

Survey: Health Benefits Account For 8.8% Of Payroll Costs

[The National Underwriter Company](#)

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NU Online News Service, Aug. 18, 2003, 5:23 p.m. EDT -- Employer costs for health benefits now account for 8.8% of payroll expenses at U.S. employers with health coverage, up from 7.3% in 2000, according to the Hay Group Inc., Philadelphia.

Hay surveyed 1,000 U.S. companies and found that their health insurance premiums rose an average 15% this year, even after adjusting for benefit reductions.

Hay is blaming the increase on the cost of new medical treatments, tougher provider contract negotiations, relaxation of care management at health maintenance organizations, and a shift toward preferred provider organization plans.

Fifty-seven percent of the employers surveyed now offer PPO plans as their primary plans, up from 40% four years ago, Hay says.

Many of the employers surveyed have responded to the cost increases by asking employees to pay more for doctor visits and prescription drug purchases.

The percentage of plans with co-pays of \$15 or more has increased to 57% this year, from 33% in 2001, Hay says.

Typical co-payment levels for prescription drugs have doubled, with employees now paying \$10 for generic drugs, \$20 for brand-name drugs on a plan's preferred drugs list and \$30 for other brand-name drugs.

Eleven percent of employers have given up on fixed-dollar prescription co-payments and switched to percentage-based co-payments, Hay reports.

Hay researchers also asked employers about use of two common components of defined contribution health plans -- "health reimbursement accounts" and high-deductible health insurance.

Six percent of the companies surveyed are offering HRAs, high-deductible plans or both as health coverage options. But the typical employee participation rate is still less than 10%, Hay says.