



FEBRUARY 2026

Financial pressures, talent strains, & evolving threats

Healthcare market update



Healthcare organizations face immense pressures.

Growing costs and shrinking reimbursement are tightening margins for providers. Private equity activity and industry consolidation are adding to financial tensions. Staffing challenges are piling up. New technology and governance risks are emerging for organizations. And senior executives face uncertainty about the regulatory environment and economy.

All of this is challenging how healthcare organizations manage risk, people, and their insurance and benefits programs. Organizations that can adopt more proactive, enterprise-wide strategies will be best positioned to manage performance despite difficult market conditions.

CONTRIBUTORS

Scott Behrens, JD

SVP, Director of Government Relations

Rebecca Cady

EVP, National Healthcare Practice Leader
Risk Solutions

Larry Childress, CEBS

SVP, Consulting Director
Regional Healthcare Vertical Leader
People Solutions

John Colosimo

SVP, Regional Healthcare Practice Leader

Ethan Crain

EVP, National Healthcare Practice Leader
Risk Solutions

Kevin Hewgley

SVP, Healthcare Practice Leader
Professional & Executive Risk

Raffe Hobson

AVP, Broker, Europe Specialty

Jacque Messel

SVP, Senior Consultant
Regional Healthcare Vertical Leader
People Solutions

John Nahas

VP, Cyber Risk Consultant

Brent Simmons, CEBS

SVP, Healthcare Practice Leader
People Solutions

Lee Sommars

EVP, Partner

David Stephens

SVP, Healthcare Practice Leader
Professional & Executive Risk

John Upright

SVP, Regional Healthcare Practice Leader

Anna Younger

Healthcare Strategy & Innovation Director
People Solutions

Contents

01



Executive summary

02



6 key trends shaping
the healthcare industry

03



Commercial insurers
ramping up scrutiny,
restricting coverage

04



Aligning workforce
strategy with care &
cost pressures

05



A more proactive
approach to risk,
insurance, & people



Executive summary

Healthcare organizations are entering 2026 amid unprecedented pressures. Financial strains remain acute. The future of the Affordable Care Act and funding mechanisms are uncertain, supply and drug costs are rising, margins are tightening, and uncompensated care is growing.

Key challenges facing healthcare organizations include:

01

Financial strain and cost pressures driven by rising costs, policy uncertainty, and worsening population health.

02

Recruitment challenges and staffing gaps amid persistent clinician shortages and burnout.

03

Shifting care models as traditional revenue sources come under pressure and patients' views and preferences evolve.

04

Economic and policy uncertainty influencing capital, planning, and risk appetite.

05

Board-level and governance risks tied to consolidation and litigation.

06

Technology adoption and cybersecurity threats introducing new operational and compliance risks.

Together, these unique forces are reshaping healthcare organizations' risk exposure while intensifying workforce cost and retention challenges.

Challenging insurance market conditions

The market for directors and officers liability (D&O) is segmented, with distressed systems facing double-digit premium increases and stricter terms. Professional liability remains challenging, particularly for senior living and physicians' groups, as nuclear verdicts and sexual misconduct claims drive increased costs. Cyber insurance pricing has stabilized but remains difficult for healthcare providers given their attractiveness to threat actors.

High-cost, high-complexity workforce pressures

Meanwhile, healthcare organizations are navigating significant cost pressures as they work to meet evolving workforce needs. They face the challenge of delivering quality, cost-effective care amid growing patient demand, a sicker population, and policy changes, while also managing rising benefit costs and competing to attract and retain talent in a challenging market.

Shifting from reactive approaches to proactive enterprise-wide strategies

As the environment shifts and business models are under increasing strain, healthcare organizations must move beyond legacy approaches and rethink how they balance margin protection, risk management, and workforce demands.

This calls for a more proactive, enterprise-wide approach that looks beyond individual initiatives and considers how financial strategy, risk exposure, workforce planning, technology governance, and operational resilience intersect. Organizations that take a holistic view by strengthening governance, applying greater discipline to benefits and care investments, leveraging data and scenario planning, and embedding continuity planning across the enterprise will be better positioned to navigate volatility, support long-term stability, and sustain performance as conditions continue to evolve.

6 key trends shaping the healthcare industry

Several industry-specific and broader macro trends are driving conversations about risk and people strategy for healthcare organizations entering 2026.

01

Financial strains mounting



Since the end of the pandemic, hospitals and other healthcare organizations have contended with consistently tight margins, a challenge that shows no signs of abating. For those organizations that have made some progress on financial turnarounds, margin recovery has slowed of late because of rising supply and drug costs. For hospitals, for example, 200 to 300 days' worth of cash on hand is ideal, but many are operating with less than 100 days' cash on hand even as the cost of care continues to grow.

Policy changes are adding to the burdens for healthcare providers. [The end of enhanced tax credits under the Affordable Care Act \(ACA\)](#) means more patients may forgo health insurance coverage, while changes to Medicare and Medicaid are expected

to reduce reimbursement by the government.

