'Calm before the storm': Health insurance costs set to spike after they stayed mostly flat in 2022, survey finds

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The cost of family health insurance plans increased just 1% this year even as inflation reached a four-decade high, with higher prices for gas, groceries, rent and other living expenses.

The average cost for an employer-provided family health plan is $22,463 this year, up $242 from a year ago, according to Kaiser Family Foundation's employer health benefits survey released this week. Employers cover most of the health insurance tab for nearly 159 million Americans who get coverage through the workplace; workers this year will pay $6,106 for a family plan, typically through paycheck deductions.

Officials warn significant price hikes might surface in 2023 as inflation reaches the health sector and hospitals, doctors and drug companies demand more lucrative payments from health insurers and employers.

Kaiser Family Foundation President and CEO Drew Altman said current prices could be the "calm before the storm, as recent inflation suggests that larger increases are imminent."

Everything else costs more. Why are health insurance prices flat?

This year's health insurance premiums were set a year ago before inflation began to take off, according to Gary Claxton, Kaiser senior vice president and director of the health care marketplace project.

Claxton said the health care industry also is dealing with the effects of the coronavirus pandemic. People delayed doctor and hospital visits in 2020 when COVID-19 emerged, so insurers spent less money on routine care and non-emergency operations. Insurer profits doubled that year.

"Insurers are still making money," Claxton said. "It's not like they were struggling and really needed to raise premiums."

The Kaiser report warned with inflation this year at 8%—the highest rate since the early 1980s—employers and consumers could see higher-than-average health insurance premium hikes next year. Other analysts agree. Benefits consultant Segal projects health insurance costs will jump 7.4% next year as employers and consumers absorb bills from doctors, hospitals and drug companies.

In a tight job market, employers reluctant to make workers pay more

Most large companies are self-funded and directly pay their workers' medical claims, even if a private health insurer administers the plan. And some companies have been reluctant to make their workers pay a larger share for health insurance or pass along costs through higher deductibles.

Kaiser reported the average deductible for an individual is $1,763, up slightly from $1,669 last year. People must pay this amount with their own money before coverage kicks in.

"Going into this year, we were still in a tight job market," Claxton said. "Recruiting employees is expensive (and) upsetting your existing employees is not a good idea."

But as employers absorb higher medical costs and the job market softens, companies might be more willing to raise premiums and deductibles, Claxton said.

Employees at companies with fewer than 200 workers already must pay a larger share of their medical costs. The typical deductible at a small company is more than $2,500, or about $1,000 more than at a large company.

Nearly half of Americans have medical debt

Other polls show Americans are struggling to pay for medical care as daily living expenses increase. About 46% of people said a medical bill has put them in debt, according to a poll released this week by the telehealth company Babylon.

About 1 in 3 people have trouble paying routine or emergency care and private health insurance coverage. Those aged 25 to 34 had the toughest time paying for medical care; more than half of young adults struggled to afford private health insurance, the poll of 5,000 adults conducted in August found.

A Commonwealth Fund survey last month found 42% of Americans with health insurance had trouble paying a medical bill or past medical debt. And 46% of working-age adults skipped or delayed care in the last year due to cost.

The Commonwealth Fund report, however, said those with employer health insurance had more robust coverage compared to those who directly purchased their own health insurance.

Mental health networks fall short

Employers also are focusing more on mental heath needs of their workers following the coronavirus pandemic.

The Kaiser survey said nearly half of large employers reported more workers are using mental health care services. Nearly 1 in 3 report more workers are requesting family leave to address mental health care.

But the survey also showed a longstanding shortage of mental health providers is making it difficult for workers to see a counselor or other specialist. About 30% of large employers say their networks do not have enough behavioral health doctors or counselors to get workers timely care. Those shortages persist even though more than 1 in 4 large companies expanded their network of in-person and remote telehealth mental-health providers.

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