

# Impact of Healthcare Costs on Employers and their Employees

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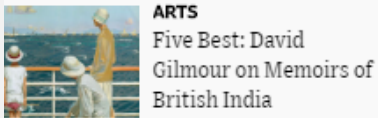
# Total family premiums for employer health plans are rising.

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## Employer-Provided Health Insurance Approaches \$20,000 a Year

Deductibles that workers must pay out of their pockets also rose, according to the Kaiser Family Foundation

By *Anna Wilde Mathews*

Updated Oct. 3, 2018 8:25 p.m. ET

The average cost of employer health coverage offered to workers rose to nearly \$20,000 for a family plan this year, according to a new survey, capping years of increases that experts said are chiefly tied to rising prices paid for health services.

Annual premiums rose 5% to \$19,616 for an employer-provided family plan in 2018, according to the yearly poll of employers by the nonprofit Kaiser Family Foundation. Employers, seeking to blunt the cost of premiums, also continued to boost the deductibles

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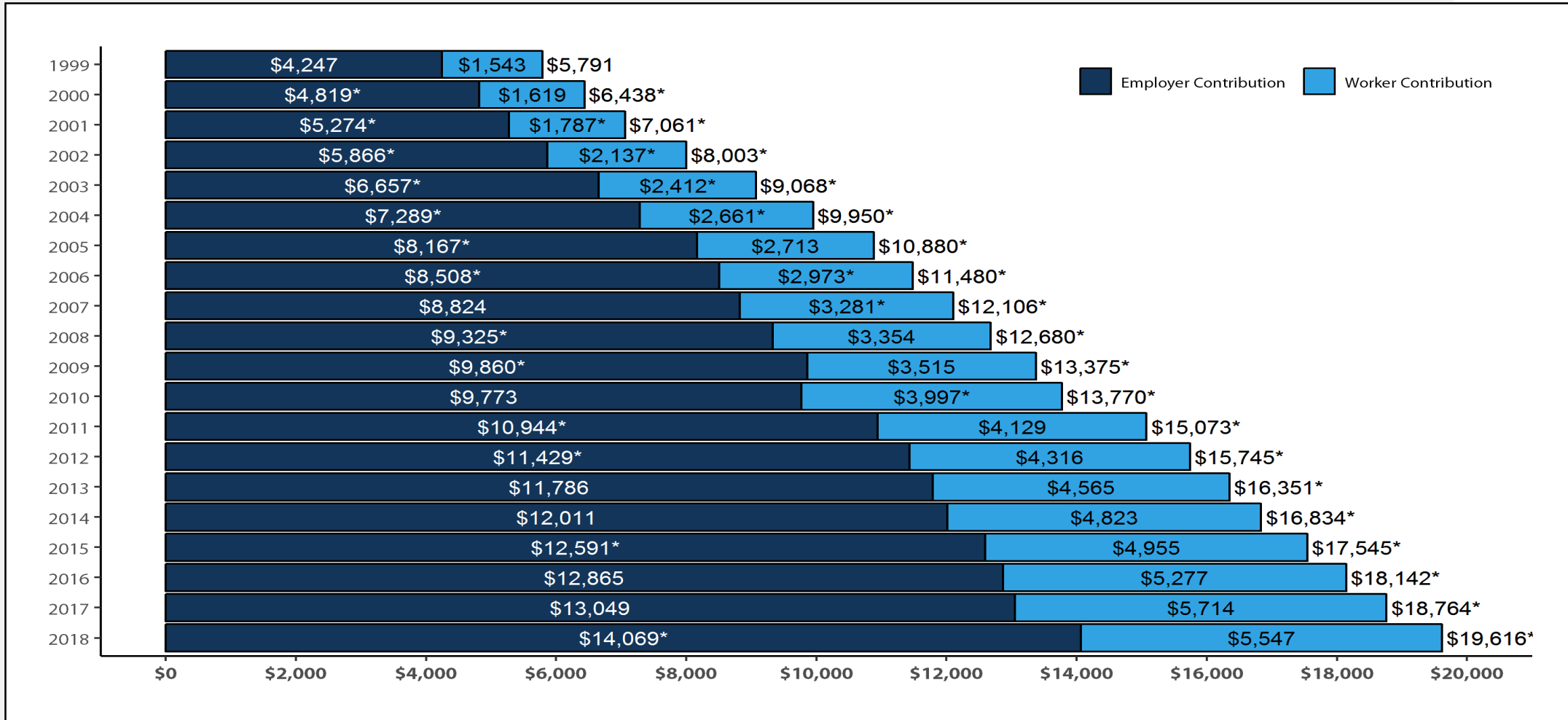
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2. Four Questions As the Mueller Report Looms



# Employer premiums have risen, and so have employee contributions.



\*Estimate is statistically different from estimates for the previous year shown (p<.05).

