Weekly Checkup

Problematic Premiums

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Recently, the Kaiser Family Foundation (KFF) released its annual Employer Health Benefits Survey for 2023, which surveys around 450 firms and non-federal government employers with three employees or more. **The big news in the report is that premiums are up quite a bit. Let's explore the data and the potential reasons for that increase.**

The topline numbers are tough for Americans: The average annual premium for single coverage increased from $7,911 in 2022 to $8,435 in 2023, while family coverage increased from $22,463–$23,968 in the same period. Both went up by 7 percent, compared to roughly 4–5 percent year-over-year growth in prior years (with premium growth being relatively flat in 2022). Since 2018, both single and family coverage average premiums have grown by 22 percent. **Since 2013, family coverage average premiums have increased 47 percent, while single coverage premiums have increased by just over 43 percent.** The employee share of premiums was stable at 29 percent for family coverage in 2023, compared to 28 percent in 2022, while the employee share for single coverage remained flat at 17 percent. Both employee share numbers reflect trends in stability over the last five years, with the employee share of family coverage not growing at all since 2018 and the employee share of single coverage dropping 1 percent over the same period. Over the last decade, the employee share has remained virtually unchanged, with the share for family coverage at 29 percent and the share for single coverage at 18 percent in 2013.

The consistently flat employee share of premiums can be explained largely by the fact that deductibles have substantially increased over the last decade. Average deductibles for single coverage plans have slightly decreased, from $1,763 in 2022 to $1,735 in 2023, though these average deductibles are still up over 10 percent from 2018 and up almost 53 percent from 2013. For family coverage, the story is a bit more complicated. Both aggregate and separate per-person deductibles for family coverage remained roughly the same since last year but have increased substantially since 2013. **Average aggregate deductibles across all plans have risen 40 percent, from over $2,624 in 2013 to $3,673 in 2023, while separate per-person deductibles have risen from an average of $975 in 2013 to $2,561 in 2023 – an increase of almost 163 percent.**

There are a few reasons that are likely behind the increases. As KFF's survey points out, the 22 percent growth since 2018 is similar to the 21 percent inflation the United States has experienced over that same period. Of note, medical inflation topped out at 6 percent in September 2022. Labor costs were a contributing factor to this, as they have dramatically increased for health care systems. Between pandemic burnout and increased workloads, health care employment is 655,300 jobs short of pre-pandemic projections for 2023, and health job openings remain higher than other sectors. Average health employee wages increased 19.3 percent from February 2020 to May 2023, outpacing the economy-wide average pay increase of 16.9 percent over the same period. It's important to remember that current-year rates are set based on last year's costs. This delayed effect matters because health care utilization in 2022 was rebounding from the sharp drop-offs in 2020 and 2021 as people, on the advice of public health officials, avoided hospitals and doctors' offices at the height of the pandemic. KFF reported that 21 percent of adults delayed or skipped medical care due to the pandemic in 2021. Hospital discharges and physician office visits also dipped during the pandemic and began rebounding in 2022.

In short, increased utilization means increased costs for insurers, with corresponding increases in premiums.

Not only are utilization rates returning to normal, but delayed or skipped care often means that health problems are being caught later by physicians – meaning patients needing care may also be sicker (and more expensive to treat). **Policymakers may be tempted to intervene through subsidies or premium caps, but it's clear from the data that premium increases are a result of macroeconomic factors.** Congress would have a greater effect on prices by addressing those larger issues, rather than committing to direct intervention in a single sector.