

Calculating the Costs

Numbers Paint Gloomy Picture

By Randy Gomez

The rising cost of health care is an ongoing concern for both employers and their employees. As a health care actuary, I work as an independent advisor to companies analyzing the financial impact of health care expenses for companies and plan participants.

In 2010 our firm, Nyhart Actuary & Employee Benefits, launched the *Indiana Health Care Benefits Survey* to help participating companies benchmark their plans against those of other Hoosier employers so that they may better gauge their costs. In its second year, the 2011 survey has helped us identify several trends of note – and the outlook is grim.

The next two pages contain charts that outline some of our findings. These include the facts that, as many are aware, overall health care costs continue to rise and that Indiana is more expensive than the national average.

Why are costs rising?

Two factors are causing the upward trend in overall costs: higher charges by health care providers and an increased utilization of services by participants. Not helping matters, Hoosiers' health trends are also making a difference. High smoking rates, more deaths from heart disease, a greater number of overweight adults and less exercise than national averages are prompting health care companies to view our state's workers as a higher risk (see chart) than Americans overall.

At a national level, increased regulations and health care reform changes are furthering the trend of increasing costs. Key reform changes resulting in higher expenses for all Americans include:

- elimination of lifetime and annual limits on plan-paid expenses;
- requirements for 100% coverage of preventive services;
- increasing the age eligibility for adult dependents; and
- elimination of pre-existing exclusions.

Further, as Medicare-provider reimbursement shifts, local hospitals and physicians will see it necessary to replace those

lost revenues by increasing their fees to private sector users (i.e., private employers and their employees) and commercial insurance carriers.



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Indiana reactions

Few employers are absorbing the entire increase in costs. In the survey, most have either commenced or are continuing strategies that share those costs with plan participants.

Methods include:

- offering a high-deductible plan, with more than 40% of employers surveyed now offering such an option;
- shifting more premium costs to employees, both for individual and family coverage; and.
- shifting more benefit costs to the employee. One out of five employers in the survey increased deductibles, co-payments or out-of-pocket limits in the past year.

Many companies are also conducting eligibility audits to affirm that employees with family plans are only getting care for legitimate members of their family. Others are adding spousal carve-outs that require working spouses to participate in their employer's plan. Both strategies are helping ensure

that the company is minimizing paying for those who should not be covered in their plan.

Though 2012 has just begun, it is not necessary that employers wait until next year to find additional ways to help control their costs – and those of their employees. Looking at your plan design can reveal changes that can be implemented this year and have positive effects to mitigate future cost increases. Being proactive and analyzing options of plan design will yield benefits for many years to come.

INFORMATION LINK

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Indiana's Health Disadvantage	Indiana	National
Emergency room visits per 1,000 population	468	415
Number of deaths due to heart disease per 100,000 population	203.0	190.9
Percent of adults who smoke	21.2%	17.2%
Adult self-reported asthma prevalence	9.1%	8.4%
Percent of adults who are overweight or obese	66.4%	63.8%
Adults who participated in moderate or vigorous physical activity	48.0%	50.9%

Source: Kaiser Family Foundation