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COST MANAGEMENT WEBINAR SERIES

From Projections to Planning:

Making the Most of HUB's Benefits Cost Trends Report

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Employee Benefits Cost Trends Report

HUB's National Actuarial Team Produced a Proprietary Trend Study

Overview

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

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

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

2027 Trend Recommendations

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

Rx Only*	Medical and Rx Combined	Medical Only	Dental	Vision
12% – 14%	9% – 11%	8% – 10%	4% – 5%	2% – 3%

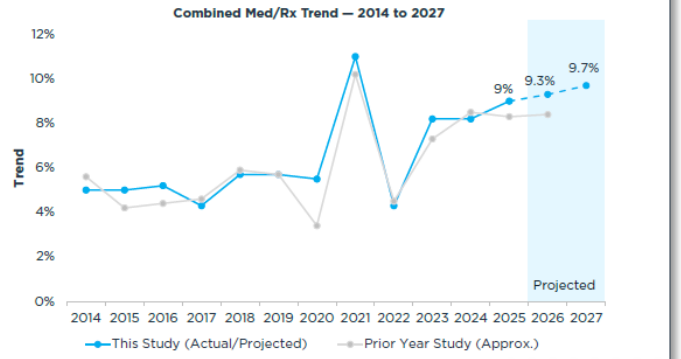
2027 projected trends by line of coverage. These figures are intended to be used for budget projections as the trend component and do not equate to expected renewal numbers.

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

Historic Trend Summary

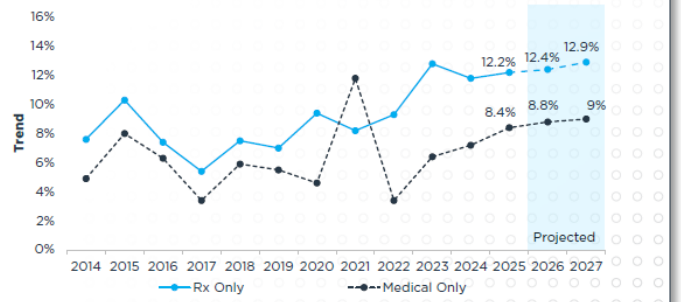
Understanding historical trend patterns is essential for understanding 2027 projections. An analysis of multi-year partner data reveals significant patterns that reveal valuable insights.

Combined Med/Rx Trend — 2014 to 2027



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

Medical vs. Rx Trend — National (2014-2027)



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

Agenda

1. Background
2. What is Trend?
3. 2027 Trend Study Results
4. Inflators/Deflators
5. What to Do Next?

Background

About This Study

Now in its second year, HUB's Benefits Cost Trends Report has grown significantly — expanding its carrier, TPA, and pharmacy partner network and deepening both the breadth and granularity of data gathered.

Proprietary Carrier Survey

HUB conducted a direct survey of carrier, TPA, and pharmacy partners — with an expanded participant list from the prior year — capturing projected trends across medical, pharmacy, dental, and vision lines of coverage.

HUB Internal Book of Business

HUB's own book of business trend data was incorporated as a real-world benchmark alongside partner projections, grounding the study in actual claims experience rather than projections alone.

Qualitative Insights from Partners

Survey participants provided direct input on cost drivers, deflators, cost containment strategies, and — new this year — the evolving PBM landscape.

NEW FOR 2027 — What's Different This Year

Expanded Participant List

More carriers, TPAs, and pharmacy partners participated than in the inaugural study, broadening the data set and improving the representativeness of projections across regions and plan types.

Deeper Dental & Vision Coverage

This year's study includes expanded trend data and qualitative insights specifically for dental and vision lines — reflecting the growing importance of ancillary costs in total benefits spend.

PBM Landscape Module

For the first time, the study directly surveyed participants on the evolving PBM environment — including rebate restructuring, transparency mandates, and the implications of the Consolidated Appropriations Act of 2026.

What is Trend?

