

Employer health insurance premiums increased 50 percent in every state from 2003 to 2010

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Premiums for employer-sponsored family health insurance increased by 50 percent from 2003 to 2010, and the annual amount that employees pay toward their insurance increased by 63 percent as businesses required employees to contribute a greater share, according to a new Commonwealth Fund report that examines state trends in health insurance costs. The report finds that health insurance costs are outpacing income growth in every state in the country. At the same time, premiums are buying less protective coverage: per-person deductibles doubled for employees working for large as well as small firms over the same time period.

According to the report, *State Trends in Premiums and Deductibles, 2003-2010: The Need for Action to Address Rising Costs*, by 2010, 62 percent of the U.S. population lived in a state where health insurance premiums equaled 20 percent or more of [earnings](#) for a middle-income individual under age 65. Today there are virtually no states where premiums are relatively low compared to [income](#). In 2003, there were 13 states where annual premiums constituted less than 14 percent of the median (middle) income; by 2010, there were none.

"Whether you live in California, Montana, or West Virginia, health insurance is expensive. Out-of-pocket costs for premiums and care are consuming a larger share of people's incomes at a time when incomes are down in a majority of states," said Commonwealth Fund [Senior Vice](#)

[President](#) Cathy Schoen, lead author of the report. "Workers are paying more for less financial protection. The steady rise in costs from 2003 through 2010, before enactment of the Affordable Care Act, points to the urgent need for health insurance market and health care system reforms."

The analysis of state-by-state trends between 2003 and 2010 finds that premiums for employer-sponsored family health insurance increased 50 percent across states, reaching an average of \$13,871 a year by 2010. Annual premiums rose in every state, with increases ranging from 33 percent in Idaho to 70 percent in Mississippi. Premiums for family coverage were highest in New York, Rhode Island, Connecticut, Florida, New Hampshire, and Washington, D.C., ranging from \$14,730 to \$15,206. But, the report finds that costs were high even in the "lowest" average-cost states. Premiums ranged from \$11,379 to \$12,409 in Idaho, Arkansas, Hawaii, Montana, and Alabama, the five states with the lowest average costs for private employer-based coverage.

Employees Are Paying More for Less

As premium costs have risen, employers have asked employees to contribute more to their health insurance costs by paying a larger share of premiums and accepting higher deductibles. The report shows that despite stagnant or declining incomes, the annual amount employees contributed to their health insurance premiums increased by 63 percent between 2003 and 2010. By 2010, the cost to employees rose to an average of \$3,721 a year for a family policy. Workers in Michigan, Montana, Vermont, Pennsylvania, and Kentucky had the lowest average annual costs for their share of premiums, while workers in Delaware, Maine, Virginia, Texas and Florida made the highest contributions.

Despite paying more for their health insurance, employees are getting coverage that offers less protection. The report finds that per-person

deductibles increased an average of 98 percent across states from 2003 to 2010. By 2010, 74 percent of workers faced a deductible, compared to 52 percent in 2003. Average deductibles exceeded \$1,000 in 29 states in 2010; in 2003, not one state had an average deductible of more than \$1,000. Deductibles were up for employees working in large as well as small firms, although employees of small firms generally faced higher deductibles than employee of large firms did. [Deductibles](#) were highest in Wyoming, where the average was \$1,479, and lowest in Hawaii, where the average was \$519.

Future Trends

The report's authors say that if the historic rate of increase between 2003 and 2010-before enactment of the Affordable Care Act-were to continue, the average premium for family [health insurance](#) coverage would increase 72 percent by 2020, reaching nearly \$24,000 a year.

Slowing the rate of growth even modestly would make a significant difference for individuals, families, and businesses. Compared to historical trends, reducing the annual growth in premiums by even one percentage point would lead to \$2,161 in annual premium cost savings for families by 2020. Slowing the rate of growth by 1.5 percent a year would yield savings of \$3,173.

The authors note that the [Affordable Care](#) Act includes a range of insurance market reforms aimed at lowering premium growth, improving health benefits, and ensuring near-universal coverage. These include a set of affordable insurance options available through new state insurance exchanges, rules limiting insurance administrative costs and profits as a share of premiums, and review of excessive insurance premium increases. In addition, the law contains payment and [health care system](#) reforms that seek to slow the growth in costs. The authors point to the urgent need to spread reforms to private as well as public

insurance.

Moving forward, the report authors conclude that lowering health care premium growth will require a significant focus on reforming how health care is paid for in the private sector, as well as in public programs like Medicare and Medicaid. In order to improve quality of care while slowing costs, wasteful overhead spending must be lowered and innovative ways of paying for care tested and spread broadly to maximize their impact.

"The combination of rapidly rising costs and stagnant incomes is putting families in an untenable situation," said [Commonwealth Fund](#) President Karen Davis. "New rules for insurers, along with new models of health care delivery such as accountable care organizations and new ways of paying doctors and hospitals, can help control [health care costs](#) and provide families and business owners with the relief they need."

More information: The report will be available on November 17th, 2011 at: www.commonwealthfund.org/Publications/Reports-and-Policy-Statements/Health-Care-Costs-in-Premiums.aspx

An interactive map with premiums in each state is available at: www.commonwealthfund.org/us/research/Health-Care-Costs-in-PremiumTrends2011.html

Provided by Commonwealth Fund

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