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NEW STATE-BY-STATE REPORT: EMPLOYER HEALTH INSURANCE PREMIUM GROWTH SLOWED IN MOST STATES FOLLOWING AFFORDABLE CARE ACT IMPLEMENTATION

EMPLOYEE PREMIUM COSTS AND DEDUCTIBLES GREW FASTER THAN INCOME IN EVERY STATE OVER LAST DECADE

Employee Contributions to Health Plans Up as Much as 175% Since 2003; Workers in Southern States Face Among Highest Cost Burdens

New York, NY, January 8th, 2015—Employer-sponsored health insurance premiums grew more slowly in 31 states and the District of Columbia between 2010 and 2013, following passage of the Affordable Care Act (ACA), according to a new Commonwealth Fund report. But because wages have grown even more slowly over this period, average annual premiums, including both the employer and employee contributions, by 2013 represented 20 percent or more of household income in 37 states, compared to just two states in 2003.

The report, *State Trends in the Cost of Employer Health Insurance Coverage, 2003–2013*, analyzes trends in premium and deductible growth state-by-state over a 10-year period. A companion analysis to an earlier Commonwealth Fund report on national premium trends, the new report finds that in every state, health insurance costs grew faster than income. Workers in Southern states, where median incomes are lower than elsewhere in the U.S., face the highest cost burdens.

“Growth in employer premiums and deductibles slowed in many states after passage of the Affordable Care Act,” said Sara Collins, Vice President for Health Care Coverage and Access at The Commonwealth Fund and a coauthor of the report. “However, slow wage growth means working families in every state are being squeezed by health care costs.”

The 31 states that, along with the District of Columbia, have experienced a slowdown in premium growth since 2010 include:

- Twelve states with at least a three-percentage-point decline: Arizona, Delaware, Florida, Louisiana, Maine, Mississippi, Nebraska, North Carolina, Oregon, Rhode Island, Virginia, and Wisconsin. The District of Columbia had a similar decline.
- Louisiana, where premiums went from 7 percent average annual growth to a decline of 0.1 percent in 2013.

However, premium growth rates over this period remained high—6 percent per year or more—in Alaska, Colorado, Indiana, Maryland, New Hampshire, New Jersey, Ohio, South Dakota, West Virginia, and Wyoming.

Premiums Grew Faster Than Income in All States Between 2003 and 2013, Especially in the South

In 2013, family premiums, including both the employer and employee contributions, ranged from a low of \$13,477 to \$14,382 in Alabama, Arkansas, Idaho, Mississippi, and Hawaii to a high of \$17,262 to \$20,715 in the District of Columbia, New Jersey, Massachusetts, New York, and Alaska. Growing faster than income, average premiums amounted to 20 percent or more of the median income in all but 13 states and the District of Columbia in 2013, compared to just two states (New Mexico and West Virginia) in 2003. In seven states—Alaska, Arkansas, Kentucky, Nevada, New Mexico, Texas, and West Virginia—average premiums were 25 percent to 28 percent of the state median income in 2013.

Premiums relative to incomes are particularly high in Southern states. Average total premiums equaled 22 percent or more of median income in 12 Southern states.

Workers' Out-of-Pocket Costs Climbed Over the Decade: Workers Are Paying Greater Shares of Income for Premium Contributions and Deductibles

In every state, employees' contributions to their health insurance premiums in 2013 amount to a higher share of state median income than a decade earlier. In 15 states, employees' annual payment for their share of premiums rose by 100 percent or more.

Potential out-of-pocket costs for health care also increased markedly: deductibles doubled or more in all but six states and the District of Columbia since 2003. As a result, workers' out-of-pocket costs for premium contributions and deductibles in 2013 accounted for a higher percentage of median income in all states compared to 2003. The combined costs ranged from 6 percent to 7 percent of median income in the District of Columbia, Hawaii, and North Dakota, to 12 percent or more in Texas and Florida.

Eight in 10 workers with employer coverage now have a deductible, and more workers are also facing high deductibles. In 2003, no state had an average deductible of as much as \$1,000. By 2013, however, average per-person deductibles exceeded \$1,000 in all but three states and the District of Columbia.

“This report shows that national patterns of growing health cost burdens on workers are mirrored in every state,” said Commonwealth Fund President David Blumenthal, M.D. “Out-of-pocket costs are up in most states and incomes are not keeping pace. This is of concern, since research shows that high health care cost burdens relative to income may lead people to avoid seeking needed health care.”

The authors conclude that keeping premium growth down without eroding health benefits will require the concerted efforts of the public and private sectors. It will also require policymakers to “pursue reforms that improve the quality of health care, rein in cost growth, and ensure that savings are shared with patients and families across the income spectrum.”

The report will be available after the embargo lifts at:

<http://www.commonwealthfund.org/publications/issue-briefs/2015/jan/state-trends-employer-coverage>. An interactive map with state data will be available at:

<http://www.commonwealthfund.org/interactives-and-data/maps-and-data/Employer-Health-Insurance-Premiums>.

Methodology

This issue brief analyzes state-by-state trends in private-sector health insurance premiums and deductibles for the under-65 population from 2003 to 2013. The data on insurance premiums and deductibles come from the federal government’s annual surveys of employers, conducted for the insurance component of the Medical Expenditure Panel Survey (MEPS). We also compare total premiums with median household incomes for the under-65 population in each state, using a weighted average of single and family premiums compared with single and family median household incomes. Income data are from the U.S. Census Bureau’s Current Population Survey of households, with analysis provided by Claudia Solis-Roman and Sherry Glied of New York University for The Commonwealth Fund.

The premiums shown represent the average total annual cost of private group health insurance premiums for employer-sponsored coverage, including both the employer and employee shares. We also examine trends in the share of premiums that employees pay and average deductibles. We compare average out-of-pocket costs for premiums and average deductibles to median income in states to illustrate the potential cost burden of each and the total if the worker/family incurred these average costs.

The tables provide state-specific data. This analysis updates previous Commonwealth Fund analyses of state health insurance premium and deductible trends.

The Commonwealth Fund is a private foundation supporting independent research on health policy reform and a high performance health system.