Trend is only one piece of the final renewal

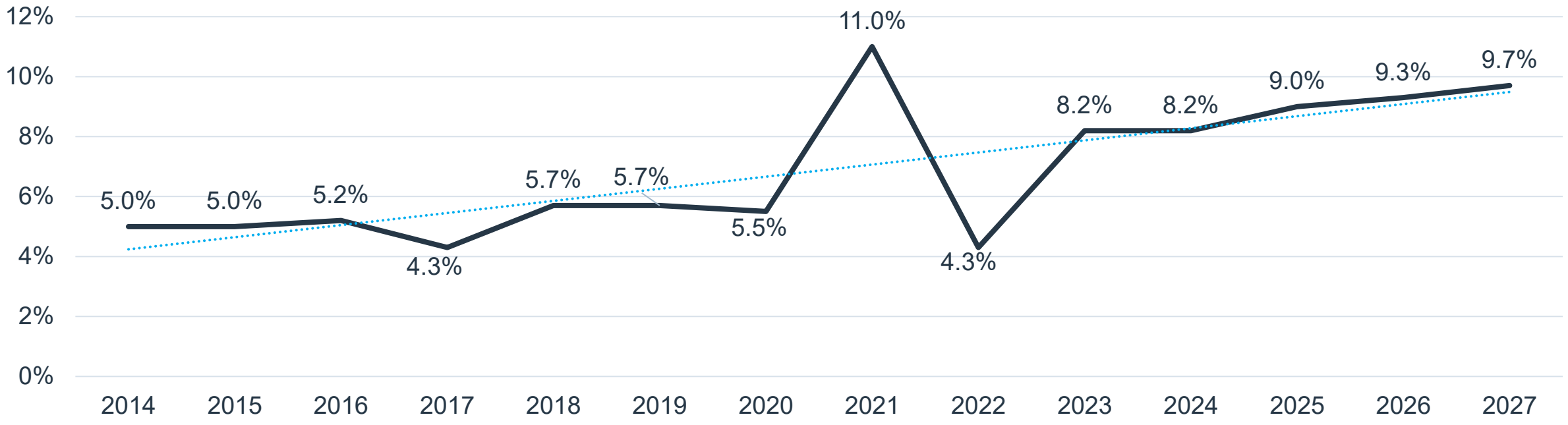
Historic Trend: Combined

Phase 1:
4-6% pre-COVID

Phase 2:
COVID outliers

Phase 3:
Trends have settled into a new normal: 8–10% & steadily growing

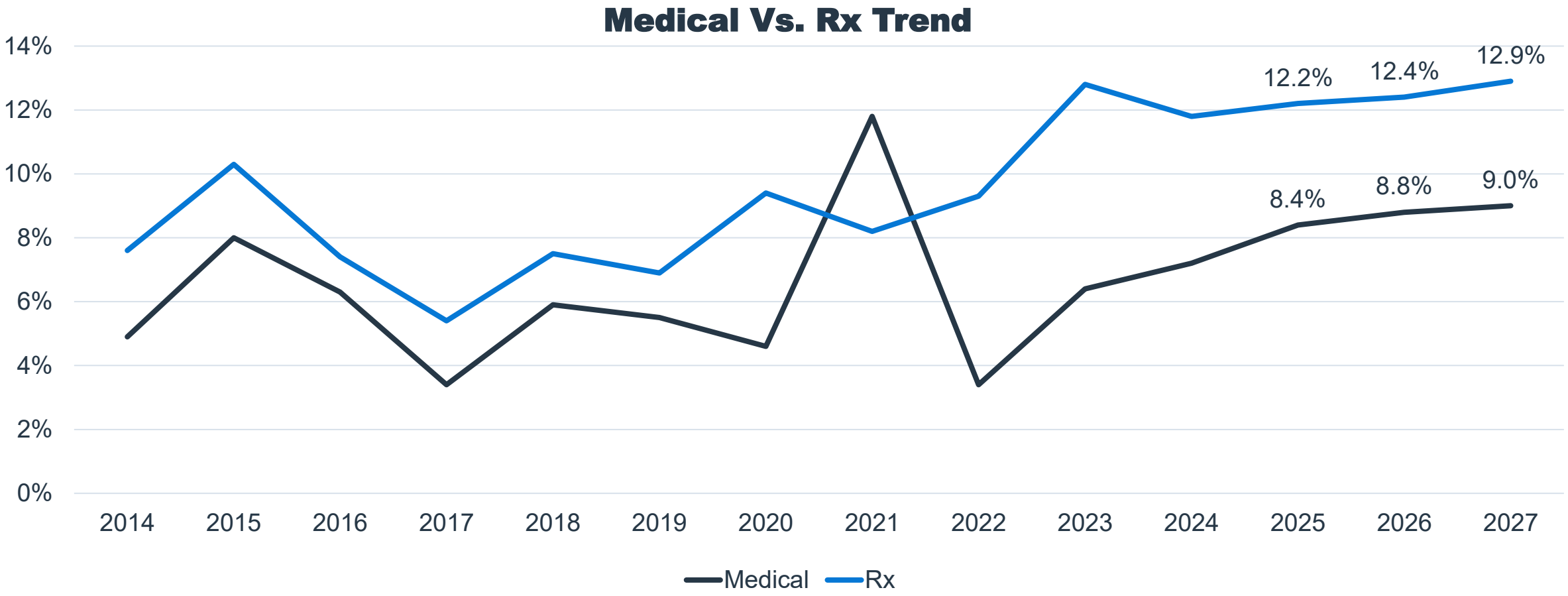
Combined Med/Rx Trend[1]



Source: 2027 HUB Benefits Cost Trends Report

[1] 2014–2025 are actual trend patterns, while 2026 and 2027 are projected.

Pharmacy is Outpacing Medical & the Gap is Widening



Source: 2027 HUB Benefits Cost Trends Report

[1] 2014–2025 are actual trend patterns, while 2026 and 2027 are projected.

How Is Trend Calculated?

Trend is the annual rate of change in health care costs — driven by macro forces that affect every plan sponsor.

01

Unit Cost

What providers charge per service

Contract negotiations, provider consolidation, and general inflation all drive the price of a single visit, procedure, or prescription — independent of how often care is used.

02

Utilization

How often members use care

Visit frequency, procedure volume, inpatient admissions, and site of care all affect total spend. Post-COVID utilization has returned above pre-pandemic levels and continues to rise.

