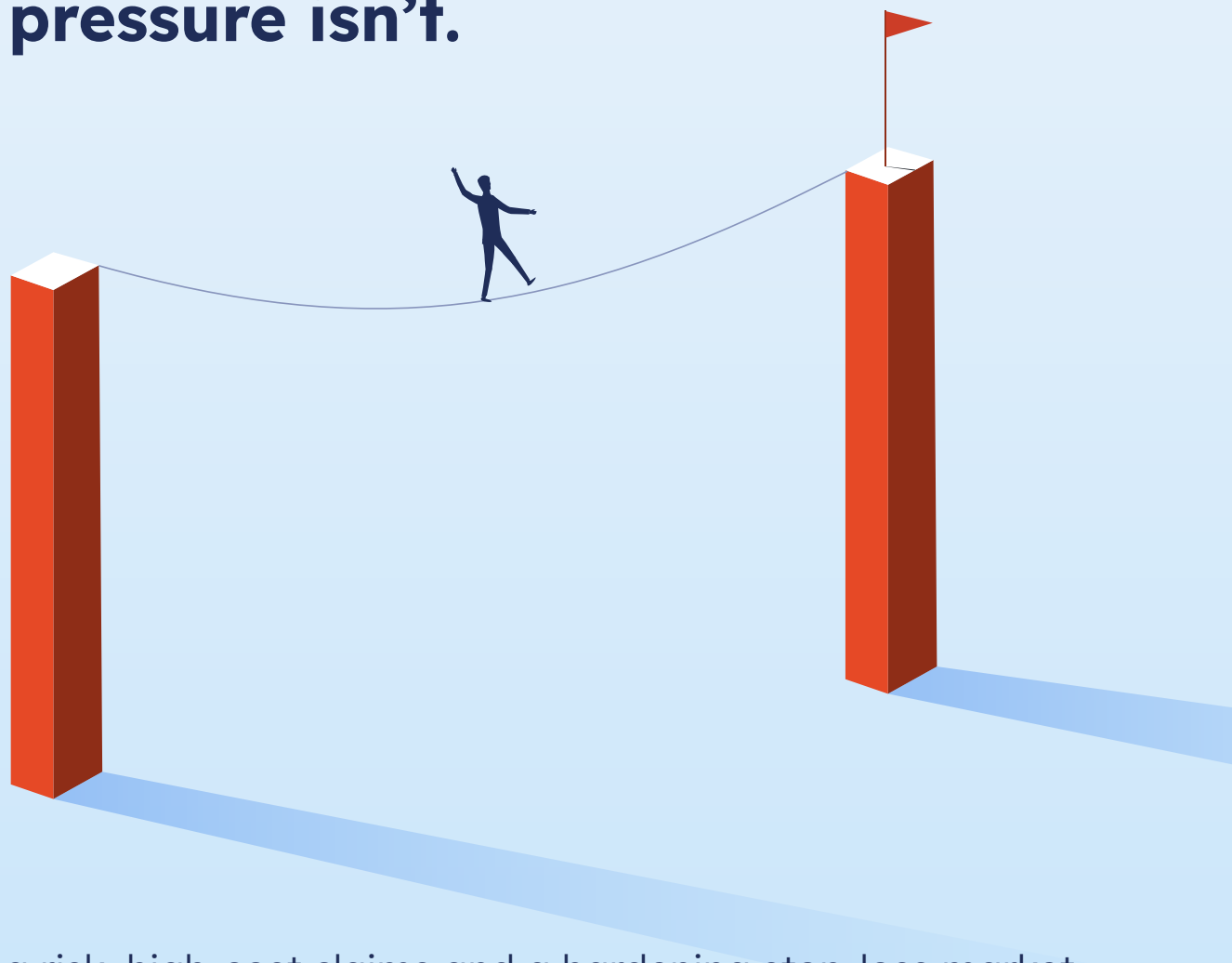


State of the Self-Funded Market

Medical trend is moderating.
The pressure isn't.



What rising risk, high-cost claims and a hardening stop-loss market mean for benefits consultants and employers heading into 2027.

