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October 26,
2003



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Employees to face sticker shock for 2004 health insurance costs

By Lesley Mitchell
The Salt Lake Tribune

No one is calling it a pay cut, but for many workers throughout Utah, it certainly will feel like one next year after a hefty increase in what they pay for health insurance takes effect.

Statewide, companies that this month begin open-enrollment periods during which employees select benefits for next year are notifying shocked workers that their take-home pay will shrink next year. In some cases, the amount deducted from their paychecks for health insurance will rise by 100 percent or more.

"Some people who were paying \$50 a month for health insurance for their families next year are going to have to pay as much as \$200 to \$300 a month," said Wayne Holland Jr., Utah spokesman for the United Steelworkers of America. "There is a lot of frustration out there."

The problem is a national one, escalating in recent months into strikes in other states by trash haulers, public transit workers and supermarket employees. But the effect could be just as dire in Utah, where a poor economy has led to layoffs of thousands of workers in good-paying industries. Many former dual-income families are surviving temporarily on one income, while others have been forced to take pay cuts while they wait for companies to once again begin hiring.

Dave Olsen of Vernal, who works at a gilsonite mine operated by Ziegler Chemical and Mineral Corp. in Bonanza, not only took a 10 percent pay cut last month but under the contract his union negotiated with his employer, he also lost dental coverage, his health insurance premiums rose one-third to \$75 every two weeks and he faces higher co-payments.

Olsen and his wife Danielle, who have a newborn baby and three other children ages 2, 4 and 7, say the impact on their family's budget will be substantial.

"It will hurt," he said, noting how frequently children are sick and are taken to the doctor.

The increases in what employees pay at some companies could well eat up the meager raises companies in a sluggish economy are expected to dole out in 2004.

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health insurance costs for employers are expected to rise 12.6 percent in 2004, lower than the 14.7 percent increase in 2003. But after absorbing four years of double-digit increases, companies in 2004 are electing to pass on more costs to their workers, according to human resources consulting company Hewitt Associates.

Hewitt research shows employees on average will be required to pay 22.3 percent of the national average health-care

cost of \$7,009 in 2004, up from 20.5 percent of an average premium of \$6,227 in 2003 and 18.4 percent of \$4,276 in 2000.

Air-bag manufacturer Autoliv, for example, said it will be forced in 2004 for the first time to shift a significant share of the costs of health-care coverage to employees after several years of successfully being able to keep employee contributions at a minimum.

The company, which has about 5,000 workers in the Ogden area and the Box Elder County communities of Brigham City, Tremonton and Promontory, said workers will pay about 10 percent of their health insurance coverage, up from about 5 percent this year. The company will pay the other 90 percent.

Workers buying coverage for themselves next year will pay \$20 to \$27 per month, up from \$10 to \$20 per month. Workers buying coverage for themselves and their families will see the largest increase, to \$70 to \$80 per month from \$25 to \$35 per month.

"We know that compared to what they are used to, this a significant increase," said Scott Baxter, who oversees benefits for Autoliv in North America. "But relative to other companies it's still pretty low."

Employees at health insurance provider Regence BlueCross BlueShield this year on average paid 12 percent of their health insurance premiums; next year they will pay 30 percent. The company will pay the remaining 70 percent.

"Employers are at the end of their rope," said Kevin Bischoff, spokesman for the company, which has 940 Utah employees. "You will definitely see a major trend in the United States in which the employee's share of health insurance expenses will be going up."

Trying to keep costs down: Several factors have led to escalating health insurance costs. They include increases in the cost of hospital services, greater demand for expensive diagnostic tests, higher usage of physician specialists and higher drug costs, among others.

Nationally, many groups are proposing solutions, such as implementation of a national health-care system. Many employers and insurers are pushing preventive care such as well-child checkups and flu shots. Others are pushing health and exercise programs, noting that people who are overweight or who smoke often have higher health-care costs over the long term than those who maintain an ideal weight and refrain from using tobacco.

Other employers hope that by increasing the premiums their employees must pay

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while also increasing deductibles, co-payments and other out-of-pocket costs, workers will use health care more judiciously and in turn, drive down companywide health insurance costs.

While the increases for next year are dramatic, it is important to keep in mind many employers still pay the majority of their employees' health-care premiums, said Jack Bruner, national health care-practice leader for Hewitt Associates.

Kennecott, for example, still pays the majority of its employees' premiums. But in 2004 employees will pay a greater share, depending on which plan they select, said spokesman Louie Cononelos. In addition, retirees for the first time will pay a portion of the health insurance premiums.

Like other Kennecott retirees, Wayne Holland Sr. is concerned about rising costs.

"The worry is that our health insurance premiums will escalate over the years," he said. "Of course your pension doesn't grow over time, so it can become a real problem."

For now, retirees can select some low-cost plans. Holland, for example, said he is picking the lowest-cost plan available to his age group at \$16 per month.

Hurting the little guys: While large companies are struggling with the issue of rising cost of health insurance, the issue can be particularly onerous for small companies, some of which have stopped offering health-care coverage or are requiring employees to pay more.

Kate Reddy, co-owner of McKinnon-Mulherin, a 14-employee provider of training and documentation services in Salt Lake City, has always paid the entire amount of employees' health insurance premiums since the company was founded in 1997. But effective this month, employees now are responsible for half of their premiums.

"We've always covered the increases ourselves, but finally we got to a point where we couldn't afford it any longer," she said. "We had to cut corners, and this is where we decided to do it."

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