03

Pharmacy

Drug spend

Specialty drugs, GLP-1s, and cell & gene therapies are reshaping the pharmacy cost curve. Rx trend is now running well above medical and accelerating.

04

Population Health

The severity of who is covered

The complexity and chronic condition burden of a covered population drives claim severity and frequency. Deteriorating population health increases both the cost and unpredictability of claims.

05

Carrier Margin & Costs

The cost of insuring the risk

Carriers price to make money. When claims outpace premiums, they reprice to restore profitability — and that correction flows directly into the renewal you see next year.

Trend ≠ Projected Renewal

Important: Trend Results Do Not Represent the Projected Renewal Increase

Trend is a *component* of the increase, along with claims experience, fixed costs, margin, etc.

Example 1: Good Claims Experience

Effective Trend Only **+12.3%** → Total Budget Projection **+8.7%**

Components of Increase

Item	% Impact
Claims Experience	-9.9%
Claims Margin	+3.7%
Effective Trend	+12.3%
Fixed Costs	+2.6%
Total	**8.7%**

Example 2: Poor Claims Experience

Effective Trend Only **+4.9%** → Total Budget Projection **+23.4%**

Components of Increase

Item	% Impact
Claims Experience	+10.4%
Claims Margin	+4.7%
Effective Trend	+4.9%
Fixed Costs	+3.3%
Total	**23.3%**

Effective Trend is calculated by applying annual trend assumptions and projecting forward from the midpoint of the experience period to the midpoint of the projection period.

The Cost of Reacting at Renewal

Consider a hypothetical plan sponsor that manages cost the same way every year — at renewal.

Illustrative Scenario – Reactive Approach

- Year 1: 17% renewal, negotiated to a 5% → looked like a win
- Year 2: 26% renewal, cut benefits (tripled deductible) to lead to a rate hold
- Year 3: 45% renewal, no room left to negotiate or change plans

Result

- Without a long-term strategy, the cost of trend catches up — and there's no room left to absorb it

Renewal creep, year over year, with no long-term strategy in place

The Payoff of Planning Ahead

Now picture the same hypothetical sponsor, with a proactive strategy in place from year one.

Illustrative Scenario – Proactive Approach

- Year 1: 17% renewal → trend drivers identified early
- Year 2: Renewal held near trend — no benefit cuts needed
- Year 3: Renewal comes in below trend — funding evaluated proactively

Result

- A long-term strategy turns renewal season into a checkpoint, not a negotiation — the plan stays ahead of trend instead of chasing it

See it Coming

17% renewal
Year 1

Monitor trend drivers year-round, not just at renewal

Manage the Drivers

Renewal held near trend
Year 2

Attack pharmacy contracts, utilization, network cost directly instead of shifting cost to employees

Build Flexibility Early

Renewal near or below trend
Year 3

Evaluate alternative funding on a normal cadence, not as a last resort

2027 Trend Study Results

Expected 2026 Trends by Region

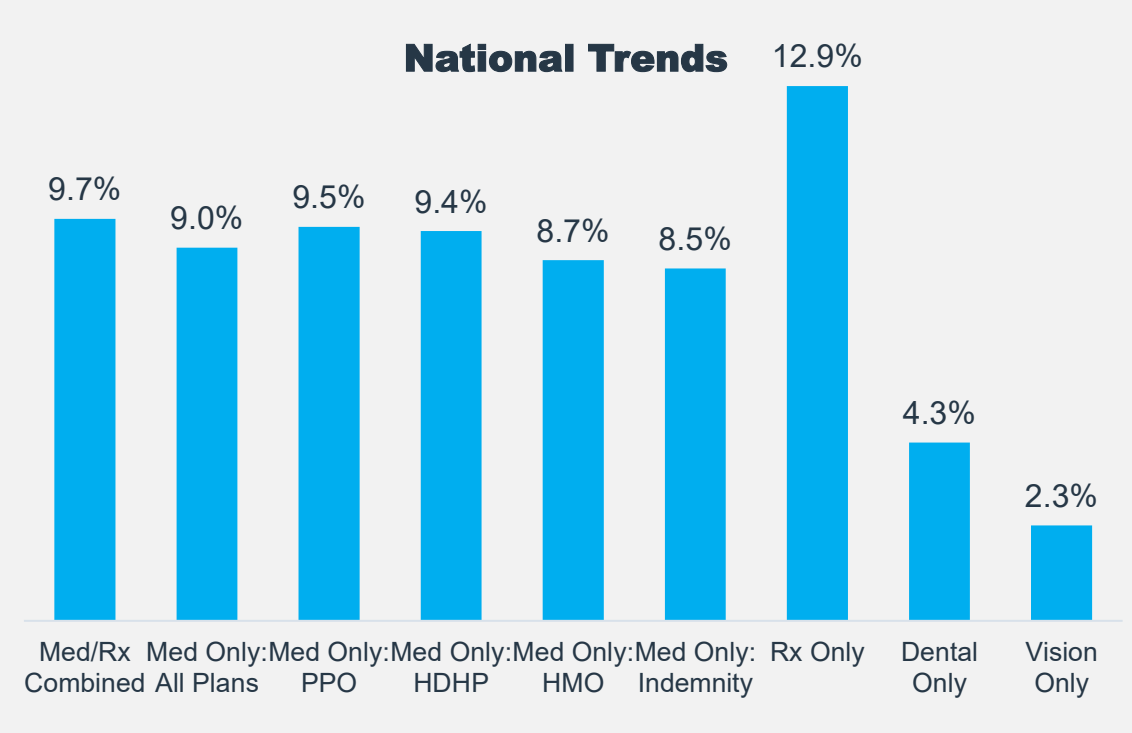
- Variation among the regions emerged, with East having highest trend
- Trends across plan designs appear to be converging

