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NOT FOR RELEASE BEFORE 12:01 A.M. E.T., WEDNESDAY, OCTOBER 26, 2016



NEWS RELEASE

Embargoed for release:
12:01 a.m. E.T.,
Wednesday, October 26, 2016

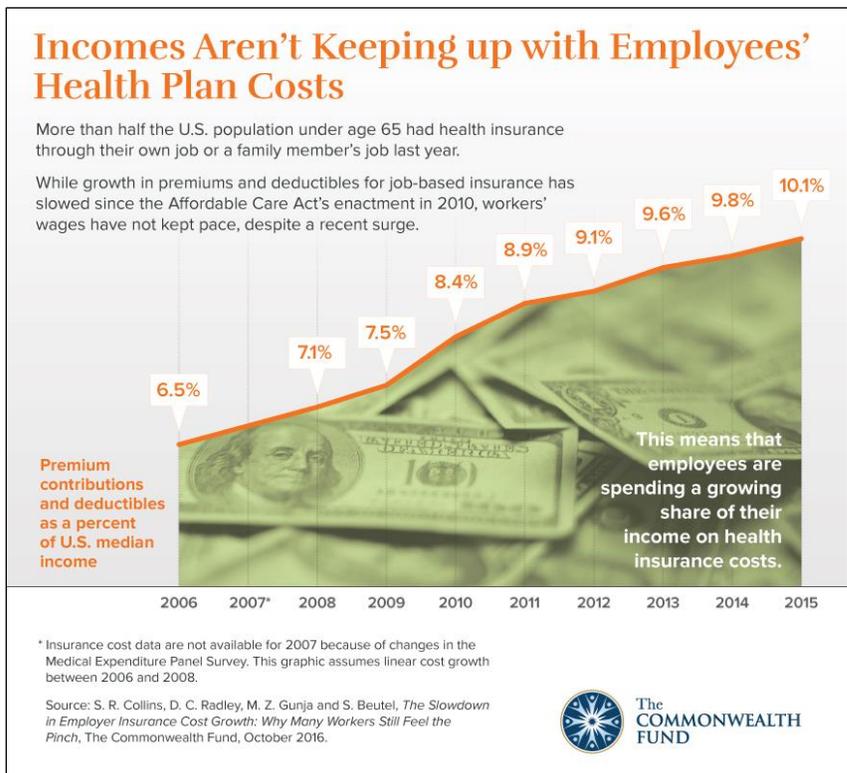
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STATE-BY-STATE LOOK AT EMPLOYER HEALTH INSURANCE COSTS FINDS WORKERS' PREMIUM CONTRIBUTIONS AND DEDUCTIBLES GROWING MORE SLOWLY BUT EATING UP GREATER SHARE OF INCOMES

New Commonwealth Fund Report Finds Workers in Arizona, Florida, Mississippi, Oklahoma, and Texas Have Nation's Highest Health Insurance Cost Burdens; Nationally, Employer Health Insurance Costs Have Grown at Slower Pace Since Affordable Care Act

October 26, 2016—Employees' contributions to their health insurance premiums rose more slowly between 2010 and 2015 in 30 states and Washington, D.C., and their deductibles grew more slowly in 27 states, according to a new Commonwealth Fund state-by-state analysis that compared the cost of employer health insurance between 2006 and 2015. Still, many families are spending, on average, a bigger share of their income on health care than they were prior to 2010. That is because median incomes, despite their recent surge, have not kept pace with health care costs.

The report, *The Slowdown in Employer Insurance Cost Growth: Why Many Workers Still Feel the Pinch*, found that families spent an average of 10.1 percent (\$6,422) of their income on health insurance premiums and deductibles in 2015. But there were differences among states. In Mississippi, which has the lowest median income and among the highest health insurance contribution levels, families were at risk of spending 14.7 percent of their income, on average, on health insurance costs. In Arizona, Florida, Mississippi, New Mexico, Oklahoma, Tennessee, and Texas, families could pay 12 percent or



more. Families in the District of Columbia and Massachusetts had the lowest health insurance costs as a share of income, at 6.8 percent and 7.3 percent, respectively.

