



Cottingham & Butler

2026 Employee Benefits Trends Report

Table of Contents

EXECUTIVE SUMMARY..... 3

RISING HEALTHCARE COSTS 4
Key Cost Drivers 4
Employer Strategies for Cost Management 5

COMPLIANCE & REGULATIONS 8
Top Health Plan Compliance Issues for 2026 8
The One Big Beautiful Bill Act (OBBBA) 10
Employee Leave Expansion 12

ENHANCING EMPLOYEE EXPERIENCE 14
Fertility Benefits on the Rise..... 14
Wellness Trends Reshaping Employee Experience 16

ADMINISTRATIVE EFFICIENCIES & AI 19
Key AI Applications in Employee Benefit 19
Critical Considerations for AI Implementation..... 21

CONCLUSION: STRATEGIC PRIORITIES FOR 2026 22
Five Strategic Priorities 22
Looking Ahead 23
Contact Cottingham & Butler 23

Executive Summary

In 2026, the employee benefits market is being shaped by regulatory volatility, shifting compliance priorities, accelerated cost pressures, and ever-evolving workplace demands. This report provides strategic insights across four key areas to help employers navigate the challenges ahead.

KEY CHALLENGES:

- **Healthcare Costs:** Projected to increase 6.5%-10% in 2026, driven by GLP-1 drugs, specialty medications, cancer care costs, healthcare labor shortages, chronic conditions, and aging populations.
- **Compliance Environment:** Streamlined ACA reporting offers relief, but potential mental health parity updates, the sweeping One Big Beautiful Bill Act (OBBBA), shifting Trump administration priorities, ongoing litigation, and federal budget constraints create uncertainty.
- **Employee Expectations:** Workers demand fertility benefits (two-thirds of employers planning to invest), comprehensive wellness programs addressing mental fitness and women's health, and expanded leave options.
- **Technology Transformation:** AI is reshaping benefits administration, workforce planning, and employee experience while simultaneously impacting the labor market with widespread layoffs and role transformations.

This Trends Report serves as a strategic guide for employers to anticipate challenges, identify opportunities, and position their benefits programs to remain compliant and competitive.

Rising Healthcare Costs

Health care costs have surged in recent years, and this trend shows no signs of slowing. As costs climb, offering competitive health benefits has become a major challenge for employers.

A 2025 Broker Services Survey found that balancing attractive benefits with rising health care costs is the top HR and employee benefits concern among employers. With costs compounding year after year, understanding the factors behind these increases is essential.

Industry sources project that health care costs are likely to increase by 6.5% in 2026, with some estimates exceeding 10%.

COST DRIVER	IMPACT & DETAILS
GLP-1 Medications	Growing demand continues as top cost factor. KFF's 2025 survey: 19% of firms with 200+ workers and 43% with 5,000+ cover GLP-1s for weight loss. RAND reports 12% of Americans have used GLP-1s for weight loss, 14% interested. Prescriptions tripled since 2020. Cost: ~\$1,000/month, long-term use required.
Specialty Medications	Rapid expansion: ~80% of FDA approvals in 2025 were specialty drugs. Biologics dominate, biosimilars gaining traction (10+ new approvals expected annually next 5 years). Cell and gene therapies seeing record approvals. HHS reports specialty drugs comprise ~50% of total drug spending despite being small percentage of prescriptions.
Cancer Care	Diagnoses increasing among younger working-age individuals. New therapies (CAR T-cell, immunotherapies, targeted drugs, personalized medicine) offer better outcomes but high costs, often hundreds of thousands per patient. Even a single high-cost claim can significantly impact smaller employers' spending.
Healthcare Labor Costs	Labor accounts for 56% of hospital expenses (American Hospital Association). Supply lags behind demand due to aging population, rising utilization, retirements, insufficient new talent. Workforce shortage fuels wage inflation. When hospitals spend more on labor, costs pass through higher reimbursement rates to employer plans. Shortages projected to persist through 2026.
Chronic Health Conditions	Chronic conditions account for 90% of nation's \$4.9 trillion annual healthcare costs. 6 in 10 adults have at least one chronic condition; more than half have multiple. American Heart Association: cardiovascular disease could affect 60%+ of older adults by 2050, reaching \$1.8 trillion in expenses (triple current inflation-adjusted costs). 75% of large employers cite chronic diseases as contributing to higher premiums.
Public v. Private Pressures	Medicare reimburses providers approximately 60% less than commercial insurance for the same services. As baby boomers continue aging into Medicare eligibility, hospitals face growing revenue pressure from this expanding lower-paying population and increasingly shift those losses to employer-sponsored plans. Compounding the problem, rising deductibles and out-of-pocket costs have increased patient bad debt, further squeezing hospital margins and driving commercial rates higher in a reinforcing cycle.

EMPLOYER STRATEGIES FOR COST MANAGEMENT

Rising costs may be unavoidable, but informed employers who anticipate these trends will be better positioned to manage financial impact and maintain competitive benefits. Employers should focus on three priorities:



Targeted Cost Mitigation:

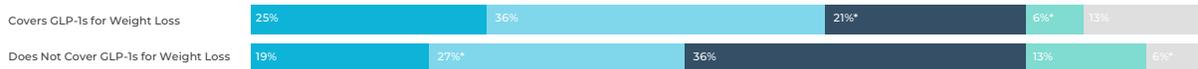
Explore programs that address high-cost areas.

Specialty pharmacy management programs – With specialty drugs comprising approximately 50% of total drug spending and GLP-1 prescriptions tripling since 2020, strategic management is critical. While the historical trend has been to not cover weight loss medications, more employers are looking to middle ground solutions to offer some form of access to GLP-1s either through cash discount programs or requiring health coaching to minimize wasted costs and help combat side effects and promote appropriate long-term usage.

