

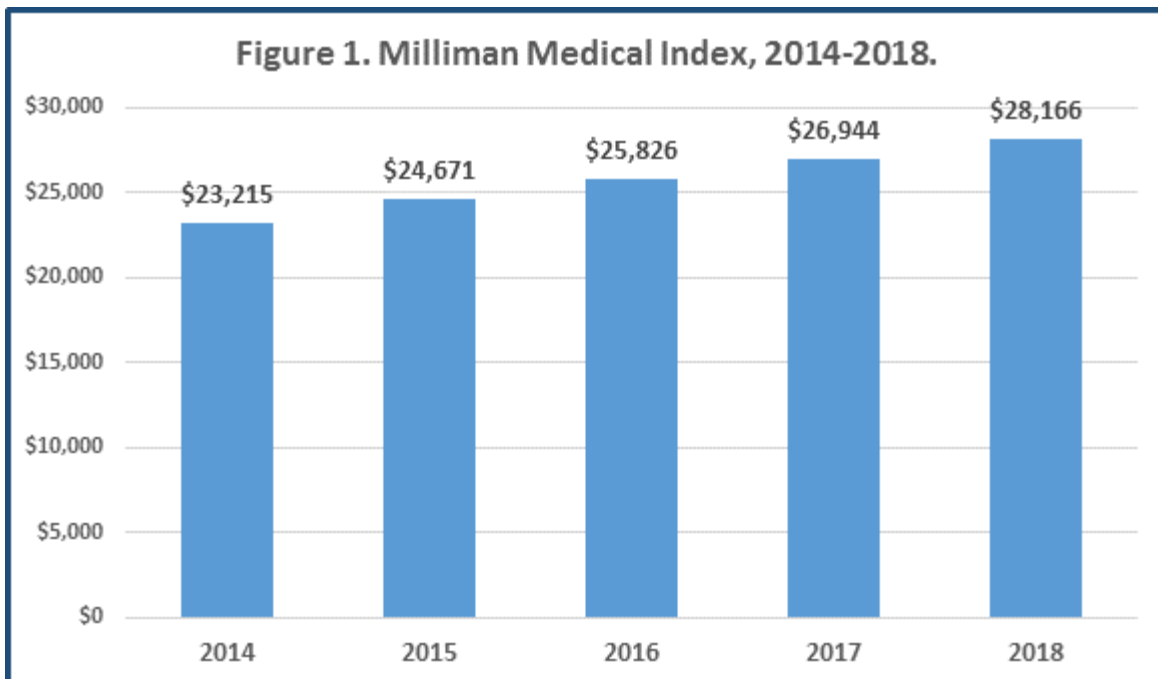


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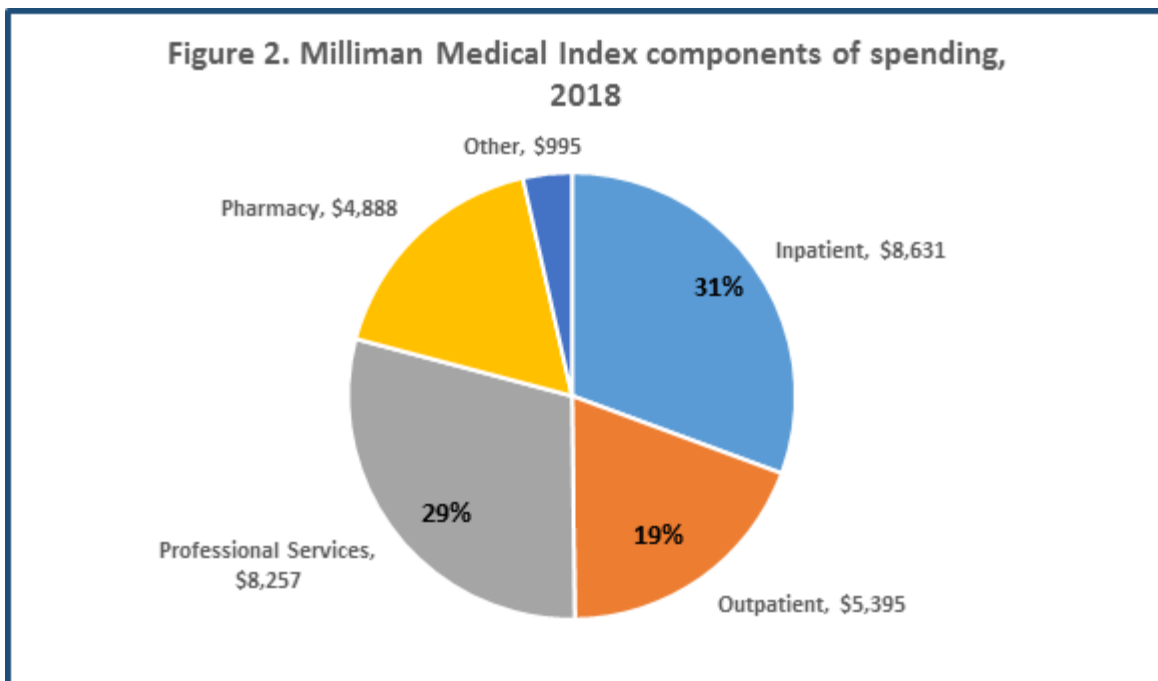
2018 MMI Index Provides Insight on Healthcare Costs for Employers and Plan Sponsors