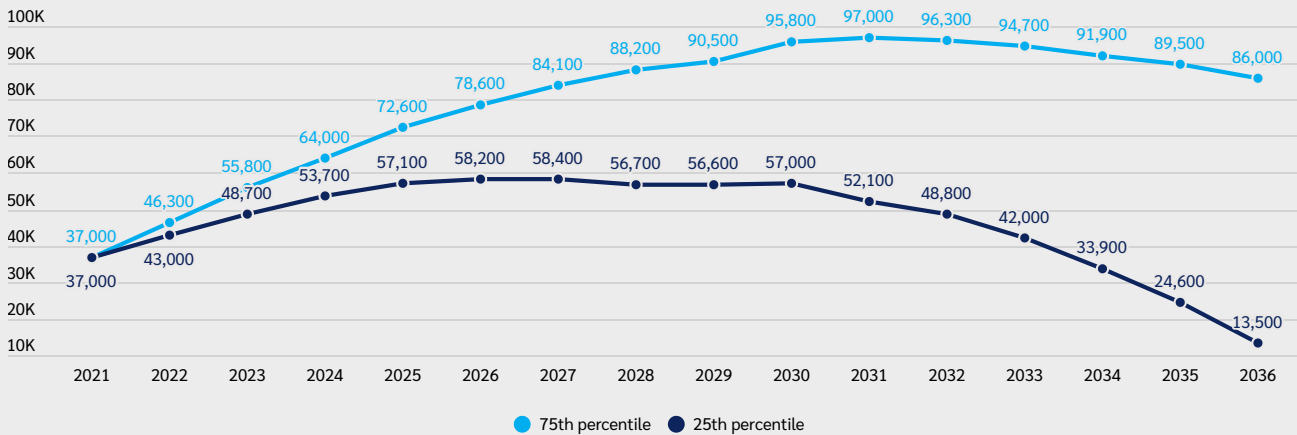
Meanwhile, younger generations are less healthy than prior generations, and Americans are less healthy than people in the rest of the world. [The United States falls below the average for Organisation for Economic Co-operation and Development \(OECD\) member nations on life expectancy, obesity rates, and diabetes prevalence among adults, leading Americans to more frequently require curative care.](#) New drugs and other therapies are positively impacting patient health, but they often come with a high price tag.

For health systems, all of this is leading to the growth of uncompensated care, which puts even more pressure on their bottom lines.

Staffing gaps remain persistent

Persistent staffing shortages are challenging organizations across the healthcare sector. Projections by the Association of American Medical Colleges indicate the United States will face a significant shortage of physicians over the next decade, which could be as large as 97,000 in 2031. (See Figure 1.) The Health Resources & Services Administration, an agency within the Department of Health and Human Services, projects a shortage of more than 267,000 registered nurses by 2028.

Figure 1: A significant gap between physician supply and demand is projected over the next decade.



Source: Association of American Medical Colleges



For healthcare systems, experienced nurses are retiring in large numbers, and fewer younger workers are entering the workforce to replace them. Those who do enter the market are often not staying for long: In 2024, more than 22% of newly hired registered nurses left their jobs within a year, according to a report from NSI Nursing Solutions, accounting for nearly one-third of all RN separations.

After years of being asked to do more with less, doctors and nurses are burned out. The pandemic contributed to significant turnover in the industry, but even post-pandemic, healthcare professionals continue to contend with inadequate compensation, high patient loads, limited work-life balance, and threats of workplace violence. These worker concerns have come into focus amid several high-profile strikes by nursing unions at the start of 2026.

Traditional care models coming under pressure



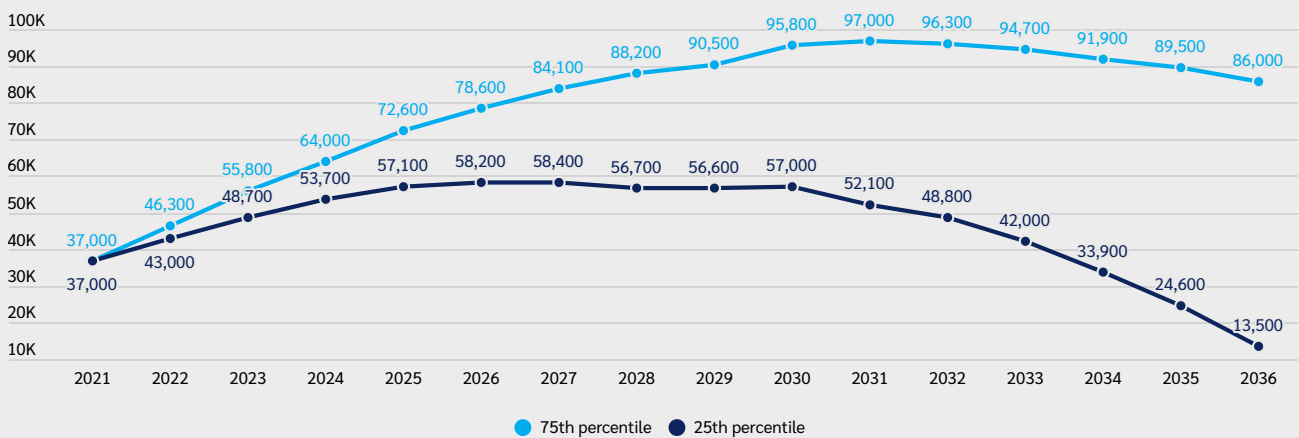
Historically, hospitals and other providers relied on high-margin specialty service lines for revenue, but that business model is no longer sustainable. At the same time, patients — especially older ones — have more complex care needs, and patients of all ages have greater expectations than ever before. Convenience, cost transparency, self-service tools, and more are shaping nearly every aspect of life, and healthcare is no exception.

