

Employers Change Strategies for Health Benefits to Deal with Double Digit Cost Increases in 2004

By James Harwood – CEO, Total HR

A projected double-digit cost increase in health care services for 2004 is forcing business owners to change their strategies for providing benefits coverage to employees. It is anticipated that the cost of health care coverage will increase by 14 percent next year, marking the fifth year in a row that health care costs have risen 10 percent or more. Obviously this growing cost and the gap between cost increases and what companies can afford to spend has become a major concern for business owners and top managers in large organizations.

A recent study conducted by Hewitt Consulting indicates that in 2004, many employers are planning to increase their employees' share of the cost burden for health insurance. Hewitt's latest statistics project that the average employee contribution for self-coverage in 2004 will be 23 percent of the total cost for health benefits, a slight increase from 21 percent in 2003. Hewitt researchers also predict that employees will pay 27 percent of the cost for family coverage—also an increase of 2 percentage points from last year.

The study also indicates that many companies will attempt to influence dependent coverage selection in 2004 by implementing a higher cost for dependents than employees, providing flexible credits for opting out of coverage, requiring that employees pay an additional amount if working spouses do not accept coverage from their employer and requiring that working spouses elect coverage from their employers.

There also appears to be an increased willingness by employers to explore new options, such as consumer choice plans. Consumer-driven health plans (or CDHPs) combine a health reimbursement account with PPO coverage after a bridged deductible.

Although the evolution from employer-centric to consumer-centric health care purchasing is just beginning, there are definite signs of change. As of January 2002, some 30,000 to 50,000 employees were enrolled in consumer-driven health plans (CDHP). The CDHP numbers are relatively small—less than 0.1 percent of total employer-based enrollment for active health care (some 73 million employees)—but when the plans are offered they capture approximately 10 percent of enrollees.

Many web based health care insurance products are also being introduced around the CDHP trend and eHealth may actually be the biggest trend this year. For more information on eHealth you can visit their website at <https://www.ehealthinsurance.com/>.