Benefits Under Pressure: How Employers Are Reshaping Benefit Funding in 2026

LIMRA's 2026 Survey of U.S. Employers



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ABOUT THE STUDY

LIMRA surveyed U.S. employers to determine the latest trends in employee benefits penetration rates, benefit funding, and employee participation rates. The survey included 1,037 private employers that had 10 or more employees and had been in business for at least three years. Respondents were the individuals who made or shared in the firm's decisions concerning employee benefits. The sample was weighted by company size and industry to be representative of the total population of U.S. employers with 10 or more employees, based on data from the U.S. Census Bureau.



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Overview

The 2026 benefits landscape reflects a gradual, but meaningful, evolution in how employers design and fund their offerings. Rather than reducing access to benefits, organizations are reshaping their strategies to balance cost pressures with the need to remain competitive in attracting and retaining talent. Across employer sizes, plan types, and funding approaches, a consistent theme emerges: Benefits are still widely offered, but they are increasingly financed through shared responsibility between employers and employees.

Employer size continues to play a considerable role in shaping the breadth of benefit offerings. Larger and midsize employers tend to offer slightly more benefits overall than smaller organizations, but this advantage narrows when focusing specifically on fully-employee-paid options. Medical plan design is also closely associated with differences in benefit breadth. Employers offering indemnity plans consistently report the highest number of benefits, which may reflect a greater reliance on voluntary, employee-paid supplemental coverage to offset the higher cost structure of these plans. In contrast, PPO, HMO, and HDHP offerings are associated with more moderate and standardized benefit portfolios, indicating a more balanced approach to both coverage and cost management.

A central finding across the data is the continued shift in how benefits are funded. Over time, there has been a clear movement away from fully-employer-paid coverage and toward contributory models, in which employers and employees share premium costs. This pattern is particularly pronounced in core benefits such as medical, dental, and vision coverage.

The data also underscore a clear distinction between core and supplemental benefits. Core offerings — including medical, dental, vision, and basic income protection — remain strongly supported by employers, most often through shared-cost arrangements. Supplemental benefits, while still available, are more likely to be funded through contributory or voluntary models. Even within this category, however, there is growing evidence that employers are moving away from purely voluntary designs in favor of partial subsidies that improve access and participation. Overall, the 2026 findings point to a benefits environment defined not by contraction, but by recalibration. Employers are preserving access to a broad array of benefits, while adopting more deliberate and targeted funding strategies.



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Who Pays Matters: Exploring Benefit Funding Models and the Role of Medical Plans

A few consistent patterns emerge in how benefits are offered by employer size, funding approach, and medical plan type.