Healthcare consumers have become accustomed to new standards for how they access and consume care. Patients also now have access to crowdsourced information sources, which has reduced their price tolerance.

It is especially difficult for healthcare providers to attract and retain younger patients. While loyalty is still key for older generations, the younger population is quicker to switch if perceived value is higher elsewhere, putting pressure on the concept of “lifetime value.”

Americans are also growing more skeptical and less trusting of medicine and public health norms. An annual Gallup poll found that, as of 2025, just 32% of Americans have “a great deal” or “quite a lot” of confidence in the American medical system, down from a high of 51% in 2020 and just above the all-time low of 31% seen in 2007. (See Figure 2.)

Figure 2: Confidence in the American medical system is near an all-time low.



Source: Association of American Medical Colleges

All of this is prompting providers to explore new methods, including ambulatory care, to attract and retain patients and maintain profitability.

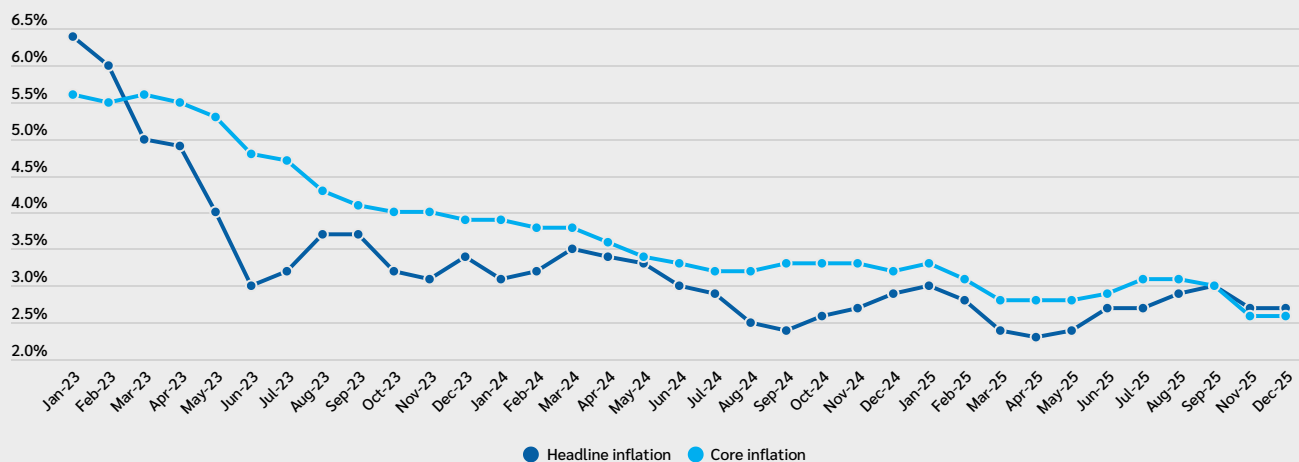


Economic uncertainty lingering post-shutdown

Healthcare senior leaders, like senior executives in other industries, are growing more pessimistic about the economic outlook. A chief area of concern is inflation, which has proven to be a stubborn challenge for policymakers.

In December, “headline” inflation — the topline Consumer Price Index (CPI) figure reported monthly by the U.S. Bureau of Labor Statistics (BLS) — was at 2.7% year over year, unchanged from November and down from 3.0% in September. (October figures were not published because of the government shutdown.) “Core” inflation — which excludes volatile food and energy costs — was at 2.6% in December, unchanged from November and down from 3.0% in September. (See Figure 3.) Despite intervention by policymakers — including recent reductions in interest rates — these remain above the Federal Reserve’s long-term target of 2.0%.

Figure 3: Inflation remains a stubborn challenge for policymakers.



Source: U.S. Bureau of Labor Statistics | Year-over-year changes shown. | October 2025 data unavailable due to government shutdown.

