

Outlook 2025

Healthcare

Risk management will be the right prescription to give providers stability as current threats worsen and new ones emerge.



What to Expect in 2025

Ongoing pressure on reimbursements, massive labor shortages, unchecked medical inflation, increasing nuclear verdicts and record-high pharmaceutical costs will continue to pressure economic viability at every level of healthcare. And climate change, an uncertain political environment and cybercrime add additional difficulties in maintaining resiliency. Providers that have a rigorous focus on enterprise risk management and insurance coverage design can improve their health in 2025.

\$522 billion

Cumulative Medicare and Medicaid underpayments to providers from 2018 to 2022¹

1. American Hospital Association, "[America's Hospitals and Health Systems Continue to Face Escalating Operational Costs and Economic Pressures as They Care for Patients and Communities](#)," May 2024.

The payment-cost gap will keep squeezing margins, but there may be relief.

In 2025, high medical cost growth and lagging reimbursements will create fiscal difficulties for healthcare providers, particularly hospitals. In fact, hospital operating margins of 1% to 2% could be a “new normal,” as opposed to the pre-pandemic standard of 3%.²

Medicare and Medicare reimbursements to hospitals amounted to 82 cents for every dollar of patient care, resulting in a gap of \$100 billion.³ Meanwhile, skyrocketing drug prices (with an average annual increase of 15.2% since 2017⁴) — with many drugs in short supply — have also put the squeeze on margins.

Healthcare executives are fully aware of the fiscal challenges facing them. According to the HUB International’s 2025 Outlook Executive Survey,⁵ 53% of healthcare executives identified rising costs as a major threat to their economic viability, more than any other challenge.

Rural hospitals remain in their own category of distress as 50% of them now operate in the red and 418 — or about 20% — of all rural hospitals are at risk of closing.⁶ Federal policymakers are starting to pay attention, proposing critical access reclassification that would relieve rural hospitals of some financial burdens.⁷

Credit ratings of several hospital and health systems have fallen,⁸ although healthcare organization bankruptcies were expected to decline 27% in 2024.⁹ Senior care, clinics and physician practices have felt similar pressures.

Healthcare organizations can look at mining potential new revenue streams. For instance, there are emerging opportunities to provide support services to the life sciences and clinical research sectors as these partnerships can be extremely lucrative and provide a lifeline for institutions.



But with the rewards come risks: A third-party financial loss tied to a mismanaged drug trial protocol, for example, is typically excluded from healthcare policies. Such opportunities can quickly become headaches without counsel from an experienced broker with knowledge in the healthcare and biopharma industries.

2. Becker’s Healthcare, “[Hospital margins’ ‘new normal,’](#)” August 12, 2024.
3. American Hospital Association, “[America’s Hospitals and Health Systems Continue to Face Escalating Operational Costs and Economic Pressures as They Care for Patients and Communities,](#)” May 2024.
4. Office of the Assistant Secretary for Planning and Evaluation, “[Changes in the List Prices of Prescription Drugs, 2017-2023,](#)” October 6, 2023.
5. HUB’s Outlook Executive Survey polled 900 C-Suite and VP-level executives on the issues facing them on profitability, employee vitality and organizational resilience.
6. Chartis, [Unrelenting Pressure Pushes Rural Safety Net Crisis into Uncharted Territory,](#) accessed September 16, 2024.
7. U.S. Sen. Dick Durbin, “[Durbin, Lankford Introduce Bipartisan Bill to Support Rural Hospitals,](#)” May 5, 2023.
8. Becker’s Healthcare, “[23 health system rating downgrades,](#)” August 16, 2024.
9. Fierce Healthcare, “[Healthcare bankruptcy filings slow in 2024, largely driven by middle market companies, analysis finds,](#)” August 16, 2024.

Employee shortages will continue. Can providers find a cure?

The long-term labor shortage will continue to affect healthcare organizations' services, finances and their overall work environment.

In 2023, labor costs at hospitals reached \$839 billion, accounting for 60% of an average institution's expenses; they also spent more than \$50 billion on expensive contracted labor¹⁰ necessary to remain fully staffed.

Even with the amount of spending on salaries, the supply of medical professionals is falling short. The shortage of full-time registered nurses alone is expected to exceed 350,000 by 2026, leaving 10% of open positions unfilled.¹¹ Meanwhile, the direct care workforce, critical for today's aging population, needs to add 4 million workers to its current force of 5 million to meet projected job openings through 2031.¹²

High salaries can't address worker burnout, an issue with 50% of physicians alone.¹³ And the growing severity and frequency of violence against healthcare workers drain their emotional health and industry resources.

