

Professor Chandler was quoted in an article in the *Houston Chronicle* concerning a recent report from a consulting firm that insurance premiums and out-of-pocket expenses for employees in the Houston area are expected to rise 10% next year.

The following article appeared in the *Houston Chronicle* on Friday, October 16, 2009:

**Price of getting ill is going up**

Area's workers to face about 10% rise in premiums, costs of care next year, firm says  
By L.M. SIXEL

Just hope you don't get sick next year.

If you do, you'll have to dig deeper in your pocket to pay your part of the bill.

Employees in Houston will pay an average of \$4,791 next year for insurance premiums and out-of-pocket expenses such as deductibles and co-payments, nearly 10 percent more than this year, according to the worldwide human resources consulting firm Hewitt Associates. That's several hundred dollars more than the U.S. average of \$4,023, now also poised to jump 10 percent in 2010.

The spike — the highest since the 13 percent jump in 2007 — is coming at a time when overall consumer prices have fallen 1.3 percent compared with a year ago. It also comes at a time when many employers froze wages, eliminated their 401(k) contributions and instituted forced furloughs.

Companies are shifting more of the rising cost of health care to their employees, according to Hewitt, which made its annual calculations using its database of more than 1,700 national health care plans. They're also devising ways to shrink the number of people they cover by carefully auditing the eligibility of dependent children and imposing a surcharge if a spouse can join another health plan.

The economy is another reason for the increase, said Alec Scroggins, senior strategist for health care management for Hewitt Associates in Dallas, which released its study this month. People were worried about losing their jobs so they scheduled medical procedures before they got a pink slip.

That “use it before you lose it,” psychology sent costs soaring, especially for expensive procedures like back surgeries, said Scroggins. Instead of first trying lower cost solutions such as pain management and physical therapy, they opted immediately for surgery.

Chronic conditions

Spending for ancillary services — like vision and dental — also jumped.

The COBRA subsidy that was part of this year's stimulus legislation also kept more people on the insurance plans, which increased costs, he said.

Houstonians are also paying more because the prevalence of diabetes and other chronic conditions are higher than average, said Scroggins.

And local residents have access to more advanced treatments which tend to increase overall costs, said Seth Chandler, professor of law and co-director of the Health Law & Policy Institute at the University of Houston.

The relatively high percentage of Houstonians who don't have health insurance also increases the overall cost of care, Chandler said.

“Someone has to pick up the tab for that,” he said, and costs get passed to those with insurance.

While workers are looking at double-digit increases, the news isn't as bad for employers.

Average health care premiums — that's the amount employees and employers pay for coverage but doesn't include out-of-pocket costs — is expected to increase next year by 5.9 percent in Houston and 6 percent nationally.

In Houston, that represents \$9,915, but Hewitt predicts that employees will be asked to pick up \$2,262 of the total.

Nancy Levicki, president and co-founder of Dress for Success Houston, is looking at an 11 percent increase next year for the plan that covers preventive care but has a \$3,000 deductible in case of serious illness or accident.

Up until now, the nonprofit has footed the entire bill for premiums for all seven employees, Levicki said.

“We're hoping to do that again this year,” she said, but she added the board will be looking at the budget first to see if that's still feasible in this environment.

Workers' burden rising

Odyssey OneSource offers a traditional employer health plan, and that price is going up 10.1 percent next year, said Michael Simpson, vice president of sales for the human resources management firm. That's about 3 to 4 percentage points higher than last year.

Simpson said his clients aren't happy to hear the news, and they're doing what they can to save money. Some are going to plans with higher deductibles, he said.

One way companies are handling the increase in rates is by shifting more of their costs to employees. Sixty-five percent of employers are asking employees to shoulder a greater burden, according to Hewitt.

Each client can choose how much of the insurance cost they will pay for their employees, said Simpson. Typically, they subsidize 75 percent for individual employees, but more companies are not contributing toward dependent care, he said.

The Houston Independent School District, which covers 18,000 employees on its four health plans, is expecting a 10 percent increase in health care costs next year, said Brad Bailey, general manager of benefits and risk management. The school district, however, is not planning to increase its rates to employees.

The program, which is self-insured, built up a surplus in previous years because costs have been lower than expected, he said. And several cost savings measures have kept expenses under control.

Bailey pointed to its screening programs that have identified many employees with serious chronic diseases such as diabetes and high blood pressure.

That information meant employees got treatment early before the diseases got out of control.

The district also provides free generic medicine for those with diabetes and high blood pressure. Next year it will add free cholesterol reducing drugs.

“We tried to take away some off the reasons people don't take care of their health,” said Bailey.