Although tariffs introduced in 2025 have, to date, not had as drastic an impact as originally feared, they could have substantial effects on the cost of care, medical supplies, and pharmaceuticals; in addition to potentially higher drug costs, tariffs could contribute to drug shortages. The effects of tariffs on the healthcare space may not be fully known until provider contracts with networks are renewed.

Many of the tariffs imposed by President Trump in 2025 under the International Emergency Economic Powers Act (IEEPA) could ultimately be invalidated as the Supreme Court weighs two tariff cases challenging whether a president has such authority under the statute. Oral arguments on the cases were held in November; it is unclear when the court will issue its ruling.

Also unclear is the practical impact if the tariffs are struck down, both for tariffs imposed under IEEPA and for those brought into effect under other authorities. For example, in the short-term, it is an open question as to whether pharmaceutical companies will reduce costs if the tariffs are reversed. In the longer term, it remains unclear whether pharmaceutical companies and others will follow through on promises to onshore production if the threat of tariffs no longer exists.

The record-long federal government shutdown that ended on Nov. 12 introduced additional anxiety for healthcare industry leaders. That anxiety is likely to spike with each government funding deadline, as sharp political divides and narrow majorities in Congress make the outcome of every funding battle uncertain.

M&A & litigation shaping C-suite & board agendas



Hospital consolidation continues to alter the competitive landscape, with a high volume of deals involving financially distressed parties. Private equity investments in healthcare — which have exceeded \$1 trillion over the last decade — have played a particularly sizable role in driving consolidation through add-on acquisitions to meet expense reduction goals. Organizations are also making strategic acquisitions to develop new specialties and in-house diagnostic capabilities in an effort to achieve patient growth.

Litigation risk represents another focus area for boards and senior leaders. [Social inflation](#) is driving ever-larger jury verdicts and settlements, particularly in jurisdictions deemed “judicial hellholes” by the American Tort Reform Foundation, with an outsized impact on healthcare industry defendants. A key factor is the growing influence of litigation

funding, which is empowering plaintiffs to take more aggressive stances and complicating defense strategies. Although healthcare organizations face a variety of litigation threats, sexual abuse and misconduct claims remain a particular concern for professional liability insurers.

At the same time, healthcare providers and systems must also navigate an increasingly complex — and, sometimes, conflicting — web of federal and state regulations. Notably, several states have begun to enact legislation to fully block or significantly limit investment, ownership, and activity by private equity funds and investors in healthcare. These and other regulatory initiatives are adding to healthcare organizations’ legal costs and senior executives’ time commitments.

Healthcare embraces AI while battling cybersecurity concerns



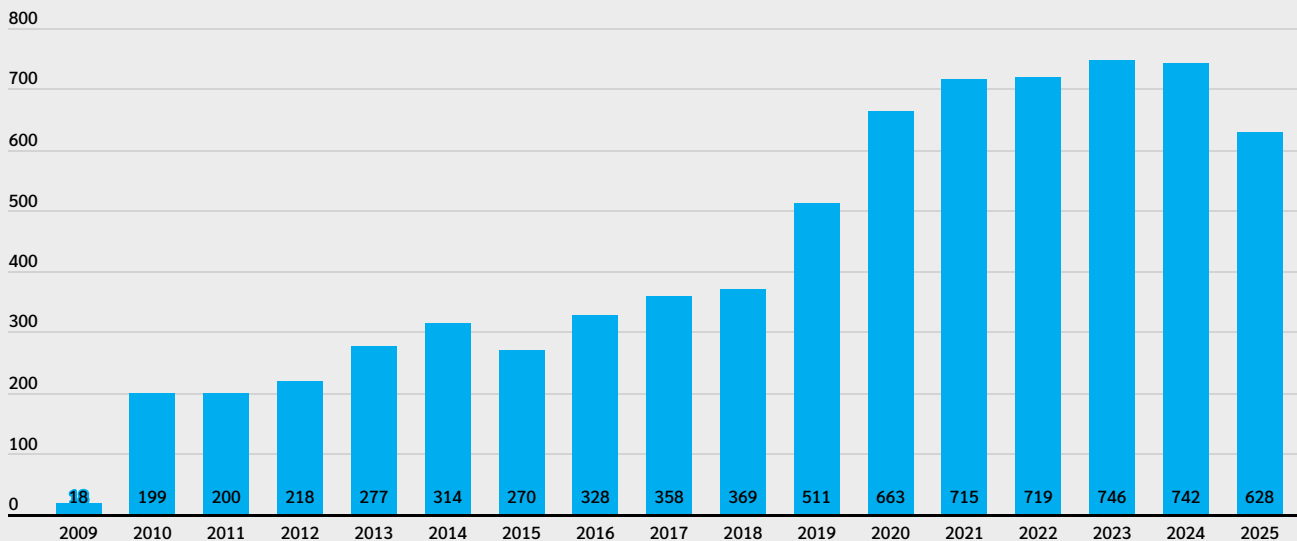
Healthcare organizations are exploring a wide range of applications for artificial intelligence, including in the delivery of care and as a management and administrative tool. While healthcare has historically been slower to adopt AI than other industries, rising costs and operational pressures are pushing healthcare organizations to embrace it for the sake of business performance.

