

Report: Employers to see 2011 medical costs jump

June 14 2010, By TOM MURPHY , AP Business Writer

(AP) -- Companies that offer employee health insurance expect another steep jump in medical costs next year, and more will ask workers to share a bigger chunk of the expense, according to a new PricewaterhouseCoopers report.

For the first time, most of the American workforce is expected to have [health insurance](#) deductibles of \$400 or more, the consulting firm said in a report released to The Associated Press.

Deductibles are the annual amount a patient pays out of pocket for care before [insurance coverage](#) starts. They are generally separate from co-payments and coinsurance.

Two years ago, only 25 percent of companies participating in the annual survey said they asked employees to pay deductibles of \$400 or more. That grew to 43 percent in 2010 and is expected to pass 50 percent next year.

Employees who are asked to pay more through things like higher deductibles help keep cost growth in check because they use less health care.

The [health care reform](#) law passed by Congress and then signed by President Obama in March has just started to unfold and will have little impact on costs next year, said Michael Thompson, a principal with PricewaterhouseCoopers.

"In general, it's a continuation of a fairly high rate of medical inflation," he said.

PricewaterhouseCoopers found that [medical costs](#) are expected to rise 9 percent next year. But this doesn't mean workers will see their monthly premiums jump by the same amount.

Employers typically try to soften the impact of a cost increase by absorbing some of it, changing insurance plan designs or asking employees to pay higher deductibles or a larger coinsurance percentage.

For instance, a medical cost increase of more than 9 percent was forecast for 2009. But the average annual premium rose only 5 percent for family coverage that year and stayed flat for single coverage, according to a separate study from the Kaiser Family Foundation.

The 9 percent medical cost increase projected in 2011 is actually slightly smaller than the 9.5 percent jump PricewaterhouseCoopers is seeing this year. Thompson said several top-selling drugs will lose patent protection next year and become exposed to lower-cost generic competition. That will help temper the increase.

The PricewaterhouseCoopers report also found a steep drop in the percentage of employers that subsidize retiree health coverage. It said only 22 percent of employers with more than 5,000 workers subsidized retiree coverage after age 65 this year. That's down from 37 percent in 2009.

"It's a major cost and one that employers have for years now been moving away from," Thompson said.

PricewaterhouseCoopers compiled its report by analyzing e-mail survey results from 674 companies in 30 different industries across the country.

Most of the companies participating had 1,000 employees or more. The firm also interviewed health plan executives and reviewed analyst reports.

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Citation: Report: Employers to see 2011 medical costs jump (2010, June 14) retrieved 8 April 2024 from <https://medicalxpress.com/news/2010-06-employers-medical.html>

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