

Employers exercising options in face of health premium hikes

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Premiums for group medical insurance continued their upward march during the last six months, with half of all small businesses and two-thirds of medium and large businesses experiencing price increases of 10 to 20 percent, according to the latest survey on benefit trends by The Council of Insurance Agents & Brokers.

The Fall 2003 Employee Benefits Market Survey shows that 30 percent of small and 11 percent of medium-sized accounts reported even greater premium hikes, in the 20-30 percent range, for group health coverage since the spring. But for large accounts, representing firms with 501 or more employees, the rate hikes were rarely more than 20 percent.

Brokers responding to the survey said 50 percent of their small accounts, businesses with 50 or fewer employees, experienced premium increases of 10-20 percent; 67 percent of medium-sized accounts, businesses with 51 to 500 employees, were in that range.

Nearly half the respondents do not write business for large accounts, but for those who do, 64 percent reported increases in the 10-20 percent range, and an additional 22 percent reported premium increases of 1-10 percent.

As was the case with previous surveys, employers facing rising costs were more likely to change their plan design rather than eliminate group medical coverage all together. Discontinuing coverage or implementing a consumer-driven, defined contribution health plan were the two least popular cost-control options reported by the insurance brokers who handle benefit business. Limiting out-of-network options and requiring up-front hospital and outpatient co-pays also were used rarely for cost-control.

In contrast, the most frequently used options involved higher deductibles or co-pays for medical care, increased employee contributions toward their health-care coverage and implementing or increasing the prescription drug co-pay. Roughly one-third of the respondents said higher deductibles and co-pays and increased employee contributions were being used by more than 70 percent of their clients to control costs, while nearly 40 percent of the respondents said adjusting the prescription drug co-pay was the choice of the vast majority of their customers.

In response to open-ended questions about benefit plan design, however, the brokers made it clear employers are struggling to find ways to keep their health insurance plans in place. Other things employers are considering to control costs are eliminating dental or vision coverage or offering that insurance only to employees who pay for it on their own.

"Most employers are reducing benefits but not eliminating benefits. Dental is the first to go on a few," said one broker from the Midwest.

"Some employers are eliminating lines of coverage like dental, long-term disability, etc., or no longer subsidizing them and converting to 100 percent employee-paid plans," agreed a broker from the Northeast.

The benefits survey also showed that about half of the brokers thought the new HIPAA privacy regulations that went into effect in April for large health plans had only a "moderate" financial impact on both their firms and their clients. One-third of the brokers described the impact as "insignificant" for both their firms and their clients. Only rarely (for 9 percent of brokers and 13 percent of clients) were the financial costs called "significant."

That same pattern emerged when the brokers were asked about the effectiveness of the regulations for protecting privacy, the difficulty experienced in meeting client needs, and their predictions of compliance problems in the future.

During the past six months, the market for group life insurance continued to be highly competitive, with the bulk of accounts experiencing no change or a reduction in their group life premiums. For 27 percent of the small accounts and 29 percent of the medium accounts, the premiums increased from 1-10 percent, but there were virtually no increases any larger than that, the survey showed.

Asked what other type of voluntary benefits that employers were choosing to offer their employees, the brokers said a number of companies were implementing flexible spending accounts or health savings accounts. Other voluntary benefits frequently listed included legal plans and cancer or critical illness insurance. And some brokers said employers were even offering their workers a chance to purchase pet insurance at group rates. □