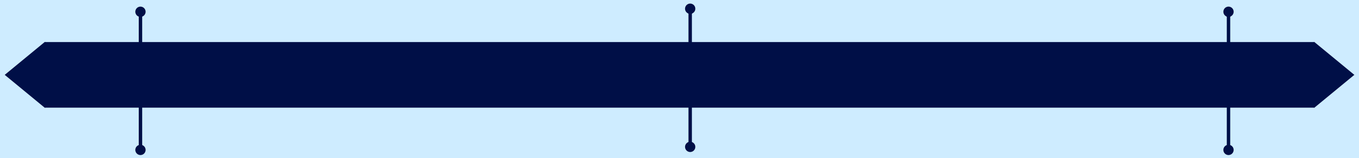
Start with strategy, not budget

Before making changes to plan design, financing, or vendor arrangements, organizations need to decide what they are trying to achieve.

Employers prioritize different outcomes: cost control and budget discipline; improving access to care and the employee experience; protection against catastrophic claims; or strategic investment in workforce resilience, and productivity. There is rarely a perfect solution. Balancing these demands requires a defined philosophy that is understood by stakeholders and supported by leadership. Without this alignment, benefit decisions can fracture; cost pressures pull one way, and talent and business goals pull another.

Strategize your investment: Where do you sit on the health benefit spectrum?

Consider where you are on the spectrum given a rapidly changing business environment



Contain cost
"Keep spend within budget"

- Implement short-term, reactive measures
- Lower employer exposure to risk
- Create care access barriers through cost shifting

Maximize value
"Encourage right care, right time, right place"

- Plan for costs to rise consistently but spend judiciously
- Balance cost and quality for sustainability
- Reduce waste: use care wisely

Invest for quality
"Focus on organizational goals/culture/values"

- Drive long-term business impact and vision
- Focus on employee experience, productivity, and innovation
- Requires increased spend and strong top-down support

Employers should start by asking…

- What role should health benefits play in our total rewards strategy?
- How important are health benefits in attracting and retaining talent?
- How do senior leaders view health spending — as a cost or as an investment?

Measure before you cut

Legacy plans often misalign with strategy and workforce needs. Benchmarking peers offers context, but resist simple levers, as cutting eligibility, coverage, or cost-sharing erodes benefit value.

Once your philosophy is clear, decide what actions fit your organization. Traditional cost cuts mean reduced benefits. Before implementing, measure financial and employee impact— 34% of HR and Risk Managers worry that decisions ignore this trade-off (People Risk 2026).

Effective reviews start with data. Understand who is covered, what benefits are used and valued, and where costs are concentrated. This can highlight opportunities not visible through benchmarking alone.



Employers should start by asking...

- What is our target benchmarking position?
- Who is covered? What's our stance on covering dependents?
- Can employees afford or access care if something catastrophic happens?
- Are access and cost barriers delaying necessary care?
- How much choice and flexibility should employees have?

Marsh combines claims analytics, workforce insight, and market benchmarking to identify cost drivers, uncover opportunities, and better align benefits to strategic objectives.



Optimize operations and financing

Right-size your financing approach

Once a benefits strategy is set, employers need to decide how best to finance it. Employers need to be clear about how much risk they are willing to take on and how much capacity they have to administer and manage their plan.

Fully insured plans offer stable, predictable expenses but can come at a cost with limited flexibility. Self-insured plans unlock savings, visibility, and flexibility but demand stronger governance, higher volatility, and larger risk tolerance.

Risk tolerance is broader than just cash flow. When evaluating your risk tolerance, consider:

- Legal and regulatory requirements
- Market dynamics, including vendor capability
- Operational capacity to manage cost volatility and vendor relationships

There is no single “best” approach. Every financing arrangement involves trade-offs between predictability, control, governance requirements, and potential long-term savings.

Employers should start by asking...

- Can we absorb a high-claims year without disrupting budgets? Is stop loss insurance for high cost claims an option?
- Are we prioritizing budget certainty or long-term cost optimization?
- Do we have the governance, data, and expertise needed to manage a plan effectively?

Captives are no longer just for large organizations

A captive is an insurer established and owned by the sponsoring organization to control coverage, claims, and reserves more directly. But it also requires significant capital, governance, and regulatory work. For mid-sized employers, a cell captive can deliver many of the same benefits and is a more practical option with lower entry costs and shared administration, fees, and sponsor governance.

