

Employer-sponsored health insurance premiums projected to double by 2020

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Nationally, family premiums for employer-sponsored health insurance increased 119 percent between 1999 and 2008, and could increase another 94 percent to an average \$23,842 per family by 2020 if cost growth continues on its current course, according to a new Commonwealth Fund report.

The report, *Paying the Price: How [Health Insurance](#) Premiums Are Eating Up Middle Class Incomes, State Health Insurance Premium Trends And The Potential Of National Reforms*, finds that national reforms that slow health care cost increases by 1 to 1.5 percent per year would yield substantial savings for families and businesses across the country. By 2020, slowing the annual rate of growth by 1 percent would yield more than \$2,500 in reduced premiums for family coverage, and slowing growth by 1.5 percent would yield more than \$3,700 in premium savings compared to projected trends.

"With health spending projected to double if we stay on our current path, middle and lower [income](#) families are at high risk of losing their coverage or facing long-term stagnant incomes," said report lead-author and Commonwealth Fund Senior Vice President Cathy Schoen.

"Employers and employees share premium costs but we know that take home pay and retirement savings are being sacrificed to maintain health benefits. Reforms that slow the growth of [health care costs](#) could go a long way toward health and financial stability for working families."

According to the report's state-by-state analysis, the five-year increase

(2003 to 2008) in employer-based premiums for family coverage averaged 33 percent, ranging from a high of 45 percent in Indiana and North Carolina to an average low of 25 percent in Michigan, Texas, and Ohio. Most states saw increases of 30 percent to 40 percent. By 2008, average family premium costs were highest in Indiana, Massachusetts, Minnesota, and New Hampshire—topping out at more than \$13,500. Idaho, Iowa, and Hawaii had the lowest average family premiums, around \$11,000.

"These rapid premium increases aren't sustainable for families or employers," said Commonwealth Fund President Karen Davis. "If we craft patient-centered reform that focuses on improving quality and efficiency and bending the cost curve, the insured in every state stand to benefit. We could assure coverage and, over time, make more money available for wages, retirement, and other family needs."

The report found that insurance premiums have been rising much faster than income across states. As a result, by 2008 total premiums- including employee and employer shares - equaled or exceeded 18 percent of the average household income for the working age population in 18 states, compared to just three states in 2003. In three states—Mississippi, Tennessee and West Virginia—family premiums averaged 20 percent or more of middle household incomes for the state's under-65 population. The stress on businesses and families is particularly acute in Southern and South-central states, where premiums are often high, yet incomes are lower than national averages. In addition, employees are often paying more for less, because as costs rise employers have increased patient cost-sharing while limiting benefits.

The authors note that a health industry coalition recently has pledged to slow the rate of cost growth by 1.5 percent annually. Further, estimates indicate that payment and system reforms, including the choice of a public insurance plan to compete with private plans, could reduce

projected spending by \$2 trillion to \$3 trillion between 2010 and 2020--a reduction of 1 to 1.5 percent in annual growth rates.

The authors conclude that if current trends continue, middle and lower income families could end up priced out of the health insurance market. In contrast, national reforms present an opportunity to put families on a path to rising incomes and health security.

Methodology

Data for single and family premiums for 2003 and 2008 by state are from the Medical Expenditure Panel Survey-Insurance Component, which is representative by state. State median incomes are from the Census, Current Population Survey. The analysis estimated average premiums from 2008 to 2020 for each state, applying the same growth rate to all states. The estimates for 2010 used the average growth rate in single and family premiums over the 2006-2007 period from the Kaiser/HRET Survey of Employer-Sponsored Health Benefits. Estimates for potential premiums from 2011 through 2020 used the projected average annual growth rate in health spending per capita in the Centers for Medicare & Medicaid Services. The analysis applies the same inflation rate and the same alternative slower rates to all states for each year through 2020, to illustrate potential reductions in premiums compared to projected trends.

Source: Commonwealth Fund ([news](#) : [web](#))

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