

NEW STATE-BY-STATE REPORT: Health Insurance Costs Taking Larger Share of Middle-Class Incomes as Premium Contributions and Deductibles Grow Faster Than Wages

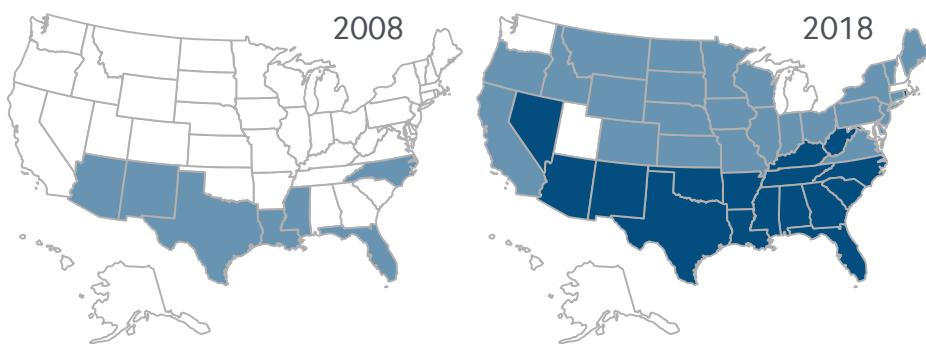
Many working families are spending more of their incomes on health care, a new Commonwealth Fund report finds. According to *Trends in Employer Health Care Coverage, 2008–2018: Higher Costs for Workers and Their Families*, that's because health insurance costs and deductibles have been growing faster than median income in all states over the last decade.

The report is part of the Fund's ongoing series looking at trends over the decade in the overall cost of employer health insurance. It provides a state-by-state analysis of how much insurance is costing workers in premiums, deductibles, and as a share of their income from 2008 to 2018.

Among the key findings from the report:

- ▶ **Premium and deductible costs amounted to more than 11 percent of median income in 2018.** For a middle-income household earning about \$64,000 a year, employer plan premiums and deductibles amounted to 11.5 percent of income in 2018. In 42 states, premiums and deductibles were 10 percent or more of the median income, compared to only seven states in 2008. In Mississippi and Louisiana, this combined cost accounted for 16 percent of household income — the largest share among states.

Employee Premium Contributions and Deductibles Exceeded 10% of Median Income in 42 States by 2018



Average employee share of premium plus average deductible as percent of median state incomes

○ Less than 10.0% ● 10.0%–11.9% ● 12.0% or more

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The Commonwealth Fund is a private, nonprofit foundation supporting independent research on health policy reform and a high-performance health system.

- ▶ **Workers' payments for health insurance grew faster than median income over the last decade.** Between 2008 and 2018, employee premium contributions grew at an average annual rate of more than 4 percent, ranging as high as 6.4 percent between 2010 and 2012. This rise outpaced growth in median household incomes, which dipped to a low of -1.5 percent during the deep recession from 2008 to 2010 and more recently, from 2016 to 2018, was 3.4 percent.

For both single and family policies, the average total cost of premium contributions and potential spending on deductibles climbed to \$7,388 in 2018 — ranging from \$5,815 in the District of Columbia to more than \$8,000 in nine states (Arizona, Minnesota, Nevada, New Hampshire, New Jersey, North Carolina, South Dakota, Texas, and Virginia).

- ▶ **Rising deductibles leave workers and families exposed to high out-of-pocket costs.** In many states, workers are saddled with high deductibles relative to their income. This leaves many at risk of being “underinsured” and more likely to struggle paying medical bills and more likely to skip care because of costs. The Commonwealth Fund defines underinsured as having a deductible equivalent to 5 percent or more of income.

Across the country, the average deductible for a middle-income family amounted to 4.7 percent of income in 2018 — up from 2.7 percent in 2008.

In 18 states, average deductibles were 5 percent or more of median income and as high as 6.7 percent in Mississippi.

- ▶ **Workers' premium contributions consume nearly 7 percent of median income, up from 5 percent a decade ago.** In 2018, employees contributed about 21 percent of overall premium costs for single plans and 28 percent of costs for family plans. But in some states, the share was higher — as much as a third of family plan premiums, on average, in Louisiana, Mississippi, Nevada, North Carolina, and Virginia.

Worker contributions to single plan premiums averaged \$1,427 in 2018 — with a low of \$755 in Hawaii and a high of \$1,903 in Massachusetts. Contributions to family plans averaged \$5,431 in 2018 and ranged from \$3,862 in Washington to \$6,597 in Virginia.

FROM THE EXPERTS:

Sara Collins, lead author of the study and Commonwealth Fund Vice President for Health Care Coverage, Access, and Tracking

“Over the last decade, employer health insurance premiums and deductibles have grown faster than workers' wages. This is concerning, because it may put both coverage and health care out of reach for millions of people. Several simple policy steps, such as fixing the Affordable Care Act's family coverage glitch, have the potential to make health care more affordable for U.S. families.”

David Blumenthal, M.D.,
Commonwealth Fund President

“The majority of people under age 65 in the U.S., 164 million, get their health insurance through an employer, and that insurance is less and less affordable for many of them. Ensuring that everyone can afford health insurance and health care will require policy fixes and systemwide efforts to get to the heart of the health care cost problem — the exorbitant prices we often pay for health care in the United States.”

ADDITIONAL REPORT BACKGROUND

The Commonwealth Fund report uses data from the federal Medical Expenditure Panel Survey–Insurance Component (MEPS–IC) to look at two trends in employer coverage over the last decade: how much workers are paying, on average, in premiums and deductibles, and the size of these costs relative to median income in each state. The MEPS–IC is the most comprehensive national survey of U.S. employer health plans, surveying more than 40,000 private sector employers in 2018. It had an overall response rate of 67.8 percent.

Total premium and other insurances costs are compared with median household incomes for the under-65 population in each state. Income data come from the U.S. Census Bureau’s Current Population Survey (CPS) of households; analysis of CPS data performed by Ougni Chakraborty and Sherry Glied of New York University for the Commonwealth Fund.

IMPLICATIONS

Over the last decade, health care costs have eaten up a larger share of income for millions of people with employer coverage. As the authors note, this study considered only families with middle incomes. Lower-income people with employer coverage devote an even larger share of their income to health insurance and health care costs.

Families at risk for spending the largest share of their incomes on insurance costs and deductibles tend to be concentrated in the South, where median incomes are lower, on average.

Several Democratic members of Congress and presidential candidates have proposed enhancing the affordability and cost protection of plans offered through the Affordable Care Act’s marketplaces and allowing people with employer plans the option to buy coverage there. Others would replace most private insurance with a public plan like Medicare. Republican health reform ideas, on the other hand, tend to favor replacing the ACA with more market-oriented approaches that give states greater discretion over insurance markets and programs.

The full report will be available after the embargo lifts at:

<https://www.commonwealthfund.org/publications/2019/nov/trends-employer-health-care-coverage-2008-2018>

ADDITIONAL PERTINENT RESEARCH

[2019 Scorecard on State Health System Performance](#)

[States’ Role in Combatting High Health Care Prices](#)

[What Do Americans Think About Their Health Coverage Ahead of the 2020 Election? Findings from the Commonwealth Fund Health Insurance in America Survey, March–June 2019](#)