Employee Benefits
Market Outlook
2026

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Executive Summary

Employers are facing rising health plan costs and rapid technological change. As specialty drug spending climbs and AI reshapes HR and benefits administration, organizations must take a more thoughtful approach to benefits in order to protect budgets and support employee well-being.

Many employers faced higher-than-expected renewal rates for their 2026 health plans, with group underwritten plans seeing average increases of 18% to 25% — and some plans exceeding 60%. At the same time, pharmacy costs are still rising, with specialty drugs now accounting for over 50% of all prescription drug spending. And despite a decline in obesity rates, the high cost of new medications and chronic conditions continues to put pressure on health plan budgets.

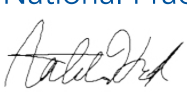
Advancements in artificial intelligence (AI) will continue to make a significant impact in 2026. HR departments will expand the utilization of AI in recruiting and administration, while benefits management systems should see AI-related improvements in efficiency and employee engagement. Meanwhile, healthcare providers and claim payers are using AI tools in an escalating battle over claim reimbursements. Providers are using AI to identify opportunities to upcode their services to generate higher payments, while insurance carriers are creating AI tools to systemically downcode claim submissions to control costs. This will likely continue to escalate and face regulatory action in the coming year.

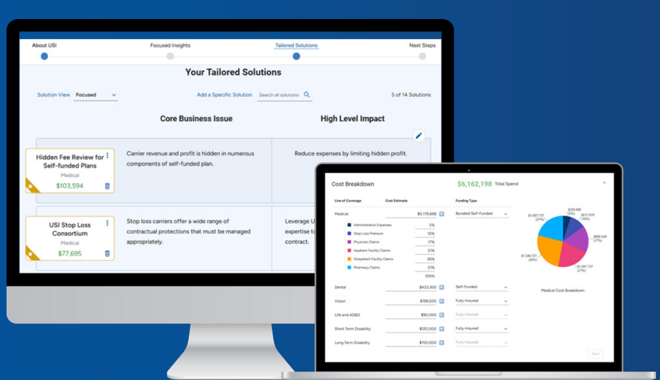
Healthcare and transparency remain top priorities of the federal government, as regulators resume work on the backlog of pending guidance and rulemaking that could affect employee benefits. Regulators have identified several areas for strengthening disclosure requirements and increasing data transparency, while new guidance has been issued as it relates to implementing the One Big Beautiful Bill Act. Other federal guidance clarified how fertility benefits may be structured as excepted benefits.

Taking a holistic, integrated approach to benefits will be essential for optimizing value, supporting employee well-being, and maintaining competitiveness as costs continue to go up. **USI Insurance Services' 2026 Employee Benefits Market Outlook** provides actionable guidance to help employers manage spending, enhance benefits engagement, and prepare for the future.

Arthur Hall

Employee Benefits
National Practice Leader





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Employer Strategies to Control Costs and Optimize Health Benefits

Many employers faced renewal rates for their 2026 health plans that were much higher than expected. **Health plans underwritten as a group (also referred to as "block underwriting") saw average increases of 18% to 25%, while some less fortunate groups experienced increases over 60%.** In contrast, most self-funded health plans largely avoided these steep hikes, with top-performing groups seeing renewals close to single digits.

Several factors contributed to this unexpected jump in fully insured premiums, including:

01 The overall volume of claims has increased, and the cost of large claims has gone up significantly. There are concerns that AI-assisted technology may be driving upcoding on claims, resulting in higher reimbursements for healthcare providers.

02 Virtually all network contracts between healthcare providers and insurance carriers have been negotiated to account for higher provider wages and more aggressive hospital pricing strategies.

03 Carriers are bracing for the possible impact of tariffs on the cost and availability of medical goods, such as personal protective equipment and single-use consumables and devices.

04 Pharmacy costs continue to rise, driven by demand for GLP-1 drugs, expensive new-to-market medications, and specialty drugs (including gene and cell therapies).

05 Behavioral health service usage has jumped significantly, with longer treatment durations and higher per-episode costs contributing to the expense.

Unless something is done to address some of these cost drivers, **healthcare costs are likely to increase in excess of an already high 5% to 10% every year for the foreseeable future**.

Considerations for Employers

As healthcare costs rise, employers will need to evaluate their current benefits strategy. Consider these approaches when planning for the next 3-5 years:

Plan design and contribution – Offer a wider variety of plans. Adjust contribution strategies to favor lower-cost plan options, which can help ensure participation while reducing employer spending. Benchmark the employer's competitive position within their industry.

Network design – Narrow the provider network for greater savings. Explore value-based or incentivized provider networks for more cost-effective care.

Reimbursement strategies – Eliminate higher-cost carrier reimbursement models by implementing a reference-based pricing (RBP) model or funding an individual choice health reimbursement arrangement (ICHRA) instead of offering a major medical group plan.

Payment integrity solutions – Reduce the impact of upcoding and billing errors on health plan spending by partnering with a payment integrity vendor. These vendors prevent inaccurate or inflated medical billing by using pre-payment reviews, post-payment audits, and advanced analytics to ensure claims are processed correctly.

