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## Why Are Health Care Costs Rising in 2025?



Health care costs, and consequently employee benefit costs, have been growing at an alarming rate in recent years. Estimates show a similar growth in 2025 spending to 2024, marking years of compounding costs. As such, several industry surveys and reports reveal that employers anticipate health care costs to grow between 7% and 8% in 2025. For employees, that can mean higher premiums, deductibles and copayments.

This article explores the key factors increasing health care costs in 2025.

### Glucagon-like Peptide-1 (GLP-1) Drugs

GLP-1 use for weight loss is already widespread, but these costly medications are expected to grow in popularity. According to KFF data, around 1 in 8 Americans have already used a GLP-1 drug, while 6% are currently taking one. However, this number is projected to rise in the coming years. JP Morgan estimates that 9% of the U.S. population could be on GLP-1s by 2030.

GLP-1 medications typically cost around \$1,000 per month. Many plans only cover GLP-1s for diabetes or won't cover these prescriptions at all. These costly medications are intended to be taken in perpetuity to achieve their benefits. This means that GLP-1 users may experience health benefits but will be required to use these high-cost treatments on an ongoing basis.

### Drug Cost Increases

Several commonly used drugs are expected to have price increases this year. Health care services company Vizient projects that drugs used to treat osteoporosis, cancer, atopic dermatitis and Type 2 diabetes are expected to rise anywhere from 4% to 10% or more.

### Cell and Gene Therapies (CGT)

Advanced treatments, such as CGT, are designed to treat conditions like blood and lung cancer, sickle cell anemia and spinal muscular atrophy. These therapies demonstrate significant medical advancement but come with a high price tag. Some may cost thousands of dollars per week; others can cost between \$250,000 and \$4.25 million for a single dose. Given the massive price tag, even if only a few plan participants use these expensive prescriptions, it can significantly raise health care spending.

Many of these treatments have recently been approved, and hundreds more are currently in clinical trials and could be available in the coming years. By 2025, it's estimated that nearly 100,000 patients in the United States will be eligible for CGT, which could cost \$25 billion.

### Biologics

Specialty drugs, including biological drugs, are one of the fastest-growing categories of pharmacy spending. Biologics are medications made from living organisms, such as sugars, proteins and DNA. They treat a range of conditions, such as cancer, psoriasis, rheumatoid arthritis and inflammatory bowel diseases. Although these drugs are effective at treating complex health conditions, they carry a high cost.

Biosimilars are an emerging category of biological medications. These treatments are similar to a reference drug, which is an existing biologic that was previously approved by the U.S. Food and Drug Administration (FDA). For a biosimilar to be approved, there must be no meaningful differences in safety and effectiveness from the original biologic. Compared with original biologics, biosimilars are lower-cost drugs that allow for greater access to more patients. New biosimilars are gaining FDA approval and entering the market each year.

## **Health Care Labor Costs**

The current supply of health care workers does not meet the growing demand for utilization. This shortage is due to rising health care demands, an aging population, retiring workforces and insufficient talent entering the health care industry. When key players in the health care industry are required to spend more on labor, those expenses are often passed on to both employers and users of the health care benefit: employees and their dependents.

## **Chronic Health Conditions**

Around 90% of U.S. health care spend is on people with chronic and mental health conditions. Chronic conditions include heart disease, stroke, cancer, diabetes, arthritis and obesity. In general, chronic disease is increasing in prevalence in the United States and is projected to continue to do so in 2025 and the upcoming years.

## **Aging Populations**

The percentage of the U.S. population that is 65 or older continues to rise, with over 55 million Americans over 65. Estimates show that there will be almost 80 million people aged 65 and older in the United States by 2040. Per-person personal health care spending for the 65 and older population is around five times higher than spending per child and almost 2.5 times the spending per working-age person.

## **Summary**

While you can't necessarily control these driving factors, educating yourself as a health care consumer is one way to help manage health care costs. Start by fully understanding what your health plan does and doesn't cover to help reduce your health care spending.

If you have more questions about your benefits, reach out to your HR representative.

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