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Health Care Cost Spotlight: GLP-1 Medications

Health care costs are projected to increase substantially this year. According to industry surveys and reports, employers anticipate health care costs to increase by 7%-8% in 2025. As a result, employer-sponsored health care plans will continue to cost more per employee, impacting employers and employees alike.

With glucagon-like peptide-1 (GLP-1) drugs gaining popularity and being used by more plan participants, they are a key driver of rising health care costs. This Health Care Cost Spotlight article focuses on GLP-1s and how they're impacting health care costs this year and beyond.

The Growing Demand for GLP-1s

The first GLP-1 medication was approved by the U.S. Food and Drug Administration (FDA) in 2005 for Type 2 diabetes, but clinical trials revealed that patients experienced significant weight loss, giving way to the first GLP-1 approved for weight loss in 2014. Innovation continued, and GLP-1 use has risen to prominence as a weight loss tool in recent years.

Obesity is a disease that can result from personal behaviors, medication use, dietary patterns, family history and genetics. Yet, other contributing factors, such as larger food portions, inactivity and increased food insecurity, also tend to put Americans at risk for obesity or worsening obesity. Obesity can lead to many other illnesses, such as Type 2 diabetes, heart disease and certain cancers. More than 2 out of 5 adults in the country have obesity. While long-term weight loss is possible with lifestyle, diet and mindset changes, many are turning to weight loss drugs instead.

A KFF poll revealed that 1 in 8 Americans have already used a GLP-1 drug, while 6% are currently taking one. However, this number is projected to rise in the coming years; J.P. Morgan estimates that 9% of the U.S. population could be on GLP-1s for weight loss by 2030. The popularity of these drugs is likely to increase in 2025 and beyond as more patients become aware of GLP-1s and take action to improve their health.

GLP-1 drugs are already proving popular with plan participants eager to lose weight and improve their overall health. Mounjaro (which has the active ingredient tirzepatide), Ozempic and Rybelsus (which both use the active ingredient semaglutide) are approved for treating diabetes but are commonly prescribed off-label for weight loss. Zepbound (tirzepatide) and Wegovy (semaglutide) are drugs that use the same active ingredients but are approved to treat obesity for qualifying patients. Most recently, Ozempic was approved to reduce the risks of kidney disease worsening, kidney failure and death due to cardiovascular disease in adults with Type 2 diabetes and chronic kidney disease. In addition to these conditions, the active ingredients in GLP-1 medications have shown promise for treating other conditions, including Alzheimer's disease, heart disease and even sleep apnea. While these use cases are still undergoing clinical trials for approval, the potential applications of GLP-1s could lead to these costly drugs being used to treat even more patients.

Additional GLP-1 drugs are expected to hit the market by 2026, which could further drive up employers' health plan costs. GLP-1s suppress appetite, which usually leads to an energy deficit and, ultimately, muscle loss. As such, muscle loss is a concern for many people taking anti-obesity medication and manufacturers are working to create drugs that can help preserve muscle while dropping weight. As pharmaceutical companies recognize the success of semaglutide and tirzepatide, more than 100 drugs are in clinical development for obesity.

Furthermore, 15 drugs—including Ozempic, Rybelsus and Wegovy—were recently selected for the second cycle of the Medicare Drug Price Negotiation Program. Once drug companies confirm their participation, negotiations will continue through 2025. While Part D negotiations will help lower costs for seniors, this move may also have greater implications for drug access, insurance coverage, supply and total health care spending.

The Cost of GLP-1s

On average, GLP-1 treatment costs around $1,000 per individual each month. When considering covering weight loss drugs, many employers are concerned that they must be used for extended periods to be effective, requiring a long-term commitment.

A Business Group on Health (BGH) survey validated that heightened interest and spending on GLP-1 drugs is a major driver of rising health care costs in 2025. Large employers covering 17.1 million Americans participated in BHG's annual health care strategy survey. These employers predicted their health care costs would rise about 7.8% in 2025 before plan design changes, mostly due to pharmacy costs. More than half (57%) of the respondents said that GLP-1 spending was "driving health care costs to a great or very great extent." Other concerns focus on costly cell and gene therapies and overall pharmacy costs. Participating employers in the BGH survey said they won't reduce benefits and plan to absorb most of the costs themselves instead of passing them on to their employees.

Cost-mitigation Strategies for Employers

Although employers have historically not covered GLP-1s for weight loss, increased demand from workers and obesity concerns among U.S. adults are forcing employers to reconsider comprehensive obesity care benefits. While most employers cover GLP-1s for approved uses to treat Type 2 diabetes, decision-makers have hesitated to cover them for weight loss. In fact, KFF found that fewer than 1 in 5 organizations with 200 or more employees covered the drugs in 2024. Furthermore, only 3% of large firms that currently don't cover GLP-1s are "very likely" to do so in 2025. About one-quarter of large companies say they are "somewhat likely" to cover the drugs. Similarly, consulting firm Mercer reported that about 44% of U.S. employers with 500 or more employees covered drugs for weight loss in 2024, up from 41% in 2023. Additionally, 64% of employers with more than 20,000 employees covered weight loss drugs in 2024, compared with 56% in 2023. While employers are cautious about covering weight loss drugs, more are doing so as the treatments gain popularity among today's workforce.

While employers are largely covering these drugs due to employee demand, they often experience the advantages of a healthier workforce. Employees with obesity are likely to incur more medical costs, file workers' compensation claims and take more sick days than other employees. Add those things up, and they can be pricey for employers. In fact, obesity cost employers more than $400 billion in 2023. Employees who are overweight or obese can cost between $1,200 and $6,700 per year in excess costs. However, these excess costs may not sway all employers due to the higher price tags and the need for the employee to take GLP-1s indefinitely.

While rising health care costs may be unavoidable, some employers are pursuing the following strategies to lower costs related to GLP-1s:

- Choose whether to cover GLP-1 medications for obesity, or strictly provide coverage for Type 2 diabetes.
- Raise the body mass index (BMI) threshold for plan participation. For example, some employers may require either a 30 BMI or a 27 BMI in addition to other relevant health conditions to qualify.
- Introduce guardrails or controls for employees, such as prior authorization, step therapy or other actions, before gaining coverage for GLP-1 use.
- Combine weight loss drug coverage with wellness programs. Research suggests GLP-1s are more effective when combined with physical activity and dietary changes, so some employers offer wellness programs focusing on overall lifestyle changes. These types of programs may also help users who want to stop taking the medication but sustain weight loss.
- Take advantage of prescription drug-saving programs, such as rebates, coupons and other pharmacy options.
- Adjust cost-sharing arrangements, such as increasing employees' deductibles, coinsurance, copayments or premium contributions.

Employers can consider which strategies can have a tangible impact on their health care spend, specifically concerning GLP-1 medications. Pursuing the right initiatives can have a sizeable impact on an organization's bottom line and the financial health of its employees.

Summary

The popularity of weight loss drugs has soared in the United States and is likely to be a key driver of rising health care costs in 2025. This trend has even made its way into the workplace as employees ask their employers to cover weight loss drugs. Given the priciness of GLP-1 drugs and their long-term commitment, employers may still be on the fence about whether they should cover the drugs despite demand. Staying up to date on developing market trends in this fast-moving space can help employers stay educated and inform their decisions.

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