What Role Does Upcoding Play in Health Plan Spending?

Upcoding occurs when providers bill for more complex services than the patient received or may have needed — for example, charging for a service that is already included in a diagnosis-related group bundled payment. This may be driven by the increasing complexity of care, though the use of AI may be driving an increase in upcoding.

Insurance carriers have responded by implementing practices that downgrade higher, more complex codes — resulting in lower reimbursements to providers. AI-assisted technology enables carriers to down-code en masse; however, this practice may overlook the actual severity or complexity of care provided to individual patients. This approach may also result in balance-billing issues, which creates the risk of noncompliance with the No Surprises Act (NSA).

Several states have enacted or are considering laws to address downcoding. To learn more about how recent legislative action may impact employer health and welfare compliance, read Prepare for New Regulatory Compliance Challenges Impacting Health and Welfare Plans.

How USI Can Help

USI helps employers implement appropriate cost-containment strategies based on a thorough review of their health plan spending and usage. We help evaluate different plan design and network options, calculate the financial impact of alternative funding arrangements, and implement solutions to better manage employee health and wellness and reduce costs.

By implementing a more sustainable approach, employers can better manage expenses and limit surprises at renewal. Contact your local USI employee benefits broker or email ebsolutions@usi.com to learn more.

▲ 5.7%

$5.9T

Healthcare spending in the U.S. is expected to grow 5.7% in 2026 to $5.9 trillion, and is projected to reach nearly $9 trillion by 2033.[1]

Steps to Lower Health Plan Spending Amid Rising Costs

Rising healthcare costs — driven by chronic medical conditions and an increasingly unhealthy workforce — pose a direct risk to employers' financial models, productivity, and ability to attract top talent. Strategic action can turn these liabilities into opportunities for savings and workforce engagement.

While obesity levels appear to be beginning to decline, over one-third of American adults (37%) are affected by obesity — costing the healthcare system $173 billion annually.[2,3] Obesity has also been linked to several other high-cost conditions such as heart disease, diabetes, and cancer:

- Heart disease — of which obesity is a known risk factor — remains the leading cause of death in the U.S., and cost the healthcare system $417.9 billion in 2023.[4]
- An estimated 39% of Americans will be diagnosed with cancer at some point in their lives, and the annual cost of treatment is expected to exceed $240 billion by 2030. The Centers for Disease Control and Prevention (CDC) links obesity to as many as 13 different types of cancers.[5]
- Obesity is a major risk factor for Type 2 diabetes, impacting both the development and severity of the disease.[6] In the U.S., 38.4 million people have diabetes, including 8.7 million undiagnosed cases. Another 98 million Americans have pre-diabetes.[5] The CDC estimates that the total direct and indirect costs of diagnosed diabetes cases were $413 billion in 2022.[7]

Taking steps to improve employee health can help employers better manage spending and reduce the burden of rising healthcare costs.

Improve Prevention, Detection, and Care Management

Primary care is the most economical entry point to address conditions like cancer, diabetes, and heart disease. However, USI has found that only 30% of the adult population engages in primary care annually.[8] Regular engagement with primary care not only helps to prevent costly claims but also supports a healthier, more productive workforce.

[1] Peterson-KFF Health System Tracker, How much is health spending expected to grow?
[2] Centers for Disease Control and Prevention, Adult Obesity Facts
[3] Gallup National Health and Wellbeing Index
[4] Centers for Disease Control and Prevention, Heart Disease Facts
[5] Centers for Disease Control and Prevention, Obesity and Cancer
[6] National Institute of Health, Obesity and Type 2 Diabetes
[7] Centers for Disease Control and Prevention, National Diabetes Statistics Report
[8] Based on estimates from USI 3D client data

New technologies are also significantly improving the efficacy of screening and condition management:

AI in cancer detection – Cancers detected at Stage 1 cost three to four times less to treat and have a much higher survival rate than more advanced cancers (Stage 3 or Stage 4). The application of AI could lead to more accurate cancer screenings and accelerate early detection while the costs to intervene are low. In one study, AI-assisted mammogram screenings detected 29% more cancer cases and identified 24% more early-stage invasive and aggressive cancers than traditional methods. While insurance coverage is still limited for AI-enhanced screening, AI could very rapidly become a mainstream tool in preventive cancer management as more institutions move to adopt the technology.

Advancements in diabetes care – Unmanaged blood sugar for individuals with diabetes can lead to several serious and costly complications. As such, diabetes management requires daily blood sugar monitoring. Devices like continuous glucose monitors (CGMs) and insulin pumps automate this process, making diabetes management much easier and more accurate; however, the out-of-pocket expense can be prohibitive to some patients. GLP-1s are also frequently used to treat Type 2 diabetes, especially with comorbid conditions like obesity, but have not yet produced the anticipated cost savings for employer health plans.