For all their promise, artificial intelligence and technology can't supplant absent workers. A cure will require public efforts to address educational shortfalls and private efforts to improve working conditions, including a benefits strategy that creates an optimal employee experience through [personalized benefits](#).

Especially important to healthcare employees are improved mental health services, increased safety and improved working conditions. These benefits can help prevent burnout, increase a sense of being valued and improve work-life balance — which are some of the most common reasons healthcare workers leave the profession.¹⁴

Healthcare organizations need to explore other long-term strategies to address staffing concerns. For instance, health systems can partner with nursing schools to design programs that offer the opportunity for employment upon graduation.¹⁵ And while telehealth volume has diminished significantly since its peak during the COVID-19 pandemic,¹⁶ it represents an opportunity to lessen work pressure on physicians.

10. American Hospital Association, "[America's Hospitals and Health Systems Continue to Face Escalating Operational Costs and Economic Pressures as They Care for Patients and Communities](#)," May 2024.
11. HRSA, "[Nurse Workforce Projections, 2021-2036](#)," March 2024.
12. SHRM, "[Critical Shortage: Direct Care Workforce Crisis Looms](#)," May 20, 2024.
13. Medscape, "[Medscape Physician Burnout and Depression Report: Burnout Worsening, Depression Increasing](#)," January 27, 2024.
14. Penn LDI, "[Top 5 Reasons Why U.S. Nurses Are Leaving Their Jobs](#)," May 23, 2024.
15. University of Miami, "[University of Miami and Steward Health Care Launch Clinical Education Partnership](#)," August 2022.
16. Trilliant Health, "[Telehealth Demand: An Update Four Years After the Onset of the COVID-19 Pandemic](#)," June 9, 2024.

Preparedness and new solutions are essential as resiliency is tested.

If revenue shortfalls and the labor shortage weren't enough, threats ranging from climate change to an unsettled regulatory environment will test healthcare organizations' resiliency in 2025.

Climate change, for one, has sparked heat waves, wildfires, convective storms and other issues that disrupt operations and put people at risk. Globally, the healthcare system faces total climate change-related costs of \$1.1 trillion by 2050.¹⁷

That's played out in insurance rates. Following years of double-digit rate increases for property-casualty, liability and catastrophe coverage, the market has settled somewhat, with reductions in some geographies.

As a whole, medical professional liability (MPL) insurance carriers were unprofitable in 2023,¹⁸ and those pressures appear to be continuing in 2024, which could lead to rates rising 15% or more in 2025. The number of nuclear verdicts, jury awards of \$10 million or more, is rising across all aspects of American life. Driven by social inflation, the amounts awarded in nuclear verdicts are also increasing, making underwriters hesitant to fully cover liability for a single client.

Institutions are advised to employ hazard vulnerability analyses to inform long-term infrastructure planning and ensure their structures can handle extreme weather events that will affect roads, flooding and roof integrity. In addition, healthcare organizations may need to retrofit facilities to ensure catastrophes do not impede care.

Then there's compliance risk, which already requires a disciplined and rigorous approach to abide by federal, state and local regulations. The confusing welter of state-level abortion restrictions has been topped with mixed signals on the future of fertility treatments like in-vitro fertilization (IVF). And healthcare organizations

Case Study

A HUB client, an independent healthcare system on the East Coast, needed direction on aligning the goals of their risk management division with their overall corporate goals. HUB conducted a thorough analysis to identify major risk factors to the division. In doing so, the healthcare system was given a blueprint, thereby setting their ERM process for success.

seeking revenue boosts through partnerships with life science companies must ensure they are compliant with all regulations — lest they risk sanctions, fines and the prospect of becoming uninsurable.

To stay resilient over the long haul, enterprise risk management (ERM) has become essential for the healthcare industry. Reviewing the fundamentals of what's insurable, what can be retained or transferred is only part of it. Assessing and managing the scope of potential risks makes organizations more resilient and gives underwriters more reasons to look favorably on insureds.

17. World Economic Forum, "[On Earth Day we consider the impact of climate change on human health](#)," April 22, 2024.

18. Fitch Ratings, "[US Medical Professional Liability Insurance Underwriting Loss Widens](#)," June 10, 2024.

Better safeguards against cyber breaches will take on new urgency.

Cybercrime costs healthcare more than any other industry — and it's not even close.

The average data breach for a healthcare organization between March 2023 and February 2024 cost \$9.8 million, compared to \$5.9 million for financial institutions and \$4.7 million in the industrial sector. The amount of a healthcare breach is down from the same period a year earlier, when it was \$10.9 million, but the sector remains the biggest target for cybercrooks.

