

2005 Insurance Market Review

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Access to affordable health care and health insurance continues to be one of the greatest challenges facing our country. Although some facets of this problem improved in 2005, some worsened. To provide a general overview of the health care and insurance markets, I would like to present some facts I gleaned from a recently released survey by *The Henry J. Kaiser Family Foundation*. The survey was a national survey of 3,000 randomly selected public and private firms with three or more employees and although it contains far more information than I can address in this article, I will do my best to articulate the most important and interesting facts. If you would like to review the entire Kaiser Family Foundation survey, you can obtain a copy at www.kff.org.

- According to 2004 United States Census Bureau surveys, the total number of Americans who are uninsured is approximately 46 million. This is more than 15% of the entire U.S. population. Put another way, the total number of Americans without health insurance is more than twice the combined population of the states of Arizona, Hawaii, Idaho, Montana, Nevada, New Mexico, Utah and Washington!
- In 2005, the rate of growth of health insurance premiums declined for the second straight year to 9.2%. This is less than the 11.2% premium increase in 2004 and the lowest since 2000 when premiums rose 8.2%. Notwithstanding the fact that the rate of growth of premiums has decelerated, premiums are still increasing at three times the rate of the increase in workers' wages.
- Rising health care costs are causing more consumers and employers to drop insurance coverage. Three out of five employers (60%) offered coverage in 2005, down from 69% five years earlier. Most of the companies that dropped coverage were companies with less than 25 employees. Among employers with 200 or more workers, 98% offer health coverage.
- Preferred Provider Organization ("PPO") plans (the type of plans offered by WMI) are the most common type of plans offered by employers. PPO plans allow insureds to see their doctor or hospital of choice, but PPO plans pay a higher benefit when the insured visits a preferred provider who offers discounts to the insurer.
- The majority of covered workers (56%) are in a health plan that requires that a deductible be met before most plan benefits are provided. In PPOs, the average deductible for in-network services is \$323 for single coverage and \$679 for family coverage. Generally, average deductibles for individuals covered through an employer with fewer than 200 employees are substantially higher than average deductibles in companies with 200 or more employees.
- The average annual premium for a single employee is \$4,024 with employers picking up 85% of the cost and employees picking up approximately \$610 per year.
- The average annual premium for family coverage hit \$10,880 in 2005, with employers paying an average of 75% of that cost and workers paying the rest. Workers paid on average \$2,713 toward family coverage which is \$1,094 more than they paid five

years ago. Since 2000, premiums for family coverage have increased by 73% compared with inflation growth of 14% and wage growth of 15%.

In addition to the *Kaiser Family Foundation* survey, the *Robert Wood Johnson Foundation* is reporting that employers can expect premiums to increase by about 12% in 2006. It is expected that in response to the impending premium increase, employers will pass about a fifth of the increase on to workers, will reduce benefits or will implement a combination of both. A copy of the *Robert Wood Johnson Foundation* report can be obtained at www.RWJF.org.

If you have any questions about the information contained in this article or if you would like to discuss your company's health insurance program, please feel free to contact me. I would also invite you to visit our website at www.westernmutualinsurance.com for interesting articles and helpful information about group health insurance programs and the health care industry.