EMPLOYER TREND REPORT

4 Forces Transforming Employer-Sponsored Healthcare

imagine360

Cost-burdened employers, looking for ways to cut their healthcare costs, are running out of options.

The U.S. healthcare system has reached a breaking point. Employers are grappling with unsustainable premium increases. Employees are functionally uninsured due to out-of-pocket costs and high deductibles. Members are paying closer attention to fiduciary responsibility. And traditional health plan carriers – long seen as the so-called safe option – are failing employers and their workforces.

In boardrooms across the country, finance teams are preparing to swallow another anticipated 8.5% increase in health plan costs. They've already cut dental. Switched networks. Raised deductibles multiple times and reduced benefit options. Still, the math doesn't work. Healthcare costs have been consistently rising 8–9% every year,[1] and revenues for many companies are growing at rates half that – particularly in such industries as manufacturing, retail, hospitality, automotive, health services and transportation.[2] It's a perfect storm that requires a health plan model reset.

If left unmanaged, the impact is potentially devastating: employers will sacrifice margin and talent, and employees will delay or skip care due to the costs they are shouldering. That trend has been most acutely evident post-COVID-19, when many people postponed or missed routine screenings, preventive visits, and elective procedures. The impact? Conditions like cancer and cardiovascular disease are being identified at later, more complex – and costlier – stages.

THE URGENCY TO EXPLORE ALTERNATIVE HEALTH PLANS

Economic volatility and medical inflation are compounding pressure on employer margins. With healthcare costs outpacing both revenue and wage growth, the status quo is becoming financially untenable.

Fiduciary obligations are requiring employers to consider more-proactive, data-informed, and transparent approaches to managing healthcare plan costs.

With all the efforts to ensure transparency, many employers still don't have access to pricing and claims data, which could enable them to accomplish smarter benchmarking, vendor evaluation, and fiduciary-level decision-making.

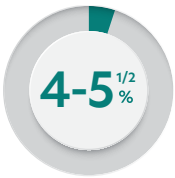
Cost shifting has reached its limit. Once seen as a solution to escalating costs, high-deductible health plans are losing favor. Enrollments in them declined for the first time in a decade, signaling employer and employee fatigue with cost-shifting models.

Traditional Carrier Health Plan Rate Hikes Outpace Revenue and Wages

WAGES:

total salary increase budget for 2025, consistent with 2024 figures[3]

REVENUE*:



growth every year based on industry outlooks[4]

HEALTHCARE COSTS:

increase every year[5]

*Based on aggregate forecast growth rates for transportation, manufacturing, retail, hospitality, automotive and healthcare services.

Why traditional health plans are no longer the safe choice for employers

1 From high-dollar therapies and rising utilization to post-pandemic diagnostic catch-up, healthcare spending is accelerating on all fronts.

Trying to control costs with traditional cost containment strategies? Even the most financially adept organizations will be challenged to bend the cost curve by working within a traditional health plan carrier system not designed to flex.

Financial leaders are under immense pressure to reduce costs while maintaining competitive benefits, which affects employee satisfaction and retention. They recognize rising costs are not sustainable, and they're exploring solutions that go beyond shifting expenses to employees. Human resources leaders, meanwhile, are acutely aware of how rising out-of-pocket costs and steep deductibles can erode trust, morale and workforce stability.

WHY IT MATTERS

Employers can no longer offset rising costs via adjustments to deductibles or changes in plan design without negatively affecting employee recruitment, retention and trust. Alternative health plans offer a structurally different approach by prioritizing transparency, flexibility and direct cost control.

URGENCY TO ACT

Staying the course is no longer a neutral position; it's a risk. As medical inflation, high-dollar therapies, and care backlogs collide, organizations must adopt flexible, future-ready models to regain control and protect both margins and morale.

