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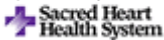
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Sticker shock hits health insurance

Plans call for surcharges, higher co-pays

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When Cathy Hughes looks at what's left of her paycheck after deductions, the figure that inflicts the most damage is \$570.

That's what it costs the single mother of two boys each month for health insurance, \$176 more than she paid last year.

Against those soaring costs -- a 44 percent increase for Hughes -- her latest pay raise never had a chance.

"I get a raise, and when I renew my health insurance, the raise is gone," said Hughes, 41, a school after-care coordinator and Pensacola resident who suffers from diabetes. "Everything affects me whenever I have an increase in my rates."

It's gotten to the point where she may be forced to drop medical coverage on her two sons to save money.

But Hughes said she's afraid to do that because her 14-year-old son, Mark, plays football, and a serious injury to him, or her 6-year-old son, Deion, could be financially devastating.

Hughes and her sons are typical of families across the Panhandle and the nation questioning whether they can continue to afford employer-sponsored health care plans that year after year far exceed ordinary cost-of-living increases.

The troubling questions of affordability will be on the minds of many Pensacolians for the next several weeks with arrival of the annual health insurance re-enrollment season.

Many local insurance experts are telling clients, and especially small businesses, to be prepared for sticker shock.

"The general trend is that people are buying policies with higher out-of-pocket costs and higher co-pays," said Bob Nay, director of product development for Blue Cross and Blue Shield of Florida. "Costs are going up. Hopefully, people will become better shoppers (for health care)."

Rapidly escalating prices are not only hitting individual workers hard, they're having a huge impact on small businesses.



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"Health care costs are going crazy as everybody knows," said Myron Mickelson, owner of Mickelson Construction Co. in Pensacola. "We're looking at a 30 percent jump this year."

To try and cope with that cost spike, Mickelson, who employs 16 people, said he was forced to change the health-care plans, and go up on deductibles and co-pays."

And with no end in sight to soaring costs for health care plans, Mickelson confessed he's at a loss how to deal with the problem.

"Our costs have doubled over the past five years," he said. "I haven't quite figured out what to do."

While there is little that can be done locally to stop or reverse the enormous momentum of health-care costs, employers are adopting creative, and often aggressive, strategies to slow the price hikes.

Most large companies in Pensacola, including Solutia, International Paper, and Sacred Heart Health Systems are saving money by "self-insuring."

Companies that self insure place funds in a special in-house account to pay for health claims rather than buy coverage directly from large carriers such as United Health Care and Blue Cross and Blue Shield. In most cases, these large companies pay an administrative fee to the carriers to manage and process their claims.

Pressure on employees

Another way companies are saving money and keeping premiums down is promoting active wellness programs to help employees monitor and improve their health.

Sacred Heart Hospital's Carol Whittington, assistant vice president for human resources, said her firm is "not seeing the sharp increases" in health-care premiums and gives its "very robust" wellness program much of the credit for helping to hold down costs.

Gail Ewing, director of Sacred Heart's wellness program, said such things as free flu shots, pap smears, weight-loss programs, aerobics training and mammograms are directly contributing to lower overall costs of providing health care to their employees.

Kevin Windham, director of risk management for Escambia County School District, said he believes active and sustained wellness programs are having an impact on overall costs.

Perhaps as a result of those programs, School District employees experienced no overall increase in the cost of their health plans this year, he said.

"We think our wellness program is having some impact," Windham said. "We have a wellness coordinator for the district and a wellness coordinator at each school. ... We're offering on-site health assessment for all employees. We're putting a much heavier concentration on wellness initiatives."

In addition to active wellness programs, other business and large corporations are taking aim at unhealthy lifestyles

corporations are taking aim at unhealthy lifestyles.

Some smokers to pay more

An increasing number of companies are imposing a "smoker surcharge" on their health policies, charging extra money for employees who smoke.

Gannett Co. Inc., parent of the Pensacola News Journal, has added a \$50 per month smoker surcharge for 2006. Employees of other companies and state government in Kentucky, West Virginia, Alabama and Georgia who smoke face a similar fee for their health insurance this year. Human resource professionals say the trend toward pressuring employees to get healthy is here to stay.

Gulf Power, for example, hires only non-smokers, said Lynn Erickson, supervisor of corporate communications.

Gulf Power also has a "very pro-active" program to help employees who do smoke quit, she said.

In addition to their two basic plans that offer either high deductible or low deductibles, Gulf Power also offers employees a build-your-own plan that allows them to pick and choose various cost and coverage options that fit their budget and health needs, Erickson said.

Build your own plans are an emerging trend that appears to be having a significant impact on costs.

The "one-size-fits-all" plans that were widely popular over the past decade are rapidly being replaced by a long shopping list of plan options and price platforms.

Many companies also are charging employees for including their spouses in coverage if the spouse is eligible for insurance through another employer.

And more health care plans are building in direct economic incentives that encourage employees to become more involved in managing their health-care plans and comparing prices for surgical procedures and prescription drugs.

This consumer-driven health-care trend works especially well for those who want to tailor a plan that individually fits their income, age and lifestyle.

"Consumer-driven health care is our number one focus," said Stan Shaw, director of human resources for International Paper Co. in Cantonment. "We're in the education phase of that right now."

Shaw said the heart of the company's education focus is convincing employees it's in their best interest to ask pointed questions about what a visit to the doctor's office or emergency room visit actually costs. And, moreover, if there is a lower cost alternative or prescription drug.

Higher deductibles

Madison Currin, owner of Currin Insurance and Investments in Pensacola, said health savings accounts -- a high-deductible, tax-sheltered health plan -- is another consumer-driven product that also can be an effective means for holding down costs.

"What I see happening," said Currin, "is as health savings accounts evolve ... employers down the road will move from \$1,100 deductible in a couple of years to a \$2,000 deductible to drive premiums down lower. And then, even beyond that, they will probably go to ... a \$5,000 deductible."

While these high-deductible "catastrophic" policies can save employees a lot of money in the long run, obviously they are not for everyone.

Definite disconnect

But they are part of the growing trend that is attempting to reverse the health policy culture that has resulted in disconnect between customers and the real cost of health care.

"I think we've taken people out of the true purchasing process for health care," said Nay of Blue Cross and Blue Shield of Florida.

That view is mirrored by the Escambia County School District's Windham, who also said there is a "disconnect" between employees covered by health insurance and their awareness of the cost of that care, especially with prescription drugs.

Like most large employee populations, 10 percent of the workers account for 80 percent of the costs, Windham said.

By working closely with a health insurance carrier that maintains active, incentive-based, wellness care and early intervention programs, employees can get directly involved with the "higher cost and higher risk" personnel within that plan, he said.

Overcoming this culture of "it's not my money, it's the insurance company's money" is a challenge, said Steve Infinger, director of benefits at Baptist Hospital.

"We put out individual employee benefits statements which shows what they pay and what we pay," Infinger said. "People typically won't ask how much it costs to go to the doctor's office. Historically, people's view is 'it's not my money.' "

That message of managing and holding down costs through education and employee incentives appears to be getting through to health-care consumers with clarity in each paycheck.

Just ask Cathy Hughes.



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