Skeptics have cited various ethical concerns; for example, the use of AI in decision-support tools and ambient listening systems is introducing privacy, evidentiary, and compliance challenges. Like other employers, healthcare organizations also face risks


in using AI to make hiring and other workforce-related decisions.

At the same time, healthcare data breach incidents affecting 500 or more individuals have increased in frequency over the last decade, according to a HIPAA Journal analysis of HHS Office for Civil Rights data. (See Figure 4.) Ransomware and social engineering attacks, meanwhile, can lead to significant unauthorized system access, financial losses, and operational disruptions. And, like organizations in many other industries, healthcare organizations have become increasingly reliant on third-party vendors, presenting significant operational risks.

Figure 4: Healthcare data breaches affecting 500 or more individuals have ramped up since 2019.



Source: HIPAA Journal, Department of Health and Human Services Office for Civil Rights



RISK ENVIRONMENT

Commercial insurers ramping up scrutiny, restricting coverage

Insurance market conditions vary for healthcare organizations by line of coverage and industry segment. Individual insurance buyers may also experience varying conditions based on their size, risk profiles, and other attributes.

Executive risk lines mostly stable, but underwriting scrutiny growing

In healthcare, the market for D&O insurance is segmented. Rates for large healthcare systems — those with \$1 billion or more in annual revenue — with strong financials are stable; those with weaker financials are seeing mid-single-digit premium increases at renewal. Systems in distress are seeing double-digit rate increases and are often required to take on higher retentions and coinsurance. Small and mid-cap hospitals are seeing generally stable pricing but more pressure from insurers on retentions.

At least one major healthcare insurer is pushing for premium increases of 50% or more for most risks, along

with higher retentions. Another is cutting capacity, offering \$5 million limits to buyers instead of \$10 million as it had in the past. The market is seeing some new, opportunistic entrants, although some other carriers are exiting the market.

D&O insurers are scrutinizing healthcare organizations' financials, including their cash on hand and overall profitability. Insurers are also asking about potential M&A activity, particularly for rural hospitals and federally qualified health clinics, and about gender-affirming care and diversity, equity, and inclusion (DEI) programs. In addition to higher retentions and coinsurance for large risks, insurers are increasingly restricting antitrust and regulatory coverage for healthcare organizations and reintroducing bankruptcy exclusions in policies.

Conditions are generally stable in other executive risk lines:

Employment practices liability (EPL)

EPL rates are rising in the low single digits for most buyers, but more sharply for organizations employing significant numbers of high-earning physicians. Insurers are scrutinizing DEI programs for these employers and monitoring sexual harassment, wrongful termination, and discrimination claims.

Fidelity/crime

Pricing for fidelity/crime is stable. Traditional named peril crime coverage — typically written to protect against employee theft, social engineering fraud, computer fraud, and funds transfer fraud — often results in claims being denied and gap issues between crime and cyber policies because it is difficult to prove the specific cause of a loss. The London market is now offering a new product that covers any kind of financial loss, without the need to prove causation, pricing for which is on par with traditional crime coverage.

Fiduciary liability

Fiduciary liability insurance buyers are seeing stable conditions, except for those with significant claims in the last year. More carriers have already added excessive fee retentions to address litigation trends; thus, renewals have been fairly consistent. In addition to excess fee litigation, insurers are watching medical plan litigation under the Employee Retirement Income Security Act of 1974 (ERISA) that is emerging but has not yet caused drastic market shifts. Insurers are generally using retentions rather than pricing increases to manage their risk.

Insurers have begun to apply greater underwriting scrutiny to healthcare organizations, returning to a core focus on financial viability to ensure they are not underwriting future bankruptcy targets. Healthcare organizations should proactively communicate financial and organizational changes — such as changes in

business models or ownership, liquidity challenges, or debt maturities — to insurance brokers, as these factors can impact risk and coverage needs. Reinforcing strong governance, financial oversight, and HR practices during underwriting discussions can also improve organizations' standing with insurers.

Cyber market difficult for healthcare

Although pricing has stabilized somewhat, the cyber insurance market for healthcare organizations remains challenging, especially for providers. For healthcare organizations, which are highly attractive targets for threat actors, cyber remains a persistent and growing risk.

Aside from the public sector, healthcare organizations face more cyber threats than any other critical infrastructure sector. Ransomware is the dominant threat. In May 2024, a ransomware attack against Ascension Health — attributed to the Black Basta group — disrupted operations across roughly 140 hospitals in 19 states. More recently, in May 2025, a ransomware attack against Kettering Health — attributed to the Interlock group — disrupted operations across roughly 14 medical centers in Ohio.

