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HEALTH INDUSTRY | SEPTEMBER 3, 2010

Employers Sharply Raise Workers' Share of Health Costs

By AVERY JOHNSON

Employers passed health-insurance costs onto employees at a sharply higher rate this year, and businesses' premiums grew more slowly than they have in a decade, according to an annual survey of companies.

The increased cost-shifting reflected an acceleration of a trend that has been on the rise for years. As companies struggle to cut costs amid difficult economic times, more of them are reducing benefits they offer workers or making workers pay more for them. Still, companies are paying nearly three-quarters of workers' health-care premiums.

Employees paid an average of about \$4,000 toward their family coverage this year, up 14% from last year, according to a report by the Kaiser Family Foundation and the Health Research and Educational Trust. But total insurance premiums paid by the employer and the employee rose just 3% for a family plan—the slowest rate of growth in 10 years, according to the data.

The nonprofit research groups surveyed about 2,000 large and small companies between January and May.

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"It's the first time I can remember when employers have coped with costs by shifting it all to workers," said Drew Altman, the Kaiser Family Foundation's president and chief executive.

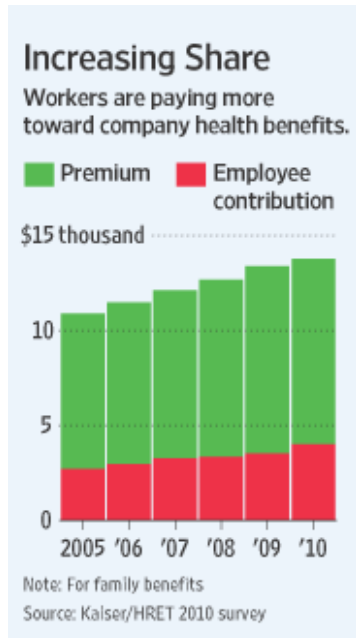
The survey showed workers with family plans are now paying 30% of their premiums, compared with 27% last year and 26% five years ago.

Businesses explained the shift by pointing to stark choices between cutting staff and reducing benefits.

"It's no surprise, since businesses are struggling to keep their doors open," said James Gelfand, director of health policy at the U.S. Chamber of

Commerce. "The premium increase may have been modest but it's still a premium increase and businesses can't absorb those costs."

Cost shifting has become the norm for many of the roughly 160 million Americans who receive health insurance through an employer. In the latest survey, 17% of workers at large firms had deductibles over \$1,000, compared with 6% who paid that amount before their insurer started to pick up the bill in 2006. At small firms, nearly half of workers had deductibles that high this year, compared with 16% four years ago.



Cost-shifting may be a reason premium growth is moderating, Mr. Altman said. As employers trim benefits and raise deductibles to lower their costs in the weak economy, workers tend to use fewer health services, which could have the effect of holding down premium increases.

Although the survey was conducted largely before the federal health-care overhaul passed in March, worries about looming regulations may have made insurers more cautious about raising rates, Mr. Altman said. He expects the trend could be temporary and premiums could rise more steeply if the economy recovers.

Overall, annual premiums for families reached an average of \$13,770 this year, up 114% since 2000. But the 3% increase from the previous year moderated from the double-digit growth of years past, according to the survey. Annual premiums for single coverage rose 5% this year to \$5,049 compared with \$4,824 last year.

America's Health Insurance Plans, the industry trade association, said its member companies were working with employers to keep insurance bills down.

"Premiums are set based on how much medical costs go up, changes in the risk pool and benefit design changes," said spokesman Robert Zirkelbach. "These are not arbitrary decisions."

One company shifting costs to help manage its health-care premiums was Access Office Technologies, a six-person service organization in Stroudsburg, Pa. For the 2010-11 contract year, its insurer presented it with a 35% increase, the company said. The year earlier, the company hadn't faced an increase. Work has been slow, said Access President Jim Becker, so the company switched insurance carriers.

Access, through bargaining, managed to keep its rate roughly flat compared with the previous year. To do so, it had to institute a deductible for employees for the first time, of \$250, and raise co-pays by \$5.

Mr. Becker said his employees understood the rationale for the shift and that he was considering picking up the cost of the deductibles.

"There wasn't much complaining because they feel like they're better off having a job," Mr. Becker said.

In response to the recession, 30% of firms said they reduced benefits while 23% said they raised the amount their employees pay for coverage. The survey also found most employers beefed up mental-health coverage to become compliant with a new law, while 5% opted to drop the coverage altogether.

The researchers said the proportion of companies offering health benefits rose to 69%, from 60%

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Employers Raise Workers' Share of He...

last year, which they speculated was due to firms that didn't offer coverage going out of business during the downturn.

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