Marsh Nexus Captive Solution

Marsh helps employers evaluate financing options based on their risk tolerance, workforce profile, and long-term objectives. Through actuarial analysis and claims modeling, we can help organizations better understand the trade-offs between cost predictability, risk retention, and potential savings opportunities.

Pursue administrative and vendor efficiencies

The benefits ecosystem has become complex. Point solutions and specialty programs can pile up, driving cost and confusion. Focus on three areas:

Eliminate duplication

Start by inventorying all benefits, looking for overlapping services across employee assistance plans, telemedicine, well-being, and navigation programs. For larger organizations, harmonize plans and governance where variation isn't necessary.

Review vendor competitiveness

Insurance markets are dynamic. Review pricing, terms, and outcomes to see whether better commercial value is available in the market.

Simplify administration

Streamline manual processes and improve data visibility to reduce administrative burden while strengthening governance. This frees HR teams to focus on higher-value work.

Employers should start by asking...

- Do we have a complete inventory of our benefits, vendors, and services?
- Are similar services being delivered by multiple providers?
- Which programs have low utilization or unclear value?
- Are administrative processes creating unnecessary complexity or cost?

Marsh helps employers evaluate their benefits ecosystem, identify duplication, and assess opportunities to improve efficiency. Through expert placement teams, vendor reviews, benefits audits, and technology solutions like the Benefits You App and Darwin, Marsh helps organizations simplify administration, improve the employee experience, and maximize the value of their benefits investment.





Improve outcomes

Manage population health

The most sustainable way to reduce healthcare costs is to prevent avoidable illness and intervene before health conditions become more serious and expensive to treat.

Some preventive programs have consistently shown improvement in health outcomes and lower future cost, but short-term ROI varies. Success depends on workforce demographics, health risks, local systems, and program design.



High-value healthcare interventions:

Intervention	Example	Value
Maternal and early-childhood health	In India, programs returned $4–$10 for every $1 invested by improving health outcomes for both mothers and children.	Supports employees during a critical life stage; improves birth outcomes and early childhood health, with long-term workforce benefits.
Vaccination programs	In Malaysia, employer vaccination programs reduced absence.	Protects employees from preventable illness; reduces absenteeism and productivity losses, particularly for high-risk groups.
Evidence-based cancer screening	In Canada, annual breast cancer screening for women above the age of 40 led to lower treatment costs, offsetting the testing expense.	Detects disease early when treatment is less invasive and costly; screening costs are recouped through lower treatment spend.
Cardiovascular risk management	A global study found growing evidence that cardiovascular management can lead to measurable risk reduction.	Reduces risk of catastrophic events and prevents costly hospitalizations and emergency room visits while improving employee health risks.

Key takeaway: These interventions deliver the strongest value when they focus on **prevention, early detection, and timely management of potentially high-cost conditions.**

Connect employees to the right care

Employers can also reduce unnecessary spending (e.g., avoidable hospital admissions or unnecessary services) by helping employees access the right care, at the right time, and in the right setting.



High-value care strategies:

Strategy	Example	Why it matters
Digital primary care	An employer in Brazil reduced avoidable emergency room use and achieved returns of more than $2 for every $1 spent.*	Improves access and catches problems early before costly interventions are required.
Outpatient care coverage	An employer in India reduced hospitalization costs by 10%.*	Removes cost barriers to prevention/basic care and minimizes expensive admissions.
Site-of-care optimization	An employer in Singapore saved 20% on some hospitalization claims by incentivizing employees to use high-quality government hospitals.*	Lowers claims costs without sacrificing quality.
Generic medicines	In Canada, participating drug plans have saved more than $4B over 10 years by encouraging generic drug use.	Reduces pharmacy spend, but maintains therapeutic value.

*Digital primary care, outpatient coverage, and site-of-care optimization examples are based on Marsh client experience and are not from published peer reviewed journals

The goal is not simply to spend less. It is to spend more intentionally — investing in interventions that improve health outcomes and long-term affordability, while reducing low-value spending that adds cost without improving care. Some interventions are proven winners. Others depend on your workforce; for example, family care or menopause support, may save on overall spend only if your demographics and tenure support them. Some can actually harm.