Beyond ransomware, other threats for healthcare organizations include:

Heavy reliance on cloud vendors and electronic health record providers,

which introduces additional exposure to outages and breaches. The recent Microsoft and Amazon Web Services outages highlighted systemic risks for organizations across a range of industries, including healthcare.

Pixel tracking and biometric data amid growing concern about the use of these technologies

by healthcare organizations' marketing teams, often without information technology and information security departments' awareness. Insurers are increasingly seeking to exclude pixel tracking and biometric claims under cyber policies.

AI and data privacy practices,

which underwriters are closely scrutinizing. Insurers are especially concerned about the use of patient data and marketing analytics.

Healthcare organizations must strengthen cybersecurity and vendor oversight by implementing multifactor authentication, network segmentation, and annual incident response tabletop exercises while reviewing vendor risk protocols and contingent business interruption coverage. They should also address emerging technology risks by establishing governance frameworks for AI and other tools to mitigate privacy, liability, and regulatory concerns.

Healthcare professional liability rates rising

The market for professional liability is stable but challenging. Overall pricing continues to increase for physicians' groups, although not as sharply as in other segments, such as senior living.

Independent practitioners have limited carrier options, most of which are admitted markets. Larger groups have access to surplus lines markets, which can offer more favorable options. Meanwhile, private equity-backed groups are viewed as higher risk, with carriers remaining conservative on pricing and limits. Insurers also continue to impose sexual abuse and misconduct exclusions on policies, particularly for pediatrics and obstetrics.

Claims severity and frequency remain high, with misdiagnosis the most common allegation in litigation. Although Georgia and Florida have enacted meaningful tort reform, Pennsylvania in 2023 rescinded a rule requiring medical malpractice suits to be filed in the county where care is rendered, opening the door for "venue shopping" by plaintiffs. Insurers, meanwhile, are concerned that New York's Grieving Families Act, which would expand who can bring claims for wrongful death and allow families to recover damages for emotional suffering in addition to financial losses, could increase litigation exposure if it becomes law.

With higher retentions and stricter terms increasingly becoming the norm, buyers must proactively engage with underwriters. A transparent approach to claims reduction and litigation strategy investments can help fuel more favorable outcomes at renewal.

Sexual abuse & misconduct coverage becoming more difficult to secure

Although not unique to the industry, sexual abuse and misconduct risk continues to be especially significant for healthcare organizations. This risk applies to all healthcare segments, including hospitals, clinics, rehab centers, and foster care facilities.

Catastrophic claims — including settlements that can reach into the hundreds of millions of dollars — have made professional liability and general liability carriers wary of underwriting this risk for healthcare, and have made the market for healthcare organizations extremely challenging. Insurers are keenly aware that a single claim can be devastating, especially with litigation financing and the effects of media exposure for high-profile cases amplifying costs and often triggering new litigation if more individuals come forward and allege abuse.

Many insurers are nonrenewing coverage, and within three to five years, many U.S. healthcare markets may stop offering coverage entirely. Where coverage is available, insurers are tightening terms — for example, drastically reducing limits, from as much as \$15 million to as little as \$1 million.

As the availability of coverage under professional liability and general liability policies becomes more limited, stand-alone sexual abuse and misconduct liability policies are gaining traction as an alternative solution. Although one carrier has offered such coverage for nearly two decades, other carriers have launched their own products.

These solutions can provide:

- Funding for defense costs.
- Protection against retroactive cases, subject to certain conditions.
- Access to risk management and crisis response services.

Challenging conditions for senior living

The senior living space includes two distinct models that can present a variety of clinical, operational, reputational, and financial risks:

ASSISTED LIVING COMMUNITIES, which use a social model to deliver services to residents.

SKILLED NURSING PROVIDERS, which use a medical model to deliver post-acute care to patients.

The markets for professional liability and general liability for this space are challenging. Leading carriers are often declining to write coverage for senior living providers; where coverage is available, sublimits are being imposed — for example, for wounds, falls, and abuse — and retentions are increasing.

The litigation environment is troubling, particularly for the skilled nursing segment, with hotbeds including New York City, Atlanta, Arizona’s Maricopa County (home to Phoenix), Illinois’ Cook County (home to Chicago), California, New Mexico, Florida, and Kentucky. Plaintiffs’ attorneys specializing in senior living and post-acute cases are aggressively mining patient data for opportunities, and nuclear verdicts and settlements are making it increasingly

difficult for providers to secure coverage, especially for excess liability.

The auto liability insurance market also remains challenging. Where seniors are involved, even minor incidents — for example, failure to slow or stop for a speed bump — can result in catastrophic claims.

It’s vital that senior living organizations stay abreast of emerging risks and evolving industry dynamics and that they use analytics and modeling to anticipate key loss scenarios and test liability insurance program structures. Organizations should also treat renewals as an ongoing process: Engage brokers early and maintain open dialogue with underwriters throughout the calendar year to avoid unexpected shifts in pricing and terms and conditions.