Firm's views on the importance of covering GLP-1 agonists for weight loss to enrollee satisfaction, by firm size, 2025

Very Important Important Slightly Important Not Important Don't Know

Firms (200 – 4,999 workers)



Firms (5,000 or more workers)



Note *Estimates are statistically different from estimate for all other firms not in the indicated category, within each firm size (p < .05). Firms with multiple plans were asked about their plan with the largest enrollment. Among firms with 200 or more that offer health benefits, 19% reported that their largest plan included coverage for any GLP-1 agonist when used primarily for weight loss.

Source: KFF Employer Health Benefits Survey, 2025 (Figure 13.20)

- Chronic disease prevention and management initiatives – Since chronic conditions account for 90% of the nation's \$4.9 trillion annual healthcare costs and 6 in 10 adults have at least one chronic condition, proactive programs that identify at-risk employees and provide coaching can prevent costly complications and hospitalizations. Early intervention and ongoing support for conditions like diabetes, heart disease, and asthma deliver significant ROI.
- Site-of-care optimization (steering to lower-cost, high-quality providers) – Healthcare costs can vary dramatically between facilities for the same procedure or service. Centers of Excellence programs and tiered networks that guide employees to high-quality, cost-effective providers reduce spending while maintaining or improving outcomes.
- Value-based care arrangements and reference-based pricing – Moving away from traditional fee-for-service models to arrangements that reward outcomes rather than volume helps align incentives between employers, providers, and employees. Reference-based pricing sets maximum reimbursement rates based on fair market value rather than provider charges, creating transparency and controlling costs.

2

Employee Communication, Technology, and Maximizing Existing Benefits

Organizations that invest in strategic communications, enabling technology, and maximizing existing benefit value can achieve significant cost containment without reducing coverage.

- **Employee Communications:** Effective benefits communication directly impacts healthcare costs. Year-round, multi-channel strategies using plain language and targeted messaging help employees become informed healthcare consumers who use preventive services, choose appropriate care settings, and take advantage of cost-saving programs.
- **Technology:** Modern benefits platforms with mobile apps provide self-service access for comparing plans, finding in-network providers with cost estimates, and tracking spending. Telemedicine, now permanently covered pre-deductible for HDHPs under the OBBBA, offers convenient, lower-cost care options. Mercer's Global Talent Trends study found approximately 40% of HR leaders use AI for benefits administration, with 53% of executives expecting AI to boost productivity by 10%-30% over the next three years.
- **Improving Value of What Exists:** Before accepting cost increases, employers should audit existing offerings to ensure maximum utilization. Conducting utilization analysis, proactively promoting high-value services (telemedicine, generic medications, preventive care, chronic disease management coaching), and holding vendors accountable can extract significantly more value from current benefits spend. Small plan design tweaks, like copay differentials favoring telemedicine or generics, drive behavioral change without major overhauls.

3

Cost-Sharing Strategies

While not ideal, adjustments to plan design can help offset projected increases:

- Higher deductibles with HSA contributions to maintain affordability – The average general annual deductible for single coverage among covered workers in plans with a general annual deductible is \$1,735 in 2024. Pairing higher deductibles with employer HSA contributions helps employees build tax-advantaged savings while managing premium costs.
- Tiered coinsurance structures that reward high-value care – Value-based benefit designs that lower cost-sharing for high-value services can improve health outcomes while controlling costs. Strategic coinsurance tiers encourage employees to seek appropriate care at the right time and place.
- Tiered networks with premium differentials based on provider efficiency – Among covered workers in plans with more than one network tier, 23% are enrolled in plans with a narrow network option that provides financial incentives for using a more limited set of providers. These tiered network structures reward employees who choose high-quality, cost-efficient providers.

4

Alternative Funding Models

More employers, including small and midsize organizations, are exploring alternatives to traditional fully insured plans. Employers should evaluate whether their current funding model still aligns with their risk tolerance, cash flow needs, and long-term benefits strategy.

- Level-funded arrangements, which combine the predictability of fixed monthly payments with the potential for surplus returns, have grown significantly among employers with fewer than 200 employees.
- Captive insurance arrangements are also gaining traction, with KFF reporting a steady increase in self-funded plans among firms with 50–199 workers, rising from 17% in 2014 to 22% in recent years.
- Individual Coverage Health Reimbursement Arrangements (ICHRA), which allow employers to reimburse employees for individual market coverage, continue to expand as a flexible option for organizations seeking cost control without sacrificing employee choice.

5

Reference-Based Pricing

Reference-based pricing (RBP) is emerging as a powerful cost containment tool that sets maximum reimbursement levels based on a transparent benchmark typically a percentage of Medicare rates rather than relying on opaque, insurer-negotiated provider charges.

- Significant cost savings and transparency. Employers who implement RBP commonly report 15%–30% reductions in overall plan costs by eliminating inflated provider charges. This approach gives employers clear visibility into what they pay for each service, enabling more accurate budgeting and removing the “black box” of carrier negotiations where identical procedures can vary by 300%–500% between facilities in the same market.
- Alignment with value-based care. By tying reimbursement to a standardized benchmark rather than arbitrary provider charges, RBP naturally steers employees toward high-quality, cost-efficient providers, reinforcing the same principles that drive centers of excellence and tiered network strategies.
- Implementation considerations. Successful RBP programs require strong member advocacy services to assist employees with provider billing, a compliance framework addressing state balance billing protections and federal regulations, and a clear communication strategy so employees understand how the plan works and what to expect.

Compliance & Regulations

Employers face a compliance landscape marked by both change and uncertainty. New requirements from the OBBBA, shifting regulatory priorities under the Trump administration, ongoing benefits litigation, and federal budget constraints create a complex environment requiring proactive planning and flexibility.

TOP HEALTH PLAN COMPLIANCE ISSUES FOR 2026

Simplified ACA Reporting

At the end of 2024, Congress passed legislation that eased ACA reporting requirements for employers. The ACA requires applicable large employers (ALEs) and non-ALEs with self-insured health plans to provide information to the IRS about health plan coverage offered to employees while providing related statements to individuals.

