

# As wages stagnate, health costs escalate for Americans with employer-based insurance

20 August 2019, by Sarah Gantz



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Health costs for people with employee-sponsored health plans rose 18% over the past five years, outpacing inflation and wage increases, according to a new report by Kaiser Family Foundation.

The findings reinforce a decade-long trend of rising employee health costs that is partly driven by rising deductibles. Over the past 10 years, average health spending by families with large employer health plans has grown twice as fast as wages.

"When considering the affordability of healthcare, it is important to put it in context with the relatively low increases in workers' wages," researchers wrote in a brief published Aug. 14. "Although [health insurance](#) continues to pay a large share of the cost of covered benefits, patients in large employer plans are paying more of their [medical expenses](#) out-of-pocket and contributions to their families' premiums have increased."

Researchers at Kaiser Family Foundation analyzed health benefit claims from the IBM MarketScan Commercial Claims and Encounters database and the foundation's own Employer Health Benefits Survey to better understand how costs are shared

between employers and employees.

Employer-sponsored health plans are considered a valuable benefit for workers because the company covers a significant share of the plan's premium and other costs.

Last year, health spending for a family of four with employer coverage hit an average of about \$22,900, a 56% increase from 2008. Employees paid about \$7,700 of that in premiums and [health care services](#); employers paid the rest.

But as [health care costs](#) continue to rise, employees are taking on a greater share of the burden.

On average employers paid 66% of employee health plan costs in 2018, down from 68% 10 years ago.

Growing deductibles (the amount individuals must spend out-of-pocket before the plan takes over a portion of payment) are a big piece of the puzzle. Deductibles rose 205% between 2007 and 2017—10 times faster than inflation during that time period. Deductibles now account for half of the out-of-pocket spending among people with employer plans.

The fact that health care costs are rising so much faster than inflation and wages strains household budgets.

Earlier this year, the Commonwealth Fund found that millions of people with employer-sponsored [health plans](#) spend at least 10% of their income on health insurance.

Last fall, a study by Pennsylvania Health Access Network and Altarum reported that half of adults in Pennsylvania struggle with health-care affordability and a third have difficulty paying medical bills.

Concern about being able to pay medical bills can lead people to skip needed health care services or ration medication—both of which can lead to more health complications and even greater [health](#) care costs.

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