Profitability keeps workers’ compensation stable

Although some headwinds persist, workers’ compensation remains among the most profitable and competitive lines for commercial insurers. For most buyers, pricing remains generally flat; those with favorable loss histories are seeing especially competitive

conditions. Capacity is ample, and carriers are generally eager to deploy capital and compete. Some insurers, however, are pulling back due to prior aggressive pricing and concerns about loss development.

Healthcare organizations are also seeing greater underwriting scrutiny, in part due to high wage growth and more frequent injuries for first-year employees. Insurers are also monitoring efforts to expand mental health coverage under workers’ compensation across several states. Workplace violence remains a key concern for employers and insurers.

For healthcare employers, risk differentiation during upcoming renewals is crucial. Buyers can secure more favorable pricing by highlighting strong safety and loss control programs — including detailed and up-to-date incident response plans — and highlighting proactive claims management. Insurance buyers should also revisit retentions and collateral levels/instruments in light of changing economic conditions.

Property market competitive despite climate change concerns

Commercial property continues to deliver strong returns for insurers. Carriers are actively defending their portfolios while competing for new business. Even on challenging accounts — those with significant losses or heavy catastrophe exposure — discipline remains the norm. Yet, in practice, many of these buyers are still benefiting from improved pricing.

2025 began on a tense note with California wildfires and severe spring storms. However, the Atlantic hurricane season defied expectations, with no hurricanes making U.S. landfall for the first time since 2015. This calm season provided insurers with a welcome

earnings boost. Still, both insurers and insureds understand that one quiet season does not remove the long-term threat presented by climate change.

Healthcare organizations can generate more favorable property insurance renewal outcomes by highlighting investments in risk management and resilience, which remain key differentiators for competitive but disciplined and selective insurers. Healthcare insurance buyers can also use analytics to model potential losses, demonstrate risk quality to insurers, and make more informed decisions about program structure.



PEOPLE ENVIRONMENT

Aligning workforce strategy with care & cost pressures

Rising demand for care across service lines, sustained cost pressures, and workforce challenges are driving the need for healthcare organizations to take a more proactive approach to aligning their overall human capital, benefits, and care delivery strategies.



Demand for services continues to rise

Health systems are experiencing sustained growth in patient demand and service expansion, increasing pressure on staffing models and care delivery capacity.



Workforce challenges

Recruitment and retention challenges in key areas continue as organizations work to meet the growing need for care amid shifting workforce expectations.



Care and benefit costs intensify

Rising labor, supply, and pharmacy costs are influencing both operating expenses and total rewards programs. Benefits costs are a significant and growing expense.



Shifting employee expectations

Healthcare workers across roles are increasingly focused on flexibility, affordability, and the perceived value of their benefits and work experience.

Addressing healthcare staffing challenges

Healthcare organizations are navigating persistent staffing challenges while demand for care rises and agency staffing is costly. When these workforce challenges are not addressed, the downstream impacts are significant and result in lower patient satisfaction scores, which are crucial for value-based contracts and revenue capture. They could also negatively impact safety and quality of patient care, which in turn increases malpractice exposure.

Recruitment & retention: Moving beyond one-size-fits-all approaches

Healthcare organizations employ a wide range of personas, including clinicians, executives, and administrative staff, each with distinct needs and expectations. As a result, one-size-fits-all approaches to benefits and rewards are not effective. Meaningful engagement requires personalized strategies that reflect both role-based needs and shifting priorities across the employee life cycle.

To respond effectively, organizations must rethink the healthcare workforce of the future and understand what different employee segments value the most, which is increasingly critical for recruitment, retention, and sustained engagement.

Workforce challenges and needs vary by role and market

ROLE-BASED FLEXIBILITY

While healthcare typically requires in-person care, management roles and administrative staff are experiencing **more flexibility**, which could influence job satisfaction and retention.

REMOTE WORK

Remote work is also more significant for **administrative staff**, especially in rural areas, where it is becoming a **key component** of job satisfaction and retention strategies.

While flexibility is changing expectations across certain roles, geography also influences how organizations should compete for talent:

URBAN ENVIRONMENTS

In urban environments, the challenge is competition, as organizations compete for the **same pool of candidates**. Healthcare systems must **closely monitor** their market positions and benefits offerings to attract and retain talent.

RURAL ENVIRONMENTS

Rural communities struggle to recruit healthcare professionals due to a **smaller talent pool**. In a rural setting, organizations need to think more **creatively** about recruitment.

Rising employee benefits costs

As healthcare organizations work to attract and retain talent, they are doing so in a difficult financial environment. Providers are under pressure from many directions at once, delivering quality care while managing policy changes, higher labor and supply costs, a sicker population, and tensions with payers on reimbursements, prior authorizations, and more.

