

Health costs to climb in 2007: Survey

Business Insurance

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Health care costs are expected to increase at double-digit rates for the 12-month rating periods beginning between April 2007 and September 2007, according to a new survey by Aon Consulting, a unit of Chicago-based Aon Corp.

The survey of more than 70 medical, dental, pharmacy and vision plan vendors projects increases averaging 10.9% for health maintenance organizations; 10.8% for point-of-service plans; 11.2% for preferred provider plans; 12.7% for indemnity plans; and 10.7% for consumer-driven health plans.

"Employers are still challenged by the fact that health care cost increases are more than four times general inflation rates," said Bill Sharon, senior vp with Aon Consulting and director of the study, in a statement. "For many businesses, health care costs continue to be their fastest-growing expense."

Reasons vendors cited for these increases included increasing patient demand for services, an aging population, increasing medical technology costs, increasing hospital costs, increasing price and utilization of prescription drugs, poor lifestyle choices, cost-shifting and medical malpractice costs.

Insurers are forecasting CDHP trend rates to be the same as HMOs, POS plans and PPOs because the number of members in CDHP plans is still relatively small and the experience to date is not 100% credible, according to the Aon Consulting survey report. In addition, CDHP claims costs vary considerably from employer to employer depending on plan design, level of enrollment and degree of consumerism education, Aon reported.

One bright spot in the survey was a projection that pharmacy costs are trending downward and are expected to increase by 9.5% in 2007, compared with 12.2% last year. The cost of specialty drugs, such as injectable medications, is projected to grow by 15.1%, down from 17% last year.