



As Premium Growth Slows, Health Plan Deductibles Rise

Employers help offset cost-shifting with HSA contributions

By Stephen Miller, CEBS

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Annual family premiums for employer-sponsored health insurance rose an average of 3 percent to \$18,142 this year, a modest increase at a time when workers' wages (2.5 percent) and inflation (1.1 percent) also grew modestly.

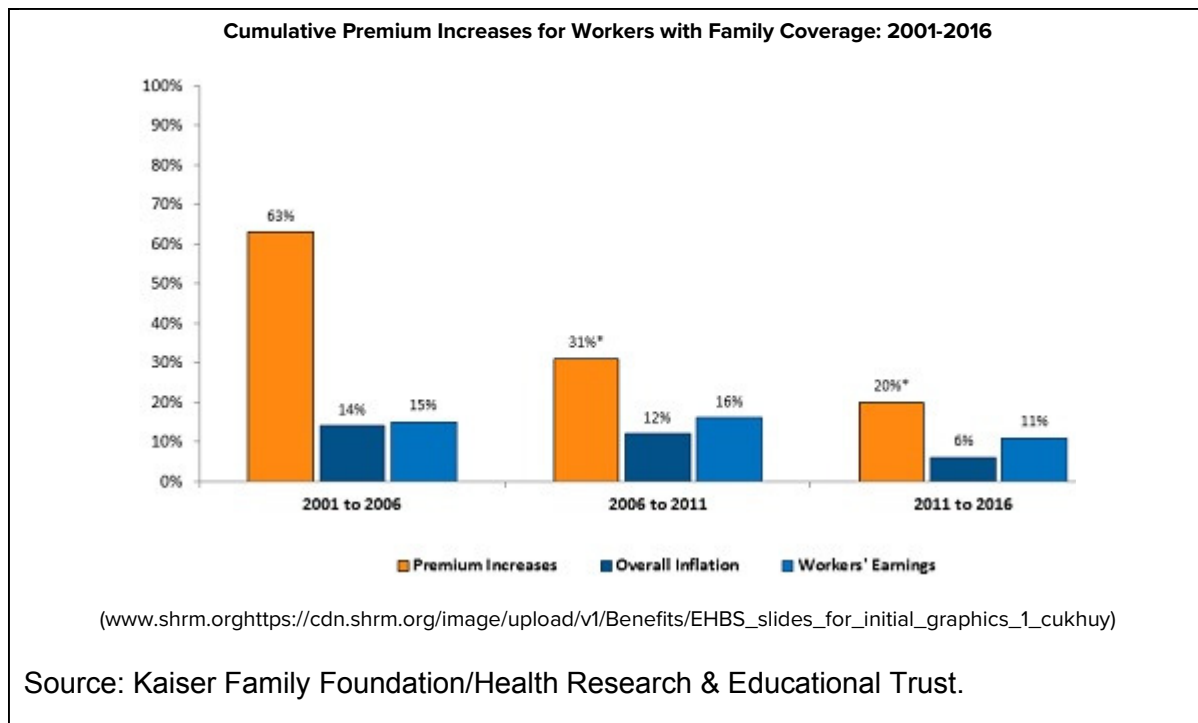
Workers on average contribute \$5,277 annually toward their family premiums, according to the benchmark 2016 Employer Health Benefits Survey (www.shrm.orghttp://www.kff.org/ehbs), released in September by two nonprofit health research organizations: the Kaiser Family Foundation (KFF) and the Health Research & Educational Trust (HRET). The survey is based on responses from more than 1,900 small and large employers contacted through June 2016.

This year's low family premium increase is similar to last year's (4 percent) and reflects a significant slowdown over the past 15 years. "We're seeing premiums rising at historically slow rates, which helps workers and employers alike, but it's made possible in part by the more rapid rise in the deductibles workers must pay," said KFF President and CEO Drew Altman.

The recent trend in part reflects covered workers moving into high-deductible consumer-directed health plans (CDHPs) compatible with health savings accounts (HSAs) or tied to health reimbursement arrangements (HRAs)—here's how HSAs and HRAs differ (www.shrm.org/resourcesandtools/hr-topics/benefits/pages/hrasandhsasanoverview.aspx). These plans have lower average premiums than other plan types.

