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Change of plans: Tulsa Rib Co. in Orange will still offer full coverage to workers, won't cover half the costs for dependents

Added Healthcare Costs on Menu for Employees

INSURANCE: Employers to shift burden as reform takes hold

By VITA REED

The first stirrings of healthcare reform still are sorting themselves out. But one thing appears certain: The majority of workers should get ready to pay a greater share of healthcare costs in 2011.

Nearly two-thirds of employers plan to increase employee cost sharing in 2011 for things such as deductibles, co-payments and out-of-pocket maximums, according to a recent survey by Aon Consulting, part of Chicago-based Aon Corp.

Nearly 60% of the responding companies plan to ask their workers to contribute more to the overall cost of healthcare in 2011, according to the survey.

What the cost-sharing will look like varies. Some 46% of businesses plan to shift enough costs to their employees to equal overall rate increases. Another 46% said they would shift less and pick up the balance of any increases themselves.

Overall, Aon said it expects healthcare reform will add 2% to 4% to healthcare costs in the next three years.

> Many companies are hiking co-payments, but one that gave minimal raises over the past two years decided not to shift more healthcare costs to employees because "they didn't want to take away from that increase".
>
> —Debra Lambert

The survey also cited other cost drivers that could lead businesses to consider increasing employee contributions for healthcare coverage, such as medical device taxes and cuts to Medicare reimbursements for providers.

Tulsa Rib Co.

Cost-sharing will play out at Tulsa Rib Co., a restaurant and catering business in Orange.

The company plans to continue paying 100% of its full-time workers' healthcare costs, even though it could see a premium hike of as much as 40% in 2011, said Liz Parker, who co-owns Tulsa Rib with her husband, Steve.

But Tulsa Rib's workers are going to have to pay more out of their own pockets for dependents. Parker said the company will ask workers to pay all of their dependents' premiums, up from 50% the previous year.

Parker also said her employees will pay $45 to see their doctors, as opposed to $30 this year and $10 or $12 in the 1990s.

Workers' wallets will be hit hard as family insurance deductibles have risen from $250 to $2,500 in the past few years, Parker said.

Tulsa Rib employees get their healthcare coverage through Kaiser Permanente, the Oakland-based healthcare plan that's Orange County's largest with more than 400,000 members.

The restaurant has about 30 workers in total, 13 of whom have some sort of health coverage.

Tulsa Rib is a "unique small businesses" when it comes to healthcare coverage for its workers and their dependents, Parker said.

Many small-business owners, both locally and nationally, don't provide healthcare coverage for employees, arguing that it's prohibitively expensive.

"We made that commitment a long time ago, when my husband worked in restaurants," Parker said. "We understood how important it was (to have coverage)."

Parker said she's hopeful that there will be some cost relief in the coming years.

Health Exchanges

Parker cited the California Health Benefit Exchange, which is being created after Gov.

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Arnold Schwarzenegger signed legislation last month.

"That's going to be huge for small businesses and some medium-size businesses," said Parker, who belongs to the Small Business Majority, a Sausalito-based nonprofit advocacy group.

The California Health Benefit Exchange is scheduled to open in January 2014, which coincides with a large part of federal healthcare reform taking effect.

The exchange will serve as a government-run marketplace from which at least 3 million state residents, many of whom now are uninsured, will be able to buy health insurance.

Smaller businesses will be able to team up to gather buying power on par with larger employers.

Health benefit exchanges are a major part of the federal healthcare legislation that was signed into law earlier this year by President Barack Obama.

Meanwhile, some large businesses are trying to be careful about how they pass certain costs on to their workers, according to Debra Lambert, president of the LBL Group, a Los Alamitos insurance brokerage.

Nixon: midsize clients putting money into wellness programs

"One pretty large employer group in the San Diego area" elected not to ask its workers to pay higher health insurance premiums in 2011 because it was planning to give minimal pay increases after two years of no raises, Lambert said.

"They didn't want to take away from that increase by increasing the (healthcare) contribution," Lambert said.

Other clients have elected to increase their workers' co-payments, according to Lambert.

One of the county's largest employers, the University of California system, said in a statement that its employees will have to pay more for their healthcare coverage. The size of the increase hasn't yet been determined.

McMann Brailsford: "minimal" cost increases next year for MemorialCare's OC workers

At Fountain Valley-based MemorialCare Health System, which has more than 3,800 workers in OC, "minimal" cost increases of 3% to 5% will be passed on to employees in 2011, Chief Operating Officer Tammie McMann Brailsford said.

MemorialCare, which runs hospitals in Long Beach, Fountain Valley, Laguna Hills and San Clemente, plans "no major" increases in co-pays or prescription charges, Brailsford said.

Midsize Companies

In the midsize segment, clients of Nixon Benefits, a Newport Beach insurance agency, also are planning some cost-shifting in 2011, said Karen Nixon, the agency's owner. She said the trend is most apparent among companies with 100 to 500 workers.

"When they have over 500 (employees), we're seeing less cost-shifting," she said, noting that this is common for health insurance plans that are "grandfathered" through reform.

Under healthcare reform, grandfathered status applies to businesses that don't change their insurance carriers or health provider networks, and don't change their employer contribution more than 5% in the coming year. The status will help keep costs in line for some companies.

Besides cost-shifting, Nixon said some clients are considering reinvesting certain amounts of money they have spent on insurance into wellness programs.

"Reform only addressed insurance—it did not address the cost of healthcare," Nixon said.

Wellness and preventive health programs can address certain other issues that play into costs because sicker people tend to be heavier users of healthcare, according to many healthcare professionals.

"Ideally, if everybody was healthy, you wouldn't need (insurance) as much," Nixon said. ■