Employees Share Of Insurance Premiums Up 74 Percent

Average premiums for employer-sponsored family health insurance plans rose 62 percent between 2003 and 2011, according to a new Commonwealth Fund report. The report, which tracks state trends in employer health insurance coverage, finds that health insurance costs rose far faster than incomes in all states. Workers are also paying more out-of-pocket as employee payments for their share of health insurance premiums rose by 74 percent on average and deductibles more than doubled, up 117 percent between 2003 and 2011.

The report, *State Trends in Premiums and Deductibles, 2003-2011: Eroding Protection and Rising Costs Underscore Need for Action*, finds that total health insurance premiums now amount to 20 percent or more of annual median family incomes in 35 states, affecting 80 percent of the U.S. working-age population. States in the South and South-Central U.S. had the highest costs relative to household income—in West Virginia, New Mexico, South Carolina, and Texas, average total health insurance premiums amounted to more than 25 percent of median incomes.

"Wherever you live in the United States, health insurance is expensive, and for many middle as well as low-income families it is becoming ever less affordable," said Commonwealth Fund senior vice president Cathy Schoen, lead author of the report. "Workers are paying more for less financial protection when they get sick. The steady increase in healthcare costs over the past decade underscores the urgent need to build on the groundwork laid by the Affordable Care Act to slow the growth in private insurance costs."

In 2011, average annual premiums for family plans ranged from about $12,400 to $13,500 in the lowest-cost states (Arkansas, Alabama, Iowa, Tennessee, Idaho, Mississippi, Utah, and North Dakota), to more than $15,000 a year in 21 states. Premiums averaged from $16,000 to nearly $17,000 in Delaware, Alaska, Connecticut, Vermont, New York, the District of Columbia, New Hampshire, and Massachusetts, which have the highest average family premiums.

Premiums rose far faster than incomes across the country from 2003 to 2011. While average family premiums jumped 62 percent during that time, median family income rose just about 11 percent. The increase in premiums ranged from 42 percent in the lowest-growth state, Tennessee, to 76 percent in the highest-growth state, New York. Twenty-seven states had increases of 60 percent or more. The report finds that deductibles and employees' premium shares grew, leaving employees with more out-of-pocket expenses and less protective health insurance benefits. The average annual amount an employee paid toward a family health insurance plan rose from $2,283 in 2003 to $3,962 in 2011—a 74 percent increase. Looking state-by-state, employee contributions ranged from about $3,300 in

Indiana, Hawaii, West Virginia, Ohio and Wisconsin, to more than $4,600 in Arizona, South Carolina, New Mexico, Colorado and Mississippi.

Deductibles more than doubled from 2003 to 2011, increasing an average of 117 percent per person during the eight years the report studied. In 2011, 78 percent of workers faced deductibles, up from 52 percent in 2003. In 2011 average deductibles exceeded $1,000 in 35 states, compared to none in 2003. Deductibles have been rising for employees working for large as well as small firms. However, workers in small firms with fewer than 50 employees typically face higher deductibles than those working for larger firms. Deductibles in small firms were highest in North Carolina, Texas, and Vermont exceeding $2,200 per person.

If historical trends continue, family premiums will reach $24,740 by 2020, an increase of 65 percent from 2011. The analysis also shows that slowing the rate even modestly would make a significant difference for families and businesses. For example, reducing the annual growth rate by one percentage point would lead to $2,029 in savings for families by 2020. Slowing annual cost growth by 1.5 percent would yield savings of $2,986 per family.

The report's authors note that the Affordable Care Act lays the groundwork for lowering cost growth and improving and expanding insurance coverage. The law's provisions put pressure on private insurance plans to lower their overhead and focus on the underlying costs of healthcare, setting standards for how much of each premium dollar must go to health care, as opposed to administrative costs, with insurers who don't meet the new standard paying rebates to policyholders. Other reforms provide private insurers with a platform for further cost-reduction efforts. The authors conclude, however, that more will need to be done to confront the forces driving up the cost of care in private insurance markets.

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