SOURCE: KFF Employer Health Benefits Survey, 2018; Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2017

# Employee premiums for family coverage are growing faster than median income.

The Washington Post  
*Democracy Dies in Darkness*

Opinions

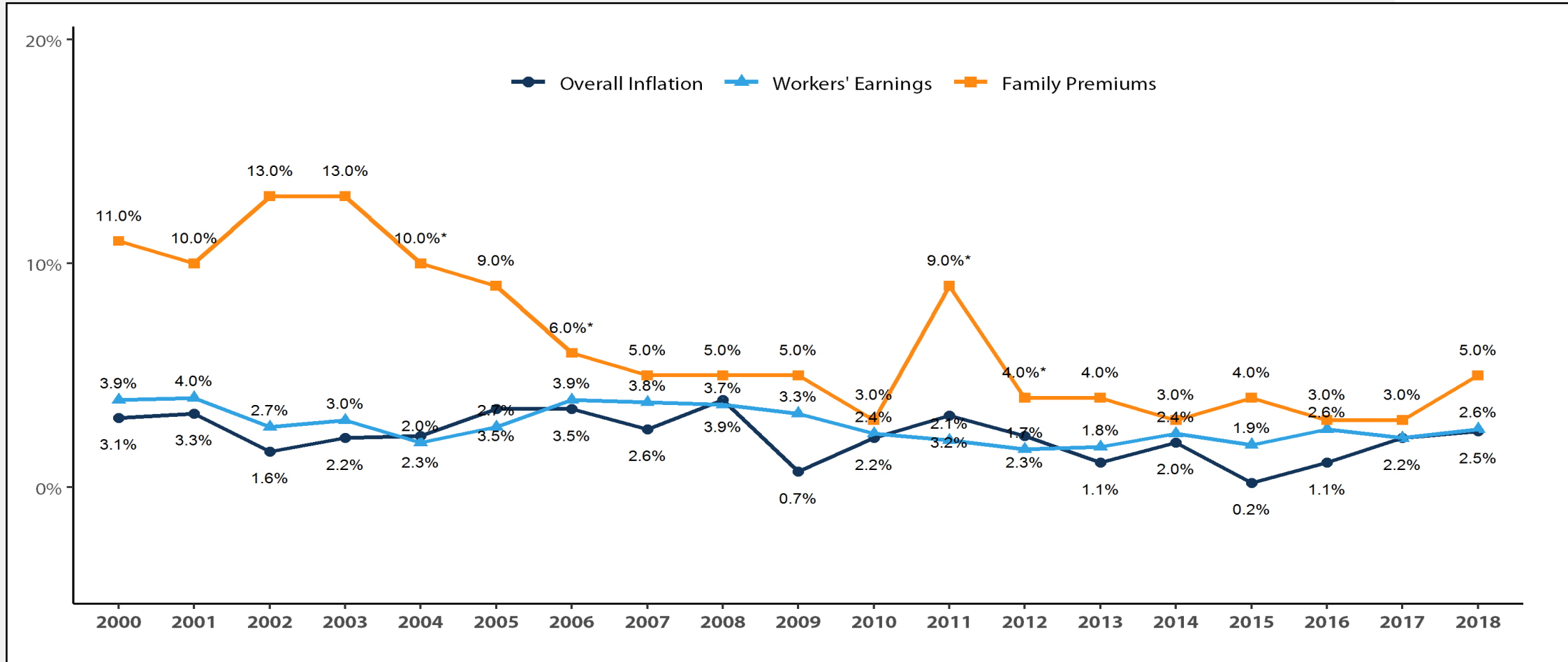
## Where did our raises go? To health care.



By **Robert J. Samuelson**  
Columnist  
September 2, 2018

It's wages vs. health benefits. On this Labor Day, just about everything seems to be going right for typical American workers, with the glaring and puzzling exception of wage stagnation. The unemployment rate is 3.9 percent, near its lowest since 2000. The number of new jobs exceeds the peak in 2008 by about 11 million. Then there's wage stagnation.