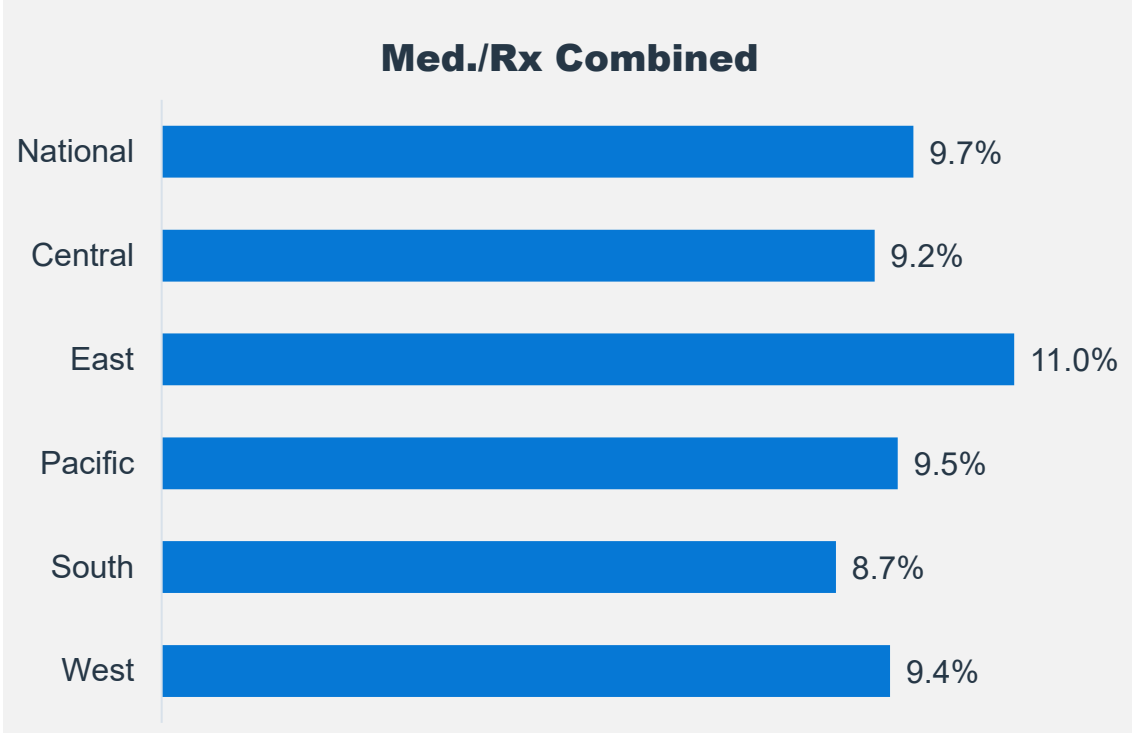
Expected 2026 Summary						
Line of Coverage	**National**	**Central**	**East**	**Pacific**	**South**	**West**
Med/Rx Combined	9.3%	8.6%	10.5%	8.9%	8.5%	9.4%
Med Only: All Plans	8.8%	8.8%	11.3%	10.3%	8.5%	10.5%
Med Only: PPO	9.0%	8.8%	10.1%	10.0%	9.6%	10.1%
Med Only: HDHP	9.2%	8.4%	10.0%	9.5%	7.7%	9.6%
Med Only: HMO	8.5%	8.4%	10.6%	8.8%	9.9%	9.8%
Med Only: Indemnity	8.5%	—	—	—	—	—
Rx Only	12.4%	11.2%	11.0%	11.0%	10.4%	11.1%
Dental Only	4.1%	4.6%	4.5%	4.4%	4.4%	4.6%
Vision Only	2.3%	2.8%	2.2%	2.8%	2.3%	2.8%

Source: 2027 HUB Benefits Cost Trends Report

Projected 2027 Trend by Region

- PPO and HDHP continue to move in unison
- East continues to have the highest trend

