



PwC Projects Lower Health Cost Increase in 2010

June 18, 2009 (PLANSPONSOR.com) – Health care costs for the nation's employers are expected to grow by another 9% next year, according to PricewaterhouseCoopers' Health Research Institute.

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The 9% projected cost increase is a slightly slower rate of growth than in previous years, according to a PwC press release. Medical costs grew by 9.2% in 2009 and 9.9% in 2008. However, the company points out, medical cost increases continue to significantly outpace inflation and wage increases.

In its paper "Behind the Numbers: Medical Costs Trends for 2010," PwC says one of the drivers expected to increase medical costs in 2010 is that American workers are accelerating their use of health care benefits in anticipation of losing their jobs and, potentially, their health insurance coverage.

In addition, rising unemployment is resulting in an increase in the uninsured and underinsured population, a drop in membership in commercial health plans and a higher percentage of the population covered by Medicaid, all of which are driving up medical costs trends, the press release said.

These trends are offset by factors expected to drive down medical cost, including the longer-term promise of health reform.

Other trends helping to deflate health spending, according to the press release, include:

- Ongoing decrease in the growth rate of drug spending. Health plans report they are seeing much smaller growth in drug spending with the increased use of generic drugs. In 2010, five more blockbuster drugs will go off patent, and the number of patent expirations will increase in 2011 and 2012. According to the Centers for Medicare and Medicaid Services, 67% of all drugs were generic in 2007.
- Increase in wellness and disease management programs. Employers are more focused on wellness and disease management programs, though participation among eligible employees remains low at around 40% for wellness programs and 15% for disease management programs. Employers are looking to health plans to provide greater education and incentives to increase participation.
- Increase in high deductible health plans. A growing number of American workers are now in high-deductible health plans, which are expected to lower utilization of health services, partly because greater awareness of medical costs could reduce demand for medical care but partly because cash-strapped workers lack the resources to pay for medical procedures. Twenty percent of employers surveyed said they would add a high deductible health plan as an option to their benefit plan design over the next two years.

Employer Actions to Curb Health Care Costs

In the last five years, health insurance premiums have increased four times faster than wages, a trend that is expected to continue in 2010, according to PricewaterhouseCoopers. With their corporate profits pounded in 2009, employers said they will push more of the costs of health insurance to their workers in 2010 while expecting greater responsibility from workers for managing their personal health.

According to the press release:

- Forty-two percent of employers surveyed said they would increase employees' share of health care costs.
- Forty-one percent said they expect to increase medical cost sharing through plan design changes.
- More than two-thirds of employers are offering wellness and disease management programs; however, few said they are very effective at lowering costs.

"Higher medical costs are getting even greater scrutiny in this down economy, and employers are squeezing dollars out of their programs to save money. As the economy recovers, employers will refocus on more sustainable longer term approaches to medical cost containment based on an increasingly shared interest between employers and their workers," said Mike Thompson, principal, PricewaterhouseCoopers global human resource solutions group, in the press release.

The complete report may be accessed at www.pwc.com/medicalcosts2010.

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