With the new legislation, employers that take certain steps no longer need to automatically distribute individual statements unless an individual specifically requests one. Because of the limited time frame in 2025, many employers are expected to begin using this relief starting in 2026.

Key Requirements:

- Post clear and conspicuous website notice by March 2, 2026
- Notice must include email address, physical address, and telephone number
- Notice must remain posted through October 15, 2026
- Fulfill requests within 30 days of receiving them

Mental Health Parity at a Crossroads

In May 2025, federal agencies announced they would not enforce a 2024 final rule that expanded parity requirements for mental health and substance use disorder (MH/SUD) benefits. This decision stems from a lawsuit challenging the rule's validity. The case has been put on hold while the Trump administration reviews the rule and considers whether to revise or repeal it.

The 2024 final rule primarily focused on stricter parity requirements for nonquantitative treatment limitations (NQTLs), strategies that generally limit the scope or duration of benefits, such as prior authorization requirements. Under the rule, health plans and issuers would be required to collect and review outcomes data and take reasonable steps to fix significant differences in access between MH/SUD and medical/surgical benefits.

Employer Action Items:

- Continue compliance with MHPAEA's statutory requirements, including comparative analysis requirement for NQTLs
- Reach out to health plan issuer or TPA to confirm comparative analyses of NQTLs will be updated if necessary for 2026 plan year
- Stay alert for any changes to the 2024 final rule as Trump administration priorities and limited resources may shift enforcement focus

Ongoing Health Plan Litigation

Alongside monitoring legislative and regulatory developments, employers should keep an eye on litigation involving several important health plan compliance issues. A recent Supreme Court ruling limited nationwide injunctions of government policies, but federal courts still have authority to block regulatory actions that are unlawful, arbitrary, or beyond an agency's authority.

Key Litigation Areas:

- **Pay-or-Play Penalties:** 5th Circuit case may impact how ACA penalties are assessed. Federal district court in Texas ruled IRS cannot assess penalties unless HHS first issues certification to employer.
- **Fiduciary Lawsuits:** Growing number tied to health plans. ERISA fiduciary duty standards require prudent selection and monitoring of plan service providers. Recent litigation underscores importance, particularly regarding pharmacy benefit managers (PBMs). Employers should document provider selection and monitoring processes.
- **Tobacco Surcharge Class Actions:** Surge of lawsuits involving premium surcharges for tobacco use. Claims typically allege plans failed to meet HIPAA nondiscrimination requirements by not offering reasonable alternative standard, applying premium reduction only prospectively, and not clearly describing alternative standard availability. Employers with health-related surcharges should ensure wellness programs fully meet HIPAA requirements.

Healthcare Transparency

The Trump administration is expected to continue focusing on healthcare transparency in 2026. An early executive order highlighted transparency as a key part of efforts to improve Americans' health and provide consumers with meaningful price information, directing agencies to make price information more comparable and strengthen enforcement policies.

Most employers depend on issuers, TPAs, or other service providers to handle transparency obligations. To stay compliant, employers should confirm that written agreements clearly spell out responsibility for compliance and monitor service providers to verify plan compliance. For added protection, cautious employers may want to request regular reporting from service providers.

PBM Transparency & Specialty Drug Pipeline

Pharmacy benefit manager (PBM) practices are under increasing scrutiny from Congress and federal regulators. Bipartisan legislative efforts continue to target rebate pass-through requirements, spread pricing prohibitions, and greater disclosure of PBM compensation arrangements. The FTC's ongoing investigation into the three largest PBMs, which control roughly 80% of the market, has intensified calls for structural reform. At the same time, the specialty drug pipeline continues to expand, with biosimilars offering potential savings but PBM formulary decisions often limiting access. Employers should proactively request full transparency from their PBM partners on rebate structures, formulary placement criteria, and specialty drug management strategies to ensure they are capturing available savings.

HIPAA Privacy and Cybersecurity

Employers with self-insured health plans, as well as those with fully insured plans that have access to protected health information (PHI), may need to update administrative policies and privacy notices in light of recent HIPAA developments.

Key Updates:

- **Reproductive Healthcare Privacy:** June 2025 federal court invalidated final rule that expanded HIPAA privacy protections for reproductive healthcare. Trump administration chose not to appeal. Employers should review HIPAA policies and privacy notices and remove provisions tied to reproductive healthcare protections.
- **Part 2 Program Protections:** Deadline for updating privacy notices for substance use disorder treatment records is February 16, 2026. Self-insured health plans must distribute updated notices by this deadline.
- **Cybersecurity:** Early 2025 HHS proposed significant updates to HIPAA Security Rule to strengthen protections for electronic PHI. Uncertain if Trump administration will finalize in 2026, though cybersecurity has bipartisan support. Employers should monitor developments and prepare to improve safeguards if changes finalized.

THE ONE BIG BEAUTIFUL BILL ACT (OBBBA)

On July 4, 2025, a sweeping tax and spending bill, commonly referred to as the OBBBA, was signed into law. Although significantly pared down from its original draft, the OBBBA includes a broad set of changes for employee benefit plans, most of which take effect in 2026. These changes expand options for existing plans and present new benefit opportunities.

Health Savings Accounts (HSAs)

The OBBBA significantly expands access to HSAs, tax-advantaged medical savings accounts generally available to individuals enrolled in high-deductible health plans (HDHPs) without other health coverage.

Key Provisions:

- **Telehealth Coverage:** Permanently allows employers with HDHPs to provide benefits for telehealth and other remote care services before plan deductibles have been met without jeopardizing HSA eligibility. Relief is retroactive to plan years beginning after January 1, 2025.
- **Direct Primary Care (DPC):** Effective January 1, 2026, allows individuals with DPC arrangements to make HSA contributions if monthly fees are \$150 or less (\$300 or less for family coverage), with dollar limits adjusted annually for inflation. DPC fees are also treated as medical care expense that can be paid using HSA funds.

