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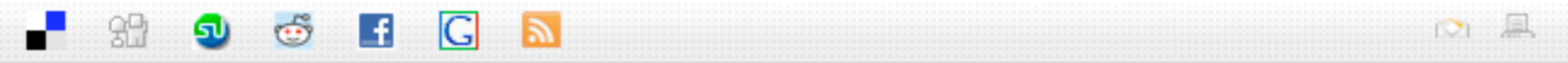
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Employer-sponsored health insurance costs up 41 percent since 2003

December 02, 2010 | Chris Anderson, Contributing Editor

NEW YORK – The Commonwealth Fund reports that employer-sponsored family health insurance plans increased by 41 percent from 2003 to 2009 – more than three times the rate of increase for personal income in that same time frame.

In its new 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," the Commonwealth Fund presents a state-by-state analysis of private employer health insurance costs for the six years before the Affordable Care Act was passed, and projects premiums in 2020 if these increases continue.

"Whether you live in Montana, Texas or New York, private insurance costs have been increasing faster than working family incomes," said Cathy Schoen, lead author of the study and senior vice president of the Commonwealth Fund. "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 healthcare cost growth in the future."

According to the report:

- The increases ranged widely from state to state – from 21 percent in Delaware to more than 59 percent in Louisiana.
- By 2009, the average employer-sponsored family premium across all states was \$13,027.
- The six highest cost states (Alaska, Connecticut, Massachusetts, Vermont, Wisconsin and Wyoming) had average premiums ranging from \$14,000 to \$14,700.
- Premiums ranged from \$11,000 to \$12,000 in the 11 states with the lowest average private-employer family premium costs.
- Average family premiums in the highest premium-cost states were about 23 percent above those of the lowest-cost states.

While the study found that most employers still pay the bulk of the insurance premium costs – 70 percent for family coverage and 81 percent for individual coverage – the increases have used employer resources that might have been deployed in other ways, such as in pay or contributions to employee retirement plans.

And while employers may not have passed on the bulk of premium increases, the plans they have chosen have also seen a steady rise in the amount of cost shifting occurring, with increases in deductibles alone increasing 77 percent on average. There was also an increase in the number of people facing deductible payments – up to 74 percent in 2009, versus 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."

The report summarizes PPACA provisions – insurance, payment incentives and delivery system reforms – that have the potential to slow the rate of cost growth. 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.

Without these slower rates of growth anticipated as a result of health reform, the Commonwealth Fund projected that a family health insurance premium, given the growth rates detailed in the report, would total \$23,342 per family by 2020.

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