

# Rising cost doesn't dissuade employers from offering health insurance

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David P. Lind  
Clive health care analyst  
(Photo: Special to the Register)

Iowa employers continue to face rising health-insurance premiums, but they're not dropping coverage of their workers, a new survey shows.

"We're not seeing an exodus at all," said David P. Lind, a Clive health care analyst who oversees [the annual survey](#). In fact, he said, slightly more employers are offering coverage this year than last.

An estimated 1.6 million Iowans, who make up more than half the state's population, receive health insurance via an employer. Most of the rest buy their own policies or obtain coverage from a government program, such as Medicare or Medicaid.

Employers' health-insurance premiums aren't rising nearly as steeply as those paid by [Iowa consumers who buy their own policies](#). But even so, employers face tough choices as the costs climb year after year.

Lind's survey of 1,025 employers found that they faced health-insurance premium increases averaging about 8 percent for 2016. Many adjusted their insurance plans, such as by raising the deductibles employees must pay, in order to rein in the premiums. After those adjustments were made, employers paid an average of about 6 percent more for single-employee plans and 0.5 percent more for family plans.

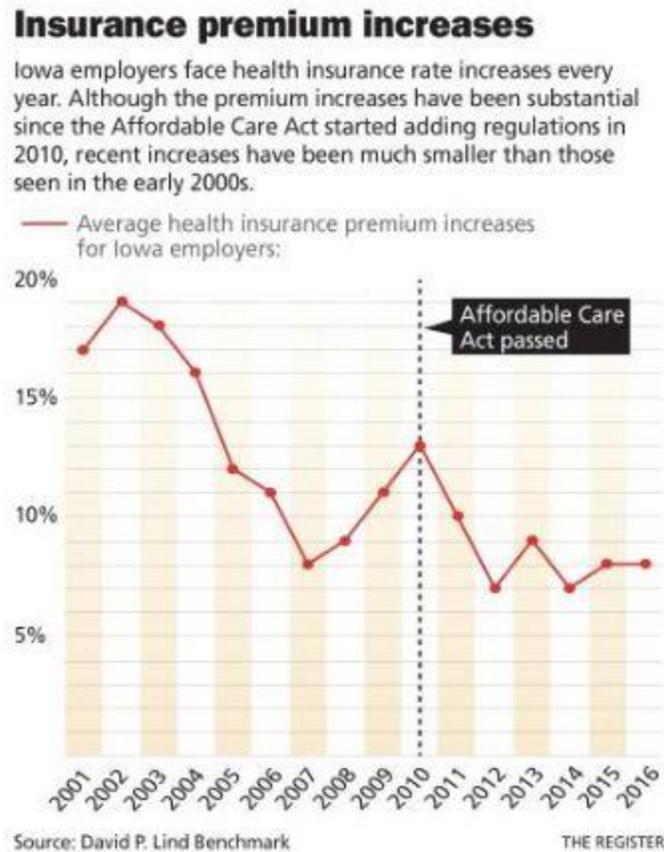
The average premium for an Iowa employer-provided family plan has nearly tripled since 1999, from \$5,508 to \$15,743. Insurance carriers blame skyrocketing prices and use of health care services and medications.

Mike Ralston, president of the Iowa Association of Business and Industry, said most employers see health insurance as a necessary benefit to offer.

"They've got to compete for employees, and they know if they don't offer it, the shop down the street will, and their employees will head over there," he said.

Ralston said employers have shouldered the bulk of premium increases for years, but they can't do so forever.

“There’s a point past which it’s no longer going to be feasible. Let’s hope we don’t get to that point,” he said.



Under the Affordable Care Act, most employers with more than 50 full-time employees are required to offer health insurance or pay a penalty. But most of them offered the benefit before the rule took effect, Lind said. He added that even among small employers, who are exempt from the new requirement, most offer insurance to their workers.

More than 98 percent of Iowa employers with more than 100 workers are offering coverage this year, as are nearly 97 percent of those with 51 to 100 employees, the survey shows. A rising number of small employers are offering coverage, the survey found. Among those with two to 10 employees, the rate jumped from 52 percent to 62 percent. Among those with 11 to 25 employees, the rate inched up from 76 percent to 77 percent, and among those with 26 to 50 employees, the rate rose from 87 percent to 90 percent.

Many critics of Obamacare blame the law’s regulations for recent insurance cost increases. But Lind’s survey shows Iowa employers faced even worse price shocks several years before the law passed in 2010. The steepest average premium increase — nearly 19 percent — came in 2002, the survey found. In the five years leading up to 2010, the total average premium increase was 64 percent, the survey shows. In the next five years, it was 49 percent.

The Affordable Care Act has had more dramatic effects in the individual health-insurance market. That market, which sells policies to people who buy their own coverage, has seen drastic price increases and turnover in carriers. Much of the turmoil has been pinned on the shift in risk due to the new ban on denying individual policies to people with pre-existing health problems.

Insurance broker Lynn Schreder said small employers might have considered dropping their group plans and having their employees buy individual coverage, but they thought better of it because of the skyrocketing premiums in that part of the market. “People still think this is not such a bad deal,” she said of the more stable employer-based insurance market. Also, employers can deduct health-insurance costs from their taxes, which individuals generally can’t, she added.

Schreder, who is a co-owner of [KHI Solutions](#) based in Fort Dodge and West Des Moines, is president of the [Iowa Association of Health Underwriters](#). She said some employers could face steeper premium increases for 2018. That’s because they’ll no longer be allowed to renew policies they bought between 2010, when the Affordable Care Act passed, and 2014, when it took full effect. Employers who still have policies from before 2010 should be able to maintain them, unless carriers stop offering those plans, she said.

Although workers have been asked to pay more toward their health insurance in recent years, employers have carried most of the burden, Lind’s research shows. Since 2000, Iowa employers’ average share of the cost of a family insurance plan has jumped 189 percent, from \$3,768 to \$10,902, while employees’ average share of the cost has climbed 124 percent, from \$2,160 to \$4,840.

If recent trends continue, the total premium for an employer-provided family insurance plan would climb from \$15,743 this year to \$22,207 in 2026, Lind projected. The total premium would represent 35 percent of an average Iowa worker’s income in 2026, compared to 28 percent now. Employees’ share of the premium would climb from \$5,038 to \$7,106.

Lind contends that to head off such increases, America needs to find other ways to keep its citizens healthy and to demand higher-quality care when they become ill. He points to research showing the United States spends much more per person than any other country on health care, but spends less than most others on social services, such as education, housing and transportation. Part of the problem, he said, is the U.S. seems to depend on its health-care system to address physical and mental ailments that could have been prevented by better social services.

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