Employer Action: Employers with HDHPs should review telehealth coverage and assess if changes should be made. Consider exploring DPC arrangement integration and watch for regulatory guidance on related compliance issues.

Dependent Care Assistance

Effective for 2026, the OBBBA increases the maximum annual limit for dependent care FSAs from \$5,000 for single individuals and married couples filing jointly (\$2,500 married filing separately) to \$7,500 (\$3,750 married filing separately). This limit, unchanged since 1986 (except temporary COVID increase), will now be indexed for inflation.

Employer Action: Employers with dependent care FSAs should work with advisors to assess how increasing plan contribution limits may impact annual nondiscrimination testing results, particularly the 55% average benefits test. Note the OBBBA also enhances the dependent care tax credit, which may further complicate testing by making it more likely non-HCEs will claim the credit instead of participating in employer FSAs. Review plan documents for necessary updates and communicate new limit to employees.

Additionally, the OBBBA encourages employers to provide child care services by substantially increasing the child care tax credit starting in 2026: maximum annual credit increases from \$150,000 to \$500,000, percentage of qualifying expenses from 25% to 40%. For small businesses, rate increases to 50% with annual cap of \$600,000. These thresholds will be adjusted for inflation for future years.

Beyond tax-advantaged accounts, employers are recognizing caregiving as a broader workforce issue. Backup childcare programs, elder care resources, and expanded dependent support are emerging as high-impact benefits, particularly as the sandwich generation—employees caring for both children and aging parents—continues to grow. According to AARP, roughly 1 in 5 Americans serves as an unpaid caregiver, and caregiving responsibilities are a leading cause of absenteeism and voluntary turnover. Employers that pair the increased dependent care FSA limits with practical caregiving resources such as subsidized backup care, caregiver navigation services, and flexible scheduling policies can meaningfully reduce employee stress and improve retention.

Educational Assistance Programs

The OBBBA expands options for employer-sponsored educational assistance programs by permanently extending and expanding student loan assistance. While these programs have been available for many years to pay expenses such as books, equipment, supplies, fees, and tuition, the option to use them for student loans was set to expire December 31, 2025.

The OBBBA permanently extends this student loan payment option. Employers may continue to use educational assistance programs to pay principal and interest on employees' qualified education loans. Payments made directly to lenders and to employees may qualify. Tax-free benefits are currently limited to \$5,250 per employee per year. However, effective for taxable years beginning after 2026, the OBBBA provides for annual inflation adjustments to this limit.

Employer Action: As employees increasingly seek student loan support from employers, employers without educational assistance programs may want to consider establishing one. Offering student loan support shows employees they are valued and provides much-needed financial assistance, which may increase productivity, engagement, and happiness.

Trump Accounts

Beginning in 2026, the OBBBA creates a new type of tax-advantaged account for children under age 18 called 'Trump Accounts.' These accounts allow employers to contribute up to \$2,500 (adjusted annually for inflation beginning after 2027) on a tax-free basis. Trump Accounts operate similarly to IRAs, where earnings grow tax-deferred.

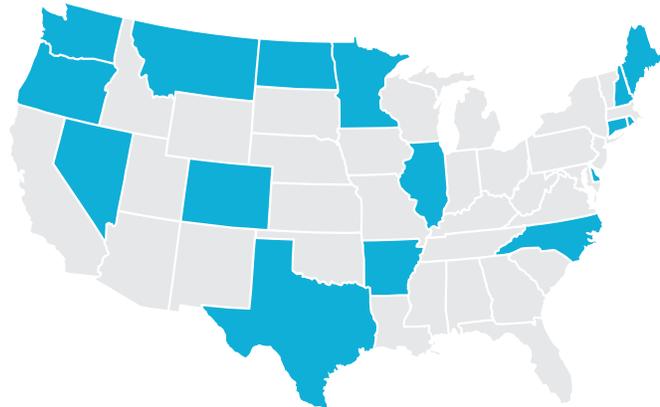
Annual contributions are generally limited to \$5,000 per child (adjusted annually for inflation beginning after 2027). Children born between 2025 and 2028 may be eligible to receive a special \$1,000 contribution from the federal government. Employer contributions require a written plan document and are subject to some of the same tax rules that apply to dependent care FSAs, such as annual nondiscrimination testing and employee notifications.

Employer Action: The IRS is expected to propose regulations on Trump Accounts in the future, which will likely address implementation details for employer contribution programs. Employers should review their employee benefit offerings in light of this new opportunity and watch for regulatory guidance.

Many states have adopted new or amended existing labor and employment laws that take effect on Jan. 1, 2026.

Employers should review the state laws and update their employment policies, practices and procedures to remain in compliance.

■ State of Interest ■ No Change



EMPLOYEE LEAVE EXPANSION

In recent years, significant changes in employee leave laws have occurred at the state level, with a growing number of jurisdictions passing and expanding related legislation. As leave entitlements expand, various trends have emerged that employers must follow to remain legally compliant and provide competitive benefits.

New and Amended State PSL and PFML Programs

States across the country are enacting their own paid sick leave (PSL) laws, with close to half of all states having either PSL laws or laws mandating paid employee leave for any reason. Additionally, some states are enacting laws that address paid family and medical leave (PFML) for employees, which generally provide partial wage replacement during time off to care for an ill family member or for their own medical conditions.

Employers should be mindful of leave requirements in states that were among the earliest to enact such legislation. It is a trend among these jurisdictions to update their PFML and PSL laws to stay current with newer legislation provisions. Amendments are being passed to provide enhanced requirements, including coverage for more employees and increased leave time.