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About This Report

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2026 isn't ending where it started.

Earlier this year, the outlook was dominated by accelerating healthcare costs and an increasingly difficult renewal environment.

Heading into Q4, the picture is becoming more nuanced.

First-dollar trend is beginning to show signs of moderation. However, the forces driving employer risk haven't followed at the same pace.

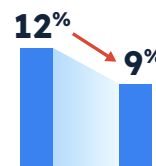
 **A hardening stop-loss market is making protection against that risk increasingly expensive.**

 **High-cost claims remain severe.**

 **Hospital and pharmacy costs continue to apply pressure.**

First-Dollar Trend

12% to 9% from 2024-2025 to 2026.



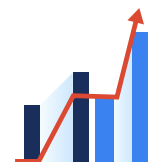
Stop-Loss

Loss ratios at historic highs. Pricing pressure remains elevated.



High-Cost Claims

Severity continues to rise.



Provider + Pharmacy Costs

Underlying pressure persists.



Source: Benecon August 2026 market analysis

THE TAKEAWAY

The headline is no longer simply rising healthcare costs. It's rising risk.
And that distinction matters as employers prepare for 2027.

The Renewal Reality

24.6%

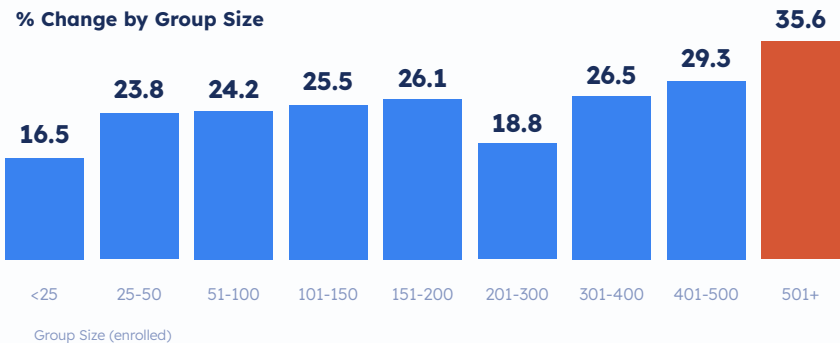
average fully-insured
renewal increase

20.2%

average total-cost increase across
self-funded and captive RFPs

Insured Market RFP Results

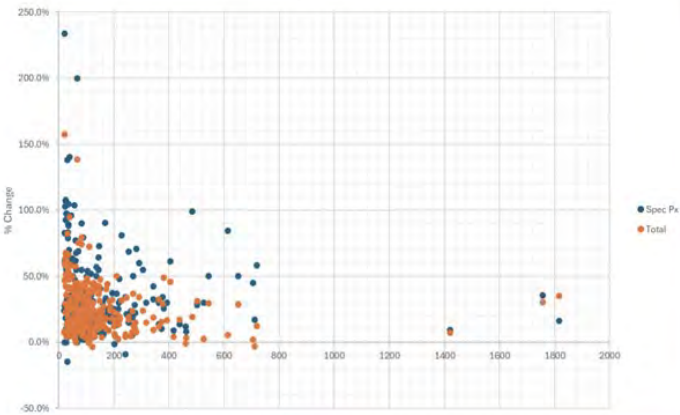
% Change by Group Size



% Change Band	Groups	% of Total
5% or less	41	5.7%
5-9%	72	10.0%
10-14%	100	13.9%
15-19%	110	15.3%
20-24%	104	14.4%
25-29%	81	11.3%
30-34%	53	7.4%
35-39%	55	7.6%
40-44%	34	4.7%
45-49%	26	3.6%
50+%	41	5.7%
Total	720	100%

SUMMARY DATA Average FI Renewal **24.6%** Weighted Average by ENR **27.1%** Median FI Renewal **21.4%**

SL and Captive RFP Outcomes



Claim Fund

Average	24.62%
Median	19.35%
High	146.20%
Low	-15.10%

Spec Px

Average	32.4%
Median	22.2%
High	233.9%
Low	-14.9%

Agg Px

Average	13.4%
Median	11.0%
High	96.2%
Low	-78.8%

Total Cost

Average	20.2%
Median	17.1%
High	157.6%
Low	-26.6%

Source: Benecon review of 1,000+ market RFPs for January 2027 in the commercial fully insured and self-funding space nationwide.