# Employee costs for employer coverage are growing faster than median income.



\*Estimate is statistically different from estimates for the previous year shown ( $p < .05$ ).

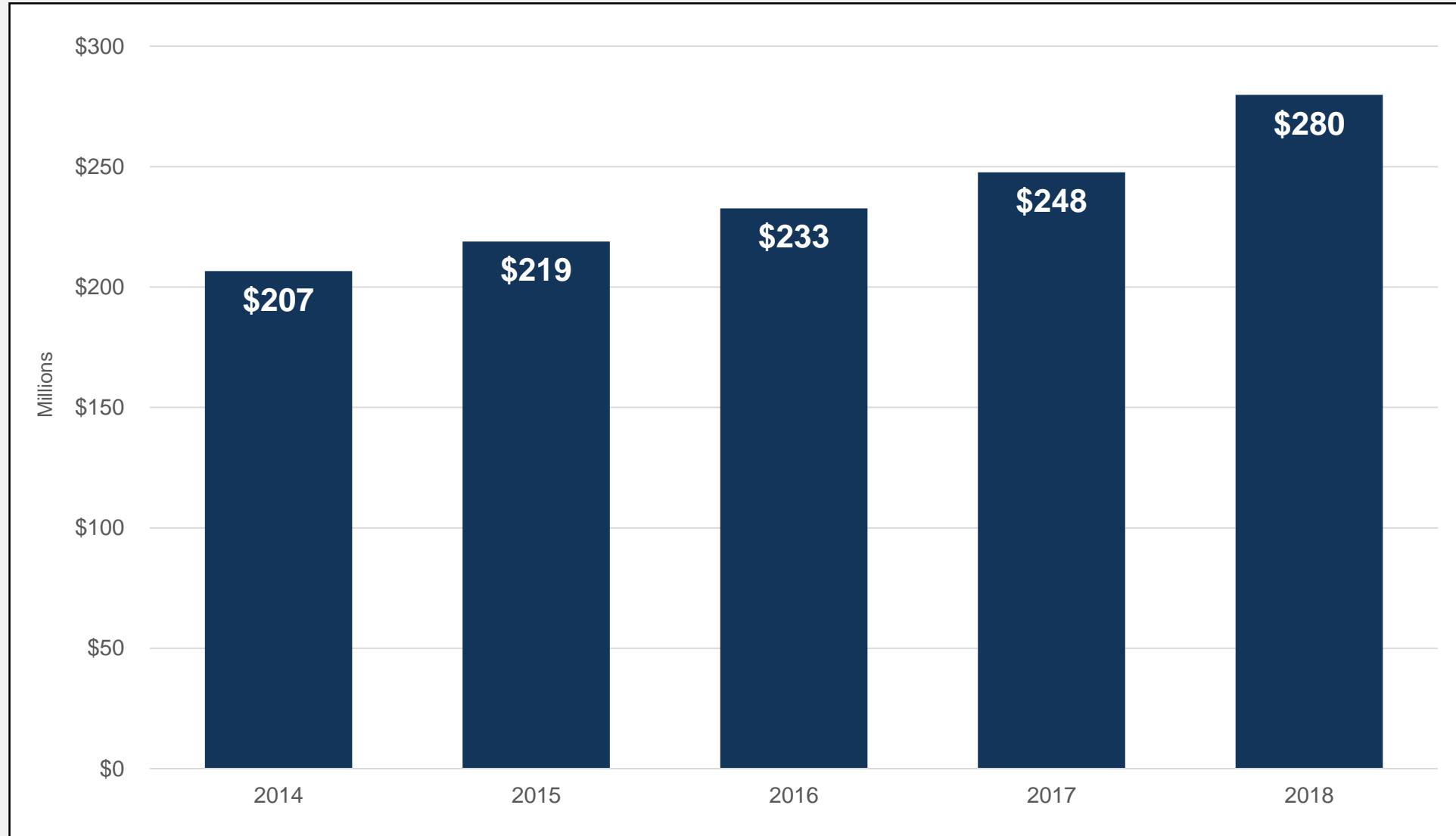
SOURCE: KFF Employer Health Benefits Survey, 2018; Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2017. Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation (April to April), 1999 – 2018; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey, 1999 – 2018 (April to April).