Key Trends Shaping Leave Expansion

1. Expanded Reasons for Leave

States are increasingly expanding circumstances under which eligible employees may take leave:

- Bereavement leave
- Miscarriage and pregnancy loss
- Prenatal health care appointments
- Public health emergencies
- Blood and organ donation
- Leave for parents with child in neonatal intensive care unit
- Expanded victim leave laws
- Emergency responder and military family leave augmentation
- School activities and parent-teacher conferences

2. Expanded Definitions of 'Family Member'

States are broadening the definition of 'family member' to include individuals beyond immediate family:

- Siblings and extended family members
- Designated persons (friends, neighbors, or anyone chosen by employee)
- Chosen family and non-biological relationships

3. Redesigning State PFML to Work with FMLA

Certain states are amending their PFML laws to work more smoothly with the federal FMLA, including efforts to reduce PFML or employment protection when employees take FMLA leave before using PFML in the same year, a practice known as 'stacking' leave. As states continue to expand leave laws, they may choose to include requirements that PFML run concurrently with FMLA leave to avoid stacking.

4. Voluntary Paid Family Leave Insurance Programs

A growing trend has seen states amending their insurance codes to allow carriers to sell policies for voluntary paid family leave benefits. Under these laws, employers may purchase policies to provide paid family leave wage-replacement benefits to employees. In some cases, employees can buy policies directly from insurers. Unlike many mandatory state PFML programs, these insurance laws do not require employers to provide job protection for employees on leave.

5. Federal Trends: USERRA Paid Leave Requirements

While activity on employee leave is quieter at the federal level, federal courts are increasingly ruling that the Uniformed Services Employment and Reemployment Rights Act (USERRA) requires employers to provide paid leave for military service if they compensate employees for comparable types of leave. Additional court decisions may follow, so employers should remain vigilant to court activity on this topic.

Enhancing Employee Experience

Today's employees expect more than traditional health benefits. Driven by evolving workforce demographics and changing priorities, employers are looking for areas to expand their offerings to include fertility support, comprehensive wellness programs, and women's health benefits.

FERTILITY BENEFITS ON THE RISE

The market for employer-provided fertility benefits is entering a period of expansion, driven by regulatory guidance and strong evidence that these benefits are critical for employee attraction and retention. With infertility affecting 1 in 6 people globally and recognized as a disease by the World Health Organization and American Medical Association since 2017, employers are increasingly considering fertility coverage as a component of their benefits package.

Maven Clinic's 2025 State of Women's and Family Health Benefits report: **2 in 3 employers plan to invest in family health benefits within the next three years, a 44% increase since 2024.**



Regulatory Drivers

Increasing access to and reducing costs for infertility treatment has been a stated priority of the Trump administration. In February 2025, an executive order directed agencies to develop policy recommendations to expand in vitro fertilization (IVF) access and reduce out-of-pocket and health plan costs for IVF treatment. Following that directive, in October 2025, the White House announced:

- Drug pricing reforms for fertility medications through new government website TrumpRx.gov (expected operational in 2026)
- FDA will prioritize review of lower-cost fertility drugs
- New guidance clarifying how employers can offer stand-alone fertility benefit packages outside traditional group health plans

The October 2025 guidance from U.S. Departments of Labor, HHS, and Treasury outlines three primary options for employers to offer stand-alone benefit packages as 'excepted benefits' exempt from HIPAA portability rules and ACA market reforms:

- Fertility benefits as independent, non-coordinated excepted benefit: Separate, fully insured policy with no coordination between fertility benefit and exclusions under other group health plans, payable regardless of other coverage

- Excepted Benefit Health Reimbursement Arrangement (EBHRA): Reimburse employees for out-of-pocket fertility expenses through EBHRA complying with regulatory requirements
- Employee Assistance Program (EAP): Offer fertility-related coaching and navigator services through EAP qualifying as limited excepted benefit (cannot be coordinated with other plan benefits, no employee premiums/contributions, no cost sharing)

The agencies stated they intend to propose rulemaking to provide additional ways for certain fertility benefits to be offered as limited excepted benefits, and are considering changes to supplemental health insurance coverage standards so fertility coverage arrangements can more easily meet excepted benefit status.

State Mandates Continue to Expand

At the state level, mandates continue to expand. California recently joined more than 20 other states with fertility benefit mandates. Under California law, large group health plans (generally covering over 100 people) must cover fertility services, including IVF. Originally scheduled for July 1, 2025, implementation was delayed and now applies to plans issued, amended, or renewed on or after January 1, 2026. While small group plans are not required to cover such services, they must offer such coverage beginning January 1, 2026.

Here are the areas where employers have increased fertility-related benefit offerings in recent years:

BENEFIT TYPE	2024	2022	2020
Overall Fertility Benefits	42%	40%	30%
Fertility Medications	32%	18%	24%
In Vitro Fertilization (IVF)	32%	30%	24%
Genetic Testing to Determine Issue	19%	16%	12%
Non-IVF Treatments	19%	17%	11%
Egg Harvesting/Freezing Services	16%	14%	10%

Source: International Foundation of Employee Benefit Plans' Employee Benefits Survey: 2024 Report

Cost Considerations

Cost sharing and coverage gaps, particularly for self-funded plans not subject to state mandates, remain a barrier to access. A single IVF cycle can exceed \$30,000, with typical costs ranging from \$12,000 to \$25,000 per cycle—and multiple cycles are often required to achieve pregnancy, creating substantial financial strain.

- Monitor forthcoming federal rulemaking on excepted benefits and supplemental coverage for cost-effective strategies
- Budget for high-cost treatments and explore reimbursement arrangements or partnerships with fertility care platforms
- Communicate clearly about available benefits and support services to reinforce commitment to family-building and employee well-being
- Assess whether current health plans meet applicable state mandates, particularly in states like California where new requirements take effect in 2026
- Consider voluntary coverage or supplemental benefits for self-funded plans not subject to state mandates to remain competitive

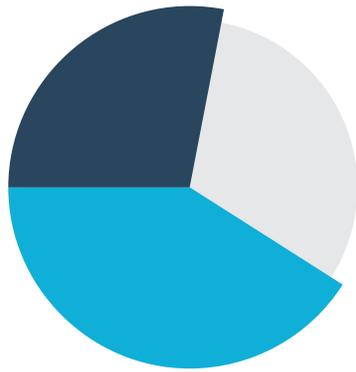
Wellness Trends Reshaping Employee Experience

Today's employee expects more than health benefits. Employee wellness has entered a modern era defined by personalization, priority, and purpose. Driven largely by younger generations changing the workforce, wellness is shifting from a perk to a core business strategy.