“The good news is that premiums in employer plans are growing more slowly on average, as is the amount employees are being asked to contribute,” said Sara Collins, Vice President for Health Care Coverage and Access at The Commonwealth Fund and the study’s lead author. “Unfortunately, many employees with moderate incomes aren’t feeling the benefits of these slowdowns, because they haven’t yet experienced the sustained growth in their income needed to keep up with health costs.”

When looking at total premium costs in employer plans—the total cost of coverage to both employer and employee—the researchers found that annual premium growth rates for single policies have slowed down in 33 states and the District of Columbia since 2010. Louisiana experienced the largest slowdown, as average premium growth fell from 7.8 percent a year between 2006 and 2010 to 2.4 percent from 2010 to 2015. However, premiums have continued to grow by 5 percent per year or more in Alaska, Hawaii, Idaho, Kentucky, Maryland, New Hampshire, New York, and Utah.

Effect of the Affordable Care Act on Employer Health Insurance Costs

According to the report, employer health insurance premiums for single policies grew an average of 4.7 percent in the years leading up to the ACA’s passage and 3.8 percent in the years following it. The slower growth in employer premiums is in line with the slowdown in overall health care costs that began in 2009, the researchers say. They note, however, that the ACA provisions affecting employer plans—covering preventive care without cost-sharing and allowing young adults to remain on a parent’s plan until age 26—do not appear to have increased employer health insurance premiums and have been absorbed relatively easily by U.S. employers.

Additional Report Findings

- **Deductibles.** Nationally, average deductibles for single-person plans grew 8.5 percent a year between 2010 and 2015. But there were differences among states, as deductibles grew at a slower pace in 27 states and at a faster pace in 22 states and the District of Columbia.
- **Employee premium contributions.** While employee premium contributions grew more slowly, they still accounted for a larger share of people’s income than in earlier years—an average of 5.8 percent of median income nationally, compared to 4.2 percent in 2006. There was wide variation between states, as employee contributions ranged from 4.2 percent of median income in Hawaii to 9 percent in Mississippi.

Moving Forward

The report concludes that while employer premium costs and employee contributions to their health insurance costs have grown more slowly since 2010, many Americans continue to be pinched by their health care costs. Prior Commonwealth Fund research suggests that people living in states with a combination of higher average deductibles and lower median income may be particularly at risk of going without needed care because of costs.

The authors note that additional years of strong income gains will improve families’ ability to afford their health care. And innovation in health plan design to incentivize, rather than discourage, people to get the care they need would also help. Nevertheless, with medical costs being the primary driver of

insurance prices, keeping cost of health care in check will be critical to keeping employer premiums and deductibles down.

“The vast majority of people under age 65 in the U.S., 154 million, get their health insurance through an employer, and many of them struggle to pay for it,” said Commonwealth Fund President David Blumenthal, M.D. “It would help if employers designed health plans that help their workers afford timely care. But since employer health insurance costs are driven by overall health care costs, it is also crucial to implement provider payment reform and quality improvement initiatives that keep health care costs down while improving patient outcomes.”

When the embargo lifts, the report will be available at

<http://www.commonwealthfund.org/publications/issue-briefs/2016/oct/slowdown-in-employer-insurance-cost-growth>.

Methodology

This issue brief analyzes state-by-state trends in private sector employer-based health insurance premiums and deductibles for the under-65 population from 2006 to 2015. 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). The premiums presented represent the average total annual cost of private group health insurance premiums for employer-sponsored coverage, including both the employer and employee shares. The study also examines trends in the share of premiums that employees pay and average deductibles for single-person and family plans.

The researchers compared employees’ average out-of-pocket costs for premiums and average deductibles to median income in states to illustrate the potential cost burden of each, as well as the total if the worker/family incurred these average costs. To do this, they compared premium contributions with median household incomes for the under-65 population in each state, using a weighted average of single and family premium contributions compared with single and family median household incomes. They took a similar approach for deductibles. Income data come from the U.S. Census Bureau’s Current Population Survey (CPS) of households. The CPS revised its income questions in 2013, affecting the denominator in the ratio estimates. Prior to 2014, this is derived from the traditional CPS income questions, while ratio estimates from 2014 are derived from the revised income questions. Two years of CPS data are averaged to generate reliable state-level income estimates.

This analysis updates previous Commonwealth Fund analyses of state health insurance premium and deductible trends.

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