Because digital technology drives medical efficiency and effectiveness, it has become ubiquitous in healthcare settings worldwide. That massive footprint has made healthcare an attractive target for cybercriminals.

But the impact of cyberattacks on healthcare can cut far deeper than money. The Ascension ransomware attack in May 2024 was devastating: Entire processes and systems within hospitals were shut down, leading to patients being diverted to other hospitals. Lab tests were delayed or lost, and the breach raised the possibility of medical and prescription errors, as clinicians had to revert to paper recordkeeping.²⁰

That kind of cyberattack puts patient care at risk, potentially leading to claims for medical professional errors, enterprise failures and management malpractice, affecting directors and officers.

Just as concerning are attacks on vendors: In February 2024, the most consequential cyberattack ever against the U.S. health system virtually shut down Change Healthcare, which provides billing and payment distribution technology, costing the healthcare system more than \$1 billion.²¹

In the face of such threats, how can healthcare organizations minimize the risk? There are three essential elements to staying resilient against cyberthreats:



thorough contingency plans; improved cybersecurity for new tools and software and vetting cybersecurity controls of third-party vendors; and staff training to help keep bad actors out of the system.

Insurance underwriters are examining the above steps before issuing coverage, as well as mandating two-factor authentication and stringent internal policies governing email and social media.

It's essential to have an insurance broker who understands the scope of risks to healthcare organizations in this environment. But the right coverage for cybercrime is only one piece of the puzzle. Risk management that accounts for threats from within, as well as from vendors and bad actors can help ensure resiliency against cyberattacks that could potentially derail an organization.

19. IBM, [Cost of a Data Breach Report 2024](#), July 2024.

20. NPR, ["Cyberattack led to harrowing lapses at Ascension hospitals, clinicians say,"](#) June 19, 2024.

21. Security Intelligence, ["Change Healthcare attack expected to exceed \\$1 billion in costs,"](#) May 8, 2024.

Navigating Your Next Steps

HUB healthcare insurance, risk management and employee benefits professionals will work with you to develop a tailored strategy that will protect the bottom line, support the vitality of your workforce and build resiliency for 2025. Here are some initial considerations:

1

Thoughtfully lean into risk.

As risks in healthcare have increased, so have premiums. A higher deductible can reduce premiums and improve experience rating, while an alternative risk transfer vehicle can also help lower costs. Ask your broker what kind of insurance options meet your needs, whether that's professional medical liability, property or catastrophe coverage.

Employees — especially healthcare workers — expect you to support their health, safety and wellbeing. A personalized benefits strategy based on fostering quality [employee experiences \(QEX\)](#) will boost engagement, recruiting and retention and lower risk.

2

Increase engagement through benefits.

3

Prepare for the unexpected.

Climate change, the need to protect workers against violence and increasing cybercrime mean that healthcare organizations need to ensure they have proper protections against disasters and contingency plans if disasters occur. Collaborating with your broker to develop a comprehensive enterprise risk management strategy is a first step in ensuring resilience.

Understand the root cause of your large losses and explain to carriers what you're doing to prevent future losses. Develop a strategy with your insurance broker to determine the best time and frequency to review alternative markets.

4

Understand your loss trends.

5

Be transparent with your broker.

Let your broker know what changes you've made to the business, so there are no surprises at renewal. Review exposures and insurance needs at least 90 days prior to policy renewal, so your broker can identify the best options.

Healthcare Rate Guide — U.S.

HUB International's rate guidance comprises an analysis of proprietary national survey data and interviews with HUB commercial insurance brokers and risk services consultants who specialize in the Healthcare industry.

On average, rates for middle- to upper-middle-market companies are experiencing rate increases for nearly all coverages as carriers need additional premium to support increased losses and expenses. Below are projections of rate increases that we anticipate in 2025. Discuss your business' exposure with your insurance broker and understand what to expect well in advance of your next renewal.