GEN Z AND MILLENNIALS REDEFINING WELLNESS

Gen Z and millennials make up the majority of the workforce—and they're reshaping wellness expectations. These generations (born between 1981 and 2012) prioritize holistic well-being, flexibility, and inclusiveness.

McKinsey's Future of Wellness research revealed that 30% of these cohorts are prioritizing wellness 'a lot more' compared to one year ago, versus up to 23% of older generations. Stress, burnout, anxiety, and worry are top mental health concerns for Gen Z and millennials, and they're prioritizing health and sleep.



Gen Z and Millennials account for more than 41% of annual wellness spending, compared to only 28% for consumers aged 58 and older.

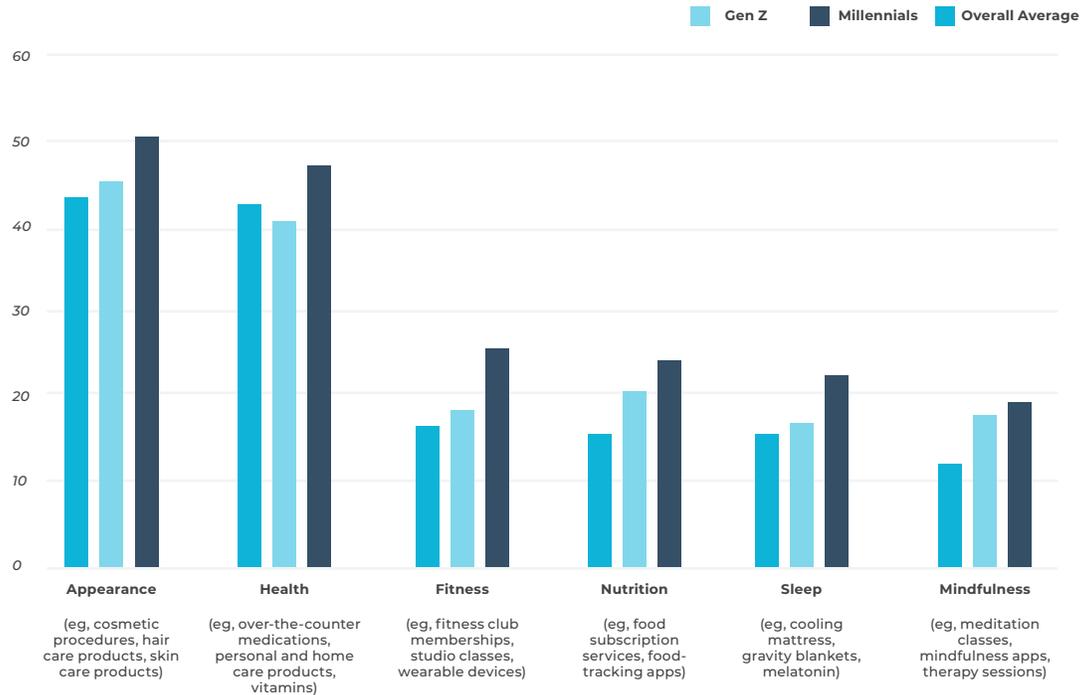
■ GEN Z & MILLENNIALS ■ 58 & OLDER

These younger working generations are interested in personal and holistic approaches to wellness based on science-backed support, focusing on recovery and longevity. They're more likely to spend on:

- Wearable technology
- Wellness coaching or retreats
- Fitness programs and recovery tools (massage tools, IV drips)
- Nutrition (supplements, vitamins, energy drinks, gut health, weight management)
- Skin and hair care (longevity treatments)
- Sexual health
- Somatic healing (mindfulness, breathing exercises)

US Health and Wellness Purchases, by Product/Service Type and Generation.

% of Respondents (n=2,007)



Average across all products in each category. Percentage of respondents who purchased at least once in the past 12 months.
Source: McKinsey Future of Wellness Survey, August 2023

Mental Health & Mental Fitness

The conversation around mental health continues to evolve. In 2026, the focus is on mental fitness—building resilience and emotional strength proactively rather than reacting to burnout or crisis. Similar to how regular exercise maintains physical fitness, proactively caring for mental health is crucial to overall well-being.

Mental fitness is essential for a healthy and resilient workforce. More employers are introducing:

- Mental health coaching to develop coping strategies and emotional agility
- Dedicated mental fitness days to recharge without stigma
- Expanded EAPs and subsidized mental health apps
- Manager training to recognize signs of stress and burnout

This shift reframes mental health as a skill to be cultivated, not a problem to be solved, equipping employees with tools to prevent issues before they escalate.

Spotlight on Women's Health Support

Driven by increasing demand from workers, women's health is driving change in workplace wellness. More employees are looking for fertility support, menopause care, and maternal health resources. However, Maven's 2025 report revealed only 40% of organizations provide fertility services, 49% include prenatal support, and 21% offer menopause-specific support.

As women of Generation X (born 1965-1980) experience perimenopause and menopause, they're more vocal than previous generations about needing information and advocating for themselves. This conversation highlights rising demand for information and support across all aspects and phases of women's reproductive health.

Employers are increasingly introducing:

- Fertility benefits (IVF coverage, fertility preservation options)
- Enhanced maternity support (expanded parental leave, lactation services, doula services, mental health support, caregiving)
- Accommodations for menstrual health issues and menopause symptoms
- Menopause support (coverage, virtual care, symptom management programs, workplace policies, employee resource groups)

These initiatives reflect growing recognition that women's health needs are integral to workforce well-being. Gen Z, millennial, and Gen X workers alike are looking for comprehensive women's health support.

Building Financial Resilience

Economic uncertainty and rising health care and living costs have pushed financial wellness to the forefront. Employees increasingly link financial stress to mental health challenges, making this an essential pillar of workplace well-being.

