

New report: Employer health insurance premiums increased 41 percent from 2003 to 2009

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Premiums for employer-sponsored family health insurance increased an average of 41 percent across states from 2003 to 2009, more than three times faster than median incomes, according to a new Commonwealth Fund report. Yet, insurance is buying less. The report found that deductibles per person rose 77 percent, on average. Higher premiums plus higher out-of-pocket costs are putting working families' budgets under stress across the country.

The report, *State Trends in Premiums and Deductibles, 2003-2009: How Building on the Affordable Care Act Will Help Stem the Tide of Rising Costs and Eroding Benefits*, presents a state-by-state analysis of private employer health insurance costs for the six years before the Affordable Care Act (ACA) was passed, and projects premiums in 2020 if these historic increases continue. The analysis finds that if premium costs continue to rise at the pace seen from 2003 to 2009, annual premiums would increase by 79 percent, reaching an average of \$23,342 per family by 2020.

"Whether you live in Montana, Texas, or New York, private insurance costs have been increasing faster than working family incomes," said Commonwealth Fund Senior Vice President Cathy Schoen, lead author of the study. "For more than a decade, families with job-based insurance have been sacrificing wages to hold on to health insurance. The good news is that the Affordable Care Act reforms provide a foundation to improve coverage and slow health care cost growth in the future."

The report summarizes ACA provisions-insurance, payment incentives, and delivery system reforms-that have the potential to slow the rate of cost growth if successfully tested and adopted by

private and public payers. According to the report, if reforms slow historic premium increases by one percentage point per year, annual family premiums would be \$2,323 lower by 2020. Slowing premium growth by 1.5 percentage points per year would yield \$3,403 in premium savings.

The analysis of state trends from 2003 to 2009 finds that employer-based premiums for family coverage increased an average 41 percent across states, ranging from a 21 percent increase in Delaware to a 59 percent increase in Louisiana. The report found that by 2009, premiums were highest in Alaska, Connecticut, Massachusetts, Vermont, Wisconsin and Wyoming, with family premiums in those states exceeding \$14,000 a year. Annual family premiums in the lowest cost states-Alabama, Arkansas, Hawaii, Idaho, Kansas, Montana, North Dakota, Ohio, Oklahoma, South Dakota, and Utah- were also high, ranging from \$11,000 to \$12,000 per year by 2009.

At the same time, deductibles rose sharply in almost all states, increasing an average of 77 percent from 2003 to 2009 in large as well as small firms. In addition, more workers are paying deductibles-74 percent faced a deductible in 2009 compared to 52 percent in 2003.

"Health insurance is increasingly unaffordable for families, and benefits are being scaled back as employers and workers struggle to keep up in a difficult economy," said Commonwealth Fund President Karen Davis. "If implemented well, provisions in the Affordable Care Act-including some starting this year, such as tax credits for small businesses to provide coverage, dependent coverage for young adults up to age 26, and elimination of co-payments for preventive care-have the opportunity to reverse these unsustainable increases and ensure that families in

every state have access to affordable, comprehensive health insurance."

Insurance premiums have been rising much faster than average incomes across the country, the report found. By 2009, total premiums-including employee and employer shares-equalled or exceeded 18 percent of the median household income for the working age population in 26 states, up from 3 states in 2003. No states had premiums averaging less than 14 percent of median incomes in 2009, down from 13 states in 2003. Cost pressures on businesses and working families are particularly acute in Southern and South-central states, where premiums are often high yet incomes lower than national averages.

According to the report, ACA provisions that give states the ability to challenge excessive premium increases, assure a basic level of health coverage for everyone, and provide premium assistance for low- and middle-income families will improve the health insurance marketplace.

The authors note that ACA provisions will also provide a platform for reducing costs while ensuring access to affordable insurance that provides adequate financial security:

- Restrictions on insurance administrative costs will improve value, directing more premium dollars to medical care.
- States will have the authority to review and question unreasonable premium increases for all markets. In addition, states will be able to exclude insurers found to display a pattern of unreasonable premium increases from the new health insurance exchanges.
- The new health insurance exchanges, starting in 2014, will assure individuals and small employers that plans include essential benefits and protection against high medical bills.
- Starting in 2014, more affordable [health insurance](#) options will be available to low- and moderate-income families through

exchanges, with federal premium credits to help buy insurance and expansion of Medicaid to low-wage workers and their families.

- Payment and system reforms will provide physicians and health systems with financial incentives and support to provide better care and reduce waste and duplication.

Methodology

Data for premiums and deductibles are from the Medical Expenditure Panel Survey of employers. State median incomes are from the Census, using two-year averages for the under-65 population. The report uses the average annual increase in premiums across states from 2003 to 2009 to project premiums in 2015 and 2020 if past rates of increase continue. The same inflation rate is applied to all states.

Provided by Commonwealth Fund

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