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Health-Insurance Costs Are Taking Biggest Jumps in Years

Employers and workers are expected to see an increase of about 6.5% or higher in health-plan costs next year

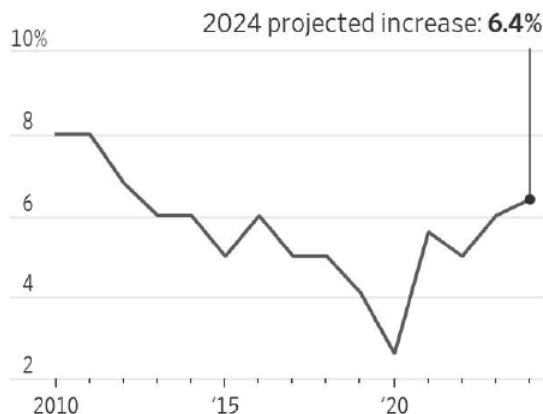
By Anna Wilde Mathews

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Health-insurance costs are climbing at the steepest rate in years, with some projecting the biggest increase in more than a decade will wallop businesses and their workers in 2024.

Costs for employer coverage are expected to surge around 6.5% for 2024, according to major benefits consulting firms Mercer and Willis Towers Watson, which provided their survey results exclusively to The Wall Street Journal.

Employer health insurance cost trends



Note: 2023 figure estimated
Source: Willis Towers Watson

Such a boost could add significantly to the price tag for employer plans that already average more than \$14,600 a year per employee, driving up health-insurance costs that are among the biggest expenses for many American companies and a drain on families' finances.

Employers worry the hike might signal a new trajectory, with health costs resuming the rapid upward march of the early 2000s. Now, though, big increases would come on top of a total annual cost per covered family that is often equivalent to the purchase price of a small car. These increases come at a time when employers are reluctant to add to out-of-pocket charges that have left some of their workers in debt or unable to get care they needed.

"It's much worse than we've seen over the last decade," said Elizabeth Mitchell, chief executive of the Purchaser Business Group on Health. "It comes out of wages and core business."

Among the factors leading to the faster health-insurance cost growth are hospitals' higher labor costs and heavy demand for new and expensive diabetes and obesity drugs.

The employer-plan increases are expected to strike businesses of all sizes, and regardless of whether they rely on an insurer to handle their health coverage or are self-insured.

Many workers will learn about their workplace coverage options for 2024 in the next few months, during the annual fall open-enrollment period. They will likely end up paying more out of their paychecks for it as the overall expense goes up and some employers lift out-of-pocket costs to help offset the increases.

Yet many employers are expected to take on the lion's share of the increase, partly due to a labor market that remains tight in many sectors, benefits consultants said.

For several years, health-coverage costs nationally increased relatively slowly, partly because the pandemic chilled doctor and hospital visits. Yet hospitals have had to hike wages for nurses and pay more for other expenses.



Retail-display maker Bench Dogs was hit with a 24% health-coverage increase when its plan renewed on July 1.
PHOTO: BENCH DOGS

To cover their own rising costs, hospital systems have been winning price increases from insurers. Benefits managers expected that would eventually raise costs for employers that pay for health coverage, since hospital care is a major source of healthcare spending.

The domino effect was slowed because insurers' contracts with hospital systems usually aren't renegotiated annually. It began hitting some insurance rates this year, and is likely to accelerate in 2024 for many employers.

"Inflation we saw a year ago is finally making its way into the contracts," said Tim Stawicki, the chief healthcare actuary at Willis Towers Watson, which goes by the initials WTW. "It's like a delayed reaction."

The survey of more than 450 employers by WTW, performed in June and July, found they expect health coverage costs to rise by an average of 6.4% next year, not including the effect of plan design tweaks. That would be the steepest increase in that measure since 2012, WTW projects.

Also contributing to the health-coverage cost increases is rising drug spending, particularly for the increasingly popular weight-loss and diabetes drug class that includes Ozempic and its sister Wegovy, as well as competitor Mounjaro.

Yet "the utilization is skyrocketing," said Debbie Ashford, chief actuary for health solutions at the North American unit of Aon, a health-benefits consultant and brokerage.

Aon projects employer plan costs will rise by 8.5% next year, the biggest jump in more than a decade.

Many employers will probably hold the line on passing along higher health-coverage costs to employees in order to maintain attractive benefits as they compete for workers amid labor shortages, said Beth Umland, a director of research at Mercer.

Mercer's survey, which included about 1,700 employers when preliminary results were analyzed in August, suggested healthcare costs will increase 6.6% in 2024 without factoring in plan design changes such as increasing workers' out-of-pocket charges.

Including those changes, Mercer projected a change of 5.4%, which was the same as its 2023 estimate but came after years of mostly smaller increases.

In justifying their requests for higher rates, insurers are citing the effects of inflation flowing through the healthcare sector, said Cynthia Cox, a vice president at KFF.

Write to Anna Wilde Mathews at Anna.Matthews@wsj.com

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