

Cost of health insurance rises again

Employer-provided coverage for family goes up an average of 3%

GUY BOULTON
MILWAUKEE JOURNAL SENTINEL

The cost of health insurance provided by employers rose an average of 3% for family coverage this year and now has risen at a relatively modest rate for six years.

The cost, though, still is staggering.

Nationally, health benefits for a family averaged \$18,764 this year, according to the annual survey by Kaiser Family Foundation and Health Research & Educational Trust, an affiliate of the American Hospital Association.

That doesn't include deductibles and other out-of-pocket expenses.

To put that in perspective, the median family income in the United States last year was \$71,062, according to the U.S. Census Bureau.

"The numbers are still sticker shock numbers," Drew Altman, the president and chief executive officer of the Kaiser Family Foundation, said in a teleconference call.

Employees also are paying a larger share of the total cost. Workers on average now contribute

\$5,714 a year — or \$476 a month — toward the cost of family coverage. And workers at employers with fewer than 200 employees pay even more: an average of \$6,814 a year.

Coverage for one employee averaged \$6,690 this year, with workers on average contributing \$1,213 toward the cost.

Workers now pay 31% of the cost for family coverage and 18% of the cost of single coverage on average, according to the survey.

That said, the cost of that coverage has risen at the slowest pace in more than 20 years.

Since 2012, average family premiums have increased 19%. In contrast, they rose 30% from 2007 to 2012 and 51% from 2002 to 2007.

The slowdown has received little attention compared with the cost of insurance sold directly to individuals and families on the marketplaces set up by the Affordable Care Act.

Yet the market for insurance sold directly to individual and families — both on and off the marketplaces — is estimated to total about 20 million

"The numbers are still sticker shock numbers."

DREW ALTMAN
PRESIDENT AND
CHIEF EXECUTIVE OFFICER OF
THE KAISER FAMILY FOUNDATION

people.

That's a fraction of the 151 million people who get health benefits through an employer. And Altman said that market has been stable.

The Kaiser/HRET survey, now in its 19th year, included more than 2,100 small and large employers and is the most widely followed benchmark for the cost of employer health benefits.

Averages can be misleading — premiums for family coverage for 41% of covered workers, for instance, are more than \$20,000 per year. And workers at smaller employers typically bear a large share of the total cost.

For example:

» More than a third — 36% — of workers at small employers pay most of the additional cost for covering family members.

» Workers at small employers who are enrolled in so-called preferred provider organizations, the most common type of health plan, face an average aggregate family deductible of \$3,660.

In addition, only 50% of employers with fewer than 50 employees now offer health benefits — down from 66% in 2000.

The results of different surveys on the cost of health benefits also vary.

A report released last month by M3 Insurance, based in Madison, found that health premiums increased 7.7% this year, up from 6.7% last year.

The report was based on 1,547 distinct benefit plans at 689 private and

public employers, most of them based in Wisconsin, ranging in size from three to more than 5,000 employees.

It found that the average cost of health benefits per employee grew to \$13,053 in 2017, up from \$12,533 in 2016.

The M3 report also found that employees continue to bear a larger share of the total cost.

A survey released this week by Mercer, a benefits consultant and subsidiary of Marsh & McLennan Cos., was more in line with the Kaiser/HRET survey, finding that the cost of health benefits has increased about 3% a year since 2013.

But employers expect the cost to increase 4.3% next year, and the increase would be 6% if employers did not plan on making changes in their health plans, such as raising deductibles.

One factor is the rising cost of pharmaceuticals, particularly special drugs.

Mercer estimates that drugs, including those administered in hospitals and clinics, account for 20% of the cost of health benefits.

The cost of health benefits, though, is rising at much slower rate than a decade ago.

Brian Meyer, director of risk management for employee benefits at M3 Insurance, said onsite clinics, virtual visits, wellness programs and other initiatives are helping to check the increase in costs.

Tracy Watts, a senior partner at Mercer, also said that those initiatives and others, such as care coordination for employees or family members with high costs and new payment models, are helping to control costs.

But their full effect will take time.

"We are just on the cusp of what we are likely to see in the future," Watts said.