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## Health Insurance Premiums Skyrocket

**Report finds premiums have jumped 30%, while incomes have only gone up 3%**

*By Alan Mozes*

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TUESDAY, April 29 (HealthDay News) -- Employer-based health insurance premiums have skyrocketed at a pace that far exceeds the rate of American wage increases since 2000, a new study reveals.

According to an analysis of government statistics being released Tuesday by the Robert Wood Johnson Foundation (RWJF), the average dollar amount employees must pay per year for family health coverage went up by 30 percent from 2001 to 2005. During that time, incomes increased by just 3 percent.

"Nationally, insurance premium costs are going up ten times faster than people's incomes," said RWJF spokesman Michael Berman. "And in some regions, the gap is even greater. So what we've tried to do with this report is highlight for the nation's leaders what families already know; that it's getting harder and harder to afford health insurance in America."

The report is a state-by-state analysis of insurance coverage costs relative to income from the State Health Access Data Assistance Center (SHADAC), which is part of the University of Minnesota's School of Public Health in Minneapolis.

It was released as part of the organization's launch of its sixth annual "Cover the Uninsured Week," a nonprofit, non-partisan effort to increase awareness about insurance coverage issues. The campaign will be comprised of RWJF-sponsored health fairs, health insurance seminars, press events and community outreach programs across the country.

RWJF notes that currently 47 million Americans are uninsured, of whom almost 9 million are children.

In 2007, national health-care costs are estimated to have risen by 6.9 percent -- or two times the rate of inflation, according to the nonprofit National Coalition on Health Care (NCHC). While the RWJF notes that health-care spending now accounts for 16 percent of the nation's gross domestic product (GDP), the NCHC projects that by 2016 that figure will rise to 20 percent.

Similarly, the NCHC indicates that in 2007, employer health insurance premiums also rose at twice the rate of inflation -- by 6.1 percent.

The RWJF report is based on data drawn from the U.S. Agency for Healthcare Research and Quality's Medical Expenditure Panel Surveys, conducted between 2001 and 2005. SHADAC researchers also crunched numbers from U.S. Census Bureau information collected between 2001 and 2007.

The study's premium-to-income comparisons demonstrate that employees with health coverage are not, in fact, paying a greater proportion of their total family premiums since 2000 -- with employees continuing to carry a 24 percent burden of the full cost.

However, the report indicates that between 2001 and 2005, there was a 30 percent national rise in what employees must now pay for family coverage -- translating into an additional average yearly out-of-pocket expense of \$664. In total, the average employee must now shell out \$2,585 for family coverage.

Residents of some states actually experienced higher than average premium increases, with the hardest hit states being Oklahoma, Idaho, Texas, Oregon and Pennsylvania.

By contrast, the average income among Americans carrying family policies went up just 3 percent -- or about \$1,250 -- in the same timeframe.

Employers, meanwhile, have seen their out-of-pocket share per family policy rise 28 percent, to a 2005 average of \$8,143. The result: 30,000 fewer employers offered their workers health coverage in 2005 than in 2001, translating into more than 4 million fewer private-sector workers with jobs that offer health benefits.

"We're not trying to point the finger at anybody," said Berman. "Employers are paying more, employees are paying more, and costs are out of control for everybody. So we all need reform, to address costs and also to increase coverage. Because now, one in six Americans are uninsured, which ultimately places a greater burden on all of us."

Mark V. Pauly, a professor of health economics at the Wharton School of Business at the University of Pennsylvania in Philadelphia, said he believes the report paints a very complex problem with too broad a brush.

"The state of health insurance today is a pretty gloomy picture," he said. "Particularly if you're a freelancer or working for a small business. But the phenomenon of health insurance outpacing income or GDP has been going on since the passage of Medicare in 1965. So, it's the same old stuff. And I think this report is waving the bloody shirt to make it look worse recently than it really is."

"One of the major conundrums," explained Pauly, "is that the cost of insurance has increased as health spending has increased, primarily because of the development of new medical technology, especially in terms of drugs, which, as far as we can tell, is an expense worth the money."

"So the accurate story," he said, "is that while the rate of insurance cost growth has actually tailed off quite a bit in the last couple of years, somewhere between 2000 and 2005, insurance premiums went up even higher than usual -- mostly because of increases in the cost of prescription drugs. When prior to that generally prescriptions were not covered. So you can't win by losing, since before that, people had to pay for prescriptions out of pocket.

"The problem therefore is that consumers really want these benefits," Pauly said. "But they have a price tag that makes it especially hard for lower-income people. So, we've got an unsustainable system, and we have to find a better way to make health-care choices. But it's not going to be painless."

### **More information**

For more on health insurance costs, visit the [National Coalition on Health Care](#).

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