

sci.med.dentistry: HEALTH CARE costs are up! .....11.2%.....WoW!

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COMMENTS"?

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## I M A G E S

Workers' medical premiums up 11.2%

The '04 rise in insurance costs was much higher than inflation and the growth in their salaries, a survey of employers revealed.

By Tony Pugh

Inquirer Washington Bureau

WASHINGTON – Premiums for job-based health insurance jumped an average of 11.2 percent this year, greatly surpassing the 2.3 percent inflation rate and 2.2 percent increase in salaries over the same period, according to a new survey of employers released yesterday.

The increase marks the fourth straight year of double-digit growth, although it is smaller than last year's 13.9 percent increase. The slower growth rate suggests that the worst premium inflation may have ended in 2003. Offsetting that faint optimism is another grim fact:

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Five million fewer U.S. jobs provide health coverage than in 2001.

Two nonprofit health research groups – the Kaiser Family Foundation, based in Washington, and the Health Research & Educational Trust, based in Chicago – sponsored the widely respected annual survey.

Soaring health-care costs, both public and private, are one of the nation's most pressing crises, experts say, and the increases are having ripple effects throughout the economy. Employers struggling to pay for care for their workers are likely to be slower to hire, to pay workers less, and to hire more part-timers who do not qualify for benefits.

In addition, employers are requiring waiting periods before covering new employees, stripping retirees of anticipated health benefits, and making their workers bear more of the costs.

At Whirley Industries Inc., a maker of refillable plastic drink containers in Warren, Pa., health-care costs have doubled since 1998. The company has not increased health-care premiums for its 350 employees since 1992. "But we are currently exploring those alternatives," said Cleo Nixon, the northwest Pennsylvania company's benefits supervisor.

"We've been warning them for four years that we're doing everything we can to control costs, but at some point we're going to have to pass some of it on to them," Nixon added.

The new study was based on phone interviews conducted with benefits managers at 1,925 public and private employers between January and May. They were asked about changes in their health coverage for 2004.

Since 2000, health-insurance premiums are up 59 percent, the study found. Since 2001, the average employee's share of the costs is up 57 percent for single coverage and 49 percent for family coverage.

The study reported that the average cost of employer-provided family coverage jumped \$882 to \$9,950 in 2004, with employees paying about 28 percent, or \$2,661. For preferred provider plans, the most popular job-based coverage, the annual family premium now averages \$10,217 a year.

Coverage for single workers averages \$3,695 this year, up \$312 from 2003. Employees pay about \$558, or about 16 percent. Patients' out-of-pocket costs also have risen sharply because of higher deductibles and co-pays for office visits and prescription drugs. These are up 60 percent since 2001, according to the study.

The cost of health insurance is rising so rapidly that many families, particularly the working poor, cannot afford coverage.

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"I don't see any scenario in the future that does not have health-care costs continuing to outpace the increase in wages and the increases in inflation. And I would say by a very wide margin," said Drew Altman, the chief executive officer of the Kaiser Family Foundation.

Take the case of a minimum-wage worker who earns about \$10,100 a year. That employee would have to pay roughly 25 percent of total earnings to provide a family with health insurance. For the one-quarter of U.S. workers who earn \$17,500 a year or less, that is a staggering challenge.

Employers, particularly small ones, often feel they cannot afford to pay their share, which can amount to half a nonsupervisory worker's salary. The percentage of small firms – those with three to 199 workers – offering health coverage has fallen from 68 percent in 2001 to 63 percent, the report found.

"Family coverage may become an endangered species with small companies," Altman said. "We unfortunately should expect to see the ranks of the uninsured continue to pick up."

Improved and expensive medical technology is the leading long-term driver of health costs, said Paul Ginsburg, president of the Center for Studying Health System Change, a nonpartisan policy research group in Washington. Rising drug prices also contribute, as do rising hospital costs.

Ginsburg and the study's sponsors said this year's presidential candidates offered no real solutions to a problem that can be addressed only with politically unpopular measures.

"Any serious attack on costs may require an acknowledgment that everyone will not get all the health care they want. And people in both parties don't want to acknowledge that that is the case," Ginsburg said.

Altman said it would also require politicians to "directly take on health care's biggest commercial interests: drug companies and insurance companies."

This year's premium increase is less than the recently announced 17 percent increase in Medicare premiums for doctor visits next year. That jump, from \$66.70 to \$78.20, reflects rising health-care costs, plus congressionally mandated increases in payments to doctors.

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Contact reporter Tony Pugh at 202-383-6013 or [tpugh@krwashington.com](mailto:tpugh@krwashington.com). To read the study on rising health-care costs, go to the Kaiser Family Foundation Web site at <http://www.kff.org/insurance/7148/index.cfm>.

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