

Health insurance premiums continue to soar

by Ledger-Enquirer.com

Costs forcing companies to scale back coverage, too

WASHINGTON - For the seventh straight year, premiums for employer-based health insurance rose more than twice as fast as overall inflation and wages, an annual survey of employers shows.

The average 7.7 percent premium increase for 2006 was the smallest since 2000 and marked the third straight year that the rate of growth has slowed, according to the survey, released Wednesday by Kaiser Family Foundation and the Health Research and Educational Trust.

But most Americans probably have felt little or no relief because their paychecks haven't kept pace with the rate hikes. Workers' earnings increased only 3.8 percent on average from April 2005 to April 2006, while inflation, up 3.5 percent, erodes their disposable income.

Since 2000, inflation has jumped 18 percent and the amount that workers pay toward family health-care coverage has skyrocketed 84 percent, the survey found. Average wages have increased 20 percent over the same period.

So even while the premium-rate increases have moderated -- down from a 9.2 percent jump in 2005 and an 11.2 percent spike in 2004 -- experts say there's no reason to celebrate.

"I think you immediately understand why a reduction in an already high rate of increase is pretty meaningless to average working people and why they're still feeling the pain," said Drew Altman, the president of the Kaiser Family Foundation, a nonprofit educational group that's unrelated to Kaiser Permanente, a health insurance company.

This year, the average annual premium for single coverage is \$4,242, of which workers pay \$627, up from \$610 in 2005. Family coverage costs an average of \$11,480, with workers paying \$2,973 annually, up from \$2,713 last year.

Since 2000, workers' annual contributions have increased on average by \$293 for single coverage and by \$1,354 for family coverage, the survey found.

Rising health-care costs have forced many companies to scale back or drop coverage. Five million fewer workers are receiving job-based coverage in 2006 than in 2000, the survey found. And the percentage of firms that offer health benefits has fallen from 69 percent in 2000 to 61 percent this year.

That's prompted concerns that the job-based health insurance system, which covers nearly 175 million Americans, could unravel in the face of runaway costs.

Most at risk are millions of low-income workers who haven't taken coverage as employers require their workers to pay higher out-of-pocket costs. Forty-nine percent of employers surveyed indicated that they'll make workers pay more for coverage in the future. The number of uninsured Americans has grown for five straight years, with 46.6 million lacking coverage in 2005.

Not a top voter issue

Despite polls showing that health care is a primary concern for families, it hasn't broken through as a top issue for voters in this congressional election year. "As a result, health care has little real traction right now as a political issue," Altman said.

The survey, which is released each year as workers begin open enrollment in health plans, is widely considered the nation's best measure of employer-based coverage. It's based on telephone interviews conducted from January to May with officials from more than 2,000 public and private employers. The response rate was 48 percent.

Despite the rising costs, the percentage that employers pay toward single and family coverage premiums -- 84 percent and 73 percent, respectively -- is virtually unchanged over the last few years.

Smaller firms are most likely not to provide coverage. Only 48 percent of companies with three to nine workers offer health coverage, compared with 73 percent of those with 10 to 24 employees, 87 percent with 25 to 49 employees and more than 90 percent of those with 50 or more workers.

The survey found that 7 percent of employers offer high-deductible health plans with savings options, such as tax-favored health savings accounts, which can be used to pay medical expenses. But only 4 percent of covered workers, about 2.7 million, are in such plans despite heavy promotion by the Bush administration.

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