

## **The Breaking Point – Future Trends in Health Insurance Premiums and Solutions**

By James L. Leigh, CIC, Marketing Director, Western Mutual Insurance Company

The breaking point – we've all reached it at one point in our lives. My dad reached his one day when his doctor informed him that he had emphysema. Although not easy, it was the last day he smoked cigarettes. Dad knew he had to change direction or risk the life-changing consequences.

When it comes to group health insurance costs what will be our collective breaking point? According to the Kaiser Family Foundation ([www.kff.org](http://www.kff.org)), expenditures on health care were nearly 1.9 trillion in 2004, more than two and a half times the amount spent in 1990. On a per capita basis this translates into \$6,280 in 2004, up from \$2,821 in 1990. Each year, as hospital, physician and medical costs have gone up, health insurance premiums have increased proportionately. As health premiums have escalated, the percentage of uninsured Americans have likewise grown. This dual pattern of rising premiums and declining coverage may indicate that some families are opting out of health insurance as costs become prohibitive. Many have reached their breaking point. Some studies suggest this will lead to further coverage declines, and employee productivity may suffer because of it.

How much longer can employers continue to absorb these escalating health insurance costs before it drastically impacts their bottom-line? Many employers have already determined that they cannot sustain their current level of health insurance spending. Since 2001, health insurance premiums have averaged a cumulative trend of 9-10%, although higher increases have not been uncommon. According to research from the Kaiser Family Foundation, prescription drug prices – adjusted to include inflation – have averaged between 10-14% annually. Based upon these coordinated trends, it will only take another 7-10 more years before employers realize their health insurance premiums have doubled from what they are today! What business can afford to double their health insurance costs?

So what are the solutions? Obviously, the status quo is not the answer – no one can afford double-digit increases in their premiums every year. Some are contending that a “universal access” initiative or a nationalized single-payer health-care system like Great Britain or Canada is the answer. However, are we really willing to subject ourselves to long waiting lists and poor treatment that come with such a system? Because users do not pay for health care directly, the only way to successfully control costs is to limit utilization and ration access to medical services, drug therapies, and the latest technologies. According to the Fraser Institute's 2006 edition of “Waiting Your Turn,” the shortest Canadian wait time was for oncology – 4.9 weeks; the longest wait time was for orthopedic surgery – 40.3 weeks. According to the WHO (World Health Organization) report, about 10,000 British people die unnecessarily from cancer each year – because they had to wait for treatment.

Obviously, other options must be considered. The good news is there are alternatives available today. But, it is not without its challenges. It will no doubt involve a change in how we look at health insurance. It will involve educating employees and their families on the proper use of their health plan. For example, instead of employees continuing to just make standard co-pays for doctor and hospital visits that only serve to insulate them from actual health care costs, employees must take more responsibility for their health care and for their health care dollars spent on their behalf. It will also mean taking the time now to research and establish company programs that will help manage costs and yet meet the health care needs of those covered under the plan.

Many insurance companies now offer High Deductible Health Plans (HDHPs) that can be used in conjunction with Health Savings Accounts (HSAs) that can help employers manage costs. Health Savings Accounts allow employees to pay for current health expenses and save for future qualified medical expenses on a tax-free basis. More and more employers are exploring these options, especially as health insurance costs continue to rise each year, and before they finally reach their breaking point. Obviously, the advantages could well be worth the effort.

WMI is dedicated to providing WPMA members with quality information, service and value. For more information contact me at [jamesleigh@westernmutualinsurance.com](mailto:jamesleigh@westernmutualinsurance.com) or at (801) 263-8000 ext. 109 or visit our website: [\*\*www.westernmutualinsurance.com\*\*](http://www.westernmutualinsurance.com)