# HEALTHCARE SNAPSHOT

*Indiana University*



# Employer healthcare costs are growing

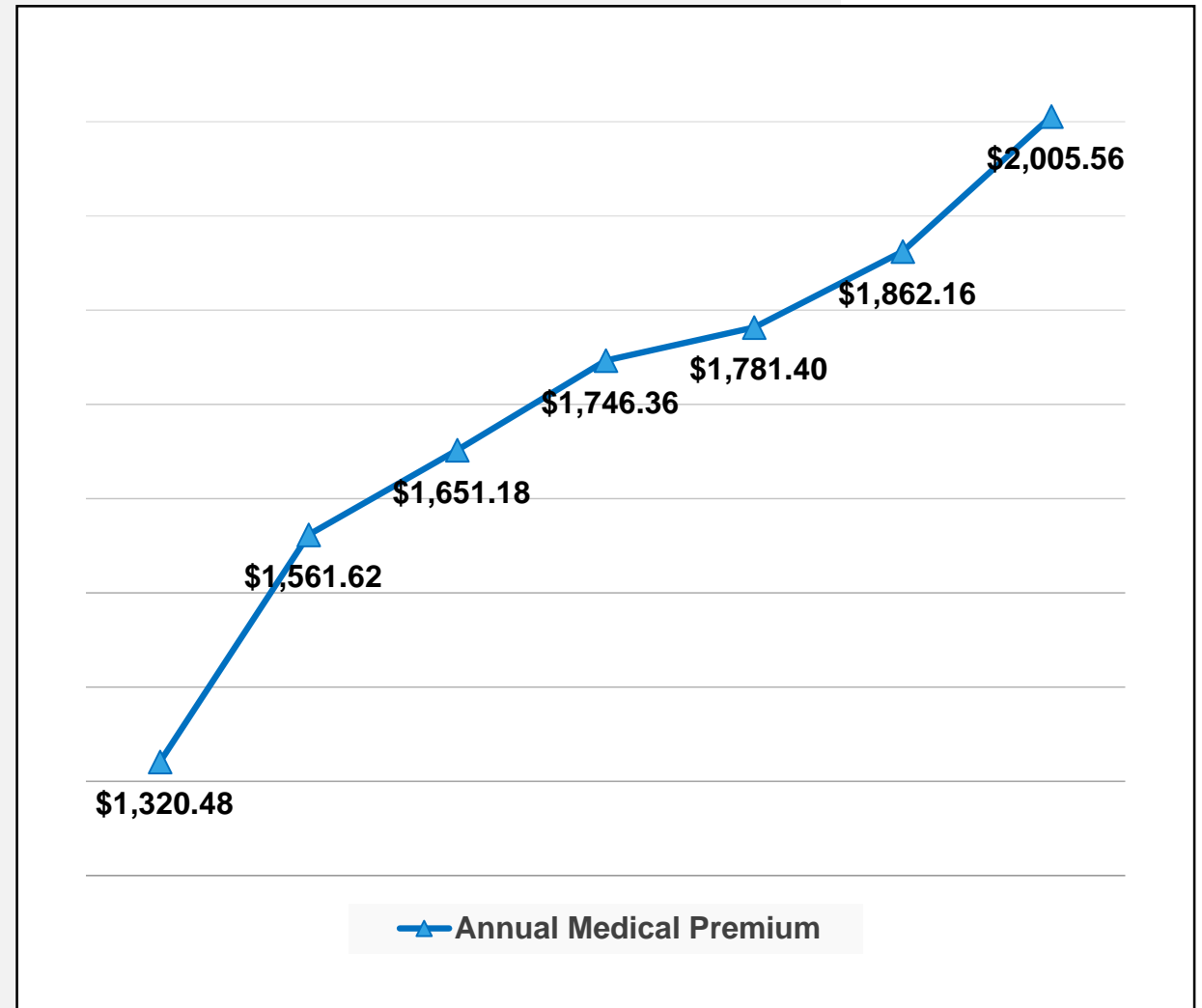


The IU  
healthcare  
budget has  
increased  
**35%**  
in 4 years.