The Fastest-Growing Healthcare Cost Drivers

BEHAVIORAL HEALTH

Cost: Employers are spending more than **$200 billion** annually on behavioral health services for employees and employees' dependents.[6]

Growth rate: Claims rose from **1.8% in 2018** to **3.1% in 2023**, with some employers seeing this category emerge in their top five spend areas.[7]

REPRODUCTIVE CARE

Cost: Cost is **$15,000–$30,000** per cycle of in vitro fertilization.[8]

Growth: About 70% of employers report increased costs; 93% express concern.[9]

SPECIALTY DRUGS

Cost: This cost amounts to nearly **50%** of all pharmacy spend.[10]

Growth: A **13.3% increase in 2025** is expected due to innovation and drug replacement.[11]

GLUCAGON-LIKE PEPTIDE-1 (GLP-1) DRUGS

Cost: Cost is about **$1,000** per month per user.[14]

Growth: More than **56% of employers** cite this cost as a top cost driver.[15]

CELL AND GENE THERAPY

Cost: This cost is **$300,000** to more than **$4 million** per treatment.[12]

Growth: The incidence is about 1 in 150,000; single-case cost = **$2 million–$4 million**.[13]

DELAYED TREATMENT AND DIAGNOSES (POST-COVID-19 EFFECT)

Cost: These treatment costs are significantly higher due to disease severity.[16]

Growth: There has been a spike in advanced-stage cancer and heart disease.

2 Price ≠ Quality of Care: The Healthcare Illusion Costing Employers Millions

What do the costs of an MRI, a colonoscopy, and a knee arthroscopy have in common? The costs all vary widely – often by thousands of dollars. In fact, employers typically assume that care delivery within a single state protects them from wide cost variations. However, that's a dangerous misconception because even within state or city lines, the costs of common procedures can fluctuate dramatically by region, network or facility.

WHY IT MATTERS

Prices for routine procedures can vary by thousands of dollars. Without transparency, employers can't see where overspending is happening, and employees can't navigate care effectively.

URGENCY TO ACT

Transparency isn't just a regulatory expectation; it's a business imperative. Without access to their own claims data, employers are making decisions in the dark. Alternative models give employers what traditional carriers won't: full visibility into pricing, performance and plan utilization.

Historically, such rates have been kept confidential, which makes it difficult for employees to make informed decisions about where they receive care and for employers to manage spend, compare value or hold vendors accountable. Without transparency, employers and employees are not aware of the discrepancies until it is far too late.

Transparency gives employers more than just comparative data on high-cost procedures and care. It also enables them to access, analyze and act on their own claims data. Without access to the data, employers are essentially flying blind when it comes to understanding their true cost drivers.

"Most employers think the health plan is just a cost of doing business. But health plan expenses can be managed. You just must know how – and ask the right questions. Even though legally the claims data belongs to the employer, oftentimes the data isn't accessible; it's deliberately obstructed. If language is not in your contract that you receive a download of your claims data, then renegotiate your TPA agreement and be specific about what - and how - you want to receive your data. Otherwise, if you can't analyze your claims, you won't be able to make informed decisions in the management of your claims."

- Barbara Barrett, Vice President of Human Resources and Benefits at Langdale Industries

Healthcare Cost Variability Examples

This chart shows real-world examples of the wide variation in pricing for the same procedure across providers.

PROCEDURE	LOWEST REPORTED COST	HIGHEST REPORTED COST	COST VARIABILITY
MRI (brain)[18]	$400	$3,500	**775%**
Colonoscopy[19]	$500	$2,500	**400%**
Knee arthroscopy[20]	$1,500	$10,000	**567%**
Abdominal ultrasound[21]	$200	$1,500	**650%**
Kidney function panel[22]	$50	$200	**300%**

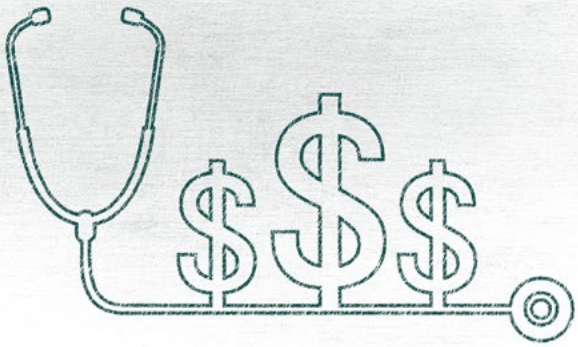
"Most employers don't realize how much they're overpaying until they see a claims-level comparison. The numbers don't lie, but you have to be willing to look."