How USI Can Help

USI offers several strategies designed to increase healthcare engagement and mitigate the impact of high-cost claims:

- **Incentivized physician engagement** – With meaningful incentives, employers can increase plan member engagement with primary care and recommended screenings. **USI has helped employers achieve a 3% to 5% reduction in total healthcare spending with this strategy.** For an employer with $10 million in annual healthcare costs, a 3% savings represents $300,000 that can be reinvested into other initiatives.
- **Cancer care management** – Ensuring timely diagnosis and expert treatment can significantly improve outcomes for plan members and reduce the impact of catastrophic claims on employer health plans. USI partners with several vendors that can help support individuals from diagnosis through treatment, recovery, and return to work.
- **Diabetes management** – Making changes to plan design to align with recommended treatment strategies — including the use of CGMs and insulin pumps — can help improve diabetes care and reduce the risk of high-cost complications. To increase adherence to treatment plans, employers can consider covering the expense of these devices, removing employee cost-sharing entirely. For every $1 covered, USI clients found savings of nearly $3 per member per year ($4,200 total) for individuals with CGMs, compared to those without. Employers that want to make GLP-1s available to employees, but don't want the pharmacy expense, should consider partnering with a lifestyle management vendor that can help improve employee health and control access to these high-cost medications.

USI also reviews existing disease management programs for efficacy, and works with clients to select and implement cost-saving strategies, as well as monitor ongoing program engagement and effectiveness.

A proactive health benefits strategy, based on real-time data, is essential for organizations aiming to remain competitive, control costs, and deliver sustained value to both stakeholders and employees. Contact your local USI representative or email ebsolutions@usi.com to learn more.

How Employee Health Impacts Workers' Compensation Costs

Pre-existing conditions have been found to complicate the treatment of workers' compensation injuries, increasing both the number of office visits and the total cost. A recent study found that nearly 19% of workers' comp claims involve at least one pre-existing condition, such as hypertension, diabetes, or obesity.[9] Looking at comparable health plan claims, another study found:

- Physician costs were 60% higher for acute (minor) workers' comp claims.
- Acute workers' comp claims had 43% more physician visits.
- Chronic workers' comp claims had significantly higher physician costs (135%) and 88% more visits.[10]

Pre-existing conditions can also vary by industry. USI's Population Health Management team analyzed client data and identified health risks specific to over a dozen different sectors. For example, cardiovascular disease was found to be more prevalent in construction, while behavioral health conditions were more commonly seen in education and healthcare.

	Cardiovascular	Diabetes	Musculoskeletal	Behavioral Health	Cancer
Construction	✓		✓		✓
Education	✓		✓	✓	✓
Healthcare		✓	✓	✓	
Manufacturing	✓				✓
Public Entity	✓			✓	✓
Nonprofit		✓	✓	✓	
Transportation	✓	✓	✓		✓

This list includes several of our largest industry segments and is not inclusive of all the industries we serve, nor does this include all of the industry-specific comorbidities identified by USI's Population Health Management team.

How USI Can Help

USI partners with organizations to improve overall employee health through targeted programs such as preventive care, diabetes management, and musculoskeletal support — reducing the impact of many pre-existing conditions that contribute to workers' comp claims. Using custom plan analysis, we help employers identify their specific cost-drivers and recommend strategies to better manage health plan and insurance spending.

[9] Workers Compensation Research Institute, Comorbidities in Workers' Compensation Claims
[10] NCCI, Research Brief Comparing the Quantity and Prices of Physician Services Between Workers Compensation and Group Health

Strategies to Control Pharmacy Spending — and Access the Savings of Biosimilars

Over half of all pharmacy spending — which reached $805.9 billion in 2024 — is from specialty drugs, including biologics, gene and cell therapies, and other expensive new-to-market medications.[11] The increasing development of less costly biosimilars promises a welcome reprieve; however, plan design and pharmacy benefit manager (PBM) practices may be preventing more widespread adoption.

Biologics are complex medications developed from living organisms (often cells from human, animal, plant, yeast, or bacterial sources), and are used to treat serious conditions such as autoimmune diseases, cancer, and diabetes. These medications cost more than traditional pharmaceuticals due to their highly sophisticated development and manufacturing processes.

Biosimilars, which are very similar in structure and function to biologic medications already approved by the FDA (referred to as reference products), offer the same therapeutic benefits but are typically available at a lower cost. One study found the average sales price of biosimilars was approximately 40% lower than biologics within the first three years of launch.[12]

Barriers to Biosimilar Adoption

Unfortunately, the lower sticker price does not necessarily mean lower out-of-pocket costs for health plan members. Manufacturers often provide rebates paid to the PBMs for including medications in their formularies (name brands, most often). PBMs are thus incentivized to prioritize medications with the higher rebate — and often higher cost. For biosimilars, exclusivity may also limit competitive pricing. In 2025, the top three PBMs in the U.S. excluded or delayed coverage of many biosimilars, giving preference to the brand-name drug. For example, Humira was often preferred despite having eight or more biosimilar alternatives available.[12] Some PBMs have prioritized their own private label biosimilars, manufactured by a separate subsidiary of the company, raising additional concerns about anti-competitiveness and transparency.