# Employee premiums are not affordable

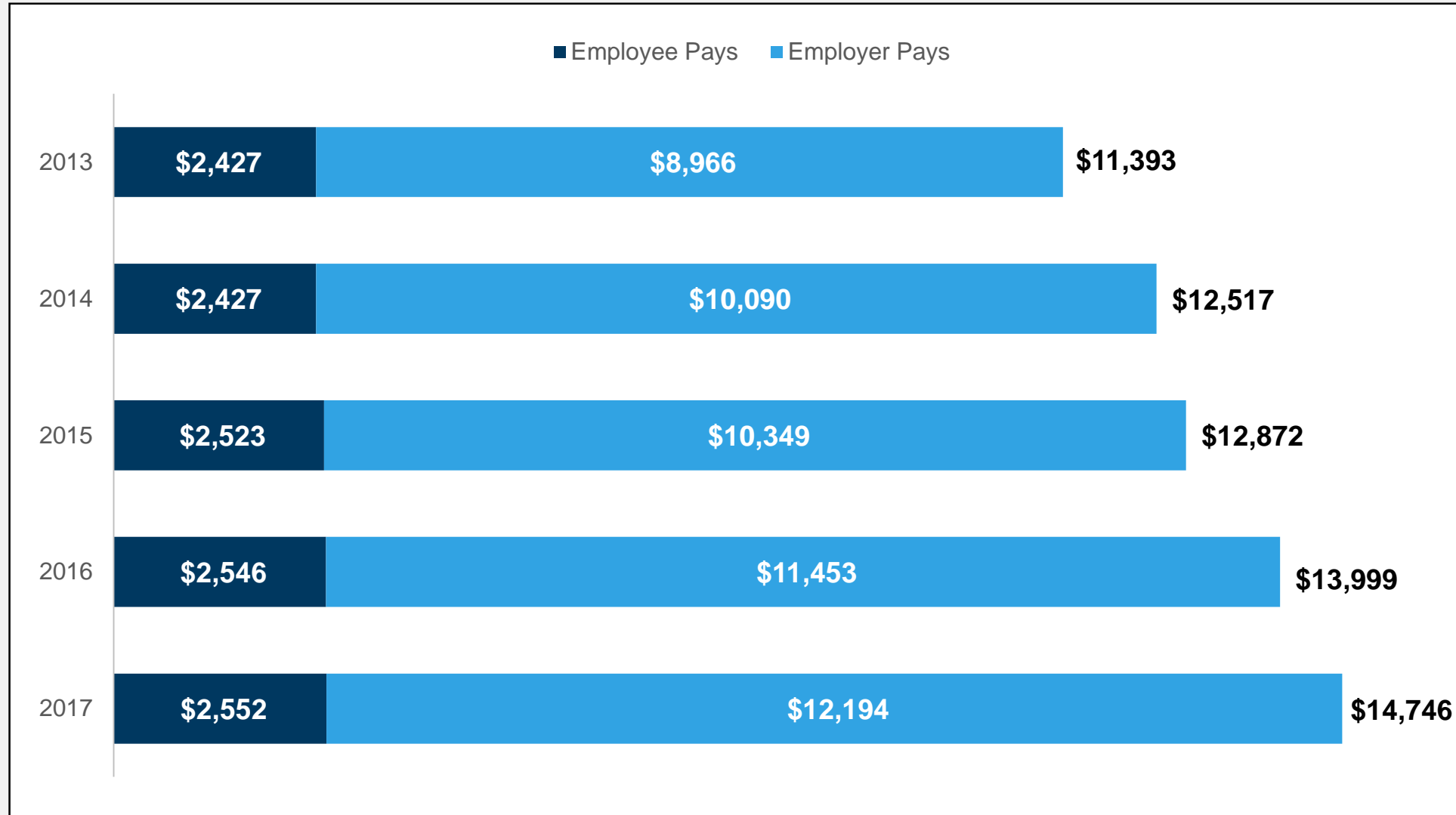
- Annual Salary: **\$40,000**
- Medical Plan: **HDHP with HSA**
- Level of Coverage: **Family**

- Employee premiums for family coverage increased by **52%** over the past 6 years.
- That's an average increase of **8%** annually.
- Premium contributions consume about **5%** of the employee's base salary.