- David Axene, President and Managing Partner at Axene Health Partners, LLC, and a fellow of the Society of Actuaries

3 Employee Healthcare Coverage Is Not Protection – It's a Paywall

A staggering percentage of employees covered by traditional health plans are functionally uninsured – unable to afford their deductibles despite having coverage. And they aren't happy about it. Conducted by Pollfish, a 2025 Imagine360 consumer survey found that employees are making significant personal and professional sacrifices when it comes to their health insurance. Many employees are struggling to afford care, which is leading to delayed treatment, lower productivity and worsening health outcomes.

In fact, workers in America have come to expect that their healthcare plans are more like financial traps. For instance, a $3,000 deductible on a $50,000 salary might as well be a denial of care. Skip the MRI. Don't follow up on that lab result. Hope that the ache goes away. A staggering 100 million U.S. residents carry medical debt, with most of them insured.[22]



WHY IT MATTERS

Traditional health coverage is no longer delivering financial protection. When deductibles outpace household budgets, coverage becomes a barrier, not a benefit. That disconnect erodes employee trust, fuels medical debt and undermines workforce health.

URGENCY TO ACT

Employers can't afford to offer plans that employees can't afford to use. With 100 million U.S. residents in medical debt – most of them insured – it's time to reimagine coverage before disengagement and delayed care become the norms. And, that means considering alternatives to traditional health plans that aim to make healthcare more affordable for everyone.

Insured, In Debt and Skipping Care: The New Reality of the U.S. Workforce[25]

38%

DELAYED OR SKIPPED CARE
38% of respondents reported skipping or postponing necessary healthcare or medications due to cost – up from previous years.

42%

WORSENING HEALTH CONDITIONS
42% of those who delayed care experienced a worsening of their medical conditions.

25%+

JOB DECISIONS INFLUENCED BY BENEFITS
More than 25% of respondents indicated they would accept a pay cut for a job offering better health benefits.

60%

WILLINGNESS TO TRAVEL FOR LOWER COSTS
60% of participants said they would travel farther to see a healthcare provider if it meant lower costs.

NEARLY 70%

PERCEPTION OF FAIRNESS
Nearly 70% said healthcare costs are unfair, and almost 60% said they desire more transparency in healthcare pricing.

FINANCIAL STRAIN
High health plan premiums were identified as the primary factor making healthcare unaffordable, followed by high out-of-pocket maximums.

4 Regulatory Tailwinds and Fiduciary Realities Are Making It Easier — And In Some Cases, More Cost-Effective — For Businesses to Move to New Health Plan Models

The regulatory climate in 2025 isn't just pushing employers toward alternative health plan models; the market is demanding them. Recent lawsuits against plan fiduciaries illustrate that decision makers should scrutinize the plan's service providers, understand how the health plan works and track performance.

Compliance is a lens through which financial decisions must be justified. Employers can no longer afford to operate in the dark. Without access to claims data, plan performance analytics, and fee transparency, employers are exposed not just financially but potentially also legally.

Such tailwinds are aligning with market-ready alternatives, making it easier and in most cases more cost-effective for employers to adopt alternative health plan models that offer clearer visibility and more control.

These tailwinds are accelerating the move toward models and service providers built on transparency by design.

Questions to Ask Your Broker

Employers can take control of their health plans and operate as true fiduciaries. Start by learning more:

Broker Alignment and Transparency

- Are you open to us choosing our own health plan vendors?
- Will you disclose all revenue streams tied to our plan?
- Can you help us access and understand our claims and aggregate reports?
- Ask whether the broker will support the employer's right to explore alternative solutions.
- Require the broker to act as a partner, not a gatekeeper.

Data access

- Confirm that your third-party administrator contract guarantees full, downloadable claims data.
- Be extremely specific about what you're requesting.

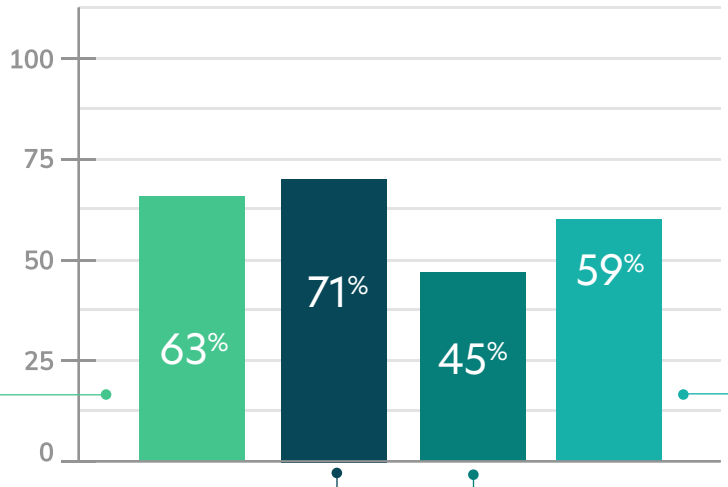
"If the answers are vague, evasive or dismissive, walk away. Any vendor that's unwilling to work under full transparency isn't a partner. I don't want vendors that block ideas before I even hear them. Also remember when it comes to data, even though it legally belongs to the employer, if it's not in your contract, you may never get it."

