

## Employer Healthcare costs may rise by nearly 10 percent in 2008, study suggests

The AP (6/17) reported, "Employer healthcare costs are poised to rise" 9.9 percent in 2008 -- "more than double the annual inflation rate," according to a study released Tuesday by PricewaterhouseCoopers (PwC). The study also predicts costs will rise again in 2009, by an additional 9.6 percent. For the study, PwC "surveyed more than 500 employers and health plans, with total coverage of more than 11 million people." One of the two main factors "driving the increase," the study states, is cost-shifting -- those with insurance paying more to cover the uninsured.

The study claimed expanded cost-shifting is due to "the federal government...under-funding public programs while the number of uninsured" continues to grow, according to Bloomberg (6/17, Pettypiece). The second factor said to be responsible for high healthcare costs is that hospitals are "charging greater fees to pay for facility upgrades." "A lot of that construction has to be done to upgrade facilities, so the construction has to happen," Vernice Davis Anthony, president and CEO of the Greater Detroit Area Health Council, said Tuesday, "the Detroit Free Press (6/18, Keshavan) reports. In addition to the forecasted rise in costs, "[a] looming recession could also create more pain for payers," Modern Healthcare (6/18, Vesely) adds. But, the report points out that there are "[s]everal efforts under way [that] could help keep costs down," like "continued expansion of generic-drug use and disease-management and wellness programs." Healthcare reform could also help by reducing cost-shifting. "With medical-cost growth already exceeding the overall inflation rate, and inflation heating up in so many other sectors, healthcare providers, insurers, and employers will have to monitor medical costs carefully if we are to avoid a resurgence of the double-digit annual increases seen in the past," said David Chin, leader of the PwC Health Research Institute. CFO Magazine (6/17, Taub) noted that health insurers use medical cost trends "to estimate what it will cost to provide coverage in the coming year and to set premiums." Working with employers, insurers then "design the benefit packages that will be offered to workers." PwC pointed out that "medical cost trends are not a perfect predictor of increases in premiums because employers make changes to plan benefits and add cost-sharing features rather than increase premiums." But, "medical costs and premiums do tend to move in the same direction."