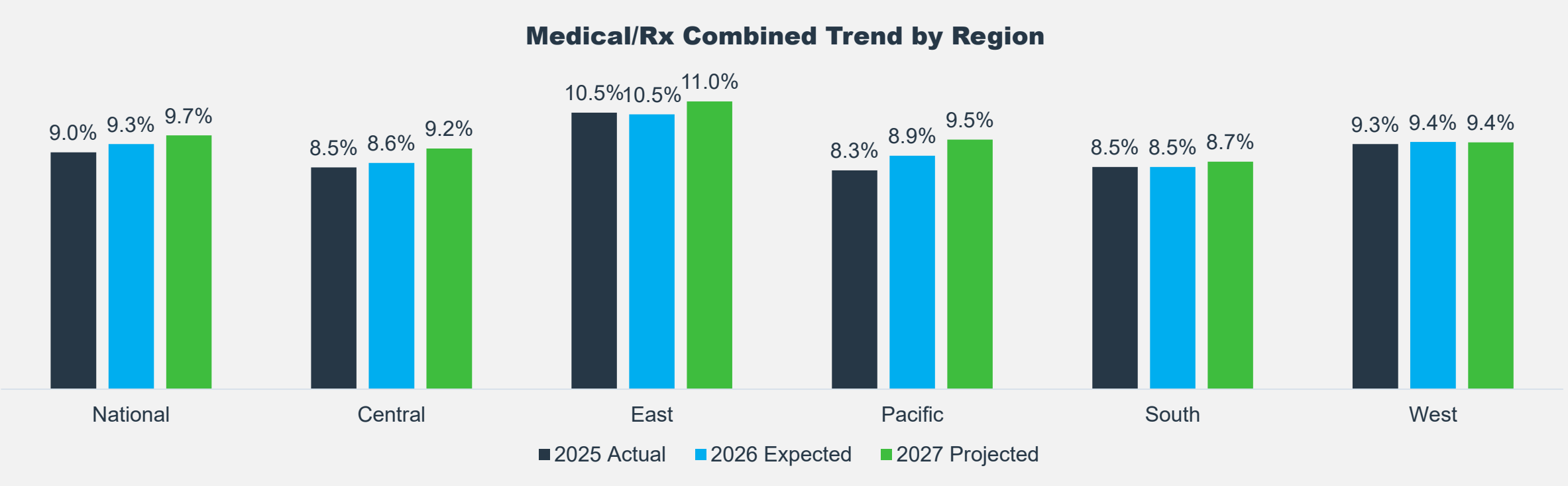




Source: 2027 HUB Benefits Cost Trends Report

Regional Trends by Year

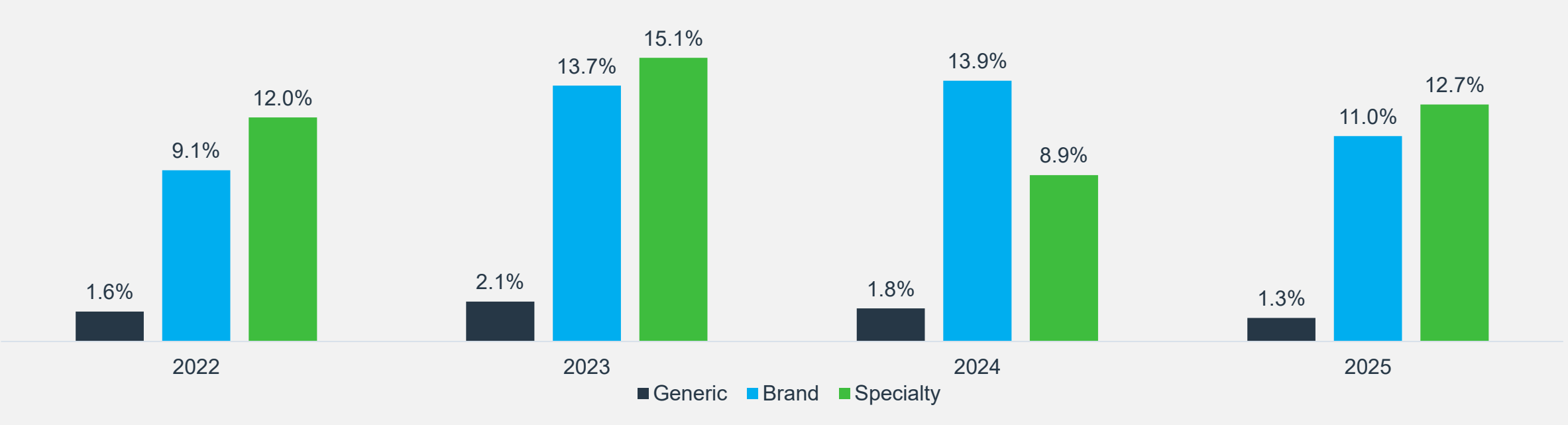
- Consistent growth across regions
- East is consistently the highest and South is the lowest



Source: 2027 HUB Benefits Cost Trends Report

Rx Trends by Category

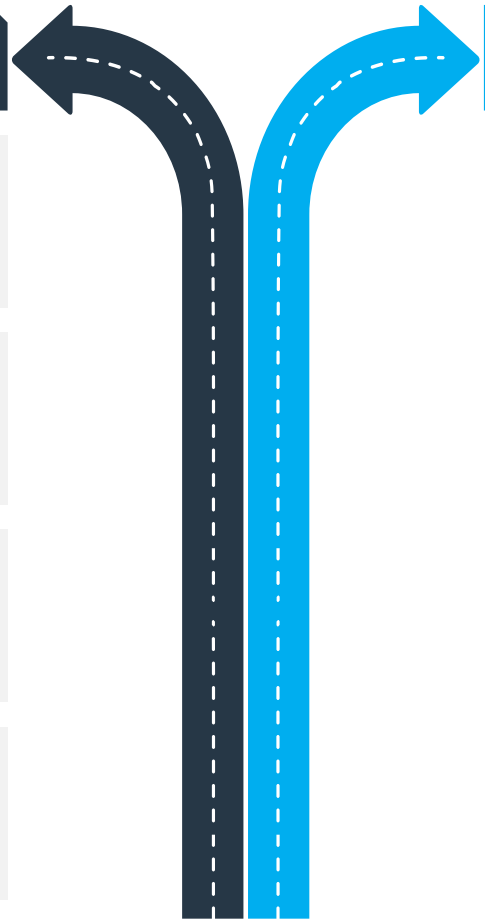
- Generics remained stable
- Brand is heavily shaped by GLP-1s
- Specialty is the most volatile, driven by new therapies, expanded indications and biosimilar disruption



