Companies continue chipping away at health insurance benefits

 Jayne O'Donnell, USA TODAY *7:19 p.m. EST November 11, 2015*

(Photo: Zoonar RF, Getty Images)

Companies' health care costs in 2015 rose at the lowest rate in at least 20 years, a report out Thursday shows, but workers' share of costs continue to skyrocket.

The average health care rate increase for mid-sized and large companies was 3.2% this year, the lowest since the consulting firm Aon started tracking it in 1996. Despite this, the average amount workers have to contribute toward their health care is up more than 134% over the past decade and that trend will accelerate.

"Our clients say, 'I can't keep paying more and more of these ever-rising health costs,' " says Craig Dolezal, a senior vice president of Aon's health practice.

Craig Dolezal, senior vice president in Aon Hewitt's health practice. *(Photo: Handout)*

Employees on average contributed $2,490 toward premiums and another $2,208 in out-of-pocket costs, such as copayments, coinsurance and deductibles in 2015, the report shows. The amount of employees' premium and out-of-pocket costs combined was just $2,001 in 2005.

Increases in deductibles and other out-of-pocket costs stem in large part from the looming "Cadillac tax" that takes effect in 2018, experts at Aon and consulting firm Towers Watson say.

This tax — which some members of Congress want to kill — penalizes companies for having especially generous cost sharing beginning in January 2018. High deductible plans are the easiest way to avoid the tax.

"No question change is afoot and the excise tax is a catalyst for change," says Randall Abbott, a senior strategist in consulting firm Towers Watson's health and group benefits practice.

Although some critics say companies are going farther and moving faster than they need to in cutting health benefits ahead of the tax, Dolezal says companies couldn't realistically wait and make drastic changes in cost sharing just for 2018. Employers are instead raising cost sharing and helping workers learn how to shop for health care.

"It's a good time with cost pressure low to not be complacent," says Mike Morrow, also a senior vice president of Aon's health practice. "We need to do what we can to drive the right behavior so employees are making good decisions when costs increase as they inevitably will."

Mike Morrow, senior vice president of Aon Hewitt's health practice. *(Photo: Aon Hewitt, Halcyon Media)*

No matter what happens to this tax, workers can expect to face more surcharges on spouses who can get insurance through their own employers and limits on specialty drug coverage. The surcharges average $100 a month, Abbott says.

Towers Watson did its own analysis of businesses' health costs last month and found about 53% of employers already restrict coverage of specialty drugs and 32% more are expected to do so by 2018.

Such moves are already a big concern of groups representing chronically ill patients when it comes to plans on the federal and state insurance exchanges. Nearly 200 groups, including the AIDS Institute, the American Lung Association and the Arthritis Foundation, submitted comments this week on a Department of Health and Human Services rule that they said doesn't go far enough in preventing discrimination in drug coverage.

Large groups of people are still subject to plan provisions that limit access to treatment and drugs in ways including high coinsurance charges and costly specialty drugs tiers. Such plans, the groups said, "are burdensome to patients and have the potential to disproportionately harm patients who rely on prescription medications and other health services."

Facing what Morrow says is the largest increase in drug costs that they've seen, employers are looking at a variety of ways to share health costs with employees that are allowed under the Affordable Care Act.

"Cost sharing will be as compassionate as it can be and nondiscriminatory as it has to be," says Dolezal.

Other changes Aon says are in store for more employer plans:

• More than 40% of companies may move to plans that charge employees based on the number of family members on a plan rather than a flat premium. Such plans are very rare now, says Morrow.

• While 16% of companies now offer a high-deductible plan as their only option today, another 41% are considering doing so in the next three to five years. High-deductible plans require consumers to pay at least $1,300 out of pocket before coverage of non-preventive care kicks in.

Despite fears to the contrary, companies are "not going to do something that puts them at a competitive disadvantage," says Dolezal. "No employer wants to do something that puts even a small slice of their population at risk."

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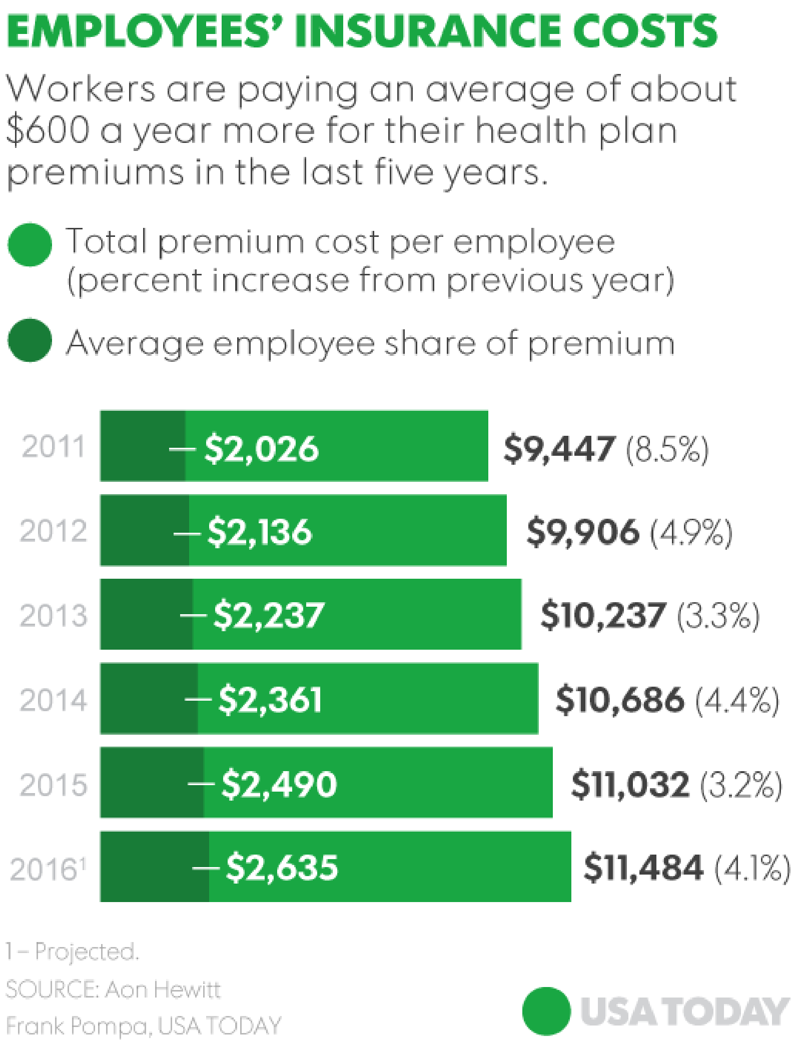

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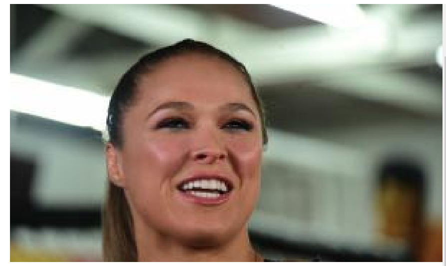

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