The Divergence



Medical trend may moderate. **Stop-loss pressure is still rising.**

After several years of elevated healthcare trend, first-dollar medical + Rx projections are beginning to move in a more favorable direction. **But employers shouldn't mistake moderating trend for disappearing risk.**

While first-dollar medical + Rx trend is projected to decline from **12% in 2024 to 9% in 2027**, leveraged stop-loss rate increases are projected to move in the opposite direction — from **16% to 23%**.

Stop-loss pricing reflects the severity of the claims carriers are protecting against. As high-dollar claims become more frequent and expensive, the carrier's liability above a fixed deductible can increase much faster than first-dollar medical costs – the effect known as leveraged trend.

Year	First-Dollar Medical + Rx Trend	Leveraged Stop-Loss Rate Increases
2024	12%	16%
2025	10%	18%
2026	9%	20%
2027	9%	23%

As first-dollar medical costs rise, stop-loss claims can grow faster because the carrier absorbs the increase above the employer's fixed deductible.



Why the Stop-Loss Market is Hardening

In an industry survey representing approximately \$30 billion of stop-loss business, the percentage of carriers performing worse than target loss ratios rose from 12% in 2021 to 37% in 2022, 65% in 2023 and 95% in 2024.

When carriers consistently miss pricing targets, the market eventually responds through higher rates, tighter underwriting or contract changes.

THE TAKEAWAY

Medical trend and stop-loss risk don't move in lockstep. Even as one begins to moderate, employers may continue paying more to protect against the other.

Why Risk Isn't Following

Average trend tells one story.
Claim severity tells another.

The average cost of healthcare matters.

But increasingly, it's what happens at the **far end of the claims** curve that can reshape an employer's financial exposure.

Benecon's 2024–2025 claims analysis shows meaningful increases across several high-cost claim categories:



Claims Above \$500k PEPM		2024		2025
	Cancer	\$8.51	→	\$12.21
	Neonatal	\$3.54	→	\$5.96
	Circulatory	\$3.77	→	\$4.30
	Injury / Poisoning	\$2.34	→	\$3.34

Cancer, circulatory and neonatal claims represented 54% of the cost of claims above \$500,000 in both 2024 and 2025. At the same time, new gene and cell therapies can carry multi-million-dollar price tags. Benecon's analysis identifies therapies ranging from approximately \$2.5 million to \$3 million for a single treatment.

THE TAKEAWAY

Average trend tells you what is happening across the plan.
Catastrophic claims determine how much protection the plan will need.

Cost Pressure Has Multiple Sources

There isn't one culprit.

High-cost claims are only one part of the equation. Several forces continue to put pressure on employer healthcare spend simultaneously.



Hospital Reimbursements

Hospital costs continue to move faster than many other components of healthcare spend.

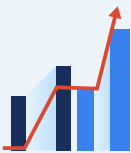
Benecon's market analysis shows a 7.9% hospital reimbursement increase versus 4.2% across all commercial healthcare services - the highest hospital increase recorded in the cited analysis.

That pressure may not disappear quickly. Hospital operating margins remain below pre-pandemic averages, and the analysis estimates reimbursements would need to rise another 11% to fully restore those margins.



Pharmacy & Specialty Drugs

GLP-1s, specialty pharmaceuticals and gene/cell therapies are changing both recurring plan spend and catastrophic exposure.



Utilization

Higher prices become even more consequential when paired with greater utilization.

