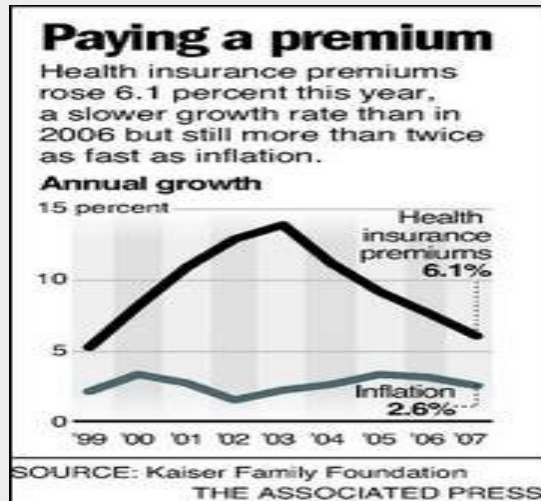


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Health Insurance Outpacing Incomes

By Emily Fredrix, The Associated Press



The increasing cost of health insurance is putting coverage out of reach for many small to midsize companies and their workers, even though the rise in premiums this year was the lowest increase in eight years.

Since 2001, the cost of premiums has gone up 78 percent, far outpacing a 19 percent increase in wages and 17 percent jump in inflation, according to a survey released yesterday by the Kaiser Family Foundation, a health care research group that annually tracks the cost of health insurance.

This year, the cost of premiums paid by workers and their employers was up 6.1 percent, while wages rose an average of 3.7 percent and inflation went up 2.6 percent, the survey said. Kaiser estimates that between 1 million and 2 million people join the ranks of the uninsured every year.

"There's no scientific tipping point that you can point to at which health insurance becomes unaffordable," said Drew Altman, the foundation's president and CEO. "But it does seem like we've crossed a threshold where health insurance is increasingly unaffordable for medium-sized employers, particularly smaller employers and average people this year."

Insurance costs probably will rise again next year, according to the survey. Many of the more than 3,000 companies surveyed said they planned to make significant changes to their health plans and benefits, and nearly half said they were very or somewhat likely to raise premiums.

This year, premiums averaged \$12,106 for a family of four, with workers paying, on average, \$3,281 of that. Premiums to cover a single person cost \$4,479, with employees paying \$694.

Families typically pay 28 percent of their premiums, while single people pay 16 percent, the survey said, and those proportions have been stable. But the amount workers have been paying has nearly doubled since 2001. This year, monthly contributions averaged \$273 for families and \$58 for single workers.

The companies surveyed reported that premiums for families increased 6.1 percent, on average. That's the lowest growth rate since 1999, when premiums rose 5.3 percent and cost an average of \$2,196 for individuals and \$5,791 for families. Health care premiums rose 7.7 percent last year, when individuals paid an average of \$4,242 and families paid \$11,480.

This year also marks the fourth year that the increase has slowed. But Altman said it doesn't mean much when it outpaces wages and inflation, and now companies and employees are dropping insurance. He said that's why the number of uninsured Americans continues to rise. The Census Bureau estimates 15.8 percent of Americans were uninsured last year, up from 15.3 percent the year before.

As costs rise for workers and companies, revenues for health care insurers continue to soar. But health insurance companies are still paying out roughly the same as they have for years, said Charles Boorady, an equity research analyst with Citigroup. So when insurers charge more for premiums, they're trying to cover what they pay out in claims, he said, and that means profits are fairly level.

"The price increase doesn't look aimed at expanding margins, it looks aimed at preserving margins," Boorady said.

WellPoint, the nation's largest health insurer, reported profits were up 11 percent in the most recent quarter, to \$835.2 million and revenue rose nearly 8 percent to \$15.3 billion.

Bob McIntyre, senior vice president of health care management for the Indianapolis-based company, said it's trying to keep costs down by helping consumers understand their own spending and even negotiating longer term contracts with hospitals to keep costs in line.

UnitedHealth spokesman Greg Thompson said premiums are rising because of the increasing cost for hospital stays, and people's desire for costly, new state-of-the-art treatments.

UnitedHealth, the nation's second-largest insurer, said earnings rose 22 percent to \$1.2 billion, during the most recent quarter. The Minnetonka, Minn.-based company saw revenue increase 5.9 percent to \$18.93 billion.

Some 158 million people have health insurance through their employers. Sixty percent of companies offer health insurance to their employees, about the same as last year but down from 69 percent in 2000, the survey said.

Nearly all companies with 50 or more employees offer coverage, with firms with more than 200 employees particularly stable over the years, Kaiser said. But only 45 percent of firms with three to nine employees offer health care, down from 57 percent in 2000.

Many companies don't plan to cancel plans even as costs rise, the Kaiser survey said. Only 3 percent of respondents said they planned to drop coverage next year. Five percent said they planned to limit eligibility, though the survey did not ask them how they would do that.

But more companies are looking at changing benefits, whether by adding lower-cost insurance options or shifting more costs to employees.

Preliminary results of the Mercer Health & Benefits survey of 1,557 employer plans shows more than half of the respondents planned to shift costs to employees through higher premiums, deductibles, copays or out-of-pocket maximums.



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