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Controller's Report

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KEEPING CONTROL: Cos. Contribute \$9,860 for Family Health Coverage

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The cost of health insurance premiums rose 5 percent this year, the same as in 2008, according to the Kaiser Family Foundation (KFF). Frame of reference: Using a slightly different method of calculation, Kaiser pegged average premium increases at 6.1 percent in 2007, 7.7 percent in 2006, 9.2 percent in 2005, 11.2 percent in 2004, and 13.9 percent in 2003.

At the same time, Employer Health Benefits 2009, a new survey from Kaiser, shows that good decisions by controllers and their colleagues do affect cost trends. Proof: While the average premium for family coverage is \$13,375, 21 percent of companies pay less than 80 percent of the average (that is, less than \$10,700) for coverage. In contrast, 20 percent of companies have premiums that are 20 percent or more than average (that is, equal to or greater than \$16,050). Upshot: Some CR readers are significantly more successful at restraining this cost rise.

So that our readers have a frame of reference for evaluating their health benefits costs, CR provides the following five tables. Developed jointly by KFF and the Health Research & Educational Trust, these tables show our readers how their current costs compare to averages for other health care buyers.

In particular, these tables show the following for health maintenance organizations (HMOs), preferred provider organizations (PPOs), point-of-service (POS) plans, and high-deductible health plans associated with a saving option (HDHP/SOs):

Average monthly and annual premiums for workers by company size (Table 1), region (Table 2), and industry (Table 3).

Average monthly and annual worker premium contributions and total premiums for single (Table 4) and family (Table 5) coverage.

Cost Sharing Leads the Charge

CR emphasizes that most companies use a range of tactics to contain their health insurance costs. Proof: This year, four leading cost-control strategies that KFF respondents considered effective at restraining cost increases were:

Disease-management programs: very effective, 23 percent; somewhat effective, 31 percent;

High-deductible health plans combined with a health savings account: very effective, 16 percent; somewhat effective, 35 percent;

Higher employee cost sharing: very, 13 percent; somewhat, 36 percent;

Tighter managed-care restrictions: very, 13 percent; somewhat, 34 percent;

Key point: While disease-management programs provide incentives to live healthier lifestyles, companies using the other three strategies are focusing on costs--either by shifting costs to employees or by avoiding costs through tighter eligibility and use restrictions. Upshot: While consultant-speak says the goal of managers is to make employees better health care consumers, the core strategy is health-benefits cost-shifting or cost avoidance.

So that controllers can identify areas of benefits coverage where there may be cost-saving opportunities, CR provides the following benchmarks from this KFF survey:

The average monthly worker contribution for single coverage is \$65, up from \$60 in 2008, \$58 in 2007, \$52 in 2006, \$51 in 2005, \$47 in 2004, and \$42 in 2003 and 2002.

The average monthly worker contribution for family coverage is \$293, up from \$280 in 2008, \$273 in 2007, \$248 in 2006, \$226 in 2005, \$222 in 2004, \$201 in 2003, and \$178 in 2002.

The average percentage of total premiums that workers pay--17 percent across all plan types for single coverage and 27 percent for family coverage--is essentially unchanged since 2002.

This year, the percentage of premium paid by workers for single coverage is no cost to the worker, 18 percent of respondents; 0 percent to 25 percent of premium, 58 percent of respondents; 25 percent to 50 percent, 22 percent of respondents; and greater than 50 percent, 1 percent.

In 2009, the percentage of premium paid by workers for family coverage is no cost to the worker, 6 percent of respondents; 0 percent to 25 percent of premium, 48 percent of respondents; 25 percent to 50 percent, 33 percent of respondents; and greater than 50 percent, 12 percent.

Eighty-four percent of workers with single coverage in HMOs have no general annual deductible. This compares to 38 percent of workers with single coverage in POS plans and 26 percent in PPOs. Deductible coverages are also similar for family coverage in these three plan types.

For workers in plans with a general plan deductible, the average annual deductibles for single coverage are \$699 for workers enrolled in HMOs, \$634 for workers enrolled in PPOs, \$1,061 for workers in POS plans, and \$1,838 for those in HDHP/SOs.

For covered workers in health plans that have an aggregate deductible for family coverage, the average plan deductible amounts are \$1,524 in HMOs, \$1,488 in PPOs, \$2,191 in POS plans, and \$3,626 in HDHP/SOs.

Seventy-seven percent of covered employees have a copayment when they visit an in-network physician, while 14 percent have coinsurance. For in-network office visits, the average copayment is \$20 for primary care and \$28 for specialty physicians.

Fourteen percent of covered workers pay only coinsurance when they visit a physician's office. The average coinsurance rate for a visit with a primary-care physician is 18 percent.