Vanguard research found nearly 75% of Americans fell short of their saving and spending resolutions in 2025. However, they're ready to recommit in 2026—84% have a financial resolution, with building an emergency fund and using high-yielding accounts for short-term savings as top priorities.

Generational differences exist: baby boomers concerned about unexpected expenses, millennials struggling with insufficient income, Gen Z most likely to live beyond means. Organizations are offering:

- Financial education workshops and debt counseling
- Flexible pay options and emergency savings programs
- Student loan repayment assistance (permanently extended and expanded under OBBBA)
- Retirement planning tools and qualified student loan match programs for 401(k) plans
- Expanded EAPs

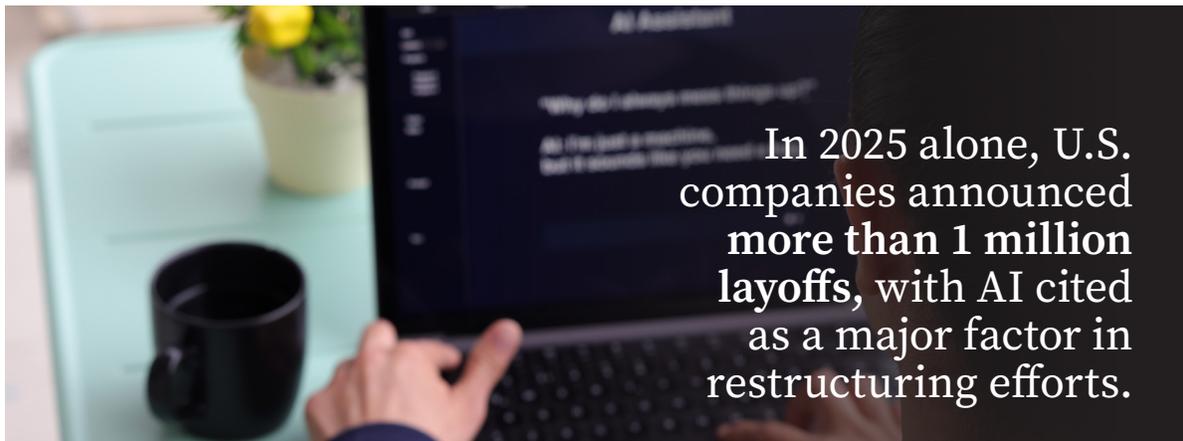
Similar to mental fitness characterized by resilience, workers are seeking financial resilience to handle life's challenges. Employers are well-positioned to provide meaningful support in 2026.

Administrative Efficiencies & AI

AI is rapidly transforming the workplace, fundamentally altering job roles and employee benefits administration. With reports showing employers are set to replace some roles with AI, workers are increasingly concerned about layoffs and how technology could displace or change their roles.

While AI is commonly cited as a cause of layoffs at major employers (Amazon cut 14,000 corporate jobs, Salesforce eliminated 4,000 customer support roles citing AI handling 50% of workload), its impact is also shifting jobs into other industries. Jobs may expand in growing sectors such as AI development, energy, and data centers. Employers are looking for workers with technology skills to implement AI and stay current with the evolving market.

Microsoft reports more than 85% of Fortune 500 companies use Microsoft AI solutions and two-thirds (66%) of CEOs report measurable business benefits from generative AI initiatives, especially in operational efficiency and customer satisfaction.



KEY AI APPLICATIONS IN EMPLOYEE BENEFITS

Personalized Benefits Programs

Traditional benefits packages often follow a one-size-fits-all approach, which can leave employees feeling underserved. AI changes this dynamic by enabling data-driven personalization.

Mercer's latest Global Talent Trends study found approximately 40% of HR leaders use AI for benefits administration. Furthermore, more than half (53%) of executives expect AI to boost productivity by 10%-30% over the next three years, fueled by human-AI collaboration.

AI systems analyze employee data (health claims, lifestyle preferences, engagement history) to recommend benefits that align with individual needs. This means employees are more likely to be offered relevant options such as mental health support, fertility services, or chronic disease management, resulting in more meaningful benefits experiences that drive higher satisfaction and utilization.

Personalized Wellness Experiences

Technology is transforming wellness from generic programs to personalized experiences. Wellness platforms driven by AI analyze employee preferences, health data (with consent), and engagement patterns to deliver tailored recommendations. Key innovations include:

- Predictive analytics to identify early signs of burnout or disengagement
- Dynamic wellness dashboards with curated content
- Integrated wearables for real-time feedback on sleep, activity, and stress

Privacy remains a top priority, with transparent data policies and opt-in models in place. For employers, AI-powered personalization means higher utilization rates and better return on investment in wellness initiatives.

Predictive Analytics for Workforce Planning

AI-driven predictive analytics is revolutionizing workforce planning. HR teams can now anticipate future needs and mitigate risks before they escalate. Key applications:

- Attrition forecasting: AI models analyze patterns in engagement scores, performance data, and sentiment from employee surveys to predict who might leave
- Skill gap analysis: AI tools assess current competencies and forecast future skill requirements, guiding training and development investments
- Hiring needs prediction: AI-powered platforms offer real-time insights, identifying patterns in performance data and connecting workforce strategy with business goals, forecasting needs months in advance

Data-driven workforce planning is evolving from nice-to-have to essential staffing strategy, especially critical in sustained tight labor markets.

Automation of Administrative Tasks

McKinsey predicts that AI and automation may transform up to 30% of today's work activities by 2030. One of the most immediate benefits of AI in HR is automation. AI-powered systems are increasingly handling tasks such as:

- Payroll processing
- Benefits enrollment
- Compliance reporting

This automation reduces human error, accelerates turnaround times, and frees HR professionals to focus on strategic initiatives such as culture building and employee development.

