

Health Coverage Costs Continued Steady Rise Pre-Pandemic

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The average cost of employer health coverage surpassed \$21,000 for a family plan this year, according to a new survey, a rise reflecting rates calculated before the pandemic upended normal patterns of medical care.

Annual premiums rose 4% to hit \$21,342 for an employer-provided family plan in 2020, up from \$20,576 last year, according to the yearly poll of employers conducted by the nonprofit Kaiser Family Foundation. On average, employees paid \$5,588 of the total this year, with the rest of the cost borne by the employers. The amount of the employee contribution was statistically unchanged from 2019.

The average cost of an employer health plan for an individual for 2020 was \$7,470, also up about 4% from last year.

The Kaiser survey also found that employers were tapping the brakes on deductibles, which have risen steadily over the past decade. The average 2020 general deductible for individual-worker coverage was \$1,364, according to the survey, which was statistically no different from last year's figure of \$1,396.

The Kaiser survey, which was conducted between January and July of 2020 and drew responses from 1,765 employers, doesn't reflect the impact of Covid-19. The pandemic pushed down overall health spending sharply, particularly in the spring and early summer, as hospitals shut down many typical procedures and nervous patients steered clear of clinics and emergency departments.

Employers' plan designs are generally set on an annual basis. When they buy plans from insurers, the premiums are also generally in force for a year, and don't go down even if medical costs drop during that span. That dynamic led to outsize profits for many insurers in the second quarter. Some insurers offered limited rebates or discounts to customers.

Self-insured employers, which pay their own medical bills, will benefit directly from savings due to the decline in routine health care, but the figures they supplied for the Kaiser survey represent their cost estimates before the pandemic.

"None of them thought people would stop using services for two months," said Gary Claxton, a senior vice president at the Kaiser foundation.

In fact, employers' health-care costs for 2020 are likely to be between 3.3% and 8.8% lower than had been projected before the virus, said Trevis Parson, chief health actuary at Willis Towers Watson. The range represents an array of potential outcomes for the continued impact of Covid-19.

But employers' costs will likely rebound next year, to a figure higher than would have been projected before the pandemic, he said. That is because workers will seek care they put off in 2020.

"A lot of it is going to return in 2021, and that is going to drive costs back up," said Mr. Parson. Some employees might also have higher costs next year because their conditions got worse as they deferred normal screenings and checkups to avoid exposure to the novel virus.

Other surveys have signaled that employers will likely continue to hold off on ratcheting up workers' out-of-pocket costs next year, and overall make few changes to their health benefits. One poll from Mercer, a unit of Marsh & McLennan Cos., found that around 18% of employers were planning to boost employees' cost-sharing. In past surveys, far larger shares said they were planning to take this tack, said Tracy Watts, the firm's U.S. leader for health-care policy.

"Employers are looking to give employees a break, with so many unknowns" about the virus and returns to normal work patterns, she said.

However, employers are likely to continue to expand their coverage of telehealth, which many enhanced during the pandemic. A survey of large employers by the Business Group on Health found that 53% of respondents expected to offer more virtual care options next year.

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