The U.S. Health Coverage Affordability Crisis

Premium Escalation, Shrinking Federal Assistance, Employer Strain and the Deteriorating Outlook for American Families

Institutional Research Report | July 2026

Executive Summary

The United States entered 2026 facing a broad-based health coverage affordability crisis affecting households, employers, independent workers and the public insurance system.

The crisis is not defined by a single premium increase or legislative change. It is the result of several pressures occurring simultaneously:

1. Employer-sponsored health plan costs are increasing at their fastest rate in approximately 15 years, with many employers experiencing renewal increases far above national average.
2. Employee contributions, deductibles, copayments and other cost-sharing obligations continue to rise faster than wages and overall cost-of-living adjustments.
3. The enhanced Affordable Care Act premium tax credits that had materially reduced Marketplace premiums expired after December 31, 2025.
4. The One Big Beautiful Bill Act (Public Law 119-21) introduced additional Marketplace eligibility and administrative restrictions expected to reduce coverage.
5. Employers remain responsible for navigating increasingly complex affordability, eligibility, reporting, payroll and penalty requirements.
6. Many Americans who retain insurance are becoming functionally underinsured.

The available evidence indicates that the 2026 coverage year represents a measurable deterioration from 2025.

Average net Marketplace premium payments increased by 58% while deductibles increased by 37%. Employer health costs are projected to rise between 6.5% and 9.1%, but many employers (particularly small and midsized groups) are experiencing 20% to 30%+ renewal increases, marking one of the most volatile pricing environments on record.

At the same time, wage growth has not kept pace. Average wage increases of approximately 4.1% in 2025 and projected 3.5%–4.0% in 2026 lag significantly behind healthcare cost growth, creating a widening affordability gap.



1. The 2025 Employer Health Insurance Shock



Employer-sponsored insurance covers approximately 165.6 million Americans and remains the backbone of the U.S. coverage system.
In 2025, average premiums reached:

Coverage Type	Average 2025 Annual Premium
Single coverage	$9,325
Family coverage	$26,993

While national averages showed increases of 5% (single) and 6% (family), these figures significantly understate real-world employer experience.

Analyst Findings: True Market-Level Increases

- Many employers reported renewal increases between 12% and 18% before plan changes.
- Small and midsized employers frequently experienced 20% to 30%+ increases, particularly those with adverse claims experience.
- Fully insured small group markets saw some of the highest volatility due to limited risk pooling.
- Stop-loss premiums for self-funded employers increased sharply, compounding total cost exposure.

This divergence between reported averages and actual renewal quotes represents one of the most important structural realities of the 2025 market.

First Recorded Affordability Breakdown

Industry surveys and employer reporting indicate that 2025 marked the first period where employee wage growth materially failed to keep pace with required premium contributions, forcing:

- Increased employee cost-sharing
- Migration to high-deductible plans
- Reduced participation rates
- Delayed or forgone care

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2. Wage Growth vs. Healthcare Cost Growth



A critical driver of the affordability crisis is the widening gap between healthcare costs and income growth.

Wage and Cost Comparison

Metric	2025	2026 (Projected)
Average wage growth	~4.1%	~3.5%–4.0%
	~6%–8%	~6.5%–9.1%
Real-world employer renewals	12%–30%+	10%–25%+
CPI / COLA (inflation)	~3.2%	~2.8%–3.2%

Key Insight

Healthcare costs are increasing at 2x to 5x the rate of wages, and in many cases far more when considering actual renewal pricing.
This gap results in:

- Declining real disposable income
- Increased employee financial stress
- Reduced employer ability to raise wages
- Structural erosion of benefit affordability

3. The 2026 Renewal Season Is Worse, Not Better

Employer projections confirm continued escalation:

- Mercer: 6.5%–6.7% increase after plan changes, ~9% without changes
- WTW: 9.1% increase before plan changes, ~8% after adjustments

However, real-world employer experience continues to exceed these projections:

- Many employers report double-digit increases for the third consecutive year
- High-cost claims and specialty drugs are driving volatility
- Employers are increasingly shifting costs to employees

4. Expiration of Enhanced ACA Premium Assistance

The expiration of enhanced ACA subsidies at the end of 2025 significantly increased Marketplace costs.



