

Benefit Bytes

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2012 HEALTH INSURANCE COST PROJECTIONS

Employer-paid and individual-paid health insurance premiums continue rising faster than the inflation rate. According to various industry experts health care costs are expected to increase in 2012 as follows:

Aon Hewitt projects a 7.0% average premium increase for employers in 2012. Employee out-of-pocket costs are also projected to increase. Contributing factors include an increase in the number and cost of catastrophic claims, aging workforces and poorer health in the general population.

Mercer finds that overall costs will rise by 5.7% in 2012. However, this growth reflects cost cutting changes employers will make to their benefit plans and remains above inflation and employee salary growth.

Price Waterhouse Coopers projects growth in medical cost for 2012 to be 8.5%. The three major factors expected to contribute to this cost increase are consolidation among hospitals and physicians, lower Medicare and Medicaid payment rates, and more health conditions caused by stress.

The Segal Group, Inc. reports an expected increase in medical and prescription drug plan rates for 2012 but the increases are expected to be lower than 2011. Although the cost increases may be lower, they still pose a significant burden to employers, according to the report.

COST CONTAINMENT STRATEGIES

In an effort to reduce benefit costs, employers are implementing many of the following cost-containment strategies.

- Rewards for good health
- Promotion of preventive care
- On-site health centers
- Communication tools
- Consumer driven health care
- Analyze spouse/dependent coverage
- Coinsurance in lieu of co-payments
- Encourage generic or lower cost brand name drugs
- Use of tiered or high performance networks

DID YOU KNOW?

Payroll Tax Rate Extension

The 2% reduction of the employees' portion of the FICA tax is extended through the end of February. Absent new legislation, the tax will revert to its prior rate on March 1, 2012.

IRS 2012 Mileage Rates

Beginning January 1, 2012 the standard mileage rate for business miles is 55.5 cents per mile (unchanged) and 23 cents for medical purposes (slight change).

Wellness Plans

An important part of a wellness plan is assisting employees in "knowing their numbers." Knowing blood pressure, cholesterol, blood sugar and body mass index (BMI) is extremely vital in determining whether an individual is at risk for developing major illnesses, such as heart disease and diabetes. When you know your numbers are out of the healthy range, measures can be taken to work toward better health.

Reminder

Small employers must determine whether to comply with COBRA, or, the Iowa Extension Law, on an annual basis. COBRA applies if you have 20 or more employees on 50% or more of your typical business days in the prior calendar year.

- Count all common law employees, not just those on the health plan
- Count part-time as a fraction of full-time
- Combine "common control" employers

This is a general explanation of counting employees for COBRA purposes; contact your BRI representative with questions.