



March 18, 2026

To: PRISMHealth Program Members

From: Sidney DiDomenico, Director of Employee Benefits

Re: Healthcare Market Update

Overview

Like the Property & Casualty insurance markets, the healthcare market is experiencing sustained cost pressure driven by inflation, increased utilization, and structural industry changes.

PRISMHealth continues to see these trends reflected in rising medical and prescription drug costs, which are outpacing general inflation and are expected to persist in 2026 and beyond. While these pressures are significant, PRISMHealth remains well-positioned to manage cost trends through its pooled structure, scale, and targeted cost-containment strategies.

What This Means for PRISMHealth Members

- Healthcare cost pressures are accelerating, with overall trend projected in the 8%–10% range
- Prescription drugs—particularly GLP-1 medications—are a primary driver of cost increases
- Provider cost escalation and workforce shortages continue to push medical claims higher
- Utilization is increasing due to chronic conditions, behavioral health demand, and improved access to care
- PRISMHealth is actively implementing strategies to mitigate these impacts and outperform the broader market

PRISMHealth: Managing a Hard Market

PRISMHealth is experiencing the same macroeconomic pressures affecting employers nationwide, including rising provider costs, increased utilization, and significant growth in specialty pharmacy spend.

For the 2026 plan year, the PRISMHealth pooled renewal increase was 14.24%, consistent with broader market conditions.

In response, PRISMHealth has implemented several key strategies:

- **Pharmacy Transformation** - Transitioned from Express Scripts to Navitus to improve transparency, pricing alignment, and rebate pass-through
- **GLP-1 Clinical Management** - Partnered with Digbi Health as the sole prescriber for weight loss GLP-1 medications, ensuring appropriate use and clinical oversight
- **Chronic Condition Management** - Expanded programs targeting obesity, diabetes, and metabolic conditions to address long-term cost drivers

- **Targeted Cost Containment Solutions**

Continued access to:

- Hinge Health (musculoskeletal care)
- Carrum Health (Centers of Excellence)
- Virtual primary care solutions to improve access and reduce downstream costs

These combined efforts are projected to generate approximately \$40 million in program savings. Despite current pressures, PRISMHealth continues to outperform the market:

- 10-year average annual increase: 4.68%
- Administrative costs: ~4%
- Scale: \$930M+ in annual healthcare spend

Key Drivers of Rising Healthcare Costs

1. Provider Costs and Market Dynamics

Healthcare systems continue to face elevated labor and operating costs. Hospital expenses remain significantly above pre-pandemic levels, with medical trend projected at **8.5%**, the highest in over a decade.

Provider contract negotiations are driving annual increases of **7%–12%**, with higher increases in certain specialty markets. In California, workforce shortages and regulatory requirements are further accelerating cost growth.

2. Pharmacy and Specialty Drug Spend

Prescription drugs remain the fastest-growing component of healthcare costs.

- National drug spending increased **10.4%** in the past year
- Specialty drugs now represent **over 55% of total spend**
- GLP-1 medications are a primary driver of trend

3. Utilization, Access, and Population Health

Healthcare utilization continues to rise due to several factors:

- **Chronic Conditions** - 6 in 10 Americans have a chronic condition; public sector populations trend higher due to aging demographics
- **Behavioral Health Demand** - Nearly 1 in 4 adults received mental health treatment in the past year. Public agency populations are experiencing **8%–12% annual growth** in behavioral health claims
- **First Responder Impacts** - Public safety employees experience significantly higher rates of PTSD, depression, and anxiety, resulting in utilization levels **2–3x higher** than non-public safety populations
- **Access Challenges** - Provider shortages particularly in rural California are driving higher costs and delayed care, often resulting in more acute and expensive treatment

4. Regulatory and Legislative Pressures

Healthcare mandates and policy changes continue to expand coverage and increase costs:

- SB 729 (Infertility/IVF Mandate) - Estimated 1%–2% premium impact statewide
- Federal policy changes are expected to:
 - Shift drug cost recovery into the commercial market
 - Increase uncompensated care
 - Drive higher provider reimbursement demands

In addition, compliance requirements (mental health parity, transparency rules) are increasing administrative costs.

5. Innovation and High-Cost Care

Advancements in medical technology are improving outcomes, but increasing costs:

- Catastrophic claims exceeding \$1M have increased significantly
- Growth in oncology, transplant, and gene therapies continues
- Emerging technologies, including AI-driven diagnostics and precision medicine, are increasing utilization and expanding treatment pathways

What Should Members Do

During this period of sustained healthcare inflation, PRISM encourages members to:

- **Communicate market conditions** clearly with leadership and employees; PRISM and Alliant are available to support messaging and presentations
- **Get involved** by attending PRISMHealth Committee meetings; Stay informed and engaged in program direction
- **Promote engagement** in available cost-containment and clinical programs (e.g., Digbi, Hinge, Carrum Health)
- **Plan proactively** for continued healthcare cost increases in budgeting and labor discussions
- **Evaluate benefit design** and contribution strategies to ensure long-term sustainability
- **Leverage PRISMHealth resources** designed to improve outcomes, access, and cost management

While healthcare cost pressures are expected to continue, PRISMHealth's pooled structure, scale, and proactive management strategies position the program to navigate this environment more effectively than the broader market.

PRISM remains committed to delivering sustainable, high-value healthcare solutions and supporting its members through continued partnership, innovation, and transparency.

Please do not hesitate to reach out to us with questions or for assistance. We are here and ready to help.

Sincerely,



Sidney DiDomenico
Director of Employee Benefits