Source: 2027 HUB Benefits Cost Trends Report

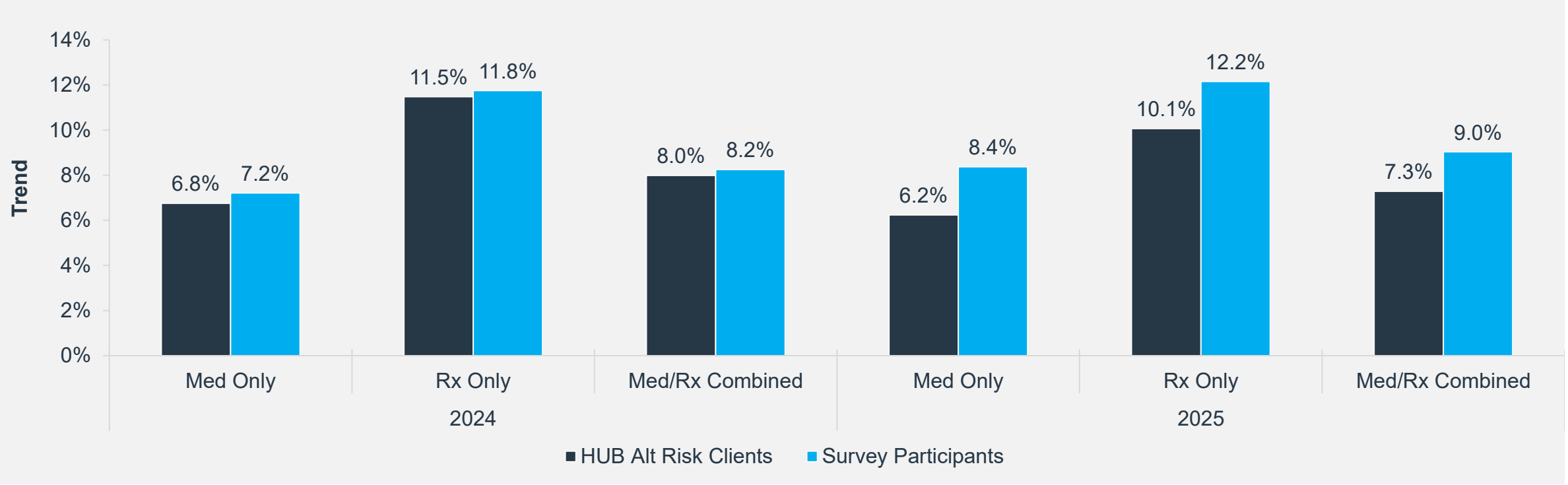
PBM Landscape: What's Changing — What It Means for You

What's Changing	What It Means for Employers
Rebate-to-net-cost model shift driven by federal transparency mandates	Near-term financial impact broadly neutral; operational complexity rising — expect administrative costs to flow through over time
Specialty drug spend growing; GLP-1s expanding indications and consumer reach	Combined Rx trend driven from two simultaneous directions; benefit design must address both specialty and GLP-1s separately
Compliance burden increasing: reporting, contract admin, dispensing fee legislation	Pharmacy-related administrative costs will rise across the market regardless of your specific PBM
Integrated delivery models and independent PBM oversight both gaining traction	Financial misalignments within PBM relationships remain significant — rates and rebates alone are insufficient without utilization management



Alternative Risk is Consistently Lower

- Survey participants provided commercial block
- HUB data is based on self-funded clients



Source: 2027 HUB Benefits Cost Trends Report

Dental & Vision Trends

Line of Coverage	2025 Actual	2026 Expected	2027 Projected
Dental Only	3.9%	4.1%	4.3%
Vision Only	1.9%	2.3%	2.3%

DENTAL — 4.3% Projected for 2027

Provider behavior is an emerging cost driver

Carriers report more services per visit and providers actively terminating lower-reimbursement network contracts — introducing mid-year network disruption risk advisors should address proactively.

Unit cost inflation is the primary structural driver

Provider contract pressure and active network shopping by providers is pushing reimbursement rates upward as providers seek higher-paying alternatives.

Utilization has stabilized above pre-COVID levels

Richer benefit designs and increased emphasis on preventive care are sustaining claims volume at elevated rates.

VISION — 2.3% Projected for 2027

Low-volatility line driven by fixed caps and in-network use

Fixed-dollar benefit caps and high in-network utilization keep vision trend predictable — respondents broadly characterize it as the most stable benefits line compared to medical and Rx.

