GROUP MEDICAL PLAN COSTS CONTINUE RISING FOR ALL SIZES OF EMPLOYERS, THE COUNCIL'S SURVEY SHOWS

WASHINGTON – Employers of all sizes continue to see rising costs for group medical coverage on account renewals, though the increases for the largest accounts tend to be lower than for small and medium accounts, according to the fall Employee Benefits Market Survey by The Council of Insurance Agents & Brokers.

In response to survey questions, brokers reported that 50 percent of small accounts (50 or fewer employees), 42 percent of medium accounts (51 to 500 employees) and 19 percent of large accounts (501 or more employees) experienced rate increases of 11 to 15 percent. In contrast, 41 percent of large accounts, 34 percent of medium accounts, and 16 percent of small accounts saw rate increases of 6 to 10 percent.

An additional 16 percent of large accounts had increases of 1 to 5 percent, compared to only 2 percent of small accounts and 5 percent of medium accounts in this increase range.

The Council represents the leading domestic and international commercial insurance agents and brokers who annually write more than 80 percent of the commercial property/casualty premiums and administer billions of dollars in employee benefits accounts in the United States. The Council conducts a benefits market survey twice a year, in the spring and in the fall, to track trends in the benefits marketplace.

The survey found that while a small percentage of employers are discontinuing group medical coverage, the trends of recent years to control costs continue with a majority of employers increasing the employee share of premium costs, assessing prescription drug co-pays, and higher deductible/co-pays.

Employers are also exploring options for health savings accounts (HSAs), and 70 percent of responding brokers reported they had sold an HSA plan for either 2006 or 2007 plan years. Size of the employer did not appear to be a significant factor in choosing an HSA option, which was also the result in the spring 2006 survey. Brokers reported similar numbers of small, medium and large accounts implementing these plans. Of the employers who select an HDHP-HSA account, survey respondents reported that 68 percent use it as a plan option, 10 percent to replace an existing plan, and 22 percent for both.

Many brokers commented that cost savings are not significant for consumer-driven health plans. In response to a question on what is keeping clients from choosing an HSA product, many brokers responded as these who said, "Not enough premium savings to justify it," or "Carriers aren't providing attractive pricing."

Twenty-eight percent of employer contributions to HSAs are typically $250 to $499, 21 percent are $500 to $749 and 16 percent are $750 to $1,000. Brokers reported that the complexity of the HDHP-HSA concept and education curve for plan participants prevents employers from choosing these products about 89 percent of the time. Another major barrier, 44 percent of the time, is the inability to carve out prescription drugs.

Finally, the "silver lining" indicated by most broker respondents was in the area of group life rates, where the majority indicated a very competitive market with aggressive underwriting and pricing. This softer marketplace was also cited for lower rates and longer guarantee periods, with momentum for packaging life insurance with other lines, including medical and disability.

Premium rates for group life benefits were unchanged over the past six months for 47 percent of small accounts, 48 percent of medium accounts and 41 percent of large accounts. Increases of 1 to 5 percent were reported for 11 percent of small accounts, 15 percent of medium accounts, and 7 percent of large accounts. Similarly, decreases of 1 to 5 percent were reported for 11 percent of small accounts, 17 percent of medium accounts, and 17 percent of large accounts.

For the full survey results, please visit www.ciab.com

Return to Headlines - - Print Article / Read Entire Article / E-Mail Article <http://www.insurancebroadcasting.com/111706-14.htm>