



2014 Payroll Fact Sheet

(The following article is based on a national survey)

4-year High Premium Increase Projected

Employer-paid premiums are increasing yet again with an average 15.5 percent rise forecast for 2015, the biggest such increase in the last few years, according to new analysis. Meanwhile, employees' share of the cost is growing at a much higher rate.

Aon Hewitt's analysis showed the average health care cost per employee is projected to jump to \$11,304 per employee, from \$10,717 in 2014. It's the highest percentage rate increase since 2011, when employer costs rose 8.5 percent, Aon Hewitt said. The last two increases in 2013 and 2014 were a **more modest** 3.3 percent and 4.4 percent, respectively.

Employees will be asked to contribute 23.6 percent of the total health care premium, which equates to \$2,664 for 2015. That's up 7 percent from last year.

The increase, Aon Hewitt said, is due to a number of factors, including a more robust economy —meaning employees are willing to spend more on their own health care.

“Over the past few years, the overall economic situation kept consumer spending on discretionary items — including health care — down, and we observed a lower rate of premium increases,” said Tim Nimmer, chief health care actuary at Aon Hewitt. “Now, with employment rates stabilizing, individuals are feeling more secure about their financial situation and have been willing to re-engage in using the health care system. As these utilization rates increase, we expect to see health care cost increases follow.”

In addition to the employee premium, workers on average will pay another \$2,487 in out-of-pocket costs, which is up more than 8 percent from \$2,295 in 2014. By next year, worker out-of-pocket costs will have almost doubled from \$1,276 in 2009.

The bigger picture from the firm's analysis? All told, these projections mean that over the last five years, employees' share of health care costs — including employee contributions and out-of-pocket costs — will have increased more than 52 percent, from \$3,389 in 2010 to \$5,151 in 2015.

Aon Hewitt's figures are based on more than 560 employers representing more than 13 million insured employees.

To combat the costs, the consulting firm said employers are doing a number of things. These include offering high-deductible health plans (15 percent of companies offer a HDHP as the only health plan option today, and another 42 percent are considering doing so in the next three-to-five years); gating health benefits (more than 60 percent of companies plan to gate employees to richer designs in the next three-to-five years) and adopting pay-for-performance strategies.

Employers also are increasingly managing dependent eligibility, their research shows. Almost a quarter of employers (22 percent) have reduced subsidies for covered dependents, while 18 percent added a surcharge for adult dependents with access to other health coverage. An additional half of companies are exploring such approaches over the next few years.

Average annual premiums for employer-sponsored family health coverage are up, but deductibles are another story.

According to analysis out Wednesday from the Kaiser Family Foundation and the Health Research & Educational Trust, deductibles are up nearly 50 percent since 2009.

Since 2009, the average deductible has increased 47 percent to \$1,217 as employers aim to save on health care costs, researchers said. That's compared to \$826 in 2009.

This year, 41 percent of all covered workers face an annual deductible of at least \$1,000, including 18 percent who face a deductible of at least \$2,000. And covered workers at small firms (three to 199 employees) are even more likely to face large deductibles, with 61 percent facing at least \$1,000 deductibles and a third (34 percent) facing \$2,000 deductibles or higher.

"The deductibles for workers have crept higher over time, topping \$1,200 on average this year," said study lead author Gary Claxton. "Today, four in 10 covered workers face at least a \$1,000 deductible, nearly double the share from just five years ago."

Meanwhile, the main headline from the report is that average annual premiums for employer-sponsored family health coverage increased 3 percent this year, reaching \$16,834, continuing a "recent trend of modest increases," analysts said.

Workers on average pay \$4,823 annually toward the cost of family coverage this year, the survey of more than 3,000 firms concluded.

Kaiser analysts called the premium growth good news for employees and employers, pointing out that premiums increased more slowly over the past five years than the preceding five years (26 percent vs. 34 percent) and well below the annual double-digit increases recorded in the late 1990s and early 2000s.

"The relatively slow growth in premiums this year is good news for employers and workers, though many workers now pay more when they get sick as deductibles continue to rise and skin-in-the-game insurance gradually becomes the norm," Kaiser Family Foundation President and CEO Drew Altman said.

Additionally, the survey also found that nearly all employers with 100 or more workers (94 percent) already offer health benefits, shedding some light on trends on the employer market before PPACA' employer mandate takes effect.