



By David Leo,
President of
WMI[®] Mutual
Insurance Company
& WMI TPA[®]

The More Things Change, *the More They* **STAY** *the Same*

In my nearly three decades at WMI, I figure I've written more than 100 articles for the WPMA magazine. Needless to say, in the mundane health insurance world, there's not a whole lot of exciting news for me to write about. I'm sure my articles, captivating as they may be, have come to bore my three or four monthly readers, so in an effort to bump my readership to six or seven, I've decided to try something a little more fun and unique.

Every year around this time, I write an article about the state of health insurance in the United States. The article examines the benefits offered by employers against the backdrop of the annual KFF health benefits survey; and inevitably, we find that across the country, prices are rising and employers are curtailing benefits. This year, I've decided it would be fun to dig back into the old treasure chest and compare an article I wrote back in 2005 with the information presented in the most recently published KFF survey. If you are interested exploring the full KFF article, you can find it in its entirety at kff.org.



2005 Article: According to 2004 United States Census Bureau surveys, the total number of Americans who are uninsured is approximately 46 million. This is more than 15% of the entire

U.S. population. Put another way, the total number of Americans without health insurance is more than twice the combined population of the states of Arizona, Hawaii, Idaho, Montana, Nevada, New Mexico, Utah and Washington!

2024 Thoughts: According to a June 2024 report, the Congressional Budget Office (CBO) has determined that 26 million people (7.7% of the U.S. population) are now uninsured. This is quite an accomplishment considering the uninsured rate in the U.S. had held steady at 15% for nearly two decades prior to the



passage of Obamacare in 2010. In that light, I figure it's fair to credit Obamacare with the reduction of the uninsured rate by about 26 million people. That said, according to a different CBO report from 2023, the cost to the U.S. government for Obamacare subsidies (only) for people under age 65 is about \$72 billion per year! This cost is simply the cost of the Obamacare subsidies and not the various other related costs that have been borne by insured Americans as part of the socialization and subsidization of the Obamacare program (e.g., premium increases, deductible increases, higher coinsurance and out-of-pocket amounts, tighter provider networks, etc.). If we assume the historic 15% uninsured rate would have held in 2024, that would have put the number of uninsured Americans at nearly 52 million. I'm no mathematician, but using some back-of-the-envelope math and dividing the cost of the Obamacare subsidies by the number of Americans who are now insured because of the law, I figure the cost of insurance per person is about \$2,770. While at first blush that may sound like a hell of a bargain, that cost ignores the concealed but very real significant costs mentioned above because in the end, it's a zero-sum game.



2005 Article: In 2005, the rate of growth of health insurance premiums declined for the second straight year to 9.2%. This is less than the 11.2% premium increase in 2004 and the lowest since 2000

when premiums rose 8.2%. Notwithstanding the fact that the rate of growth of premiums has decelerated, premiums are still increasing at three times the rate of the increase in workers' wages.

2024 Thoughts: Health insurance premiums increased about 6.7% in 2023, and for the 5-year period ending in 2023, the cumulative increase was 22%. I did a quick and dirty calculation based on the KFF data and determined that premi-



ums increased about 5.5% over the past 25 years. I've been in this business for 35 years and I can tell you that health insurance premiums are cyclical and mostly driven by medical trend which virtually always exceeds general inflation.



2005 Article: Rising health care costs are causing more consumers and employers to drop insurance coverage. Three out of five employers (60%) offered coverage in 2005, down from 69% five years earlier. Most of the companies that dropped coverage were companies with

less than 25 employees. Among employers with 200 or more workers, 98% offer health coverage.

2024 Thoughts: According to the most recent KFF data, the percentage of firms with 200+ employees that offer health benefits has stayed virtually unchanged since 2005 at 98%; however, the number of firms with 3-9 employees that offer coverage has dropped to a mere 39%.



The number of all firms (large and small) that offer coverage has dropped from the 69% in 2000 to just 53%. To be sure, a lot of those individuals who used to have employer-sponsored coverage are now insured through Obamacare since we know the number of uninsured individuals in the U.S. has shrunk by a statistically significant percent (albeit at a fairly substantial cost).



2005 Article: Preferred Provider Organization ("PPO") plans (the type of plans offered by WMI) are the most common type of plans offered by employers. PPO plans allow insureds to see their doctor or hospital of choice, but PPO plans pay a higher benefit when the insured visits a preferred provider who offers discounts to the insurer.

2024 Thoughts: PPO plans are still the most popular type of health plans claiming 47% of enrollment; however, 29% of insureds are now enrolled in High Deductible Health Plans (HDHPs) which didn't even exist in 2005. Note: HDHPs and PPO plans are not mutually exclusive, but KFF lists them as separate plans so the percentages above reflect KFF's methodology.



2005 Article: The majority of covered workers (56%) are in a health plan that requires that a deductible be met before most plan benefits are provided. In PPOs, the average deductible for in-network services is \$323 for single coverage and \$679 for family coverage. Generally, average

deductibles for individuals covered through an employer with fewer than 200 employees are substantially higher than average deductibles in companies with 200 or more employees.

2024 Thoughts: In 2023, the number of covered works with an annual deductible increased to 90% and the average deductible for single coverage (all firms) was \$1,735 and \$4,909 for family coverage! Those are very significant increases and one of the hidden subsidization



costs of Obamacare as insurers and employers have scrambled to find ways to continue offering affordable health care benefits and have pushed more costs onto employees and their families



2005 Article: The average annual premium for a single employee is \$4,024 with employers picking up 85% of the cost and employees picking up approximately \$610 per year.

2024 Thoughts: In 2023, the average annual premium for single coverage had increased to \$8,435, more than double what it was in 2005. Employers continue to shoulder the bulk of the cost by paying \$7,034 (83.4%) while employees paid \$1,401 (16.6%) per year.



2005 Article: The average annual premium for family coverage hit \$10,880 in 2005, with employers paying an average of 75% of that cost and workers paying the rest. Workers paid

on average \$2,713 toward family coverage which is \$1,094 more than they paid five years ago. Since 2000, premiums for family coverage have increased by 73% compared with inflation growth of 14% and wage growth of 15%.

2024 Thoughts: In 2023, the average annual premium for family coverage hit \$23,968. Employers picked up \$17,393 (72.6%) of the cost and employees picked up \$6,575 (27.4%).



I continue to ask myself how much longer these trends can continue and whether our health care financing system will eventually collapse under the sheer weight of unchecked and runaway health care costs due to cutting-edge medical technology and new prescription drugs that can literally cost millions of dollars per dose! I can't envision a scenario in 20 years where we're still talking about skyrocketing health insurance premiums amid a world of ever-increasing medical costs; but truth be told, 20 years ago I didn't think we'd be talking about annual health insurance premiums approaching \$10,000 for an individual and \$25,000 for a family while the average deductibles were almost \$2,000 and \$5,000 respectively. It seems to me our health care financing system is entirely unsustainable, but as I've come to accept in the health insurance industry ... *the more things change, the more they stay the same.*

If you have questions about Medicare and Medigap policies or would like a free copy of the federal government's Medicare handbook, please visit our website at wmimedigap.com or contact our office at (801) 263-8000.