

## **Hewitt estimates health costs to rise 7.7% in 2007**

Business Insurance

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Showing more evidence that group health plan cost increases are easing, costs next year are projected to rise by an average of 7.7% to \$8,340 per employee, according to a Hewitt Associates Inc. analysis of health plans sponsored by 400 major employers.

The actual cost increase, in fact, may be even less than Lincolnshire, Ill.-based Hewitt projects. Hewitt's projection is based on a survey of budgets that employers have set and the health insurance premium increases they have received through the end of September. However, the actual increases could be lower if, for example, employers drop their most expensive health care plans or, in the case of self-funded employers, greater cost-shifting to employees reduces utilization.

A similar analysis conducted by Hewitt a year ago projected that 2006 health care plan increases—which do not reflect copayments or coinsurance for medical, hospital and prescription drug coverage—would average 9.9%. In fact, the 2006 cost increases averaged 7.9%.

In 2006, average costs—which reflect employer and employee premium contributions for coverage—through point of service plans increased the most, climbing by an average of 11.4% to \$8,287 per employee; health maintenance organization costs rose by an average of 7.9% to \$7,547 per employee; and preferred provider organization costs increased by an average of 6.3% to \$7,735 per employee.

Other recently released surveys projected 2007 average cost increases in roughly the 6% range, a significant slowdown compared with a few years ago, when costs were rising by double digits annually.