- Barbara Barrett, Vice President of Human Resources and Benefits at Langdale Industries

The Regulatory Wake-Up Call

CONCERN WITH MEETING FIDUCIARY OBLIGATIONS IS RISING

63% of employers increased fiduciary training or legal review of their health plans due to regulatory concerns.[26]



COST TRANSPARENCY IS CHANGING BEHAVIOR

59% of employers said price transparency tools have affected network or vendor decisions.[30]

TRANSPARENCY DEMANDS ARE RESHAPING OVERSIGHT

71% of employers said access to more claims and pricing data is influencing their health plan decision-making.[27]

PLAN DESIGN IS SHIFTING IN RESPONSE

45% of employers are evaluating reference-based pricing or direct contracting models in 2025.[29]

Reframing Disruption Starts with Asking Better Questions

"HR leaders should start from what they want to achieve – lower premiums, better plan design, fewer employee complaints – and then model a plan architecture that delivers that. The path forward isn't about settling for less; it's about devising something different. You don't have to accept dysfunction just because it's familiar."

- Pete Salveson
Vice President of Revenue Operations, Imagine360

Know the Data, Know the Options

Disruption isn't what alternative health plans introduce, according to Pete Salveson at Imagine360, it's what the traditional system has normalized. In contrast, modern health plan alternatives enable businesses to contain costs and ensure a positive member experience without sacrificing quality of care or access to doctors of choice. Salveson urges human resources and finance leaders to flip the narrative by confronting the status quo and redefining what success looks like. To overcome institutional inertia, Salveson suggests reframing strategies:

- **Expose hidden dysfunctions.**
  Highlight how current plans force employees to delay care, take on debt or skip essential treatments not because they're uninsured but because their insurance plans don't function.

- **Quantify the cost trajectory.**
  Map out what 8-9% annual healthcare inflation looks like over five years. Then compare that with expected revenue growth or wage growth. It should become evident that the cost trajectory is not sustainable, and visualizing the math makes it real.

- **Reverse-engineer from the outcomes you want to see.**
  Employers should start with the outcomes they want to achieve. What does success look like? Work backward from there. Use those priorities to design a plan that aligns with strategic goals and employee expectations rather than settling for what traditional carriers offer by default.

- **Stop comparing alternatives to "perfect"**
  When evaluating alternative plan options, it's easy to get anxious about change and find reasons to choose to "do nothing." Just because a new plan may involve more member participation doesn't mean its "worse" than their current plan where balance bills still occur, but without advocacy and the cost of care leaves them either functionally uninsured or in debt. There is no "perfect" healthcare solution, but there certainly are better ones.

Now is the moment for employers to reclaim control of their healthcare plans. With rising medical inflation, increased fiduciary scrutiny and a workforce strained by unaffordable coverages, inaction is no longer a neutral choice; it's a liability. Traditional health plans offer diminishing returns, while modern alternatives provide transparency, flexibility and proven cost control. The opportunity to lead has never been clearer.

About Imagine360

Imagine360 is a leading healthcare solutions provider that helps self-funded employers take control of their healthcare costs while delivering better experiences for members. With more than 15 years of expertise in RBP and health plan administration, Imagine360 develops fully integrated solutions that combine deep industry knowledge, data-driven strategies and concierge-level support for employers.

The company partners with employers and brokers to design and manage customized health plans that lower costs, increase transparency and improve outcomes — without compromising quality or access. Backed by dedicated advocacy, legal protection and proven results, Imagine360 is reimagining what smarter healthcare can look like for organizations and their employees.

Learn more at **Imagine360.com** or **subscribe** for more content like this.

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