Unit cost inflation and provider mix shift are the current drivers

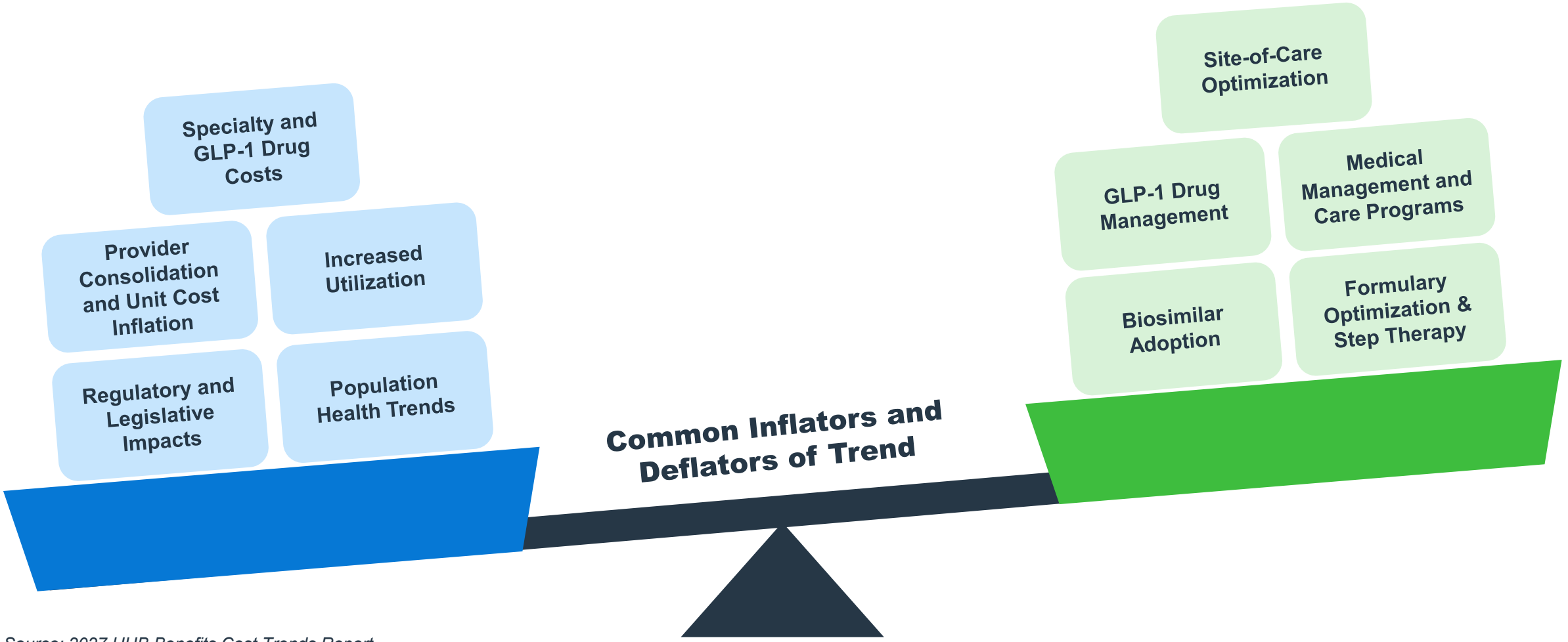
Exam and materials costs are rising in line with general inflation while utilization has stabilized following post-pandemic normalization.

Benefit cap pressure is the key forward-looking risk

As the gap between fixed-dollar coverage limits and actual service costs widens, plan sponsors will face increasing pressure to enrich vision benefits — putting upward pressure on trend over time.

Inflators & Deflators

Inflators & Deflators



Source: 2027 HUB Benefits Cost Trends Report

What the Broader Market Is Telling Us

1. Hospital Prices: Still Climbing, Now With More Visibility
2. The Insurance Industry Is Under Severe Financial Strain, and Employers Will Feel It
3. Regulation Is Coming From Every Direction
4. Pharmacy Is the Fastest-Growing Spending Category
5. High-Dollar Claims Are Surging in Frequency and Severity
6. AI Is Becoming a Hidden Cost Driver Inside Claims

Key Takeaways & Next Steps

Key Takeaways

1. **Trend has reset to a structurally higher baseline.** 9.7% combined for 2027 — the highest sustained level since the pandemic distortions passed.

2. **Pharmacy is driving the acceleration, not medical.** 12.9% Rx trend vs. 9.0% for medical, with GLP-1s and specialty drugs behind the widening gap.

3. **Regional variation is real and growing.** East (11.0%) and South (8.7%) are 2.3 points apart — national averages can hide real exposure for distributed workforces.

4. **Trend ≠ renewal.** Claims experience, margin, and fixed costs can swing renewals from 8.7% to 23.3% on similar trend.

5. **PBM rules are changing under federal reform.** Expect more administrative complexity ahead, regardless of which PBM you use.

6. **Dental is becoming its own cost story.** Provider network behavior now drives real mid-year risk.

7. **The pressure is systemic.** Record hospital pricing, insurer strain, and policy are squeezing employers from every direction at once.

Bottom line: none of this is a one-year story — build your 2027 strategy for a sustained, higher-trend environment.

