

Study: Health-care rates to rise 6% in 2010

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Health-care rates are projected to increase about 6 percent for employers in 2010, according to an analysis by **Hewitt Associates**, a global human resources consulting and outsourcing company. **In 2009, average health-care premiums also increased 6 percent, consistent with 2008.**

According to Hewitt (NYSE: HEW), the average total health-care premium per employee for large companies will increase from \$8,607 in 2009 to \$9,120 in 2010. **The amount employees will be asked to contribute toward this cost is \$2,085, or 23 percent of the total health care premium.** This is **up 10 percent** from 2009, when employees contributed \$1,890, or 22 percent of the total health care premium. **Average employee out-of-pocket costs**, such as co-payments, co-insurance and deductibles, are expected to increase to \$1,938 in 2010, **also up 10 percent** from \$1,766 in 2009.

These projections mean that **in nine years, total health-care premiums will have more than doubled from \$4,159 in 2001 to \$9,120 in 2010. Employees' share of those costs—including employee contributions and out-of-pocket costs—will have more than tripled** from \$1,262 in 2001 to \$4,023 in 2010. For a worker making \$15 per hour, this \$4,023 price tag is equivalent to seven weeks of work per year, with all of his or her income going directly toward health care-related costs (insurance and out-of-pocket expenses).

In 2009, a few major U.S. markets experienced rate increases significantly higher than the national average, including Orange County (9.6 percent), San Diego (9.5 percent), Los Angeles (8.7 percent), South Florida (8.2 percent) and Austin, Texas (8 percent). Conversely, Columbus, Ohio (0.8 percent), Cincinnati (2.1 percent), Nashville, Tenn. (3.3 percent) and Phoenix (3.8 percent) experienced lower-than-average rate increases in 2009.

In 2009, Hewitt saw average cost increases of 7.4 percent for health maintenance organizations (HMOs), 5.4 percent for point-of-service (POS) plans, 5.2 percent for preferred provider organizations (PPOs) and 2.7 percent for traditional indemnity plans. For 2010, Hewitt forecasts that companies will receive average cost increases of 5.0 percent for PPOs, POS plans, and traditional indemnity plans. Companies will see an average cost increase of 8 percent for HMOs. That means from 2009 to 2010, the average cost per person for major companies will increase from \$8,264 to \$8,677 for PPOs; \$8,869 to \$9,579 for HMOs; \$9,320 to \$9,786 for POS plans; and \$8,762 to \$9,200 for traditional indemnity plans.

According to a recent Hewitt survey, **nearly two-thirds (65 percent) of employers are asking workers to bear a greater burden of health-care costs.** For 2010, employers are striking a balance between increased payroll contributions and out-of-pocket costs. Many companies are shifting from fixed dollar co-payments to co-insurance models, where employees pay a percentage of the out-of-pocket costs for each health care service.

According to Hewitt's data, dependents make up about 50 percent of an employer's overall health care costs. In recent years, employers have increasingly focused on the covered dependents in their plans. More than 40 percent of Hewitt's clients have conducted audits in the past five years to assess the eligibility of covered dependents.