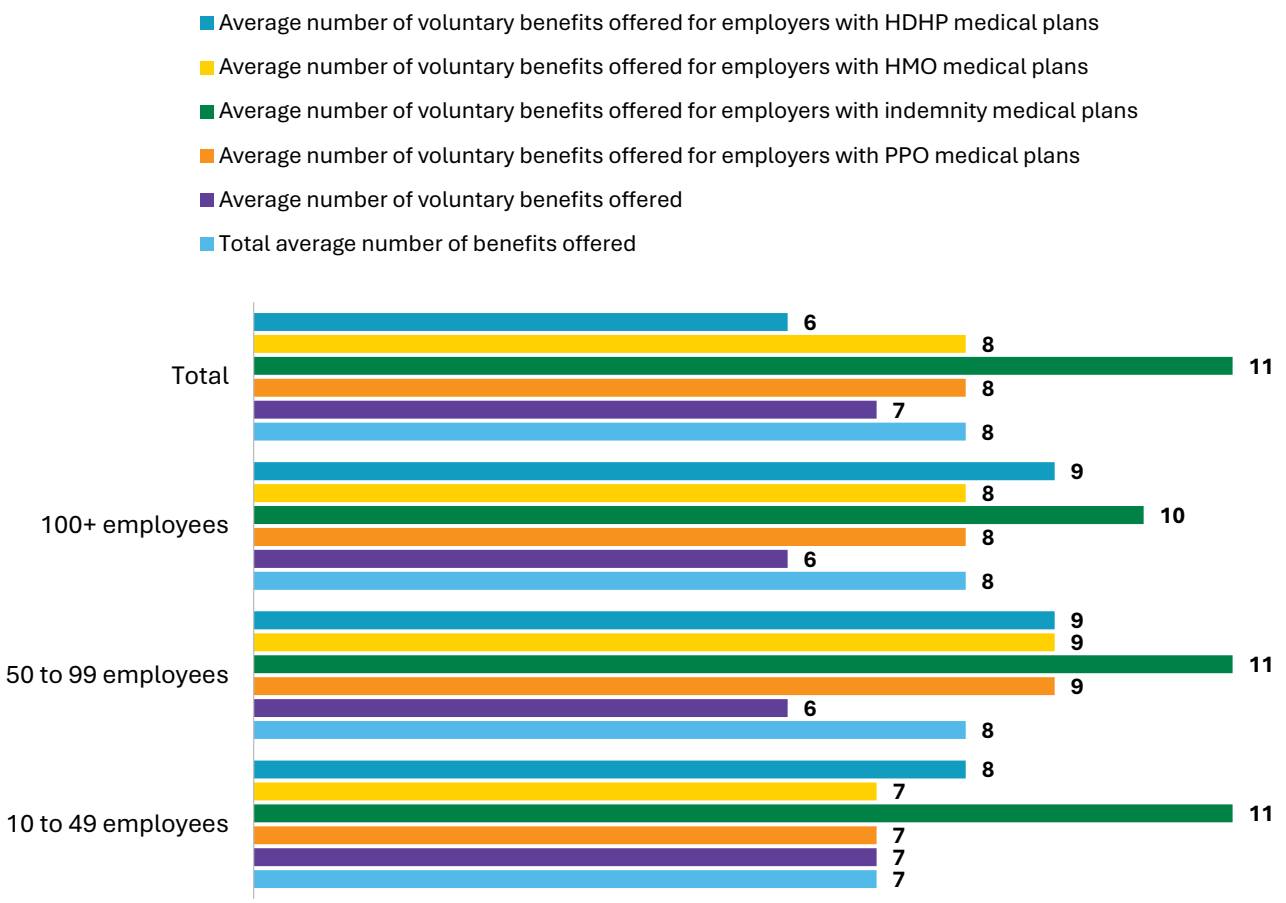
There is a small, but noticeable, increase in the total number of benefits offered as employer size also increases (Figure 1). Midsize and larger employers (with 50 to 99 employees and 100 or more employees) average approximately eight benefits, compared to seven benefits among smaller employers. This difference becomes less pronounced when looking specifically at voluntary, 100 percent-employee-paid benefits. In fact, larger organizations' average number of offerings drop from eight to six when employees bear the full cost, while smaller employers remain steady at seven offerings. This suggests that employer funding plays a more meaningful role in expanding benefit offerings for larger organizations.

Looking at plan types, the type of medical coverage offered appears to be closely tied to the breadth of voluntary benefits. Employers offering indemnity plans stand out clearly, with the highest averages across all employer sizes — approximately 10 to 11 benefits. One possible explanation is that indemnity plans are often among the more expensive medical plan options. As a result, employers that offer indemnity coverage may have less capacity to subsidize a broad range of additional benefits. This makes it more likely that supplemental offerings are provided on a voluntary, employee-paid basis. By comparison, PPO and HMO plans are associated with more moderate levels of voluntary benefits, generally ranging from seven to nine, suggesting a more standardized or balanced approach.

Finally, midsize employers (with 50 to 99 employees) often emerge as slightly more generous in terms of the variety of voluntary benefits available. This is particularly true for those offering PPO, HMO, and HDHP plans, which frequently report the highest averages. This could reflect a practical need to stay competitive in attracting talent, while still managing costs carefully.

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Figure 1 — Trends in the Average Number of Benefits Offered



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The Growing Role of Contributory Funding in Employee Benefits

To understand current cost-shifting dynamics in benefit funding, it is important to look not only at whether benefits are offered on a 100 percent-employee-paid basis, but also at how employers are repositioning benefits within the contributory segment — where they continue to pay at least part of the premium.

The 2026 data suggest cost shifting remains an important feature of employer-sponsored benefits, but it increasingly occurs through a move away from fully-employer-paid coverage, rather than through a broad shift to fully voluntary, employee-paid arrangements. Across many benefit types, the share of employers paying 100 percent of the premium has declined substantially since 2009, while the proportion using a shared-cost model has grown (Table 1).