How USI Can Help

USI's Pharmacy team works closely with clients to mitigate the financial impact of prescription drug costs on employer-sponsored health plans. Leveraging our own proprietary 3D analytics platform, we conduct a thorough examination of client data and identify their exposures to high-cost claims. These insights allow us to recommend targeted solutions that help control and reduce pharmacy expenses:

Alternative PBMs – We evaluate PBMs that promote biosimilars as part of their standard formulary. This helps reduce exclusivity and drives down pharmacy pricing for these specialty medications.

Exclusive pharmacy contract analysis – USI reviews pharmacy contracts with the PBM or carrier for rebates and other revenue-generating practices embedded within the plan. Using this analysis, we negotiate plan design changes, reducing employer pharmacy spending 15% to 20% on average.

Independent prior authorization – We examine clinical efficacy and necessity of medications and recommend treatment options that better align with plan member needs. Implemented effectively, this can save employers 5% on overall health plan spending.

As pharmacy costs continue to increase, employers must adopt effective strategies to limit the financial impact on health plan spending. Contact your local USI employee benefits broker or email ebsolutions@usi.com to learn more.

[11] Business Group on Health, Specialty Drugs and Gene Therapies: Driving Value and Mitigating Volatility
[12] Association for Accessible Medicines, The U.S. Generic & Biosimilar Medicines Savings Report

Emerging Trends in GLP-1 Access and Affordability

Steady demand for GLP-1s has continued to put pressure on employer pharmacy and health plan spending. Recent developments have made the outlook more complex, but may offer potential relief. Here are a few trends that could disrupt how individuals currently access and pay for GLP-1 medications:

Declining Obesity Rates

In October 2025, a new survey showed U.S. obesity rates declining for the first time in over a decade, while the use of injectable GLP-1s for weight loss has more than doubled since 2024. Obesity rates peaked at 39.9% in 2022 and have since been steadily declining, reaching 37% in 2025.[13]

With obesity linked to several cost-driving conditions for employer-sponsored health plans (including heart disease, Type 2 diabetes, and cancer), declining obesity rates ***should*** contribute to overall lower costs for employers. However, the high cost per dose for GLP-1 medications often negates the potential savings.

Expanding Direct Access to GLP-1s

Many health plans limit the impact of GLP-1s on health plan spending by restricting access to these drugs for weight loss. Some patients are willing to go around the health plan altogether and pay out of pocket to directly access GLP-1s and other medications. This has led some pharmaceutical companies and other entities to offer a direct-to-consumer (DTC) approach, enabling patients to bypass traditional insurance and purchase the medications they need. Companies like Eli Lily, Pfizer, and Novo Nordisk are offering incentives such as discounted pricing, streamlined access, and home delivery for brand-name GLP-1s and other drugs, along with access to telehealth providers.

In November 2025, the Trump administration announced a deal with Eli Lily and Novo Nordisk that would make GLP-1s less expensive for Medicare and Medicaid patients, as well as individuals willing to pay cash through the new Trump Rx direct purchasing site. Pfizer had already announced a separate deal that would allow individuals to purchase its medications through Trump Rx at a discounted rate.

Direct access programs may help remove barriers like unpredictable costs and formulary restrictions, making it easier for plan members to obtain medications like GLP-1s. While this could reduce the impact of pharmacy spending on employer-sponsored health plans, a bipartisan Senate study raises concerns that DTC pharmacy models may undermine independent medical judgment or lead to inappropriate prescribing.[14] It is also likely that these DTC programs will only be accessible to individuals without insurance coverage, which could force employers to choose between providing a more seamless coverage experience or dropping coverage to reduce costs.

[13] Gallup National Health and Wellbeing Index
[14] Durbin, Sanders, Warren, Welch Release Investigative Report On Pharma's New Direct-To-Consumer Telehealth Platforms

Growing List of Approved Treatments

The list of approved treatments for GLP-1s is growing as the medications are currently being studied and approved for an expanding list of medical conditions. The FDA has already approved the use of GLP-1s to treat conditions like major adverse cardiovascular events (MACE) in overweight or obese adults with cardiovascular disease; a more advanced form of nonalcoholic fatty liver disease known as metabolic dysfunction-associated steatohepatitis (MASH); and obstructive sleep apnea in adults with obesity.

The use of GLP-1s is also pending approval to treat heart failure with preserved ejection fraction for patients with obesity, and peripheral artery disease (PAD) in patients with Type 2 diabetes. Several other areas of research include polycystic ovary syndrome (PCOS), inflammatory bowel disease, and addiction.

Even with lower prices, these drugs have the potential to become a larger part of employers' expense lines.

Plan smarter with tailored solutions

Better manage your benefits spending with customized strategies built from your health plan data and goals. Learn more about the impact of USI's predictive analytics, powered by Omni AI.

Watch the video and request a demo.

Tax-Advantaged Benefit Strategy: A Smarter Way to Optimize Employee Benefits

Amid persistent economic volatility, employers are grappling with escalating healthcare costs, unpredictable market dynamics, and intensifying competition for top talent. These pressures are making it more important than ever for employers to ensure their benefits spending delivers maximum value.

