

IAA Legislative Ledger



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Do Your Health Insurance Cost Continue to Rise?

2018 MILLIMAN MEDICAL INDEX

The cost of family coverage offered through employers' health plans is expected to rise only modestly this year, but that still will push the average cost past \$28,000 for family coverage, Milliman Inc. said in the 2018 Milliman Medical Index report.

The total cost of coverage for a family of four under an employer-sponsored preferred provider organization plan — including premiums and employees' out-of-pocket expenses—rose 4.5% in 2018 to an average of \$28,166, up from \$26,944 in 2017, Seattle-based Milliman said in its annual “Milliman Medical Index” report. While that is the second-smallest percentage gain in the history of the analysis that Milliman began in 2001, the \$1,222 cost increase for a family of four is the thirteenth consecutive year that the annual increase has exceeded \$1,100.

A big driver of group health care plan cost increases continues to be prescription drugs, though the 2018 increases are smaller compared to recent years. In 2018, prescription drug costs rose an average of 6%, bringing costs for family coverage to \$4,888. By contrast, prescription drug costs increased an average of 8% in 2017 and 9.1% in 2016. How much prescription drug costs will increase in the future is a big unknown. “Drug costs will continue to be prone to volatility...as new and expensive drugs enter the market, lower cost alternatives emerge and drug price changes are deployed very quickly,” Milliman said in its analysis. Hospital services, which include inpatient and outpatient care, account for the biggest chunk—50%—of health

care costs. In 2018, inpatient and outpatient expenditures for families averaged \$14,026, up 4.8%. While that increase was significantly higher than 2017's average increase of 3.9%, it was the third-smallest increase since Milliman began the annual surveys. Outpatient cost increases outpaced inpatient cost hikes, rising by an average of 5.2% in 2018 to an average of \$5,395 for a family of four, compared to an average increase of 4.5% for inpatient care, bringing those costs to \$8,631 for a family of four.

Employers paid more than 56%, or \$15,788, of health plan costs this year, according to the analysis. Employees paid an average of \$7,674 in premium contributions and \$4,704 in out-of-pocket expenses, such as health care services that fall under their plans' deductibles. In recent years, as health care plan costs have climbed, employers, increasingly, have shifted more costs to employees. For example, employees now are paying nearly 44% of health care costs, up from just 40% in 2008. That cost shift to employees, the analysis noted, is because employers are finding it harder to absorb rising health care expenses. “Health care expenses have grown at rates that make it increasingly difficult for employers to continue funding the benefits. Employer responses, such as defined contribution funding or simply limiting their increases in their contributions to health care benefits, have transferred more of the expenditure growth to employees,” the analysis noted.

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DO YOU KNOW HOW THE COST OF YOUR HEALTH PLAN COMPARES TO OTHER EMPLOYERS?

If you are an IAA client for our Medical Self-Funded Services, you have access to a reporting system that helps you understand and control cost. Some of those reports include:

Hospital Admissions: This report offers you a summary of your inpatient care broken out by facility. Hospitalization expense can account for an estimated 40% - 50% of a plan's total spending and this report will help you better understand what type of care and which facilities are driving that expense.

Hospital Admissions-Summary Totals										
			Not				Employee			Plan
			Total	Covered	Discount	Allowed	Responsibility	Exclusions	Payment	
			Charges	Amount	Amount	Amount				
Number of Admits:	88	Avg Per Admission	\$42,130.25	\$5,188.31	\$17,292.05	\$24,838.21	\$436.97	\$3,135.08	\$15,976.27	
Average Length of Stay:	4.1	Avg Per Day	\$10,241.61	\$1,261.25	\$4,203.59	\$6,038.02	\$106.22	\$762.12	\$3,883.73	
Number of Admits from ER:	43	Avg Per Admit from ER	\$35,773.20	\$5,651.10	\$16,169.15	\$19,604.06	\$366.04	\$2,112.91	\$11,474.02	

Care Compliance Summary: This report provides an overview of patient compliance with evidence-based care guidelines for more than twenty different conditions and screenings. Proper treatment of these key conditions can reduce plan costs and help members suffering from chronic conditions stay healthier. Plans can also utilize the reach-through opportunities available in the Care Compliance Summary to produce lists of members for targeted outreach.

Prescription Utilization Summary: This report provides an overview of drug utilization by breaking down prescription costs between drug categories (brand name, generic, etc.) and providing the top ten drug classes. Each class is further broken out to show the three most expensive drugs in that category. The report also provides the top ten most expensive drugs without regard to category.

Prescription Utilization Summary- Overview					
	# of RX	% of RX	Total Charges	Plan Payment	Avg Plan Payment
GENERIC	8,040	81.89 %	\$387,483.29	\$268,664.83	\$33.42
BRAND - GENERIC AVAILABLE	122	1.24 %	\$46,240.24	\$44,290.24	\$363.03
BRAND	1,487	15.15 %	\$585,696.29	\$536,451.32	\$360.76
BRAND - DAW 1 (DR. REQUEST)	56	0.57 %	\$34,157.24	\$29,893.39	\$533.81
BRAND - DAW 2 (PATIENT REQUEST)	48	0.49 %	\$27,246.39	\$24,295.61	\$506.16
SPECIALTY DRUG	65	0.66 %	\$373,069.15	\$370,430.30	\$5,698.93
Total	9,818	100.00%	\$1,453,892.60	\$1,274,025.69	\$129.76

Prescription Analysis: This report provides a listing, ranked by expense, of the medications purchased through the prescription plan with an option to view individual drugs or to group drugs by therapeutic class. You can use this report throughout the year to track the most utilized and most expensive prescriptions. At renewal, this report can be used to change benefits based on brand vs. generic utilization or alter the plan's formulary options.

Contact your IAA Client Advocate if you would like more information on our reporting or services.

Enjoy the rest of your day!

Thank you,
Paul Kelly, President