The majority of covered workers have copayments or coinsurance when they are admitted to a hospital, regardless of whether they also have a general annual deductible. Altogether, 51 percent have coinsurance and 19 percent have copayments. In addition, 5 percent have per diem payments, 5 percent have a separate hospital deductible, and 8 percent have both copayments and coinsurance. In 22 percent of plans, workers have no cost sharing for hospital admissions.

For hospital admissions, the average coinsurance rate is 18 percent, the average copayment is \$234, the average per diem charge is \$179, and the average separate hospital deductible is \$862.

For outpatient surgery, 53 percent of workers have coinsurance, while 20 percent have copayments. For workers with cost sharing for each outpatient surgery episode, the average coinsurance is 19 percent, the average copayment is \$110, and the average separate annual outpatient surgery deductible is \$500.

Adjustments After Renewal

This Kaiser survey also identified the cost-saving adjustments that small (three to 199 employees) and large (200 workers or more) respondents indicated were "very likely" or "somewhat likely" to make after their renewals this year. Here, the findings were:

Increase the amount employees pay for health insurance: small employers, very likely, 20 percent; somewhat likely, 20 percent; large employers, very likely, 43 percent; somewhat likely, 23 percent.

Increase the amount employees pay for deductibles: small, very, 16 percent; somewhat, 19 percent; large, very, 15 percent; somewhat, 25 percent.

Increase the amounts employees pay for office-visit copays or coinsurance: small, very, 15 percent, somewhat, 25 percent; large, very, 11 percent; somewhat, 23 percent.

Increase the amounts employees pay for prescription drugs: small, very, 14 percent; somewhat, 23 percent; large, very, 9 percent; somewhat, 24 percent.

Restrict employees' eligibility for coverage: small, very, 4 percent, somewhat, 5 percent; large, very, 1 percent; somewhat, 5 percent.

In Perspective

According to Kaiser, the cost of employer and employee contributions for family health care coverage has risen from \$5,791 in 1999 to \$13,375 this year. In this period, the employee's average contribution, not including out-of-pocket costs, has risen from \$1,543 to \$3,515. Frame of reference:

From January 1999 to August 2009, the consumer price index rose from 164.3 to 215.8, or 31 percent. In this same period, the rise in total contributions for family coverage has been a cumulative 131 percent.

According to Cato Institute, the average gross earnings of manufacturing wage employees are \$30,954 per year while their average take-home pay is \$22,434. Using Kaiser and Cato numbers, the average manufacturing wage worker spends 16 percent of his take-home pay to enroll his family in a medical plan. Out-of-pocket costs add more.

According to Cato, employees with \$60,000 salaries have average take-home pay of \$43,590. In this case, such salaried employees spend 8 percent of their take-home pay to enroll their families in medical plans. Once again, out-of-pocket costs increase the bite.

This Kaiser study shows that the percentage of employers offering health benefits has fallen from 66 percent in 1999 to 60 percent in 2009. Key point: This drop has largely occurred in organizations with fewer than 200 employees that cannot afford the huge employer contributions required to support coverage. In contrast, 98 percent of organizations with more than 200 employees still offer health benefits.

CR readers may obtain complete copies of this excellent report at www.kff.org.

Table 1. Average Monthly and Annual Premiums for Covered Workers, by Plan Type and Firm Size, 2009

	Monthly	Annual		
	Single Coverage	Family Coverage	Single Coverage	Family Coverage
HMO plans				
All small firms (3 to 199 workers)	\$378	\$1,021*	\$4,542	\$12,256*
All large firms (200 workers or more)	417	1,158*	5,003	13,893*
All firm sizes	406	1,123	4,878	13,470
PPO plans				
All small firms (3 to 199 workers)	412	1,116	4,948	13,392
All large firms (200 workers or more)	409	1,154	4,913	13,844
All firm sizes	410	1,143	4,922	13,719
POS plans				
All small firms (3 to 199 workers)	402	1,071	4,824	12,847
All large firms (200 workers or more)	404	1,120	4,853	13,439
All firm sizes	403	1,090	4,835	13,075
HDHP/SO				
All small firms (3 to 199 workers)	323	855*	3,877	10,259*
All large firms (200 workers or more)	341	990*	4,094	11,885*
All firm sizes	332	924	3,986	11,083

All plans				
All small firms (3 to 199 workers)	393	1,058*	4,717	12,696*
All large firms (200 workers or more)	406	1,142*	4,876	13,704*
All firm sizes	402	1,115	4,824	13,375

* Estimates are statistically different within plan type between all small firms and all large firms ($p < 0.05$).
(Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2009)

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