

# Employers See Medical Costs Jump

Tom Murphy, 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.

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 nine 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. The nine percent increase projected in 2011 is actually slightly smaller than the 9.5 percent jump seen 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 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.

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