



NEWS RELEASE

# 2015 Records Lowest U.S. Health Care Cost Increases in Nearly 20 years

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- Rate of increase was 3.2%
- Average health care cost per employee topped \$11,000
- Employees' share of health care costs have increased more than 134% since 2005

LINCOLNSHIRE, Ill., Nov. 12, 2015 /PRNewswire/ -- After plan design changes and vendor negotiations, a recent analysis by Aon (NYSE: AON) shows the average health care rate increase for mid-size and large companies was 3.2 percent in 2015, marking the lowest rate increase since Aon began tracking the data in 1996. Aon projects average premium increases will jump to 4.1 percent in 2016.

"The sluggish growth in the economy has deterred many individuals from using medical services, and there's also been modest price inflation--both factors have been primary drivers for the low rates of premium increases over the past few years," said Mike Morrow, senior vice president of Aon Health. "As prescription drug costs continue to grow at a double-digit pace and the economy picks up speed, it's likely these premium rates will start to climb."

Despite the low rate of increase, the average amount that employees need to contribute toward their health care has increased more than 134 percent over the past decade. According to Aon's analysis, employees contributed \$2,490 toward the premium and another \$2,208 in out-of-pocket costs, such as copayments, coinsurance and deductibles in 2015. In contrast, the amount of employees' premium and out-of-pocket costs combined in 2005 was just \$2,001.

## Employer Actions to Mitigate Trend

According to Aon, low rate increases are prompting most employers to take a traditional 'managed trend' approach to mitigating health costs in the short term, though some non-traditional approaches are emerging.

**Cost sharing.** According to Aon, the percent of total health care costs covered by employers has decreased about 1 percent per year since 2012. Recent Aon research shows 38 percent of employers have increased participants'

deductibles and/or copays and another 46 percent may do so in the near future.

**Using high-deductible health plans (HDHPs)** –HDHPs are the second most popular plan choice offered by companies, surpassing HMOs. 16 percent of companies offer a HDHP as the only health plan option today, and another 41 percent are considering doing so in the next three-to-five years.

**Managing dependent eligibility and subsidies** – Aon Hewitt's research shows:

- 18 percent of companies have reduced subsidies for covered dependents, while 17 percent added a surcharge for adult dependents with access to other health coverage.
- 43 percent of companies are considering using unitized pricing--where employees pay per person and not individual versus family.

**Adopting pay-for-performance strategies** – These include:

- Steering participants (through plan design or lower cost) to high quality hospitals or physicians for specific procedures or conditions (22 percent)
- Offering value-based insurance design approaches (28 percent)
- Adopting reference-based pricing--where employers set a pricing cap on benefits for certain medical services for which wide cost variation exists with no discernible differentiation in quality (6 percent). Another 53 percent plan to do so in the next three-to-five years.

**Implementing effective pharmacy management programs** – According to Aon, an increasing number of employers are adjusting pharmacy design components to encourage the use of generic drugs. This includes using coinsurance rather than copays for brand drugs and by introducing mandatory generic and step therapy programs.

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Aon Health Care Cost Analysis

Year	% Increase	Total Premium Cost Per Employee	Average Employer Share of Premium	Average Employee Share of Premium	Average Employee Out-of-Pocket Cost
2016*	4.1%	\$11,484	\$8,849	\$2,635	\$2,433
2015	3.2%	\$11,032	\$8,542	\$2,490	\$2,208
2014	4.4%	\$10,686	\$8,325	\$2,361	\$1,955
2013	3.3%	\$10,237	\$8,000	\$2,237	\$1,708

2012	4.9%	\$9,906	\$7,770	\$2,136	\$1,514
2011	8.5%	\$9,447	\$7,421	\$2,026	\$1,425

\*Projected

### Cost By Plan Type

Year	HMO	POS	PPO	National
2016*	4.1%	4.1%	4.1%	4.1%
2015	4.2%	2.5%	3.1%	3.2%
2014	3.9%	5.5%	4.4%	4.4%
2013	4.9%	4.5%	2.7%	3.3%
2012	5.5%	3.8%	4.7%	4.9%
2011	8.0%	11.5%	8.2%	8.5%

Year	HMO	POS	PPO	National
2016*	\$11,696	\$12,395	\$11,344	\$11,484
2015	\$11,235	\$11,907	\$10,897	\$11,032
2014	\$10,783	\$11,622	\$10,570	\$10,686
2013	\$10,377	\$11,016	\$10,127	\$10,237
2012	\$9,895	\$10,540	\$9,862	\$9,906
2011	\$9,379	\$10,154	\$9,420	\$9,447

## About the Data

Aon Hewitt's data is derived from the Aon Hewitt Health Value Initiative database, which captures health care cost and benefit data for more than 600 large U.S. employers representing 11.7 million participants, more than 1,200 health plans and nearly \$59 billion in 2015 health care spending.

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SOURCE Aon plc