In 2016, 29 percent of all workers were in CDHPs, up from 20 percent in 2014, while a shrinking share of workers (48 percent in 2016, down from 58 percent in 2014) are enrolled in preferred provider organization (PPO) plans, which have higher-than-average premiums.

These shifts effectively reduced the average premium increase by half a percentage point in each of the past two years, the analysis shows. Premiums for single coverage now average \$6,435 annually, of which workers contribute \$1,129 on average.



Rising Deductibles

In other findings from the survey:

- Half (51 percent) of all covered workers face deductibles of at least \$1,000 annually for single coverage.
- The average deductible for workers who have one is higher for workers in small firms (three to 199 employers) than in large firms—\$2,069 vs. \$1,238.

In some cases, employers make contributions to HSAs or HRAs to help workers pay part or all of their deductible expenses, thereby reducing their effective deductible. Counting employer contributions this way would reduce the share of covered workers with deductibles of at least \$1,000 to 38 percent.

Spouse and Dependent Coverage

While most employers who provide health benefits offer coverage to workers' spouses, some employers limit spouses from enrolling in coverage, the survey revealed. For example, among employers that offer spousal coverage:

- 13 percent of small firms and 5 percent of large ones do not allow a worker's spouse to enroll in coverage if the spouse is offered coverage from another source.

- 12 percent of firms require spouses with other coverage options to pay higher premiums or cost-sharing than spouses without other options.
- 10 percent of all offering firms give additional compensation to workers who enroll in their spouse's health plan instead of the company's plan.

Among firms offering family coverage, 45 percent of small businesses and 18 percent of larger ones contribute the same dollar amount toward premiums for workers whether they enroll their dependents or not. This in effect requires workers to pay the full costs of enrolling their dependents.

"Particularly for workers at small firms, these limitations and incentives can create challenges for low-income workers to afford health coverage for their families," said study lead author Gary Claxton, a KFF vice president and director of the health care marketplace project.

Premium Forecasts Vary

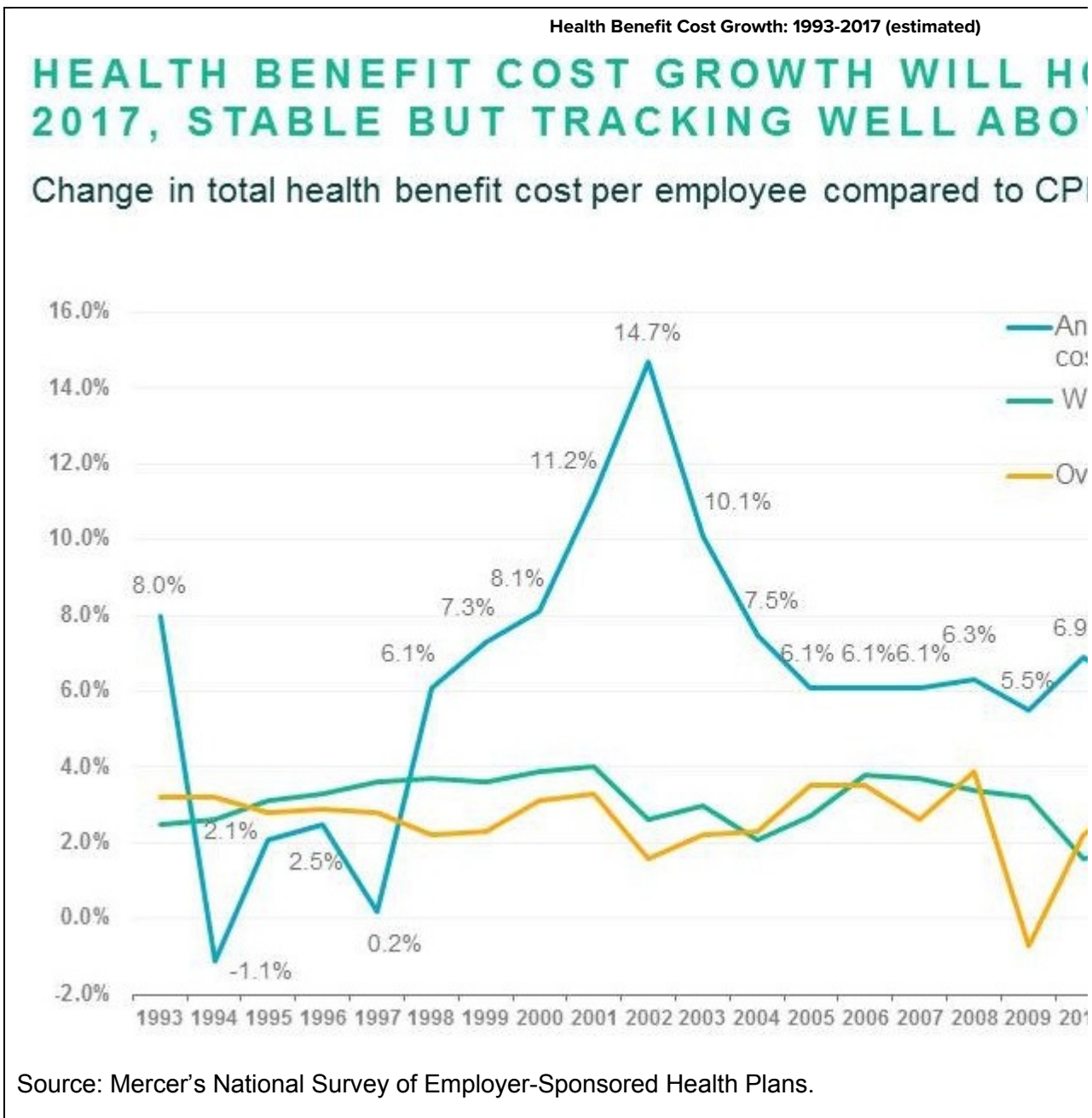
A separate study released in September by HR consultancy Mercer shows that, as premium cost growth stabilizes, employers are shifting their focus away from health plan cost-cutting in 2017.