Impact population health and the care itself

Being realistic and honest about what could save on claims costs

	Likely to save money Cost ↓ Quality ↑ Employee health ↑	Could save cost* Cost ? Quality ↑ Employee health ↑	May cause harm Cost ↑ Quality ↓ Employee health ↓
Manage population health	• Pre-natal care • Flu vaccination • Population based cancer screening • Diabetes and hypertension screening and management, including GLP-1s	• Health education • GLP-1s for weight loss • Family planning • Substance use support	• Unproven care • Genetic cancer testing for no-risk individuals • Certain hormonal advancements • Unnecessary imaging or prescriptions
Influence care and support	• Public system coordination • Second opinion services • Appropriate site of care • Network configuration	• Unlimited primary care • Personalized health coaching • Menopause and perimenopausal support • Open network mental health therapy	• AI in mental heath for children • Uncertified home births • Inpatient admission when outpatient management would suffice

*Dependent on time horizon, workforce demographics, market access, turnover, solution pricing, labor market, regulatory environment. These are illustrative examples only. Impact will vary by market/population and depend on multiple variables.

Employers should start by asking...

- Are we targeting the right health risks for our workforce?
- Are employees going to the right places for care?
- Where are we spending on low-value care?

Marsh helps employers evaluate health interventions, determining which are likely to generate savings and improve health outcomes. Through clinical reviews, ROI, and vendor evaluations, we help organizations select, implement, and monitor solutions that direct employees to the right care at the right time, and improve their health and well-being outcomes.



The enablers of success

Strategy alone doesn’t deliver results. Successful execution requires four enablers.

1. Analytics: Identify where to act

Analytics uses data to benchmark programs and identify cost drivers — chronic conditions, specialty drugs, and high-cost claims — while highlighting opportunities to improve outcomes and reduce waste. It can also measure performance and signal when to adjust.

2. Governance: Turn insight into action

Governance creates accountability for investment priorities and program oversight. The right structure ensures consistent evaluation of opportunities and holds internal teams and external vendors accountable for results.

3. Stakeholder alignment: Build support for change

Benefit decisions affect HR, Finance, Procurement, Risk, business leaders, and employees. Early engagement explains the rationale for benefit changes, and builds alignment around priorities and success measures.

4. Communication: Help employees make better decisions

Employees won’t value programs they don’t understand. Clear communication helps them navigate benefits, access the right care, and make informed health decisions while building trust and perceived value.

Marsh supports employers throughout the cost management journey — from uncovering cost drivers and identifying opportunities, to evaluating solutions, building business cases, measuring outcomes, managing change, and refining strategy over time.



Case study

Using data and early intervention to reduce cancer-related costs



Challenge

In 2024, cancer was the leading cause of death in Hong Kong and a driver of rising costs. For one employer, cancer-related conditions had become the largest category of inpatient claims, with costs increasing year over year. Workforce health data also showed gaps in prevention: 12% of employees had never had a health check, 30% had not had one in the past two years, and no cancer education or awareness programs had been offered.

Approach

To address this, the organization partnered with Marsh to analyze claims, identify employees who could benefit from support, and deliver cancer education workshops. Convenient breast health screenings removed barriers to participation; employees could access screening without taking time away from work or navigating external health systems.

Results

More than 40 employees participated, and two early-stage breast cancer cases were identified and referred for specialist care. Beyond early detection, the program demonstrated the power of accessibility: by bringing screening to employees, participation rates increased significantly, workforce awareness of cancer risks strengthened, and the organization established a sustainable, scalable model for preventive health beyond cancer. The estimated savings of US$50,000 in future medical costs reflect not just early intervention, but the long-term value of removing friction from health screenings.

What made this program a success?

- Claims analytics identified a high-cost risk area
- Workforce data highlighted gaps in screening uptake
- Education increased awareness and site of care improved participation
- Early detection improved outcomes and reduced future costs

From insight to impact

A sample three-year cost management roadmap

Managing health benefit costs effectively requires a deliberate, multi-year journey that balances financial sustainability with employee needs and business goals. Because every organization starts from a different place—with its own workforce demographics, benefit design, cost pressures, and strategic priorities— each is on a distinct path.