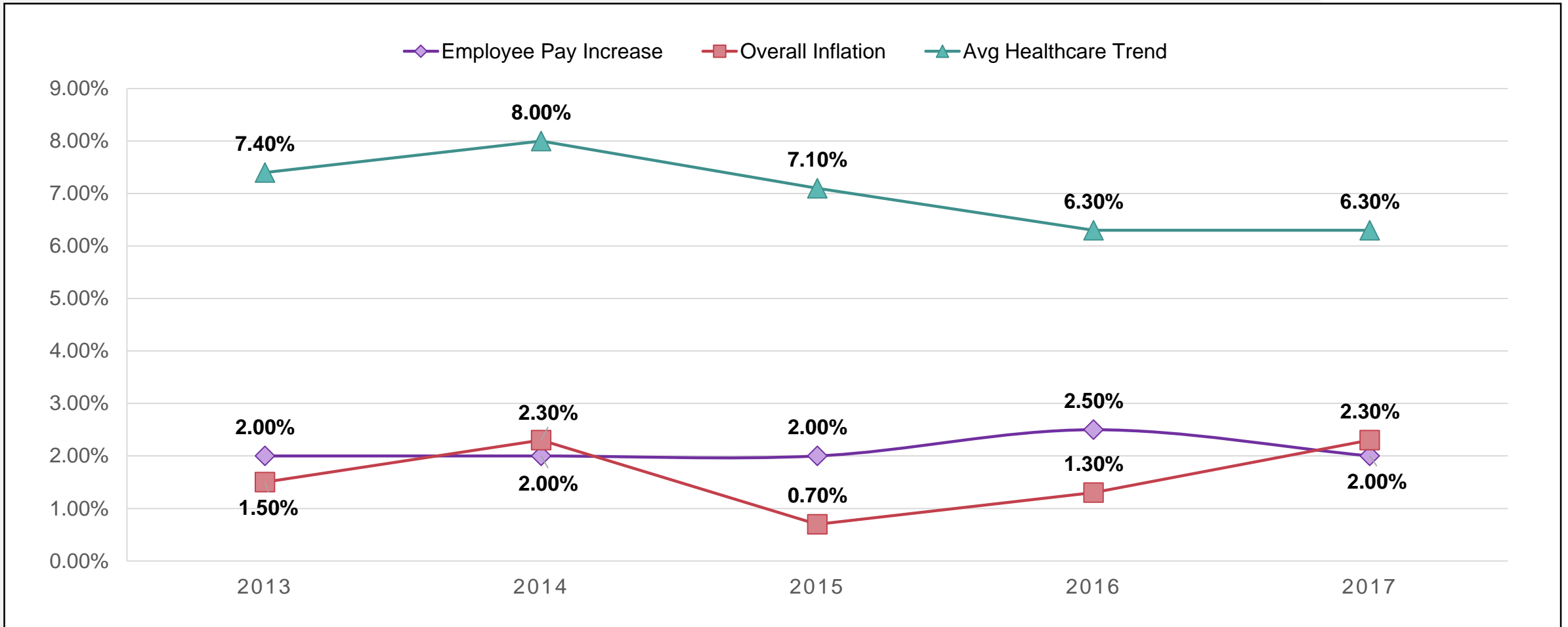
# Rising PEPY costs



PEPY costs increased **30%** from 2013 to 2017.

