

HR focuses on curbing the rising cost of healthcare for 2025

Industry news has sounded the alarm on a projected 6%-8% increase in healthcare costs for 2025. PwC's latest Medical cost trend: Behind the numbers report ¹ urges HR to brace for the highest increase in nearly 13 years. The Business Group on Health's 2025 Employer Health Care Strategy Survey revealed that employers face a cumulative increase of 50% higher costs on employee healthcare since 2017.² The Congressional Budget Office is espousing a 60% increase in 2025 premiums "for job-based health insurance."³

WHAT IS BEHIND THE INCREASE?

Facility-based care, inflationary costs, cancer treatments, a resurgence in musculoskeletal elective surgeries previously postponed from the pandemic, an aging workforce, chronic conditions, cardiovascular disease, costly biological gene therapies, the catapulting rise and expanded use of GLP-1 drugs and increases in mental health care are drivers of cost. A study released by KFF in August 2024⁴, shows the U.S. spends twice as much per capita on healthcare in relation to comparable countries without claiming better health outcomes.

WHAT CAN YOU DO TO MITIGATE RISK?

Collecting data from your healthcare carriers is a great place to start to make informed decisions and evaluate plan design changes. While many employers do not want to pass increased cost onto their employees, the projected 8% increase will inevitably drive the conversation towards employee's shouldering a greater portion of the cost burden. A few levers employers will evaluate include raising employee premiums, higher deductibles, tighter formularies, and expanding the use of prior authorizations.

OPPORTUNITIES TO CONSIDER ALSO INCLUDE:

1. *Narrow networks:* Tiered provider networks can drive better pricing. Review your cost and utilization by zip codes. Explore who your employees are seeing most frequently, procedure codes, their average costs and their quality rating with the carrier. Selecting the highest quality care providers with the lowest average cost can offer your employees better care options while saving money.

1. *Centers of excellence:* Analyze where your members are going for joint replacements, transplants and cancer treatments. Seeking care from the best network facilities for specific procedures will ensure low readmission rates, faster recovery periods, and lower overall costs.
2. *Direct contracting with facilities:* Self-insured employers are exploring direct contracting with specific hospitals for specific procedures. Employers can drive employees to these preferred providers by waiving co-pays and out of pocket expenses. By negotiating with leading providers, capitated rates for routine procedures like joint replacements can control cost and optimize outcomes.⁵

HOW OPTIMATUM CAN HELP?

Optimatum offers a suite of services designed to evaluate your current benefit programs, processes and vendors with the goal of mitigating expenses and improving employee health while minimizing cost shifting. One popular option is our Health Plan Checkup which provides a diagnostic assessment of your current health plan, vendor agreements, HR Systems and related internal processes, designed to quickly and accurately identify potential areas of savings, without negatively affecting employees. Additionally, we offer in-depth clinical analytics to address employer sponsored health plan questions you may have about your medical and pharmacy cost drivers, review high-cost claims, and identify opportunities.

ABOUT OPTIMATUM

Optimatum is a vendor management firm that focuses exclusively on the HR supply chain with turnkey solutions that improve the financial, operating performance, transparency and accountability of HR Benefit programs while still maintaining existing vendor relationships. Our support of the HR workstream during the M&A lifecycle encompasses operational due diligence, day-one readiness, and post day-one synergies. We assist sponsors in leveraging the aggregate purchasing power of their portfolio to capture value and drive margin expansion.

References:

1. [Medical cost trend: Behind the numbers 2025](#)
2. [2025 Employer Health Care Strategy Survey](#)
3. [Health insurance premiums will jump 60% by 2025, Feds say](#)
4. [What drives health spending in the U.S. compared to other countries?](#)
5. [Direct-to-Employer Contracting Has Arrived](#)