Next Steps

Rising healthcare costs are not a problem that resolves on its own — but they respond to strategy. Here's where to start.

Benchmark Your Benefits Program

HUB's Plan Assessment tool benchmarks your program against ~75,000 employers across 32 industries using 390+ variables — updated quarterly via Mployer.

Network Check

Price transparency data compared claim-by-claim against your actual utilization. Network cost differences of 2–5% of total allowed spend are common.

Pharmacy Contract Benchmarking

HUB's DiagnosticRx tool deconstructs your PBM agreement across contract terms, rebates, discounts, and admin fees — benchmarked against HUB National Pharmacy standards.

GLP-1 Strategy

GLP-1s are projected to add 2.0–2.5 points to Rx trend through 2027 for diabetes alone. HUB models your coverage position against step therapy, PA, and indication-specific tiers.

Monitor Your Data

HUB's Health Insights platform unifies medical, pharmacy, and ancillary claims with clinical intelligence to surface emerging high-cost risks before they hit your renewal.

Compliance Review

Mental health parity, price transparency, PBM reform, state mandates — HUB's compliance team ensures your benefits strategy meets its obligations as it evolves.

Alternative Funding Evaluation

PEOs, level-funded plans, captives, self-funded ASO, RBP, ICHRA — HUB models your claims experience against each strategy objectively before making a recommendation.

Schedule a Consultation

Connect with HUB's actuarial and financial consulting team to review your specific situation and build a strategy grounded in your data, workforce, and goals.

Q&A

Upcoming Events

hubinternational.com/events/

WEBINAR – Employee Benefits

Beyond Fully-Insured:

Alternative Benefits Funding Strategies for Small- and Mid-Sized Employers

Wednesday, July 29 | 12 PM CT

Thank you

APPENDIX

Glossary of Terms

- **ASO (Administrative Services Only)** — A self-funded plan arrangement in which an employer pays claims directly and contracts a carrier or TPA only to administer the plan.
- **Biosimilars** — Lower-cost alternatives to brand-name biologic drugs. Biosimilar adoption is one of the key strategies employers use to reduce specialty drug spend.
- **CAA (Consolidated Appropriations Act of 2026)** — Federal legislation that includes provisions affecting pharmacy transparency, PBM practices and employer reporting requirements.
- **Captive** — A self-insurance structure in which a group of employers pools risk in a shared entity, often to access stop-loss coverage and reduce volatility.
- **Effective trend** — The projected annual rate of change in healthcare costs applied to a specific plan, accounting for the time period between the experience period and the projection period.
- **GLP-1s** — A class of medications (e.g., Ozempic®, Wegovy®) originally developed for diabetes and increasingly used for weight loss. GLP-1s are among the fastest-growing drivers of pharmacy trend.
- **HDHP (High-Deductible Health Plan)** — A health plan with a higher annual deductible than traditional plans, typically paired with a Health Savings Account (HSA).
- **HMO (Health Maintenance Organization)** — A health plan that requires members to use a defined network of providers and obtain referrals for specialist care.
- **ICHRA (Individual Coverage Health Reimbursement Arrangement)** — An employer-funded account that reimburses employees for individually purchased health insurance and qualified medical expenses.
- **Indemnity plan** — A traditional fee-for-service health plan that allows members to see any provider, with the insurer reimbursing a set portion of costs.
- **Level-funded plan** — A partially self-funded arrangement in which an employer pays a fixed monthly amount to cover expected claims, administration and stop-loss insurance, with potential refunds if claims come in under projections.
- **Med/Rx Combined trend** — The blended annual rate of cost increase across both medical and pharmacy benefits.
- **PBM (Pharmacy Benefit Manager)** — A third-party administrator that manages prescription drug benefits on behalf of health plans, including formulary design, pharmacy network contracting and rebate negotiations.

Glossary of Terms

- **PEO (Professional Employer Organization)** — A firm that co-employs a client's workforce and provides HR services including benefits, often enabling smaller employers to access large-group pricing.
- **Plan sponsor** — The employer or organization responsible for establishing and maintaining an employee benefits plan.
- **PPO (Preferred Provider Organization)** — A health plan that offers a network of preferred providers at lower cost-sharing, while still allowing members to see out-of-network providers at higher cost.
- **RBP (Reference-Based Pricing)** — A cost-containment strategy in which a health plan sets a maximum reimbursement for services based on a reference point (typically a percentage of Medicare rates) rather than negotiated network rates.
- **Rx trend** — The annual rate of increase in prescription drug costs, including both utilization and unit cost changes.
- **Specialty drugs** — High-cost medications used to treat complex or chronic conditions such as cancer, autoimmune disorders and rare diseases. Specialty drugs now represent more than half of total pharmacy spend despite accounting for a small fraction of prescriptions.
- **Stop-loss insurance** — Coverage that protects self-funded employers from catastrophic claims, either per individual (specific stop-loss) or in aggregate across the plan.
- **TPA (Third-Party Administrator)** — An organization that processes claims and manages administrative functions for self-funded health plans.
- **Unit cost** — The price charged per individual healthcare service or prescription, independent of how frequently care is used.
- **Utilization** — The frequency with which plan members access healthcare services — a key driver of overall trend alongside unit cost.