Benecon Analysis: Compared the 12 months before GLP-1 initiation to the 12 months after and found:

+225%
Pharmacy Spend

+11%
Medical Spend

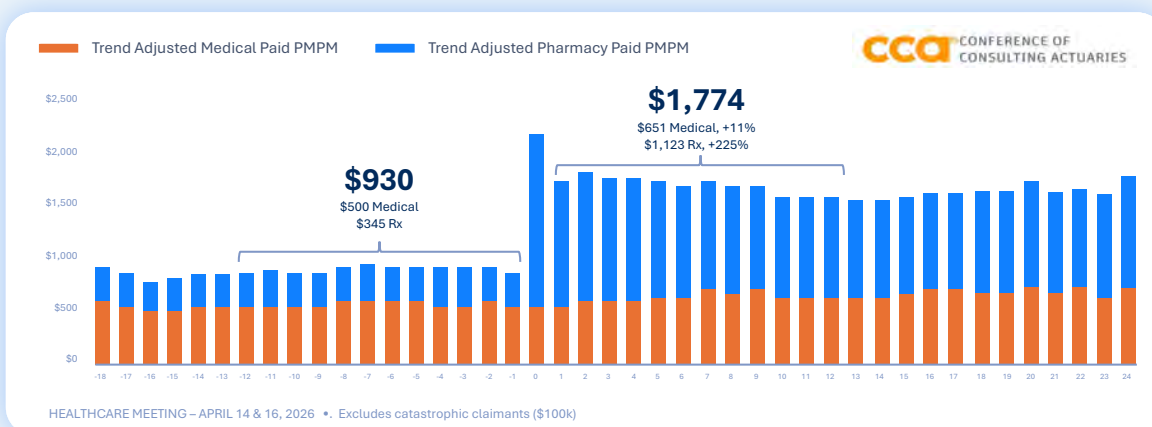
+91%
Total Paid PMPM

+10%
ER Visits
in the year following GLP-1 initiation

Cost Pressure Has Multiple Sources

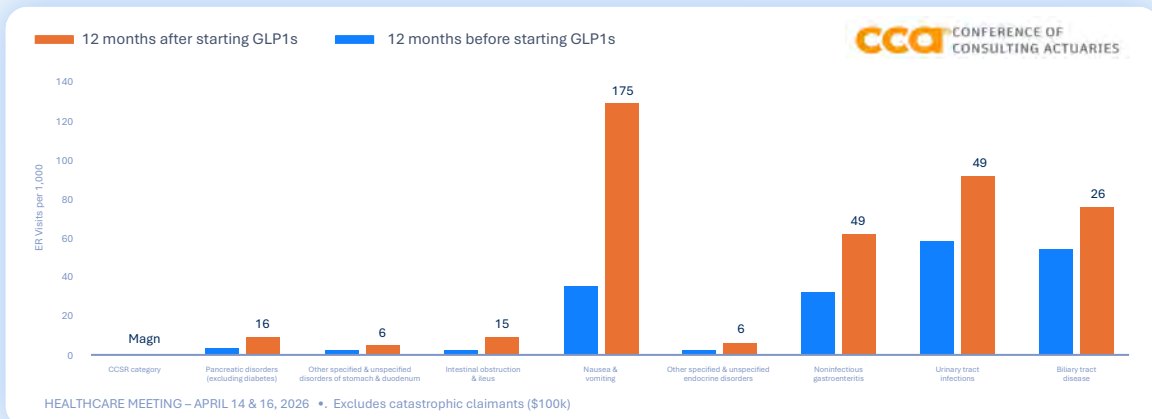
Total Paid PMPM Increases +91%

Comparing 12 months to starting GLP-1s to the 12 months after

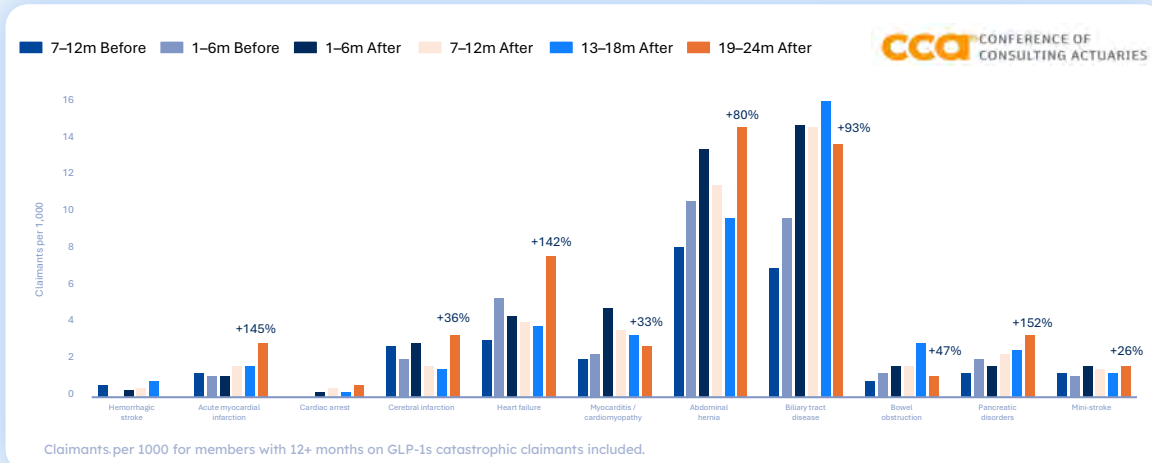


ER Visits Increase +10% After Starting GLP-1s

Driven by digestive (+49%) and other conditions (+34%)



Utilization Increase for Members with 12+ Months on GLP-1s



THE TAKEAWAY

Employers aren't managing one runaway cost driver.
They're managing price, utilization and claim severity at the same time.

Technology Isn't Bending The Curve — Yet

More technology
doesn't automatically
mean lower cost.

Artificial intelligence has quickly become part of the healthcare cost conversation.

But where that technology is being deployed matters.

Providers are increasingly using AI and automation within revenue-cycle management — improving coding, billing and revenue capture.



93% of healthcare's total spend on AI licenses and services in 2025 was directed toward back-office tools.

Front End

Dynamic scheduling

Maximum achievable resource allocation/service offering



Mid-Cycle

Clinical Documentation Improvement (CDI)

Coding to maximize reimbursement



Back End

Bill review to help avoid denials

AI-generated appeals letters



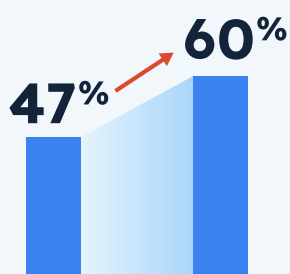
THE TAKEAWAY