One of the most significant pressure points is the cost of employee benefits. Healthcare organizations are facing sustained cost increases across their benefits programs and total rewards strategies while the cost of delivering care continues to rise.

Unlike other industries, healthcare employers must manage these pressures while also serving as both care providers and health plan sponsors, further complicating decision-making.

Employer health plans are facing a new level of cost intensity and unpredictability as care becomes more complex and high-severity claims rise.

40%+

Near-million (\$500K+) and million-plus (\$1M+) claims have grown more than 40% since 2022.

Read more insights from our latest high-cost claimant report.



Read more

KEY AREAS OF FOCUS

How Lockton helps healthcare clients improve alignment & manage costs while attracting talent



Making better use of in-house and domestic care services for plan members



Improving how pharmacy services are purchased and distributed



Getting more value from care management programs and point solutions



Aligning benefit strategies with internal care delivery capabilities and payer partnerships



Matching benefit offerings to market position, mission, and organizational values



Connecting rewards strategy to workforce planning goals across staffing models, personalization, and business lines

Speak to a Lockton expert to learn more.



Learn more



RECOMMENDATIONS

A more proactive approach to risk & people

Healthcare organizations face a complex risk landscape shaped by rising litigation, evolving care models, and persistent financial, operational, human, and technological threats. To navigate these challenges and secure favorable outcomes, risk and people leaders must be proactive rather than reactive.

01

EXPECT MORE FROM YOUR RISK AND PEOPLE ADVISORS.

Placing insurance and benefits programs is table stakes. Look for advisors like Lockton who can offer healthcare industry-specific insights and guide data-driven solutions. Your advisors should take a holistic view of risk and people, challenge assumptions, and use advanced modeling to support the development of financially and operationally efficient programs.

FOCUS ON PLANNING AND PREPARATION.

A regular cadence of scenario planning and tabletop exercises — testing responses for financial crises, cyberattacks, natural disasters, workplace violence events, and more — can enable healthcare executives to quickly respond and adjust strategies when market conditions change, without compromising financial stability.

02

03

INVEST IN WORKFORCE AND REPUTATION.

Staffing shortages and reputational risk are intertwined. Healthcare organizations should reinvest in training, workplace safety measures, conflict resolution programs, and facility upgrades. In addition to helping avoid or mitigate potential crisis events and building trust with both employees and the public, showcasing these efforts during underwriting presentations can help organizations differentiate themselves and yield more favorable outcomes at renewal.

ADDRESS EMERGING TECHNOLOGY RISKS AND OPPORTUNITIES.

Leveraging innovation and new technologies such as artificial intelligence and ambient listening tools can drive operational efficiency and performance quality, both of which are key to margin management. However, organizations — and their senior leaders — cannot ignore critical privacy and evidentiary concerns. Strong governance frameworks for AI use, data retention, and algorithm monitoring can mitigate liability and regulatory scrutiny. Robust controls, incident response and business continuity planning, and technology vendor oversight can also help to mitigate a variety of cybersecurity threats.

04

05

LOOK FOR OPPORTUNITIES TO IMPLEMENT TARGETED SOLUTIONS.

Data and specialized expertise can also support informed and targeted decision-making around cost management, talent solutions, regulatory compliance, and more. Prioritize disciplined pharmacy procurement as well as care management programs with demonstrated engagement and measurable return on investment. Also take a multifaceted approach to managing litigation exposure that includes robust policies — for example, chaperones, credentialing, and investigations in sensitive care settings — preventable event transparency, early resolution programs, and aggressive claims management.

ALIGN WORKFORCE PLANNING, REWARDS, AND BENEFITS STRATEGIES.

Understand what different employee segments value the most and segment offerings by role, business line, and market position. This can support recruitment and retention, promote sustained engagement, reduce reliance on premium labor, and better match staffing models to clinical and operational needs.

06

07

START INSURANCE RENEWALS EARLY AND BUILD RELATIONSHIPS WITH CARRIERS.

Communicate early and often with insurers, especially professional liability carriers, about financial stability, loss control initiatives, and claims management programs. Work with brokers to prepare for potentially greater scrutiny and stricter terms — including higher retentions — and to deliver complete and accurate underwriting submissions. Also consider the viability of stand-alone regulatory coverage, managed care errors and omissions insurance, contingent cyber business interruption coverage, and captive insurers.

In an increasingly complex and interconnected environment, long-term viability will depend on proactive, enterprise-level thinking that moves beyond isolated decisions and recognizes how market forces, risk, human capital, and financial strategies must work together to support resilience, continuity, and sustained performance.

The challenges facing the healthcare industry are complex and unprecedented. Connect with a member of Lockton's Healthcare team to learn how we can help you manage key risks, insurance programs, and people so you can stay focused on what matters most:

caring for your patients, your team, and your community.

Reach out for more insights on the healthcare industry.



Connect with us



LOCKTON[®]

UNCOMMONLY INDEPENDENT