The roadmap is only the beginning

This roadmap is a guide, not a prescription. Organizations move at different speeds and will revisit earlier decisions as circumstances shift. Long-term success requires continuous monitoring, reassessment, and course correction when needed.

How it could look	Year 1	Year 2	Year 3
Getting enablers in place	• Analyze claims, utilization • Establish benefits governance committee • Set up regular meetings with broker to review claims experience trends • Confirm budget	• Establish metrics to monitor population health • Train leaders on health and the link to safety and business continuity • Begin health education initiative	• Complete fraud, waste and abuse audit • Augment health education by using authentic corporate influencer champions
Aligning benefits to strategy	• Conduct benchmarking • Revisit contribution strategy for dependent coverage	• Complete employee focus groups • Consolidate legacy allowances into fixed spending account	• Review financial incentive to return to work under disability plan • Sunset legacy executive medical plan
Optimizing operations and financing	• Consolidate brokers across entities • Evaluate opportunities to more effectively finance medical insurance	• Harmonize benefit providers across entities • Institute semi-annual business reviews with top three vendors	• Consolidate providers for travel accident • Insource administration enabled by benefits technology
Improving outcomes	• Develop strategy to steer employees to employee assistance plan • Engage medical insurer in high cost claims management	• Explore narrow health provider network • Develop holistic cancer strategy • Expand onsite health clinic to provide preventive and primary care	• Evaluate condition management programs (e.g., diabetes, maternity) • Review disability management processes

How Marsh can help

Focused on supporting you at every stage of the cost management journey

Whether you are defining your strategy, optimizing operations and financing, or improving outcomes, Marsh can help you turn ambition into action and deliver measurable results.

Align benefits to strategy

Build a benefits strategy grounded in workforce needs and business priorities

Marsh supports clients by:

- Assessing workforce health risks, employee needs, and benefit preferences
- Benchmarking benefit design and costs
- Defining a benefits philosophy, strategy, and long-term roadmap
- Establishing governance frameworks
- Reviewing eligibility, coverage, and contribution structures
- Developing communication and engagement strategies
- Evolving flexible benefits programs and implementing minimum standards

Optimize operations and financing

Improve value, visibility, and control across your benefits ecosystem

Marsh supports clients by:

- Delivering insurance broking including placement services
- Monitoring and forecasting claims trends
- Evaluating financing options
- Conducting benefit audits to identify duplication, inefficiencies, and low-value spend
- Assessing program return on investment (ROI) and value on investment (VOI)
- Reviewing vendor and insurer performance
- Harmonizing plans
- Modernizing administration and benefits technology, through products like Darwin

Improve outcomes

Target the drivers of workforce health, healthcare utilization, and cost

Marsh supports clients by:

- Assessing workforce health profiles and identifying priority risks
- Designing targeted prevention, screening, and early intervention programs
- Optimizing care navigation, site-of-care, and value-based care opportunities
- Strengthening chronic condition, case-management, and absence-management programs
- Developing health education and engagement campaigns
- Measuring program effectiveness
- Engaging leaders and stakeholders to sustain momentum

The path forward

Healthcare cost pressures are not going to disappear. Aging populations, chronic conditions, expensive medical innovations, and capacity constraints guarantee this. The question is no longer whether costs will rise, but rather how prepared organizations are to manage that reality.



Moving from reaction to readiness: Five priorities for employers

1. Plan for continued cost growth.
Plan that healthcare costs will rise. Build affordability into long-term workforce and financial planning, not short-term fixes. Define goals for the next few years.

2. Build the right foundations.
Analytics, governance, alignment, and communication create the visibility and accountability needed for effective decisions. Start by analyzing claims, utilization, and your workforce's healthcare needs.

3. Follow a structured, evidence-based approach.
Align benefits to strategy, optimize operations and financing and improve outcomes through targeted, evidence-based interventions. Balance expectations against outcomes in terms of competitiveness, employee care, and satisfaction.

4. Manage actively, not reactively.
Monitor claims trends, program performance, and emerging risks regularly. Use scenario planning to model how changes in utilization, inflation, workforce demographics, or financing could affect costs.

5. Focus on value.
Every dollar should deliver employee value, support workforce resilience, and sustain business performance.

About Marsh

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