



Rising healthcare and long-term care costs: Understanding the growing financial burden on employers and employees

Healthcare costs surged 6% last year alone, placing unprecedented pressure on employer budgets and employee well-being.¹ Equally significant, but often overlooked, is the rapid escalation of long-term care expenses. In fact, long-term care costs are increasing at rates that outpace general healthcare. Non-medical home health aid expenses are climbing to \$80,080, assisted living costs rising to \$74,400, and private nursing home fees are growing to \$129,575 annually.²

This parallel surge in both healthcare and long-term care costs underscores the growing financial challenges faced by individuals and organizations alike.

By 2033 there will be **16 million** middle-income seniors who can't afford to pay for the healthcare, personal care, and housing services they need.⁴ Longevity is the biggest risk to a retirement plan, which includes the cost of healthcare and long-term care. Yet only 3% of Americans over age 50 have any form of long-term care insurance protection.⁵

Cost increases from 2022–2025

+21.6%

Assisted living community²

+19.5%

Private room nursing home²

+16.7%

Non-medical home health aid²

+18.9%

Total health benefit per employee³

¹Mercer National Survey of Employer-Sponsored Health Plans, 2025; ²Genworth/CareScout Cost of Care Survey, 2025; ³Mercer's National Survey of Employer-Sponsored Health Plans (Employers with 50+ employees) and Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation 2022-2025; ⁴NORC at the University of Chicago, The Forgotten Middle: Housing & Care Options for Middle-Income Seniors in 2033, 2022; ⁵LIMRA Annuity Research, 2025

For employers, rising healthcare and long-term care costs mean higher benefits expenses and increased pressure to support employees' health and financial security.

Medicare covers many important healthcare services like hospital stays, doctor visits, and some skilled nursing care. However, it generally doesn't pay for long-term care services, such as help with daily activities like bathing, dressing, and eating in assisted living or at-home care. This creates a significant coverage gap; leaving individuals and families responsible for substantial out-of-pocket expenses for long-term care. As these costs keep rising, they can quickly diminish up retirement savings and hurt financial security. Many employees aren't ready for these expenses, which can affect their health and retirement plans.

Starting to save early greatly reduces the amount needed for long-term care.

For instance, a 65-year-old who began saving at 50 with a 4.35% annual return would have set aside \$71,000, growing to \$135,000 by age 65. On average, a 65-year-old needs \$135,000 saved (\$171,000 for females, \$98,000 for males), while a 35-year-old can set aside just \$38,000 to cover the same risk.⁶

Addressing these challenges with comprehensive benefits strategies can help manage costs, support workforce stability, and assist employees in preparing for all healthcare needs. Marsh helps employers address and manage these challenges by integrating long-term care planning into benefits strategies, easing the burden on both the company and employees.

► Contact your Marsh representative today to learn more and explore solutions.