Integrated Benefit Strategy

Too often, health and retirement benefits are managed separately, missing opportunities for holistic optimization. Taking an integrated approach can help employers gain significant savings, simplify administration, and enhance their employees' benefits engagement and financial wellness.

One often-overlooked savings opportunity: U.S. employers currently pay 7.65% in FICA taxes on employee compensation and certain benefit contributions. When employees engage more fully, employers benefit directly. For example, employers with average participation in tax-advantaged plans like health savings accounts (HSAs), flexible savings accounts (FSAs), and 401(k) or 403(b) retirement plans can expect to save approximately $300–$400 per employee in FICA taxes annually. Meanwhile, higher engagement can yield approximately $500–$600 per person; for a 100-person company, that could mean up to $60,000 in annual savings.[15] Just one employee maxing out their tax-advantaged benefit account contributions can reduce an employer's federal tax liability by $1,483.[16]

USI's innovative consulting model embeds retirement expertise within the employee benefits team, enabling our specialists to help employers maximize tax advantages and access savings across programs like HSAs, FSAs, and transportation benefits, along with retirement plans.

[15] Tax savings presented here are illustrative only and do not reflect actual savings. Actual savings will be dependent on a number of factors, including member participation, actual contributions, and performance of nondiscrimination testing.

[16] Based on 2026 federal maximums, assuming the employee maxes out single HSA, limited purpose FSA, dependent care FSA, and transportation accounts.

HSAs Offer a Unique Triple-Tax Advantage That Boosts Retirement Readiness

HSAs, which can be made available to enrollees in a qualified high-deductible health plan, provide tax advantages to both employee account holders and employers. Contributions are tax-free (up to the annual limit), and any investment growth within the HSA or withdrawals for qualified medical expenses are also tax-free for the account holder. As an added bonus, after age 65, HSA account holders may use funds for non-medical expenses. These withdrawals are taxed as ordinary income, similar to assets in a 401(k) account. **HSAs can be a powerful planning tool to help employees prepare for future expenses, with healthcare costs for retirees estimated at $172,500.**[17]

	HSA	401(k)
Assets	Investable	Investable
Contributions	**Not taxed**	**FICA taxed**
Earnings	Not taxed	Tax-deferred
Distribution for qualified medical expenses	**Not taxed**	**Taxed** (As ordinary income)
Distribution for nonqualified medical expenses	Taxed (As ordinary income after age 65)*	Taxed (As ordinary income after age 59-1/2)
Required minimum distribution	Never	Yes (age 72)
Balance at age 60	$300,000	$300,000
Spending power	$300,000 (qualified distributions are not taxed)	$234,000 (distributions are taxed)

$66,000 HSA Savings *(compared to 401(k))*

USI's integrated strategy recommends a "next best dollar" approach to help employees prioritize contributions to available tax-advantaged accounts, focused on maximizing retirement savings and reducing out-of-pocket costs.

Beyond immediate tax savings, this optimization strategy can help employers address long-term workforce challenges, such as delayed retirement — which can cost organizations up to $50,000 per employee per year in wages and healthcare premiums.[18] For larger organizations, this can translate into millions of dollars in avoidable costs over time. By offering the right mix of benefits, employers can empower employees to save effectively and retire on time while optimizing the value of benefit spend.

How USI Can Help

USI partners with clients to build a tax-advantaged benefit strategy that unlocks maximum value for the organization and employees. Visit our interactive experience to see these tax-advantaged benefits in action and fill out the form to request an analysis to see your potential savings.

[17] Fidelity Viewpoints, September 2025.
[18] Prudential, Why Employers Should Care About the Costs of Delayed Retirements, 2019.

Rethink Dental Benefits for Greater Value and Control

Dental benefits are considered a "must-have" for many employees, almost as important as health and retirement plans. Providing access to dental benefits is not only valuable for employee satisfaction and retention, but can also contribute to overall employee health. Research has shown that maintaining good dental health is associated with a reduced risk of serious conditions like heart disease and stroke. These health outcomes can have a direct impact on employer-sponsored health plans.

Self-Funded Dental Plans Offer Savings, Flexibility, and Transparency

Since dental benefits are typically capped at $1,000 to $1,500 annually, employers with fully insured dental plans are over-insuring the risk. Employers can see significant cost savings by moving to a self-funded dental plan. With self-funding, employers cover the cost of dental claims and may pay a fee to a third-party administrator (TPA) for claims processing. This lowers the fixed cost of insurance by reducing administrative fees and carrier profit margins. Employers also have greater control over coverage options and provider networks, as well as access to detailed claims data.

How USI Can Help

USI Insurance Services' ancillary benefit solutions can help employers offer competitive benefits and optimize spending:

Self-funding – USI can help employers switch from fully insured dental benefits to self-funded plans. Clients have seen savings of $100 to $150 per employee with this strategy ($50,000 to $75,000 total savings for a 500-life group).

Plan design & network strategies – USI helps employers maximize plan value with recommendations such as enhanced preventive care coverage, adjustments to annual maximums and orthodontia benefits, and more cost-effective network strategies such as PPO incentives or tiered networks.