This pattern is especially clear within core benefits. For medical coverage, the share of employers paying the full premium fell from 25 percent in 2009 to 6 percent in 2026, while the share using a contributory arrangement increased from 74 percent to 92 percent. Similar shifts are evident in dental and vision benefits, where fully-employer-paid coverage fell from 20 percent to 14 percent and 22 percent to 12 percent, respectively. At the same time, contributory funding rose to 76 percent for dental and 78 percent for vision in 2026. These findings suggest employers are still committed to offering these benefits, but they increasingly expect employees to share in the cost.

A similar trend occurs across several income protection and supplemental benefits. For short-term disability, the proportion of employers paying the full premium declined from 30 percent in 2009 to 19 percent in 2026, while contributory funding rose from 45 percent to 71 percent. Life insurance also shifted in this direction, with fully-employer-paid coverage falling from 45 percent to 35 percent, accompanied by an increase in contributory funding from 43 percent to 54 percent.

In some voluntary-style products, the movement has been even more pronounced. For example, the share of employers offering accident insurance on a fully-employee-paid basis fell noticeably from 40 percent in 2009 to 15 percent in 2026, while contributory funding increased from 47 percent to 71 percent. Cancer insurance, long-term care, and hospital indemnity show similar patterns, with meaningful declines in the fully voluntary segment and stronger concentration in cost-sharing arrangements.

Overall, the 2026 data indicate that employers are not simply withdrawing support and shifting benefit costs entirely to employees. Rather, many employers appear to be moving benefits into a partial-contribution model, preserving access while reducing their own financial responsibility. In that sense, the cost-shifting trend continues, but it now appears more through reduced employer generosity within offered benefits than through growth in 100 percent-employee-paid offerings. Contributory arrangements have become the dominant funding approach across nearly all major benefit categories. This reinforces the idea that employers are managing benefit costs by sharing them more broadly with employees, rather than exiting benefit sponsorship altogether.

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Table 1 — Changes to the Percent of Premium Paid by the Employer: 2009 – 2026

		Percent of Premium Paid by Employer*													
	100%					10% – 90%					0				
Benefit	**2009**	**2014***	**2017***	**2022**	**2026**	**2009**	**2014**	**2017**	**2022**	**2026**	**2009**	**2014**	**2017**	**2022**	**2026**
Medical	25%	24%	18%	17%	6%	74%	75%	80%	83%	92%	1%	1%	1%	2%	2%
Dental	20%	26%	22%	21%	14%	68%	56%	71%	67%	76%	12%	18%	15%	12%	11%
Vision	22%	24%	22%	21%	12%	66%	57%	71%	66%	78%	11%	20%	17%	13%	10%
Life	45%	53%	46%	42%	35%	43%	32%	52%	50%	54%	12%	15%	13%	8%	10%
Short-term disability	30%	35%	30%	31%	19%	45%	42%	60%	57%	71%	25%	23%	21%	12%	10%
Long-term disability	32%	37%	40%	39%	35%	46%	35%	39%	41%	37%	22%	29%	26%	20%	28%
Critical illness	9%	13%	8%	7%	6%	61%	47%	75%	75%	72%	30%	40%	37%	19%	21%
Accident	13%	22%	19%	11%	13%	47%	34%	52%	69%	71%	40%	44%	35%	19%	15%
Cancer insurance	5%	8%	11%	4%	11%	44%	31%	48%	68%	69%	51%	60%	46%	29%	20%
AD&D	44%	46%	28%	23%	33%	16%	21%	46%	59%	59%	40%	34%	26%	19%	8%
Long-term care	8%	21%	11%	8%	8%	7%	21%	55%	69%	76%	85%	55%	34%	23%	16%
Hospital indemnity	**	9%	8%	6%	6%	**	16%	54%	77%	78%	**	75%	38%	17%	16%

Base: Employers that offer benefits.

* Respondents provided percent of premium in 10 percent increments, based on employee-only coverage.
**Data is not available.

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Funding Strategies by Benefit Type and Employer Size

Today's benefits strategy is less about offering fewer benefits and more about funding them differently.

A closer look at funding arrangements by benefit type and employer size shows the contributory model — in which employers pay a portion of the premium and employees pay the remainder — has become the dominant approach across much of the benefits landscape (Table 2). This pattern is especially strong for ancillary and supplemental benefits, where full employer payment is less common, and fully voluntary, employee-paid designs are no longer the default. In many cases, employers appear to be using partial subsidies to preserve access to benefits, while limiting their own cost exposure. This is particularly evident among midsize employers (with 50 to 99 employees), which consistently have the highest rates of contributory funding across a wide range of products, including dental, vision, critical illness, cancer insurance, accident, long-term care, and hospital indemnity. These findings suggest midsize employers are using shared-cost funding as a deliberate strategy to both remain competitive in the labor market and control costs.

