Employers Brace For 10 Percent Rise In Health Plan Costs

Tom Murphy, AP Business Writer

INDIANAPOLIS (AP) -- Costs for employer-provided health plans are expected to rise more than 10 percent within the next 12 months, a jump workers may feel in their paychecks or through changes to their insurance coverage.

An aging population, rising costs and growing patient demand for services are among the reasons for the higher costs cited in an Aon Consulting report released Tuesday.

Aon Consulting, a subsidiary of Chicago-based Aon Corp., surveyed about 60 health insurers around the country earlier this year. The study found that, on average, insurers expect to pay out 10.5 percent more in claims costs in the next year -- slightly less than the 10.6 percent increase forecast last year.

The expected increase doesn't necessarily mean the premiums employees pay will grow at the same clip. Actual increases for each insurer or plan can vary by such factors as plan design, geography or the general health of the people covered.

Some employers also might swallow the higher costs because workers this year already have had to contend with salary freezes, reductions and layoffs, said Tom Lerche, Aon Consulting's health care practice leader.

"There's one school of thought that says, 'Our employees have borne enough, let's minimize or not pass any costs along to the employee,'" he said.

However, others may ask workers to pay more through increased deductibles or copayments. They could make changes to the plans they offer, such as eliminating a traditional plan and offering a consumer-directed, high-deductible plan instead.

Lerche said most employers will consider it "an absolute business imperative" to lower any cost increases to mid- to low-single digit percentages.

Companies also could deal with rising health care costs by limiting pay increases, said Joseph Antos, an economist with the Washington, D.C.-based American Enterprise Institute for Public Policy Research. He was not involved with the Aon study.

"Employer contributions are not gifts, they're part of total compensation," he said. "And if you end up having a more expensive health benefit that your employer pays most of, that means that your wages aren't going to up as fast as they would have."

The Aon survey also found that prescription drug costs are expected to rise 9.3

percent, a slight dip from the 9.4 percent trend forecast a year ago.

Lerche said a number of brand-name drugs have lost patent protection, which allows patients to buy less-expensive generics. Employers also have encouraged their workers to use generic drugs and cost-management programs.

The health care overhaul debate currently taking place in Washington, D.C., won't control this growth. The debate's outcome and the potential savings achieved through any overhaul are both big unknowns.

In any case, the impact from any reform push likely won't be felt for a couple years, notes Antos.

"None of it will affect workers next year," he said.

Aon conducts its survey twice a year to give clients a sense of cost increases they may face as they consider benefit plan renewals. Many employers conduct open enrollment in the fall for coverage that starts the next year.

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