Carrier negotiation – USI leverages market knowledge and carrier relationships to negotiate better network discounts and bundled, multi-line savings (e.g., dental with vision or other ancillary benefits).

Review your current dental offering for opportunities to optimize this must-have benefit. Contact your local USI representative or email ebsolutions@usi.com to learn more.

Prepare for New Regulatory Compliance Challenges Impacting Health and Welfare Plans

Following a prolonged government shutdown, healthcare and transparency remain top priorities as federal agencies resume work on the backlog of pending guidance and rulemaking that could affect employee benefits. Employers should remain diligent in adhering to their compliance obligations for their health and welfare plans.

Here are several compliance issues employers should be aware of and prepared to address heading into 2026:

New Guidance Issued on Trump Accounts and Expanded HSA Eligibility

Regulators have begun issuing guidance as it relates to implementing the One Big Beautiful Bill Act (OBBBA), including provisions related to employee benefits:

530A Trump Accounts

In December 2025, the IRS issued the first guidance on the new individual retirement accounts for children, known as 530A accounts (commonly referred to as "Trump Accounts"). The guidance, as detailed in Notice 2025-68, provides more information on these accounts, including specific details on how employers can make contributions on a tax-favored basis:

Organizations may establish a Trump Account Contribution Program to provide up to $2,500 in employer contributions to an employee's Trump Account or to an account for the employee's dependent(s). The guidance permits employers to set up such a program through a Section 125 cafeteria plan, allowing employees to make pre-tax salary reduction elections to a Trump Account of the employee's dependent (up to $2,500 per year in the aggregate). The guidance indicates that proposed rules will be forthcoming to address the coordination of Trump Account Contribution Programs with Section 125 plans, and will likely address nondiscrimination rules applicable to employer contributions. This is welcome news and may encourage more employers to adopt such a program.

Contributions to these accounts can begin on July 4, 2026, though further employer guidance related to Section 125 is expected before then. Employers will want to evaluate whether to offer a contribution program as part of their benefits offering. See our Compliance Update to learn more.

Expanded HSA Eligibility

The IRS also issued the first guidance implementing the expansion of HSAs under OBBBA. Briefly, OBBBA provides that telehealth and certain direct primary care arrangements (DPCA) will not preclude otherwise eligible individuals enrolled in a high-deductible health plan (HDHP) from establishing and contributing to an HSA.[19] The guidance provides helpful clarification for employers considering adding telehealth or direct primary care arrangements to a benefit offering under a high-deductible health plan. Read our Compliance Update for more information.

Continued Focus on Transparency

In February 2025, the Trump administration issued an executive order directing federal agencies to update existing health care price transparency guidance for both hospitals and group health plans, as well as enforcement efforts. This builds on a final rule issued in 2019 that required hospitals to establish, update, and make public a list of their standard charges for the items and services that they provide.

Under current health plan transparency rules, employer-sponsored health plans have several ongoing reporting requirements:

- Properly maintain and update machine-readable files for in-network rates and out-of-network allowed amounts.
- Submit annual prescription drug data collection (RxDC) reports by June 1 annually.
- Complete gag clause attestations by December 31 each year.

Regulators are also expected to issue a final rule requiring a new machine-readable file specifically for prescription drug pricing.

[19] The Departments, FAQs About Affordable Care Act Implementation Part 72

Despite the focus on transparency, there has been very little tangible benefit for employers. While machine-readable file data shows promise, it is not yet reliable enough for employers to use for health plan decision-making. In May 2025, federal regulators identified several areas for strengthening disclosure requirements and increasing data transparency. While guidance was expected in October 2025, it has not yet been issued. Unless future legislation or regulatory guidance changes how transparency affects pricing, current reporting requirements will remain another administrative task for employer-sponsored health plans, with little to no impact on costs.

State Laws Take Aim at Medical Downcoding Practices

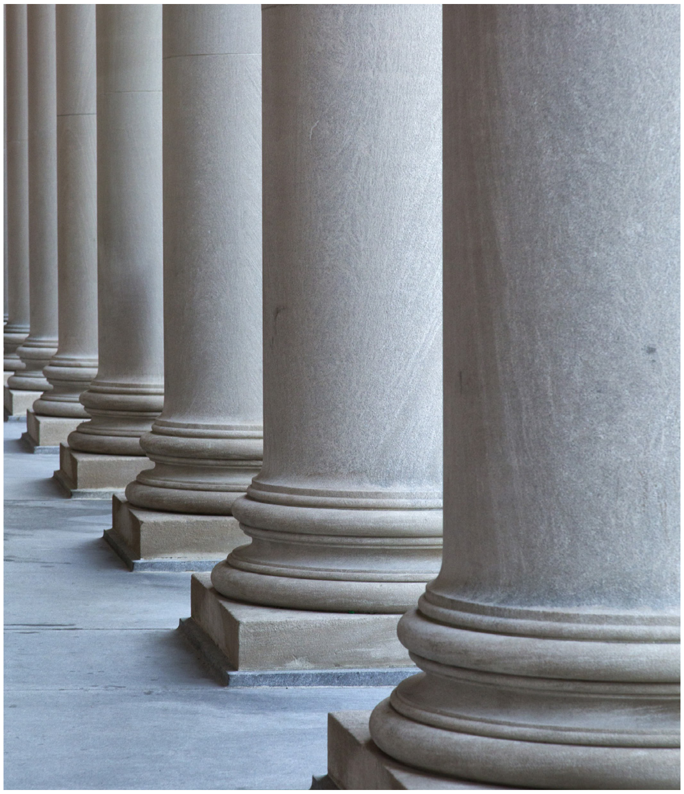
As mentioned in our article on page 4, insurance carriers are increasingly downcoding claims submitted by providers, leading to lower-than-billed reimbursements. This is in response to medical upcoding, which occurs when providers bill for more complex services than the patients received. Carriers often use automated systems to downgrade higher-level "evaluation and management" codes as a method to control costs. AI-driven claim review is accelerating this trend.

