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Employers probe health care options

By Meena Thiruvengadam

After six years of double-digit rate increases, fewer companies are paying the full bill for insuring their employees as more consider plans that put patients in charge of their medical spending.

Only 17 percent of businesses pay employees' entire medical premiums -- down from 25 percent in 2002 and 29 percent in 2000, according to an annual survey of more than 1,000 organizations by the Philadelphia-based Hay Group.

The percentage of employers paying full premium costs for employees' families is even lower at 6 percent, compared with 10 percent in 2002 and 11 percent in 2000, the benefits consulting firm found.

"It's too expensive to pay 100 percent of premiums," benefits consultant Marie Dufresne said. "The cost of health care is going up

faster than employers' revenues."

Medical premiums also are rising faster than employee salaries. Between 2002 and 2003, premiums rose nearly 14 percent while salary increases held steady at 3.1 percent, according to a study by the Kaiser Family Foundation and the Health Research Educational Trust. Although employers have borne the brunt of those premium increases, workers are spending more for doctors' visits and prescription medicines -- the biggest contributor to rising healthcare costs.

In the past few years, prescription prices have gone up 6 percent to 7 percent a year. Patient co-pays, though, have more than doubled, Dufresne said. The average co-pay for a doctor's visit has risen to \$ 15 with about 25 percent of employees paying \$ 20, according to the Hay Group survey.

Dufresne said more employers are turning to consumer-driven health plans to counter rising costs. "Employers using the concept have seen a lot of success," she said.

About 15 percent of employers offered consumer-driven plans in 2004, but Dufresne expects that figure to double this year.

Consumer-driven plans have high deductibles -- often between \$ 1,000 and \$ 5,000 for an individual or up to \$ 10,000 for a family. They push employees to be economical in their medical decision-making, weighing the full cost of the service against their need for it.

Employers generally will deposit money into accounts employees can use to pay their medical bills in full. Once that fund is depleted, employees must pay out-of-pocket for services until their deductibles are met, at

which time the plans will cover all expenses.

"The whole idea is they give us the money and we decide what we want," said Devon Herrick, a health economist with the National Center for Policy Analysis, a Dallas-based nonprofit think tank. "It gives patients incentives to be wise consumers -- to decide what they really need, not just what they think they want."

With 85 percent of medical costs being paid by third parties under traditional health plans, Herrick said patients rarely have a reason not to be wasteful with their health benefits. "We buy a lot more because we're not paying the bill," he said. "We have an incentive to consume more than we would otherwise."

Critics worry consumer-driven plans -- because they significantly increase patient payments for services -- may keep employees from seeking the medical care they need. There also is concern employees won't make better medical

decisions.

Herrick, who was insured by a consumer-driven health plan for about three years, believes the worries are unfounded. "I took care of my health needs. But because I knew that money was mine, I didn't waste doctors' visits, and I used over-the-counter medicine when I could," he said. "I made it a point not to waste healthcare."