Technology can change how healthcare gets billed before it changes what employers pay. Employers still need visibility into where costs are occurring — and the flexibility to act on them.

Where AI Is Going

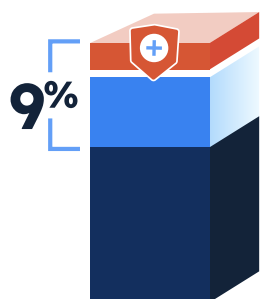
A Blue Health Intelligence (BHI) study found

The Top 10% of hospitals drove most of the increases in coding intensity.



The financial impact is already showing up in claims data.

Among those hospitals, nearly 60% of inpatient admissions were coded as complex by early 2025, up from 47% in 2022.



Inpatient costs increased approximately 9% per member from 2023 to 2024.

Roughly 20% of that increase attributed to greater coding intensity without a corresponding increase in care.

Renewal Is Where It All Converges

Renewal isn't creating the problem. It's revealing it.

By renewal, employers are seeing the accumulated financial impact of all of them – explaining the 24.6% average fully-insured renewal increase, while average total-cost increases across self-funded and captive RFP's reached 20.2%.

That makes renewal less about finding another carrier willing to offer a better number — and more about understanding what is driving the number in the first place.

Benecon's 2026–2027 renewal framework recognizes just how wide the range can be, **separating strategies for employers facing** single-digit increases, 10–20% increases and increases above 20%.



Multiple Pressures. One Outcome.



✦ THE TAKEAWAY

The renewal number is an outcome. The strategy starts underneath it.

Self-Funding Is Changing, Too

The question isn't simply whether to self-fund.
It's how risk is structured once you do.