Coverage	2025 Healthcare Rate Guide	Insights
Commercial Auto & Patient Transportation	+5% to +10% or higher	Loss trends are increasing because of distracted driving and social inflation. Rate increases persist to counterbalance rising costs for labor, medical, and replacement vehicles. Client loss experience is an important factor and those with favorable experience will achieve better outcomes. Patient transportation risks that involve transportation of minors or those with intellectual disabilities may see higher increases as capacity has become limited. Litigation funding has created a challenging market in the healthcare sector for all casualty lines.
General Liability	Flat to +15%	Property-casualty insurance is expected to be profitable, so the overall trend in GL is stable. Carrier positions vary, and results may be different where warranted by loss experience or program design, but most clients will see modest rate increases.
Medical Professional Liability	-5% to +15%	Medical professional liability (MPL) remains a challenging class as combined ratios are over 100%. Social inflation and nuclear verdicts have been particularly difficult with this line. As a result, there is less capacity in the market — anticipate a reduction in limits offered.
Workers' Compensation	-5% to +3%	Workers' compensation continues to be a profitable line. Factors contributing to rate changes may include an increase in workplace violence and the classification of workers as either employees or independent contractors.
Umbrella & Excess Liability	Flat to +15%	Rate increases are largely driven by the MPL market. For excess liability, underwriters are being careful in how they deploy capacity. Most increases are in the single-digit range, but for clients with more severe loss experience or large auto fleets, increases may be more significant.
Package (SME)	+5% to +10%	Insurance packages tend to be more stable because of the bigger pot of premium, with one carrier offsetting losses on any one line. Those with good losses will get favorable outcomes, while those with large loss history will have unfavorable outcomes.

Healthcare Rate Guide — U.S.

Coverage	2025 Healthcare Rate Guide	Insights
Commercial Property	-10% to +5%	The results indicate a market recovery and are significantly influenced by account metrics such as occupancy, business classification, loss control, catastrophe exposure, and claims history. Accounts that are not being renewed by existing carriers, especially those with single carrier placements, continue to experience less favorable outcomes, including larger rate increases and/or heightened deductibles and retentions.
Catastrophic Perils	-10% to +5%	<p>While many insureds have seen rate relief for catastrophic perils, there are exceptions, especially the wind and earthquake exposed accounts that have seen drastic run-ups in rates and premiums during the hard market cycle. While severe and convective storms and wildfires continue to be significant concerns for underwriters, there is still a major focus on the current Atlantic Wind Season, which is forecasted to be above average. Hurricane Beryl in July was the strongest June/July Atlantic Basin Hurricane on record.</p> <p>For hospitals in catastrophic areas, particularly in wildfire danger zones and the Gulf Coast, business interruption (BI) and extra expense coverage is under scrutiny. Insureds should now be prepared to complete a comprehensive BI worksheet as part of their submission package.</p>
Environmental	-5% to 10%	As new carriers enter the market, rates for contractors' pollution liability and site pollution are stabilizing. The issue of per-and polyfluoroalkyl substances (PFAS) continues to be a significant topic of discussion. Packaged general liability and pollution rates are generally stable, although some more challenging classes are experiencing rate increases of 5% to 10%. Additionally, some carriers are restricting excess capacity coverage, while others are withdrawing from the market entirely.
D&O: Private	-10% to +5%	Capacity among carriers for private D&O placements remains robust. Underwriters are actively reducing premiums, offering automatic renewals, and granting two-year policies to retain business.
D&O: Public	-10% to +5%	D&O insurance for public companies remains highly competitive, with ample capacity and aggressive underwriting. Terms and conditions remain favorable for insureds.
Cyber	-10% to +5%	<p>Premiums for cyber liability insurance expected to continue to fall. Breaches and outages of significant service providers (i.e., breaches at Change Healthcare and CrowdStrike) haven't led to rate hikes yet but may point to harder market conditions in the first half of 2025.</p> <p>The healthcare industry has historically not invested enough in IT and security — insureds with inadequate systems and controls will see tougher terms and conditions. It's important to budget for both adequate cyber coverage and IT security.</p>

Healthcare Businesses – U.S.

Business	Insights
Physicians & Medical Practices	Expect single digit to modest double-digit increases due to claims activity arising from nuclear verdicts and litigation funding. Rates will vary by jurisdiction.
Senior Care	New entrants for senior care risks over the last year have decreased pressure on rate by supplying additional capacity to the market.
Hospitals & Health Systems	Claims frequency and severity continue to be on the rise for hospitals and health systems. As capacity is limited, best-in-class risk management is key (i.e., employee onboarding and protocols).
Virtual Care	The market is expected to remain firm yet again as patients are encouraged to utilize virtual care services – exposure increases across the board.
Ambulatory Care	Expect slight increases due to claims activity arising from nuclear verdicts and litigation funding. Rates will vary by jurisdiction.

NOTE: *Rate* is typically defined as the amount of money necessary to cover losses and expenses while providing an insurance company with a profit for a unit of exposure. *Exposure* refers to a business' or individual's susceptibility to various daily risks. Carriers evaluate the level of risk an insured faces in calculating insurance premiums.

HUB Healthcare

When you partner with us, you're at the center of a vast network of experts who will help you reach your goals. For more information on how to manage your insurance costs, reduce your risk and take care of your employees, talk to a HUB healthcare insurance specialist.

\$1.2B

in commercial insurance premium brokered by HUB

47,700

insurance policies managed

19,600

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