

Group medical premiums continue double-digit rise

InsuranceTimes™ Copyright © by M&S Communications, Inc. June 10, 2003, Vol. XXIII, No. 12

One-half of all small, medium and large businesses have experienced premium increases of up to 20 percent for their group medical insurance coverage in the last six months, and employers are routinely shifting costs to their employees to try to offset the higher health-care expenses, according to a new market survey by The Council of Insurance Agents & Brokers.

The survey of CIAB members with a specialty in commercial benefits insurance was released here today at the opening of the second annual CIAB Employee Benefits Leadership Forum at The Greenbrier. The Council represents the top-tier of insurance brokers who annually write more than 80 percent of the commercial property/casualty premiums and administer billions of dollars of benefits plans in the United States.

The findings showed that an additional 36 percent of the small accounts and 22 percent of medium-sized accounts experienced rate increases between 20 and 30 percent since November 2002. The premium increases for large accounts were slightly less, with only 7 percent experiencing increases in the 20-30 percent range.

Group life insurance rates, however, are holding steady or experiencing only modest increases. The survey showed 45 percent of small accounts, 44 percent of medium accounts and 38 percent of large accounts experienced no change in their group life rates in the last six months, while 31 percent of small accounts, 28 percent of medium accounts and 18 percent of large accounts saw their premiums increase less than 10 percent.

Eleven percent of medium accounts (with 51 to 500 employees) and 14 percent of large accounts (more than 500 employees) had group life rates drop by as much as 10 percent.

"There was considerable speculation that group life insurance costs would increase dramatically after the 9/11 terrorist attacks, but according to our members, that has not occurred," said Ken A. Crerar, president of The Council. "However, the dramatic increase in medical costs is translating to big hikes in health care premiums for employers in all sections of the country, regardless of the size of their businesses."

Cost Shifting

As employers struggle to contain the cost of their group medical coverage, the survey showed that the insurance plans being offered to employees are changing to either shift more costs to employees or to limit coverage. The most frequent choices to keep premium increases in check:

- * Higher deductibles
- * Increased co-pays
- * Higher co-insurance limits
- * Tiered coverage plans for both medical and prescription drug costs

"More out-of-pocket expense shifted to the employee in 90 percent of our renewals since November 2002," said one broker from the Pacific Northwest.

"During renewals, I have to present decrease in coverage for an increase in premium," a broker from the Northeast said.

In some cases, the co-pay for in-network services is being increased, as is the maximum out-of-pocket expense an employee must incur before he or she becomes eligible for benefits. In other cases, companies are experimenting with new plan designs to try to control costs.

Among the new trends emerging in benefits coverage, according to the survey:

- * An end to the traditional \$5 co-pay for HMOs, with co-insurance being applied to in-network benefits similar to the cost-sharing formula previously used for out-of-network care
- * Higher hospital co-insurance deductibles and co-pays

Three-fourths of the brokers reported that more than half their customers were turning to higher deductibles to curb costs, while six in 10 said the most common approach was increased employee contributions and higher prescription co-pays. About 40 percent of the respondents said higher up-front hospital and outpatient co-pays were a frequently employed option.

Limiting out-of-network choices for care and implementing consumer-driven or defined contribution health plans are ideas yet to gain a major foothold as a cost-control measure, the survey said. And so far, employers who are offering medical coverage are more likely to make adjustments in the scope of the plan to keep costs down rather than drop the benefit altogether.

The benefits brokers also were asked what sort of optional benefits products employers were offering to their employees. The survey showed that when optional benefits are made available, employees are most likely to purchase life insurance or disability insurance. Long-term care insurance is purchased by fewer than 10 percent of employees who are given that option.

Web site: www.ciab.com □