Documented Impact

Measure	2025	2026	Change
Avg. monthly premium	$113	$178	+58%
Avg. deductible	$2,759	$3,786	+37%

KFF estimates that some enrollees faced premium increases exceeding 100%.

Estimated Coverage Loss

- Analysts estimate 3 million to 5 million Americans may lose coverage due to affordability pressures tied to subsidy expiration and policy changes.
- Younger and healthier individuals disproportionately exited the market.

5. Coverage Selection vs. Actual Coverage Loss

While 23.1 million selected Marketplace plans:

- Effectuated enrollment may fall to **16.5–17.5 million**
- Millions may fail to pay premiums or drop coverage midyear

This reflects a critical distinction:

Enrollment ≠ sustained coverage

6. The Gig Economy: Disproportionate Impact

Gig workers and independent contractors are among the most affected populations.

Structural Challenges

- No employer contribution to premiums
- Full exposure to Marketplace pricing volatility
- Income variability complicates subsidy eligibility
- Limited access to group purchasing power

Impact

- Higher uninsured rates
- Increased reliance on high-deductible plans
- Greater likelihood of coverage lapses
- Elevated financial risk from medical events

As healthcare costs rise, gig workers face a uniquely unsustainable model where coverage is both expensive and unstable.

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7. Medicare and Senior Cost Pressures



Healthcare affordability challenges extend to seniors.

Medicare Premium Trends

- Medicare Part B premiums increased to $174.70/month in 2024 and continue trending upward
- Medicare Advantage plans are reducing benefits or increasing cost-sharing in response to reimbursement pressures

Medicare Supplement (Medigap)

- Premiums increased 6%–12% annually, with some markets exceeding 15%
- Aging risk pools and medical inflation are driving sustained increases

Impact on Seniors

- Fixed-income households face disproportionate strain
- Increased out-of-pocket exposure
- Greater reliance on supplemental coverage

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8. The Employee Affordability Crisis

Employees face:

1. Premium contributions
2. Deductibles
3. Copayments/coinsurance
4. Noncovered services

A typical family:

- Pays ~$6,850 annually in premiums
- Faces thousands more in out-of-pocket costs

Behavioral Impact

- 55% cutting essential spending
- 10% dropping coverage
- Increased medical debt

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9. The Employer's Dilemma

Employers must choose between:

- Absorbing rising costs, or
- Shifting costs to employees

Both options carry consequences:

- Reduced profitability
- Lower wage growth
- Employee dissatisfaction
- Increased turnover

10. ACA Compliance Burden

Employers face increasing regulatory complexity:

- Affordability threshold: 9.96% (2026)
- Penalties:
  - §4980H(a): $3,340
  - §4980H(b): $5,010

Administrative burden continues to rise alongside financial costs.



11. Principal Drivers of the Crisis

- Medical utilization rebound
- Provider pricing increases
- Specialty drug costs
- High-cost claims concentration
- Adverse selection
- Cost shifting
- Administrative complexity

12. Institutional Outlook

The crisis is expected to persist:

1. Costs will outpace wages
2. Employers will shift more burden to employees
3. Coverage losses will continue
4. Underinsurance will increase
5. Financial strain will deepen

Conclusion

The U.S. healthcare system is experiencing a structural affordability breakdown.

- Employer premiums nearing $27,000
- Real-world increases reaching **20%–30%+**
- Marketplace costs rising sharply
- Wage growth failing to keep pace

This is no longer a cyclical issue; it is systemic.

The nation faces both:

- A **coverage crisis**
- An **affordability crisis**

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Research Note

This report integrates federal data, employer surveys, actuarial projections and market-level observations. Actual 2026 outcomes may vary as additional data becomes available.