



UP, UP, & AWAY

Higher Health Insurance Premiums – The Impact

Up, up, and away. That's one way to describe the soaring costs of health insurance premiums. Here's a quick look at some key factors that can help put the current situation into perspective.

THE NUMBERS

According to the [Kaiser Family Foundation \(KFF\)](#), American workers are now digging deeper into their pockets to share the cost with their employers, which is now pegged at 25 percent. With the average annual total premium now at \$22,463, many employees can pay as much as \$6,106, (about \$509 per month) for their annual share of their family's health insurance coverage that's offered through employers.

The cost of premiums could be even higher for those who work at firms with fewer than 200 full-time employees. According to the KKF, these employees are likely to spend an average of nearly \$2,000 more out of their paychecks than their peers working at larger companies.

To make matters worse, premium increases are in addition to the deductibles which employees must reach before their coverage even starts to pay for the health services they receive. Currently, the average deductible for single coverage has risen to [\\$1,500 and \\$3,000 for family coverage](#).

Today, employers pick up an average of about [83 percent](#) of the health insurance premium cost for their employees. But they may not be able to take on much more. In a recent [McKinsey](#) survey, employers reported that future increases will not be "sustainable" for their organizations.

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THE REASONS

Over the past year, the cost for just about everything from apples to tech has risen. In fact, [The Consumer Price Index \(CPI\)](#), a common indicator of inflation, increased 7.1 percent overall for the year ending in November. Combined with increased health care spending (that is rebounding from the pandemic) and persistent supply chain bottlenecks (and higher prices) for medical supplies and equipment, inflation and a tight labor market are also contributing to rising health insurance premium costs.

Since 2000, medical costs have risen each year by 4.85 percent. More recently, labor shortages have impacted the healthcare market and will likely require higher wages and salaries in order to attract and retain talent in the sector... which will only add more costs. Prescription drug prices are also to blame.

Employer-based health insurance premiums will increase faster than workers' wages in the foreseeable future.

[*Peterson-KKF Health System Tracker*](#)

In an effort to curb rising healthcare expenses, Congress passed the Inflation Reduction Act (IRA) this past year. Among the key provisions, it allows Medicare to negotiate pricing for prescription drugs directly with drug companies, and specifically limits the cost of insulin, which is used by [8.4 million](#) Americans. While these reforms are likely to bring down costs for employees and individuals, there's concern that drug companies will offset the amount of discounts they're forced to give up by shifting the cost over to employer-sponsored health insurance plans. (And further inflate premiums for both employers and employees.)

THE IMPACTS

While employers have options to help manage increasing costs, finding an ideal solution for your business could prove challenging without the right guidance. **Among the options:**



Reduce benefits: 95 percent said they would consider taking this action if costs increased four percent or more.



Increase the portion employees pay for health insurance premiums, which could compromise current talent acquisition and retention efforts.



Consider offering a high-deductible health plan (HDHP), in which employees pay more out of pocket for health services (until they reach a certain amount) in exchange for paying lower premiums upfront.

Unfortunately, all these options transfer added costs in one way or another on to employees. Fearing further losses in their workforces, employers are not eager to make such changes.

With additional increases to cost sharing seemingly out of the question at this time, how can employers continue to balance the need to offer valuable health insurance coverage to their employees but at a rate that their organizations and employees can afford? Consulting a professional benefits broker who has deeper insights into the market can provide the necessary guidance for moving forward during this challenging time. Brokers can use various analytics tools along with their expertise to structure comprehensive, cost-conscious health insurance benefits for organizations of all sizes.

[Contact Us](#)

Contact us today to find out how we can help you manage healthcare rising costs.

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