The actuarial firm Milliman annually publishes their annual cost benchmarking data from Milliman Medical Index (MMI) survey of the group benefits market. Their survey data offers reliable insight into healthcare costs. According to their 2018 results, their cost index increased by \$1,222 from 2017 to 2018. In fact, for more than 10 years now, the MMI has been increasing at an average of just over \$100 per month. Over the 18 years since the MMI was first measured in 2001, the annual rate of increase has averaged 7.4%. But for eight years in a row, the rates have been below that average. At 4.5%, the MMI's annual rate of increase is nearly the lowest in 18 years. The overall cost of healthcare for a typical family of four stands at \$28,166 (Figure 1).

Approximately one-half of health care expenditures are for hospital services, including both inpatient and outpatient (Figure 2). The total increase in hospital expenses from 2017 to 2018 was only 4.8%, its third-lowest rate of increase since the MMI was first measured in 2001, but higher than last year's 3.9% increase.



The second largest category of medical expenditures is physician services, which represents 29% of the family of four's health care spending in 2018. These expenditures are for all professional fees, including those from physicians and other health care professionals that are incurred when a patient uses a hospital, clinic, surgical center, standalone lab or imaging center, or a physician office. In 2001, physician expenses were 40% of the total. Over the years, the annual rate of increase of physician expenses has averaged 5.3%, while all other expenditures averaged 8.5%.



Below are other significant headlines:

- Outpatient prescription drugs continue to be an increasingly important driver of MMI expenditures. Because prescription drug expenses have grown more quickly than other health care costs, outpatient drugs (e.g., those obtained from a retail pharmacy) have increased from 13.2% of the total MMI in 2001 to 17.4% in 2018. In other words, more than one-sixth of the family of four's health care expenses now go to prescription drugs.
- The remaining 4% of expenditures is for 'other' services, which include home health care, ambulance services, durable medical equipment, and prosthetics.
- Employers continue to subsidize their employees' health care costs by paying an average of 56% of the total cost in 2018. Of the \$28,166 total cost for a typical family of four, the employer pays about \$15,788 while the employee pays the remaining \$12,378, which is a combination of \$7,674 in employee payroll deductions and \$4,704 in out-of-pocket costs paid while using health care services.
- The percentage growth of employee costs has outpaced employer growth for nine of the past 10 years. In 2018, employees pay almost 44% of health care costs, compared to under 40% in 2008. So, not only are health care costs continuing to increase but employees are also covering more of those costs than they ever have in the past.
- In 2018, employers assumed \$529 of the total increase in the cost of care of the family of four. The total employer subsidy increased by 3.5% from 2017 to 2018. Employees saw a greater increase, at 5.9%, or \$693 (\$523 from increased payroll deductions and \$170 from higher out-of-pocket expenses). In other words, while both employer and employee costs increased, the employee had a larger increase in costs.

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