Preliminary findings from HR consultancy Mercer's *National Survey of Employer-Sponsored Health Plans 2016* ([www.shrm.orghttp://www.mercer.com/newsroom/with-cost-growth-stable-at-4-percent-employers-shift-focus-away-from-health-plan-cost-cutting-in-2017-mercer-survey.html](http://www.shrm.org/newsroom/with-cost-growth-stable-at-4-percent-employers-shift-focus-away-from-health-plan-cost-cutting-in-2017-mercer-survey.html)) are based on about 1,277 employers surveyed in August, showing that:

- Employers project that per-employee health benefit costs will rise by an average of 4 percent next year after they make planned changes.
- Cost would rise 5.5 percent if employers made no changes.

The difference between the underlying cost growth and the actual cost growth after making plan design changes indicates "how much or little employers are cutting health plan value by raising deductibles or other cost-sharing provisions," according to the report. "A difference of just 1.5 percentage points for 2017 suggests employers do not plan to do much cost-shifting. For the past eight years, the difference has been approximately 3 percentage points and has not been less than 2 points."

"This is an impressive achievement," said Tracy Watts, senior partner and Mercer's leader for health reform. "But with health benefit cost increases still double or triple inflation, we can't declare the problem solved."



The premium increase forecasts shown in the Mercer and KFF/HRET surveys are lower than projections released last month by the nonprofit National Business Group on Health, which predicts benefit cost increases at large U.S. employers to hold steady at 6 percent (www.shrm.org/ResourcesAndTools/hr-topics/benefits/Pages/health-premiums-2017.aspx), with many employers expected to keep increases to 5 percent by making design changes to their plans.

Projected increases in plan premiums can vary based on the survey sample and methodology.

Related SHRM Article:

Health Benefits Take Bigger Bite Out of Paychecks (www.shrm.org/ResourcesAndTools/hr-topics/benefits/Pages/health-benefit-costs.aspx), *SHRM Online Benefits*, September 2016

Employers Project Health Premium Hike of 6% in 2017 (www.shrm.org/ResourcesAndTools/hr-topics/benefits/Pages/health-premiums-2017.aspx), *SHRM Online* Benefits, August 2016

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