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IOWA EMPLOYERS REPORT HEALTH INSURANCE PREMIUMS INCREASE 9% Despite Health Reform Challenges, Employers Not Likely to Drop Health Coverage

DES MOINES, IA (September 12, 2013) – Iowa employer health insurance premiums increased an average of 9 percent from 2012 to 2013, according to the *2013 Iowa Employer Benefits Study*[®], the 15th annual study conducted by [David P. Lind Benchmark](#) of Clive, an employee benefits research firm. The 9 percent increase is an average that factors in employers receiving no change, an increase or decrease in their premiums. During the same period, wages for Iowans increased by 2.9% while inflation in the Midwest increased 1.8% (source: Iowa Workforce Development).

The Iowa average represents the increase in premium employers received prior to making design changes to their medical insurance plans. After the health plans were altered by employers - such as increasing cost-sharing arrangements with employees - the increase over the past year was a modest three percent for single premiums and under five percent for family premiums. This net increase in Iowa premiums compares similarly to recent national findings from the 15th annual *2013 Employer Health Benefits Survey* conducted through the Kaiser Family Foundation/Health Research & Educational Trust (HRET).

- The combined average annual premiums for all types of medical plans offered by Iowa employers (HMO, PPO, Traditional Indemnity and Consumer-Driven Health Plans) were \$5,600 (up 3% from 2012) for employee-only coverage and \$14,221 (up 5%) for employees who include family members.
- Since 1999, the single premium has increased by 171 percent while the family premium has increased by 158 percent. (Kaiser: 168% and 182%, respectively)
- Over the course of 15 years, employee contributions have increased by 117 percent for single coverage and 121 percent for family coverage. In sharp contrast, the Iowa Workforce Development shows the average weekly wage (for all industries) earned in Iowa increased by only 37.5 percent between 2001 and 2012.
- The average single deductible for medical plans in 2013 has increased slightly to \$1,416 (from \$1,389 in 2012). Since 2004, the single deductible has increased by 151 percent (from \$565). The family deductible in 2013 (\$2,943) is virtually unchanged from the previous year (\$2,945). Since 2004, family deductibles have increased by 148 percent.
- The overall percentage of Iowa employers offering health coverage dropped to 77 percent from 81 percent in the 2012 study – which is statistically meaningful. A greater percentage of smaller employers with fewer than 20 employees report not offering health coverage in the 2013 survey.

As health insurance costs continue to rise, employers vigilantly pursue different approaches to contain their health insurance costs by:

- Passing some or all of the increased costs to their employees (57 percent)
- Absorbing the entire cost increase (33 percent)
- Increasing deductibles (18 percent)
- Raising out-of-pocket costs for employees (10 percent)

- Increasing co-payments for office visits (8 percent)
- Increasing prescription drug co-payments (7 percent)
- Changing insurance companies (8 percent)
- Reducing pay raises or bonuses (6 percent)
- Offering Consumer-Driven Health Plans (5 percent)
- Beginning wellness program initiatives (4 percent)

Employer Attitudes on Health Reform

Employers were asked a number of questions about Health Reform. It is important to note that these questions were answered prior to the employer mandate being delayed until 2015.

- Fewer than two percent of Iowa employers with over 50 employees indicated they would discontinue offering health coverage and, instead, incur the \$2,000 penalty per employee.
- When asked about the likelihood of discontinuing health coverage in the next three years due to the health reform requirements, only 2.6 percent indicated they would not offer coverage. The smallest employers (2 to 9 employees) appear to be more likely to drop coverage (7.1 percent), while no employer in the largest size category (250+ employees) would drop coverage.
- On a 10-point scale, where 1 is "not at all prepared" and 10 is "fully prepared," employers were asked about how prepared their organization is when responding to the 2014 provisions of health reform. The smallest employer (2 to 9 employees) averaged 4.3 points while the largest (1000+) averaged 7.9 points, with an overall average of 5.8 points.

Plan Design Approaches

Iowa employers were also asked how they plan to reduce health care costs now and during the next five years. Over 42 percent of employers currently encourage the use of high-quality hospitals and physicians, either through health plan requirements or by lower employee cost-sharing. Another 11 percent plan to include this approach within the next five years. Over 11 percent of employers currently reward employees with reduced premiums or lower cost-sharing for achieving certain health outcomes, such as improved Body Mass Index (BMI) or lower cholesterol, while 19 percent plan to encourage this approach during the next five years.

“Despite the challenging economy along with the continued uncertainty of the Affordable Care Act, Iowa employers are searching for ways to mitigate the costs of the plans being offered and engage their employees in becoming more accountable in their use of health care services,” noted David P. Lind Benchmark President, David Lind.

The *2013 Iowa Employer Benefits Study*[®] was conducted during the late winter/late summer of 2013. Results are based on 1,054 responses from 4,378 randomly-selected employers with two or more employees. For the overall sample, the results are accurate to within plus or minus 3 percent, at a 95 percent confidence level. Data Point Research, Inc., of Ames, provided the statistical analysis and mathematical basis for the study.

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David P. Lind Benchmark (DPLB) is an independent, for-profit and non-partisan employee benefits research firm located in Clive, Iowa. Since 1999, DPLB has provided scientifically-based research to assist private and public employers and policy makers in their decision making. The *Iowa Employer Benefits Study*[®] is a comprehensive, statistical review of Iowa employee benefits and healthcare that is conducted annually by David P. Lind Benchmark. Learn more about **David P. Lind Benchmark** at www.dplindbenchmark.com.

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