

Sickened by the cost

The Salt Lake Tribune - Lesley Mitchell

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It's open enrollment time once again, and employers and employees alike are dealing with significantly higher health insurance premiums, higher out-of-pocket costs and skimpier coverage. The changes - in response to the continued dramatic increases in health-care costs - have been gaining momentum in recent years. This year, though, the bottom line may be especially painful for many workers, particularly at smaller businesses, whose single-digit raises will do little to mitigate double-digit increases in premiums and out-of-pocket expenses.

A report by Families USA indicates that the cost to insure a family in Utah rose 71.8 percent from 2000 to 2006, to \$10,832 annually. During the same time period, median earnings of Utah workers rose 9.9 percent, to \$23,620, the report notes.

Nationally, health-care premiums grew 73.8 percent over the same six-year period, while incomes rose 11.6 percent. Among all states, Utah was tied for the dubious honor of having the 10th-worst disparity between premium and wage increases, according to the nonprofit consumer advocacy group. Like it or not, many employees are painfully aware of the nation's health-care crisis.

After enduring a series of premium increases in recent years, Chad Everett, who works for Hightech Signs in Salt Lake City, is facing a higher deductible - the amount he must pay before coverage kicks in - and higher copays for office visits and prescriptions for himself, his wife and two sons, ages 5 and 6. Many companies are raising deductibles and copayments as a way to compensate for premium increases. Generally, the higher the deductibles and copayments, the lower the premium increases will be.

"I'm at the point where I'd rather have my deductible go up to keep the amount that is coming out of our paychecks from increasing," said Everett, who works as a production manager.

One co-worker, after looking at what was left in his paycheck after the health insurance premiums were deducted, decided to forgo health insurance altogether.

Hightech Signs owner Craig Wilson, who pays 50 percent of his employees' health insurance premiums, said he has had little choice but to raise his workers' premiums, deductibles and copayments in recent years. Wilson, who started his 16-employee business in 1990, said he's seen his company's health insurance premiums rise by about 20 percent each year for the past several years.

He said the amount being deducted from employees' paychecks has become such an issue that this year, he decided to go with a different health insurance carrier that will raise policy deductibles to \$500 from \$250 and institute higher copayments for office visits and pharmacy purchases instead of raising premiums yet again.

Seeing risk in a new hire

It's the double-whammy of higher premiums and greater out-of-pocket costs that are "eroding middle-class financial security, plain and simple," said Judy Hillman of the **Utah Health Policy Project**, a nonprofit

advocacy group in Salt Lake City. "We have to ask ourselves, what kind of future will our children have if this continues?"

Hillman and others, including the United Way and the Salt Lake Chamber, are exploring ways to address the problem in the state Legislature.

They are interested in a measure that would provide Utahns with greater access to health insurance coverage while containing health-care costs and improving quality of care. Exactly what shape that proposal would take has yet to be determined.

"We're very much in a public-comment period," said Natalie Gochnour, vice president of communications for the Salt Lake Chamber.

Anyone who wants to be part of the dialogue can go to www.uw.org, read some of the proposals that have been made and make comments. The groups also are staging some upcoming town hall meetings on health-system reform.

Many think the nation's health-care system is broken and that, as a result, the health insurance system is ailing as well. Perhaps nowhere is this more apparent than at small employers, such as Hightech Signs, that have fewer employees over which to spread insurance costs. Just one employee with a serious health problem can cause the entire group's premiums to skyrocket.

In a recent interview with a prospective employee, Hightech Signs' Wilson said he found his mind drifting to the person's health. Did the candidate have any serious illnesses? How would the insurance company rate the candidate? Would the candidate cause everyone's rates to go up?

"You just can't think like that - it's not right," he said. "But the way the system is, it makes you want to think like that."

Hillman said Wilson is far from alone. She employs four people and said there is a real incentive for employers to avoid hiring categories of people who insurance companies consider higher risk, such as women of childbearing years and older workers with chronic health issues.

"We're a small group, and if I bring in a woman of childbearing years, our premiums would go through the roof. And here we are in a culture that values families - and large families at that. It just doesn't make sense."

Every company, big or small, is coping with the dramatic increase in health insurance costs in a different way.

Some companies are creating financial incentives - or in some cases imposing financial penalties - to encourage employees to cover their spouses and children on other plans.

Others are requiring employees to pay more of their health insurance premiums.

Years ago, it wasn't all that unusual to have companies pick up the entire tab - or as much as 80 percent to 90 percent of their employees' health insurance premiums. Now, many companies are paying a smaller share.

'So out of control'

At McKinnon-Mulherin Inc., a 16-employee provider of corporate communication services, co-owner Kate Reddy used to cover the entire health insurance premium for full-time employees. Now, after years of increases - over the past two years alone premiums have risen a hefty 40 percent - the Salt Lake City company now pays 75 percent.

"Health insurance is a big problem for business owners," says Reddy. "It's so out of control, it's crazy." Terri Holland, co-owner of Home Caregivers Home Health in Salt Lake City, said she didn't realize how crazy the whole system was until earlier this year, when she decided she had to offer group health coverage in order to remain competitive with larger employers. There's a shortage of many health-care professionals - especially nurses - and many were opting to go with bigger companies that have better benefit packages.

So, working with an insurance agent, Holland collected health insurance applications and histories from each employee.

She said she was shocked to be quoted premiums that were so high - one employee's premiums exceeded \$1,000 per month. The result was that a majority of employees voted against coverage. The problem: Her small group of 16 employees eligible for health insurance coverage (because they worked at least 32 hours a week) was deemed high risk by insurance companies. That's because within the group there was a handful of employees who had chronic health conditions.

The employees with health problems, who badly wanted health insurance, left to work for larger employers who had group policies.

Holland is asking for another rate quote in hopes that premiums will be more affordable without those who left.

"Everyone is on pins and needles, waiting to hear what our quote will be," she said.

Even if coverage is more affordable this time, Holland says she and her employees remain vulnerable to hefty premium increases because as a group they are so small. "You hire an employee or two who are sick or who have a health problem, and eventually the whole group suffers.

"We've been told to expect that rates will increase 11 percent to 25 percent each year. It's a nightmare."

Interested in health insurance reform?

Two meetings are planned by the **Utah Health Policy Project**, Salt Lake Chamber and United Way to discuss ways to reform health insurance coverage in Utah.

* Tuesday, 5:30-7 p.m. at the Utah Olympic Oval, 5662 S. Cougar Lane, Kearns

* Thursday, 5:30-7 p.m. at Davis Applied Technology College, 550 E. 300 South, Kaysville