Rising Premium Costs Outpace Wage Increases

BY NASEEM S. MILLER

FROM THE EMPLOYER HEALTH BENEFITS 2010 ANNUAL SURVEY

For the first time in several years, U.S. workers are footing nearly the whole bill for the premium increases associated with their employer-provided health insurance.

According to a nationwide survey, employers are declining to take more than a tiny share of the load.

The Employer Health Benefits 2010 Annual Survey shows that the average annual premium for employer-provided family health insurance is $13,770 this year. Of that, employees are paying an average of $3,997, an increase of $482, or 14%, from 2009, according to the survey, which was conducted by the Kaiser Family Foundation and the Health Research and Educational Trust.

"It's the first time that I can remember seeing employers cope with rising health care cost by shifting virtually all of the cost to the workers, and it just speaks to the depths of recession and the pressure that employers have been under to hold the line on cost while trying as best as they can to avoid layoffs," Drew Altman, Ph.D., president and CEO of the Kaiser Family Foundation, said during a press briefing. "It also of course means added economic pressure and insecurity and burdens for working people in an already tough economy."

The survey authors note that employer-provided health insurance is one piece that has not received enough attention in the health reform debate. They predicted that the increased out-of-pocket cost for employees is not going to stop in the next few years, despite implementation of the Affordable Care Act.

"The longer-term trend is that what workers pay for health insurance continues to go up much faster than their wages, while at the same time their insurance continues to get less comprehensive," Dr. Altman said.

The survey was conducted between January and May 2010. The findings are based on a telephone survey of benefit managers for 2,046 randomly selected, nonfederal public and private companies with three or more employees.

The survey findings show a modest increase in premiums from last year: The average annual cost of premiums for single coverage was $5,049 in 2010, up 5% from 2009. The average premium for family coverage rose 3% to $13,770.

The average primary care office visit copayment increased from $20 in 2009 to $22 in 2010, and from $28 to $31 for a specialist office visit, according to the findings.

"High out-of-pocket expenses and premiums affect health care decisions for patients," Maulik Joshi, Dr.P.H., president of the Health Research and Educational Trust, said in a statement. "If premiums and costs continue to be shifted to consumers, households will face difficult choices, like forgoing needed care."

Among the surprising findings of the survey was a significant increase in the percentage of companies offering health benefits in 2010 (69%) compared with 2009 (60%). The researchers attributed the increase to the fact that a greater percentage of very small companies – those with three to nine employees – offer health insurance as a benefit.

One possible explanation for the increase was that more very small companies that previously did not offer health insurance as a benefit have failed, shrinking the pool of companies to measure.

The survey also showed the impact on mental health coverage since passage of the Mental Health Parity and Addiction Equity Act of 2008. The law applies to firms with more than 50 workers; 31% of such firms reported that they had changed their mental health coverage because of the law. Two-thirds of the 31% reported that they had eliminated limits on mental health coverage, 16% reported increased utilization management for mental health benefits, and 5% said they had dropped coverage.

Meanwhile, the percentage of workers enrolled in health savings accounts or health reimbursement arrangements rose from 8% in 2009 to 13% in 2010.

Over 150 million nonelderly Americans have employer-sponsored health insurance, the leading source of coverage. ■