Enhanced Employee Experience

Employee experience is a critical factor in engagement and productivity. AI enhances this experience through self-service tools and virtual assistants. Employees can access benefits information, submit claims, or schedule wellness sessions instantly, without waiting for HR support. Chatbots powered by natural language processing provide 24/7 assistance, reducing frustration and improving accessibility.

AI also helps employees take control of career development. Grand View Research reported the AI market for skill development and workforce training is expected to expand at a compounded annual growth rate of 31.2% by 2030. AI-powered tools provide personalized career pathing, match employees with coaching opportunities based on career goals, skills, and personality traits, and automate feedback loops with real-time performance tracking.

Data-Driven Decision Making

Sapient Insights Group research revealed 31% of organizations now use AI within HR processes, up from 24% in 2024. This year, formal AI adoption within HR processes is expected to continue rising and is anticipated to remain under 50% across organizations.

AI enables HR professionals to make evidence-based decisions by aggregating and analyzing vast amounts of workforce data. Insights derived from AI can help organizations:

- Identify trends in benefits utilization
- Measure return-on-investment on wellness programs
- Benchmark compensation against industry standards
- Detect patterns in absenteeism or productivity

More employers are leveraging these insights to design benefits that align with employee needs and organizational goals, ensuring resources are allocated effectively.

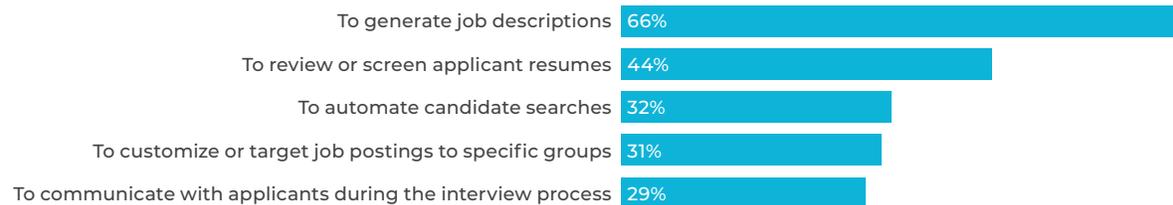
CRITICAL CONSIDERATIONS FOR AI IMPLEMENTATION

While AI offers significant benefits, employers must approach implementation thoughtfully:

- **Privacy and transparency:** Implement transparent data policies with opt-in models. Employee trust is paramount.
- **Productivity gains may be uneven:** Boston Consulting Group survey found 60% of firms reported minimal revenue or cost improvements despite significant AI investment, raising questions about whether AI is a genuine efficiency tool or narrative for cost-cutting.
- **Human-AI collaboration:** The future of work isn't about replacing humans with machines, but fostering cultures where technology and people work together. Employers that embrace AI responsibly will gain competitive advantage.
- **Skills development:** Invest in training employees to work effectively with AI tools, preparing workforce for evolving job requirements.

Top 5 Ways HR Uses AI to Support Recruiting

In which HR practice areas does your organization use AI to support HR-related activities? Select all that apply.



Source: 2025 Talent Trends, SHRM, 2025. Visit [SHRM.org/research](https://www.shrm.org/research) to learn more. n=813. Subset of the study sample that indicated their organization uses AI to support HR-related activities.

Conclusion: Strategic Priorities for 2026

The employee benefits market is expected to undergo significant transformation in 2026. New compliance requirements, shifting enforcement priorities, and the sweeping provisions of the OBBBA will require careful attention and timely updates to plan administration. At the same time, accelerating health care costs are expected to challenge affordability.

Employers must also prepare for evolving workforce expectations, including expanded leave entitlements, modern wellness priorities, growing demand for fertility and women's health benefits, and the increasing influence of AI on operations and employee experience.

FIVE STRATEGIC PRIORITIES:

1

Proactive Compliance Management

Stay informed on shifting regulations, update plan documents for OBBBA provisions, monitor mental health parity developments, review HIPAA privacy and cybersecurity requirements, and document service provider selection and monitoring processes. With the compliance landscape defined by change and uncertainty, employers must prioritize flexibility and proactive planning.

2

Strategic Cost Management

Prepare for 6.5%-10% health care cost increases through targeted mitigation (specialty pharmacy management, chronic disease prevention, site-of-care optimization), transparent employee communication about benefit changes and resources, and thoughtful cost-sharing adjustments (higher deductibles with HSA contributions, tiered coinsurance, tiered networks). While most employers can't fully offset projected increases, data-driven strategies can minimize financial impact.

3

Enhanced Employee Experience

Meet evolving expectations with fertility benefits (two-thirds of employers planning to invest, 44% increase from 2024), comprehensive wellness programs addressing mental fitness and women's health, and financial resilience tools. These benefits are no longer perks—they're essential for attraction and retention in competitive labor markets. Gen Z, millennials, and Gen X workers demand holistic, personalized wellness support.

4

Technology Integration

Leverage AI responsibly for personalized benefits (40% of HR leaders currently using AI for benefits administration), predictive workforce planning, and administrative efficiency while maintaining privacy safeguards. The future isn't replacing humans with machines, but creating environments where technology and people collaborate effectively. Employers embracing AI thoughtfully will gain competitive advantage while those ignoring it risk falling behind.

5

Adaptability & Continuous Learning

Embrace change with agile benefits strategies that can pivot as regulations, costs, and workforce needs evolve. The pace of change in 2026 requires employers to stay informed through trusted advisors, invest in HR team development, and maintain open communication channels with employees about changes and enhancements. Organizations that view benefits as strategic investments rather than costs will be best positioned for success.

Looking Ahead

Ultimately, 2026 will require employers to be strategic and adaptable as they navigate imminent challenges. By leveraging this Market Outlook as a strategic guide, organizations can anticipate challenges, identify opportunities, and position their benefits programs to remain compliant and competitive in an increasingly complex environment.

Contact Cottingham & Butler

We are here to help as a trusted advisor, providing up-to-date information on the latest developments and supplemental resources employers can use to educate themselves and their employees. **Reach out to learn more about how these trends impact your organization.**

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