This recent activity has caught the attention of state regulators. So far, Arkansas and Virginia have enacted restrictions on downcoding by insurance carriers, with other states considering similar legislation. This follows a trend by several states to limit the use of AI in health plan claims review and denial processes.

Automated reductions or claims denials based on AI analysis could lead to balance-billing issues on out-of-network claims not subject to the No Surprises Act (NSA), potentially raising fiduciary risks for employer-sponsored health plans under the Employee Retirement Income Security Act (ERISA) for underpaid or denied claims. This is a rapidly developing area and one to watch closely.

Renewed Focus on Fertility Benefits

In response to an executive order issued in February 2025, new federal guidance clarified how fertility benefits may be structured as excepted



benefits.[19] Regulators are also expected to pursue formal rulemaking to further clarify and expand the ways fertility benefits can be integrated into group health plans, providing employers with more flexibility in supporting reproductive health needs. This may spur innovation and growth in fertility care benefits for 2026.

Get your benefits plan compliance-ready for the new year. Read more about additional upcoming compliance deadlines and reminders for 2026.

To avoid administrative challenges and penalties for noncompliance, employers should continue to follow current regulations and watch for new rules and guidelines impacting health and welfare plans. Contact your local USI representative to learn more about our compliance resources and tools, or email ebsolutions@usi.com.

[19] The Departments, FAQs About Affordable Care Act Implementation Part 72

How AI Is Transforming Workforce Technology

As AI has evolved from mere curiosity to business imperative, many business leaders see the transformative potential to improve decision-making and increase productivity, efficiency, growth, and innovation. This has led many organizations to make significant investments in AI tools and capabilities.

While certain employers may be hesitant to implement AI, workforce technology vendors have not been. According to HR research and advisory firm The Josh Bersin Company, major workforce technology organizations like Workday, Oracle, SAP, ADP, UKG, and Dayforce are building AI tools into their core platforms to enhance productivity and ease of use.

How Are Employers Using AI to Support HR and Benefits Administration?

AI is enhancing HR technology in multiple areas — here are a few examples:

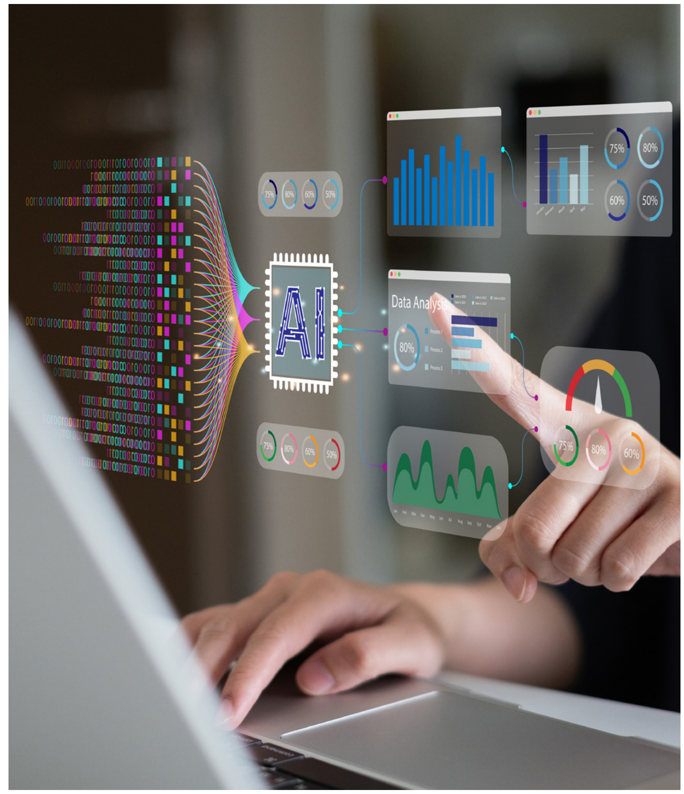
- In talent acquisition and management, AI algorithms can quickly scan and rank candidate resumes based on the job criteria; this functionality can also be used for performance reviews and job succession planning.
- AI-assisted meeting summaries and notes can be used to transcribe job interviews, providing hiring teams with candidate summaries.
- Generative AI tools can create inclusive and optimized job descriptions and postings to help improve the job search and hiring process.
- In employee onboarding, AI can help reduce new hire ghosting with chatbots designed to answer candidate questions, as well as personalized onboarding journeys to keep candidates engaged between job acceptance and their first day.
- AI can be used to analyze employee sentiment to gauge morale and predict turnover of key personnel, as well as to provide recommendations for intervention.