Self-funding doesn't solve healthcare costs. It creates a platform from which employers can manage those costs differently — provided the financial risk is protected appropriately.

Self-funding separates three decisions that are often blended together:



Access and Administration

Network, TPA and administrative economics



Risk

Stop-loss protection, deductibles, contract terms and renewal protection



Cost

Claims below the deductible and the strategies used to manage them

This distinction matters because employers can aggressively manage healthcare costs without taking unnecessary financial risk.

As claim severity increases and the stop-loss market hardens, employers need to look beyond the initial self-funded rate.

They should understand:

How much risk am I actually retaining?

Is my maximum exposure defined?

What happens after a bad claims year?

Can new lasers appear at renewal?

How much can my stop-loss rates increase?

Am I trading protection for a lower first-year cost?

Optimal risk management identifies realistic aggregate protection, renewability, protection from new lasers and rate caps as important components of complete employer protection.



THE TAKEAWAY Risk is not where employers should look to save.

Control what you can. **Protect what you can't.**

The current market requires employers to treat cost management and risk management as **two different jobs.**

1 Define the Exposure

Know the plan's maximum financial liability before the year begins.

2 Protect the Outliers

Catastrophic claims are increasingly difficult to predict. Protection needs to withstand them.

3 Own the Economics

Understand where healthcare dollars go — and retain the financial benefit when plan performance beats expectations.

4 Manage the Underlying Costs

Use data, plan design, pharmacy strategy, clinical management, provider steerage and vendor flexibility to influence the costs that can be changed.



Cost Management Levers

Network + TPA Efficiency

Plan Design

Drug-Plan Evaluation

Facility Steerage

Data Analytics

Third-Party Solutions

✦ THE TAKEAWAY

It's critical to identify network and TPA efficiency, plan design, drug-plan evaluation, facility steerage, analytics and third-party solutions among the available cost-management levers.

Cost management + risk protection = a more durable path to long-term stability.

Change The Equation With VERIS

A different risk environment calls for a different funding structure.

VERIS is the nation's largest independent consortium model, giving employers a way to simply and safely self-fund.

The model addresses both sides of the equation: protecting against the financial risk they can't control and creating greater flexibility to manage the healthcare costs they can.

- 1 Defined Exposure**
110% aggregate corridor + maximum exposure established before the plan year.
- 2 Durable Risk Protection**
Guaranteed renewability + no new lasers at renewal.
- 3 Employer Economics**
100% surplus return + no pooled member risk.
- 4 Long-Term Control**
No upfront capital + rate protection + flexibility to implement the cost-management strategies that fit the employer.



A Benecon Consortium



Advantages of VERIS Over Fully Insured

Admin Savings

Tax Savings

(lower state premium taxes)

Underwriting Gains Through Surplus

**Transparency =
Seeing Where
Every Dollar Goes**

THE TAKEAWAY

The goal isn't simply to move from fully insured to self-funded. It's to create a funding structure that can withstand volatility while giving employers greater control over healthcare costs.

The market isn't getting simpler. **The funding strategy can.**



Healthcare costs will continue to move.

New therapies will emerge. Claim severity will fluctuate. Provider economics will evolve. Stop-loss markets will harden and soften.

Employers can't control every variable affecting the cost of healthcare.

They can control how they're positioned for them.

That means protecting against volatility without giving up the ability to manage underlying costs.



Because the strongest funding strategy isn't designed for one renewal.

It's structured to perform through many of them.

✦ THE TAKEAWAY ✦

Consultants and employers should ask these questions before the next renewal – moving the conversation beyond the number and into the underlying cost and risk structure.

- 1.** What is really driving our healthcare cost increase — price, utilization, pharmacy or catastrophic claims?
- 2.** How much financial exposure are we retaining before stop-loss protection begins?
- 3.** Is our maximum annual exposure defined before the plan year starts?
- 4.** What protections exist if we experience a major claimant this year?
- 5.** Which underlying healthcare costs can we realistically influence over the next 12–24 months?

Self-Funding ~~/~~ **Solved**