

## Survey: Premiums will continue to rise

By DEBBIE KELLEY THE GAZETTE

The high cost of health care affects both employers and employees — and a statewide survey released this week predicts more of the same in the coming year.

A survey that projects health care costs for 2006, conducted by Mountain States Employers Council in Denver, found that Colorado Springs employers expect to see an average increase of 10 percent next year in health care premiums, compared with 9 percent this year.

“Because of medical technology and baby boomers aging, health care costs are going to continually increase,” said Patty Goodwin, director of surveys for Mountain States Employers Council. The membership organization offers services in employment law, human resources, management development and surveys.

The council, which has a regional office in Colorado Springs, annually surveys nearly 600 large and small Colorado employers from a cross-section of industries to gauge budgets and help firms create benefits packages.

A nationwide study released Wednesday by the Kaiser Family Foundation shows that in 2005, the increase in health care premiums dropped to 9.2 percent after four years of double-digit increases, mirroring Colorado’s marketplace.

But premium increases are stabilizing because employers are finding ways to shift other costs to employees, said Goodwin, who for this reason urges caution in analyzing the numbers.

“Even though overall costs are not going up as drastically as in previous years, employers are still looking at covering costs,” Goodwin said.

Employers spend, on the average, 10 percent of their payroll dollars on health insurance, she said, which represents a “big line item.”

Statewide, employers pick up 83 percent of single health care premiums and employees pay 17 percent. For family plans, Colorado employers are paying an average of 67 percent of the premium this year, with employees paying 33 percent. Nationally, employers pay an average of 84 percent for single coverage and 74 percent for families.

Those figures haven’t changed much since 2001.

“In five years in Colorado, the average increase in the single monthly premium has gone up 56 percent, yet the employee’s contribution only increased 3 percent, so the employer is still picking up a big chunk of change,” Goodwin said.

To contain costs, some employers are restructuring their policies to increase employee out-of-pocket expenses, such as deductibles and co-payments for services.

Red Noland Automotive Group did that in 2003 and saved \$35,000 in the first year, according to Cindy Sparks, director of human resources.

"Health care was becoming unaffordable to our employees, and that concerned us," she said.

Red Noland's 175 employees now have a higher deductible for catastrophic illness. And they pay 50 percent of the cost of insurance premiums and can take advantage of a health reimbursement arrangement, a tax-favored account used to pay medical expenses.

"Our renewal rate decreased 10 percent the first year, then increased 10 percent last year, so we're extremely happy," Sparks said.

Employees liked the fact that premiums for families dropped to \$335 a month for medical and dental insurance, she said, so more employees signed up for coverage.

"It's an incredible challenge — we spend a lot of time on this because the marketplace is extremely difficult, and it's hard for employees to understand why they're being hit with huge rates," Sparks said.

Businesses have good reason to offer an attractive health care plan, Goodwin said.

"Employers see health coverage as a recruitment and retention tool to be competitive in the marketplace," she said. "Because it's such an expensive benefit, they know they have to costshare, and they still tend to pick up the majority of the costs."

Another Mountain States survey released in April shows that in Colorado, the average employee deductible is \$600, and the average office visit co-pay is \$20. For 2005, 40 percent of employers increased employee contributions for family coverage and 38 percent increased it for single coverage.

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