

# Rising Premium Costs Outpace Wage Increases

BY NASEEM S. MILLER

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 & 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. "So the insurance that workers get just looks less and less like the more comprehensive coverage that their parents got."

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 visit copayment increased from \$20 in 2009 to \$22 in 2010, and from \$28 to \$31 for a specialist 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

Health Research & 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, or reexamining how they can best care for their families."

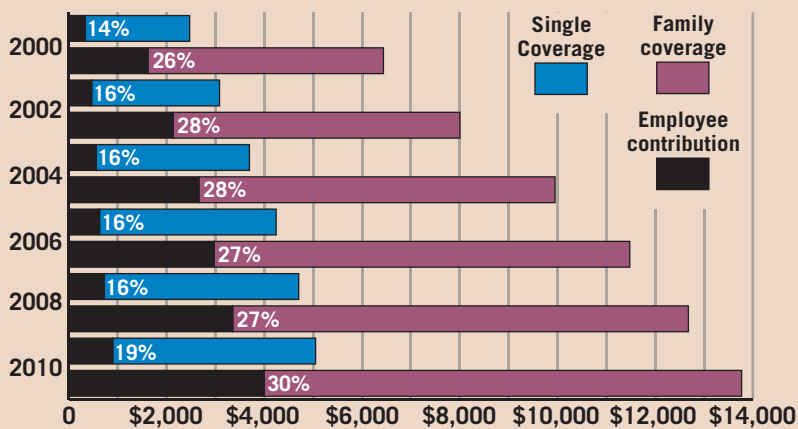
Among the surprising findings of the survey was a significant increase in the percentage of companies offering health benefits in 2010 (69%) compared with 2009 (60%). The researchers attributed the increase to the fact that a greater percentage of very small companies – those with three to nine employees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

Why the increase occurred was unclear, they noted. One possible explanation 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.

More than 150 million nonelderly Americans have employer-sponsored health insurance, making it the leading source of coverage. ■

## Average Annual Premiums for Single and Family Health Insurance Coverage



Note: Based on a survey of 2,046 companies with three or more employees.  
Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2010

ELSEVIER GLOBAL MEDICAL NEWS

# Health Spending Expected to Reach \$4.6 Trillion by 2019

BY NASEEM S. MILLER

FROM HEALTH AFFAIRS

WASHINGTON – By 2019, nearly 93% of U.S. residents will be covered by health insurance, with nearly 20% of the gross

domestic product being consumed in the process, federal actuaries announced at a press briefing.

U.S. health spending is expected to grow on an average annual rate of 6.3% over the next 10 years, 0.2% faster than was projected before passage of the Affordable Care Act (ACA), and reach an estimated \$4.6 trillion by 2019, according to an analysis by officials in Office the Actuary at the Centers for Medicare and Medicaid Services (Health Affairs 2010 Sept. 9 [doi:10.1377/hlthaff.2010.0788]).

The projections update an analysis done in February. This time, they take into account the impact of the ACA as well as changes to COBRA premium subsidies and Medicare physician fee schedule.

With those changes, the average annual growth rate for health care spending will increase from 6.1% before reform to 6.3% after, according to the authors.

"While the estimated net impact of the Affordable Care Act and other legislative and regulatory changes on national health spending are moderate, the underlying effects of these changes on coverage and financing are more pronounced," Andrea Sisko, lead author of the analysis and a CMS economist, said during the press briefing.

Meanwhile, the implementa-

tion of ACA provisions including the Pre-Existing Condition Insurance Plan and the extension of coverage of dependents under age 26 years are estimated to increase national health spending by \$10.2 billion through 2013, according to the analysis.

Nancy-Ann DeParle, director of the White House Office of Health Reform, wrote in a blog post that the "report by the Office of the Actuary confirms a central point of the Affordable Care Act passed by Congress and signed by President Obama: The Act will make health care more affordable for all Americans with insurance."

She added that by 2019, per capita health spending will average \$14,720 instead of the \$16,120 projected by the Actuary before the Act was enacted into law. "A close look at this report's data suggest that for average

Americans, the Affordable Care Act will live up to its promise," she wrote.

This year, health spending is projected to reach \$2.6 trillion – 17.5% of the gross domestic product – a 0.2% increase from the pre-reform projections. Authors noted the increase is driven largely by postponement of physician payment cuts under

the Medicare sustainable growth rate (SGR) formula and changes to the COBRA legislations.

The major spike in health spending will be in 2014 when an additional 30 million Americans are expected to gain coverage. Overall spending is projected to increase 9.2% that year, compared with the 6.6% that was estimated in February. ■

VITALS

**Major Finding:** U.S. health care spending is projected to rise to about \$4.6 trillion by 2019, growing at an average rate of 6.3% a year.

**Data Source:** Centers for Medicare and Medicaid Services, Office of the Actuary.

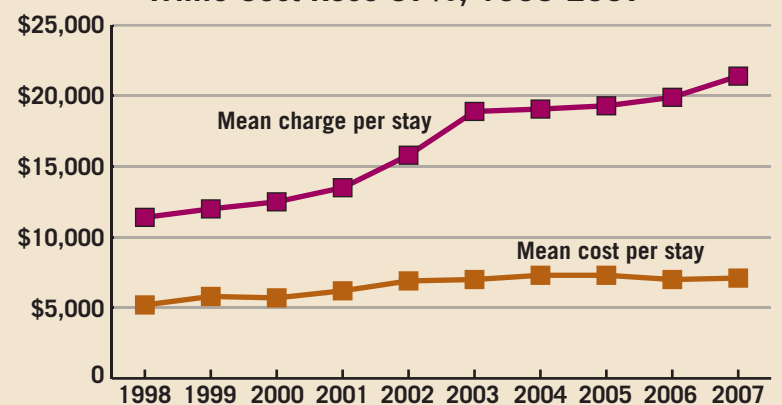
**Disclosures:** The authors had no relevant financial disclosures.

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## DATA WATCH

### Mean Hospital Bill for Uninsured Stays Went Up 88% While Cost Rose 37%, 1998-2007



Note: 1998-2006 hospital charges and costs noted in 2007 dollars.  
Source: Agency for Healthcare Research and Quality

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