AI is also enhancing employee benefits administration by greatly reducing the time spent on repetitive tasks like data entry, eligibility and plan setup, and enabling more data processing.

- Roughly 40% of large employers are using HR chatbots and personal assistants to help employees quickly access information and answers about their benefits, guidebooks, and organizational policies. This is an easy way for employees to have their questions answered accurately, saving time for both employees and HR staff.
- Using AI-enabled decision-support tools during open enrollment can help increase employee benefits engagement.
- AI-powered analytics can help employers understand which benefits employees utilize or value the most.

As more technology vendors introduce AI-enabled tools, employers may want to reevaluate how this could improve everyday workflows.

Why Develop a Strategic Approach to AI?



As AI-driven tools and functionality become more prevalent, employers should understand the potential impact on their business operations and determine appropriate guardrails to guide the adoption and use of AI in the workplace. Developing a guiding strategy can help employers make faster and more targeted decisions when evaluating current vendor capabilities or investing in new technology.

To get started, consider establishing an AI steering committee responsible for identifying what is most important, where the organization may be struggling, and where AI would have the most impact. The committee would also be responsible for creating and implementing guidelines for AI development and usage, as well as establishing a governing approach to ensure the rules are consistently applied. As AI continues to evolve, employers should regularly review and update guidelines as needed.

How USI Can Help

USI Insurance Services' HR Technology consultants help employers establish a comprehensive approach to workforce management and implement targeted, cost-effective solutions to improve operational efficiencies. Our independent consulting approach helps us focus on the individual goals, strengths, and needs of each organization, and connect employers with leading vendors and solutions to address those needs.

When it comes to AI in workforce technology, taking a structured approach can help your organization be decisive and move quickly to invest in the tools that will have the most impact. Contact your USI representative or email ebsolutions@usi.com to learn more.

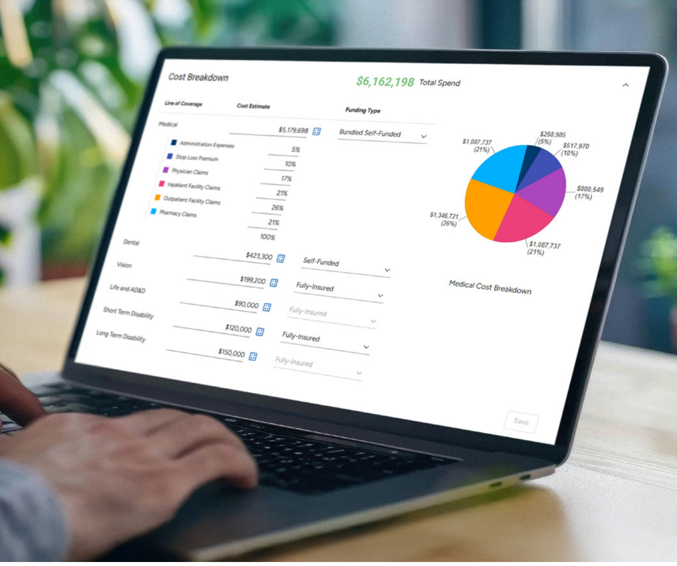
Optimize benefits with AI-driven analytics

Streamline planning and maximize financial impact with personalized, data-driven employee benefits solutions. Access custom recommendations with predictive analytics — powered by Omni AI.

Request a demo today.

Omni AI: A Smarter, Innovative Insurance Experience

Revolutionizing how organizations plan, manage, and optimize employee benefits



Omni AI is designed to revolutionize how organizations plan, manage, and optimize employee benefits. Powered by **cutting-edge technology**, USI's unified, intelligent platform transforms how our teams prepare, collaborate, and present. The result: elevated client engagement and faster, more confident decisions with **measurable financial impact**.

KEY FEATURES AND CAPABILITIES

AI-Powered Solution Engine

Delivers tailored benefit solutions using predictive modeling and real-time data.

Interactive Intelligence

Enables users to upload documents and explore financial impact scenarios with built-in tools.

Personalized Actions & Impact

Analyzes client-specific data to recommend tailored employee benefits strategies.

USI makes employee benefits planning simpler, faster, and more cost-effective.
Learn how our groundbreaking platform can positively impact your organization.

How We Can Help

To help clients navigate complex business challenges, USI shares expert insights and key solutions through our Executive Series. Our cross-functional teams work to provide timely information on new and evolving topics in risk management, employee benefits, personal insurance, and retirement. We then share tailored solutions to successfully guide your organization, enhance insurance coverage, and control costs. For additional information and resources, please visit our Executive Insights page: usi.com/executive-series.