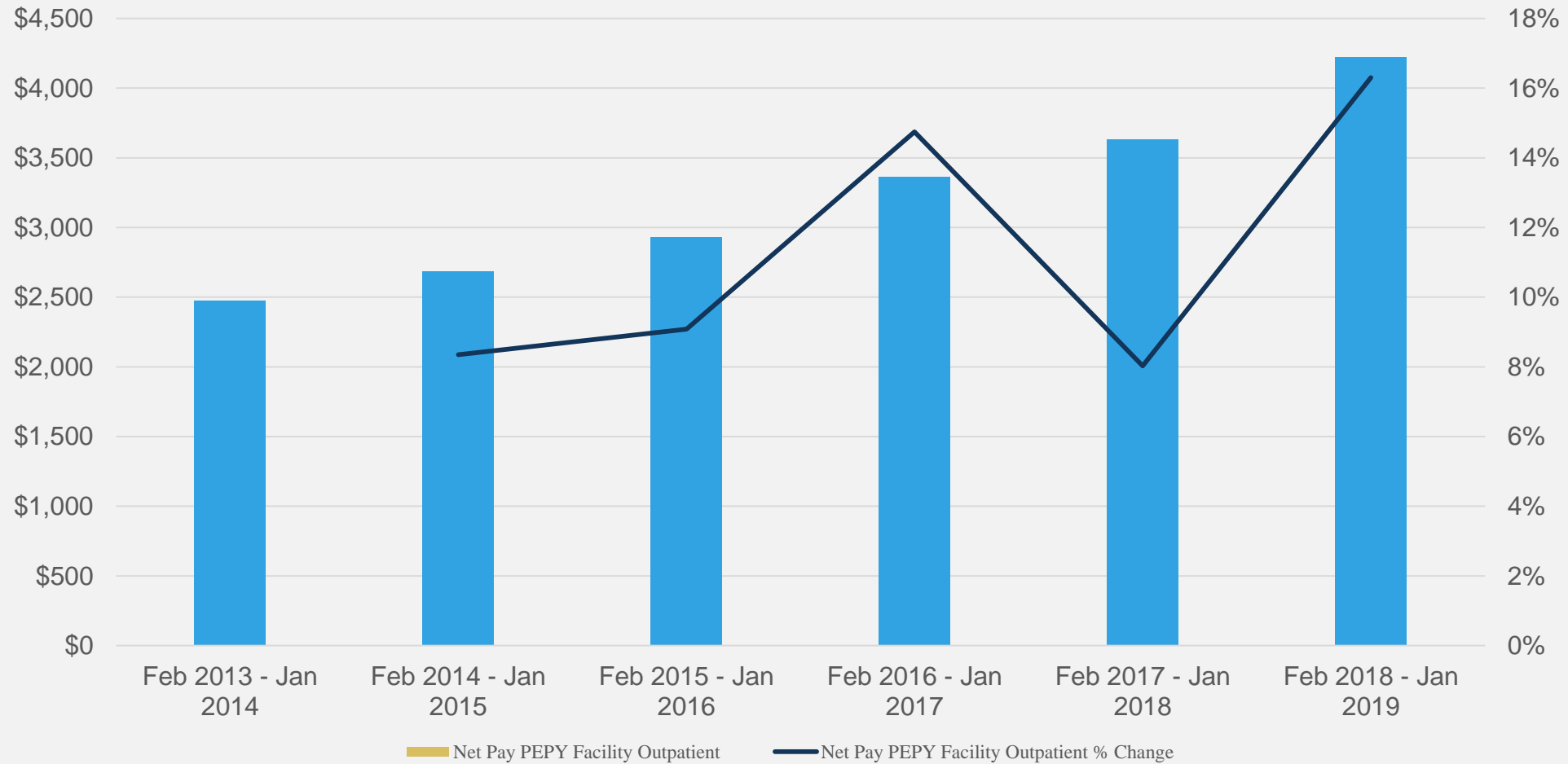
SOURCE: IU Claims Data, Med and Rx, Paid March 2013 through February 2018

# Healthcare cost outpaces employee pay and inflation.



Source: IU Data., Fiscal Year 2013-2017; Mercer's National Survey of Employer-Sponsored Health Plans; Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation (April to April) 1993-2017.

# Skyrocketing outpatient PEPY costs



# Impact of healthcare costs on employers and employees

- Healthcare expenditures are a large proportion of employer budgets
- Costs are growing rapidly on a per employee basis, at rates far above the cost of living
- These increases are challenging the ability to provide raises to employees
- To shield employees at IU, a greater proportion these costs have shifted to the employer's budget over time

**This is  
NOT  
sustainable.**

**Employers can't keep doing the same thing and expect different results.**

# Employers are nearing the end of their ability to improvise.



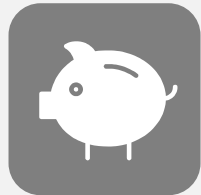
# Levers for employers to adjust

## CURRENT

## FUTURE



**Increase Premiums**



**Health Savings Account (HSA)**



**Deductible and Out-of-Pocket Maximums**

**Contracted Medicare Plus Pricing**



**Narrow or Tiered Networks**



**Direct Contracting with Providers**





**Hassan Azar**

Senior Vice President, Total Rewards US Foods



**Kathy Donnenson**

Chief of Health Plan Administration Division, California Public Employees Retirement System (CalPERS)



**Dawn Kopacz**

Manager of Health Care Plans, General Motors



**Nicole Williams**

Director, Cummins Global Clinical Strategy

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