

For Immediate Release

## Health Care Cost Increases to Continue in 2011: Buck Consultants Survey

NEW YORK, Oct. 12, 2010 – As a number of health care reform provisions go into effect for employer plans in 2011, costs for the most popular types of plans are projected to increase by more than 10 percent.

In a national survey of more than 120 insurers and administrators, [Buck Consultants](#), [A Xerox Company](#), (NYSE: XRX), measured the projected average annual increase in employer-provided health care benefit costs. Insurers providing medical trends for the survey cover a total of approximately 150 million people.

In its 22<sup>nd</sup> [National Health Care Trend Survey](#), Buck found costs are projected to increase at rates that are up slightly from the trends reported in the prior two surveys, as shown in the following chart:

Type of Plan	Buck's National Health Care Trend		
	<u>22<sup>nd</sup> Survey</u>	<u>21<sup>st</sup> Survey</u>	<u>20<sup>th</sup> Survey</u>
Preferred Provider Organization (PPO)	11.6%	11.1%	11.0%
Point-of-service (POS)	11.3	10.9	10.2
Health Maintenance Organization (HMO)	10.6	10.3	11.0
High Deductible Health Plan (HDHP)	11.3	10.3	10.4

“The trend factors reported in our survey reflect, in part, that health insurers anticipate higher claim costs under health care reform,” said Harvey Sobel, FSA, a Buck principal and consulting actuary who directed the survey. “Also, due to current economic uncertainty, insurers may be projecting higher claim costs because employees who remain after layoffs tend to be older and more expensive to insure.”

According to the survey, the trend increase for High Deductible Health Plans (HDHP) is projected to be at or near those for PPO, POS, and HMO plans. “One reason for this is the more pronounced deductible ‘leveraging’ effect for HDHPs,” said Sobel.

He provided this example:

- A \$10,000 medical bill in a plan with a \$100 deductible results in a cost to the insurer of \$9,900. If the trend rate is 10 percent, that medical bill rises to \$11,000 and, after the \$100 deductible, the cost to the insurer rises to \$10,900 – or a 10.1 percent increase over the previous \$9,900 cost.
- Now consider the same \$10,000 medical bill in a high deductible plan with a \$1,000 deductible, resulting in a cost to the insurer of \$9,000. With the same 10 percent trend rate, the medical bill

again rises to \$11,000 and, after the \$1,000 deductible, the cost to the insurer rises to \$10,000 – or an 11.1 percent increase over the previous \$9,000 cost.

Health insurers reported an average prescription drug trend of 11.3 percent, up 0.4 points from the 10.9 percent reported in the prior survey. This is almost twice the 5.8 percent reported by pharmacy benefit managers (who generally do not take any underwriting risk).

For plans that supplement Medicare, health insurers reported a projected increase of 6.4 percent excluding prescription drug coverage, up from 5.8 percent in the prior survey. This lower trend reflects the impact of federal controls on Medicare fees and the lower increases expected in Medicare deductibles and copays.

The survey also reported trend factors for dental and vision plans.

Health insurers use trend factors to calculate premium rates, and large self-funded employers use these trend factors to budget their future health care costs. In general, trend factors provide for price increases that may result from such variables as inflation, utilization of services, technology, changes in the mix of services, and mandated benefits.

### **About Buck Consultants**

Buck Consultants is a leader in [human resource](#) and [benefits consulting](#) with more than 1,500 professionals worldwide. Founded in 1916 to advise clients in establishing and funding some of the nation's first public and private retirement programs, Buck is an innovator in the areas of retirement benefits, health and welfare programs, human capital management, compensation, and employee communication. News and other information about Buck Consultants are available at [www.buckconsultants.com](http://www.buckconsultants.com). Buck is a wholly owned subsidiary of [Affiliated Computer Services, Inc.](#)

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Buck's 22<sup>nd</sup> "National Health Care Trend Survey" is available at no cost to the media by contacting Ed Gadowski at 201-902-2825. It is available to other interested parties for \$100 from Buck's Global Survey Resources, 50 Fremont Street, 12<sup>th</sup> Floor, San Francisco, CA 94105. Telephone 800-887-0509. It also can be ordered online at [www.bucksurveys.com](http://www.bucksurveys.com).

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