By contrast, small employers (with 10 to 49 employees) continue to rely more heavily on voluntary funding arrangements, particularly for supplemental products. While many small firms do contribute toward core benefits, they are more likely than larger employers to place products such as critical illness, cancer insurance, accident, long-term care, and hospital indemnity in the employee-pay-all category. This pattern likely reflects both budget limitations and administrative realities. For smaller organizations, voluntary funding provides a practical way to expand benefit choice without assuming the financial commitment associated with broader subsidization. As a result, small employers may still offer a relatively broad benefit portfolio, but the structure of that portfolio places greater responsibility on employees to fund coverage that extends beyond the most essential protections.

Large employers (with 100 or more employees) take a somewhat different approach. Rather than fully subsidizing all benefits, they appear to reserve full employer funding for a narrower set of high-priority protections, while relying on contributory or voluntary structures for more supplemental offerings. This selective strategy is particularly visible with short-term disability (where large employers are far more likely than smaller employers to pay the full premium) and in basic life insurance (where full employer support remains common across all sizes but is especially well established among larger firms). A similar pattern is evident for core disability coverage, reinforcing the idea that larger employers tend to concentrate their funding on benefits that reduce employee financial risk in a visible and meaningful way. At the same time, these employers are not necessarily more generous across all product categories. For some supplemental benefits, they continue to significantly rely on voluntary funding, suggesting a more intentional distinction between essential protections and optional enhancements.

The results also underscore an important divide between core benefits and supplemental benefits. Core protections remain substantially supported by employers, most often through either full funding or shared-cost arrangements. Medical coverage, in particular, remains overwhelmingly contribution-funded rather than voluntary, indicating employers continue to view it as foundational to the benefits package, even as they reduce the prevalence of full premium payment. Basic life insurance and AD&D stand out as benefits that many employers still fully fund, likely because they are relatively affordable and deliver strong perceived value to employees. In comparison, products such as critical illness, cancer insurance, accident, long-term care, and hospital indemnity remain more likely offered through contributory or voluntary structures. Even so, the data suggest these benefits are increasingly moving away from a purely voluntary model, as partial employer

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contributions now exceed fully-employee-paid arrangements in many cases. This shift may reflect an effort to improve participation and strengthen the overall perceived value of supplemental coverage without requiring employers to bear the full premium cost.

Taken together, these findings point to a more nuanced employer funding philosophy than a simple distinction between employer-paid and employee-paid benefits. Employers are making targeted decisions about where to invest directly, where to share costs, and where voluntary funding remains appropriate. Midsize employers appear to most actively use partial subsidies as a competitive tool. Small employers continue to depend more heavily on voluntary models for supplemental coverage, while large employers focus full funding on a narrower group of high-value protections. In this environment, the dominant trend is not employer withdrawal from benefits, but rather a strategic reallocation of financial support. Employers are preserving access to a broad array of benefits, but they increasingly do so through shared responsibility for premium costs, reserving full employer payment for the benefits most central to workforce protection and organizational value.

Table 2 — Trends in Benefit Funding by Employer Size

	Employer Size		
Benefit	**10 to 49 employees**	**50 to 99 employees**	**100+ employees**
Medical	Partial subsidy	Partial subsidy	Partial subsidy
Dental	Voluntary or partial	Partial subsidy	Partial subsidy
Vision	Voluntary or partial	Partial subsidy	Partial subsidy
Basic life	Partial or 100% ER paid	Partial or 100% ER paid	100% ER paid
AD&D	Voluntary or 100% ER paid (selective)	Partial or 100% ER paid	Partial or 100% ER paid
Short-term disability	Partial subsidy	Partial subsidy	100% ER paid
Long-term disability	Voluntary or partial	Partial subsidy	Partial subsidy
Critical illness	Voluntary	Partial subsidy	Partial subsidy
Cancer insurance	Voluntary	Partial subsidy	Partial subsidy
Accident	Voluntary	Partial subsidy	Partial subsidy
Long-term care	Voluntary	Voluntary or partial	Voluntary or partial
Hospital indemnity	Voluntary	Partial subsidy	Partial subsidy

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0664-2026