

# Projections of High Premium Increases at Odds with Low Growth in Health Spending

Many insurers are signaling high premium increases for 2014, blaming increased medical costs. However, that claim is inconsistent with recent data indicating that overall health care spending is continuing its recent pattern of record low growth. Also, Hospital cost and price growth is at near record lows.

***“National health expenditures grew at an estimated annual rate of 4.3 percent in 2012...a fourth consecutive year of record-low growth compared to all previous years in the 50-plus years of official health spending data.”***

- Altarum Institute

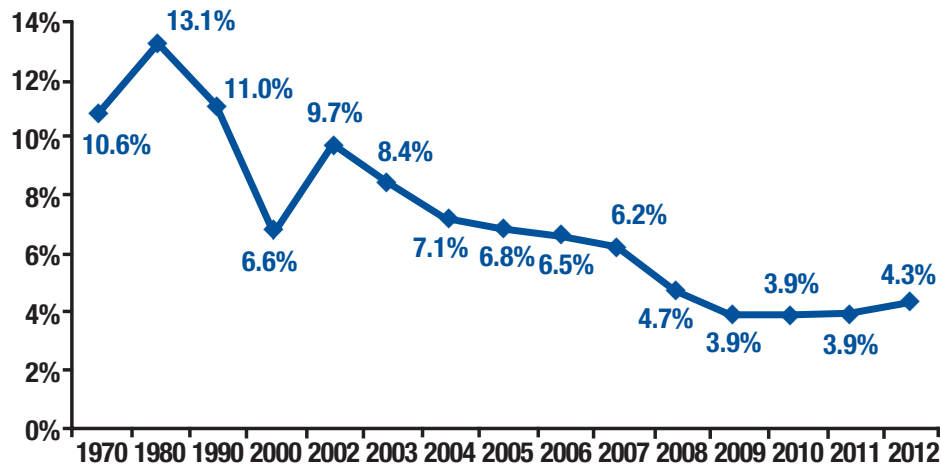
There are many other reasons for a modest increase in premium rates – the prohibition on coverage limits for pre-existing conditions, limits on age rating and other coverage requirements of the *Patient Protection and Affordable Care Act* – but increased health care costs do not appear to be the dominant factor. However, premium increases have exceeded both overall health care and hospital growth trends over the past decade.

***“There is no reason to expect a return to double-digit increases in health insurance premiums anytime soon, if at all.”***

- Drew Altman, President and CEO  
Kaiser Family Foundation

**Between 2009 and 2012, spending on health care grew at its lowest rate in decades.**

Average Annual Change in National Health Expenditures, 1960-2012

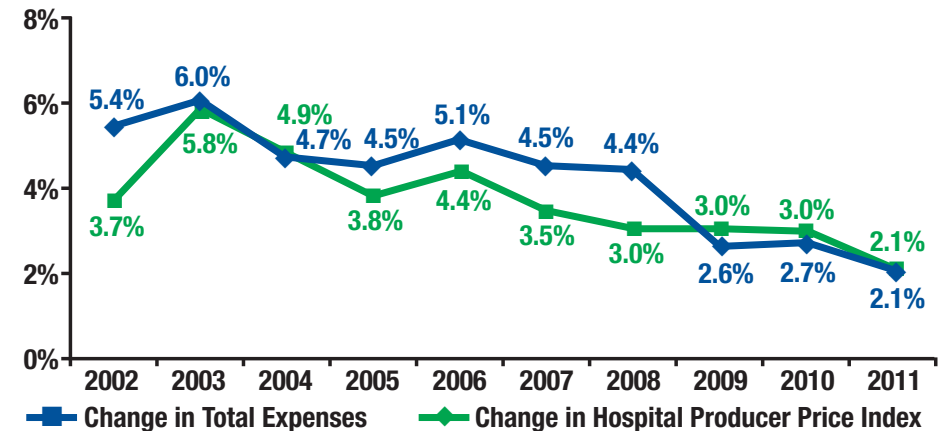


Source: CMS Office of the Actuary, National Health Expenditures, 2013 release of historical data. 2012 from Altarum Institute.

Continued on reverse

**Hospitals are contributing to reduced health care spending, with hospital cost and price growth at their lowest rates in more than a decade.**

Annual Change in Total Expenses per Adjusted Hospital Admission<sup>(1)</sup> and Hospital Producer Price Index, 2002-2011



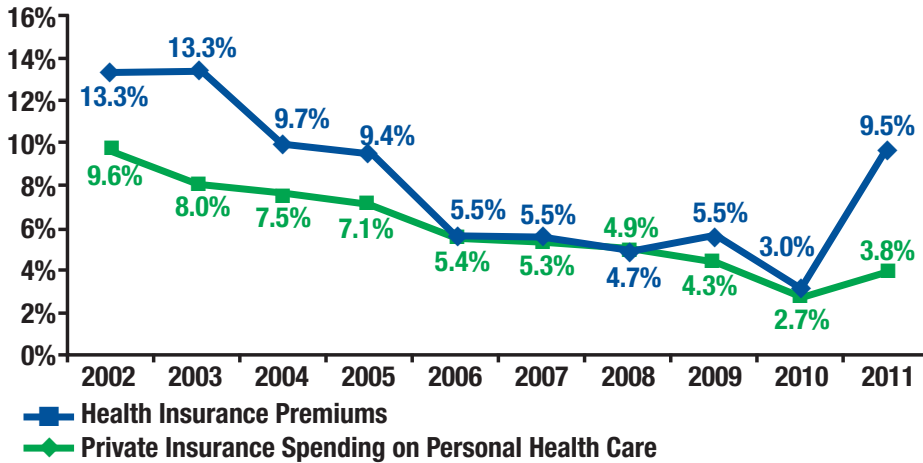
Source: Bureau of Labor Statistics. Producer Price Index data, 2002-2011, for hospitals (622) and analysis of American Hospital Association Annual Survey data, 2002-2011, for community hospitals.

<sup>(1)</sup>An aggregate measure of workload expressed in units equivalent to an inpatient admission in terms of level of effort.

# Projections of High Premium Increases at Odds with Low Growth in Health Spending Continued

Premium growth is outstripping what insurers actually spend on health care.

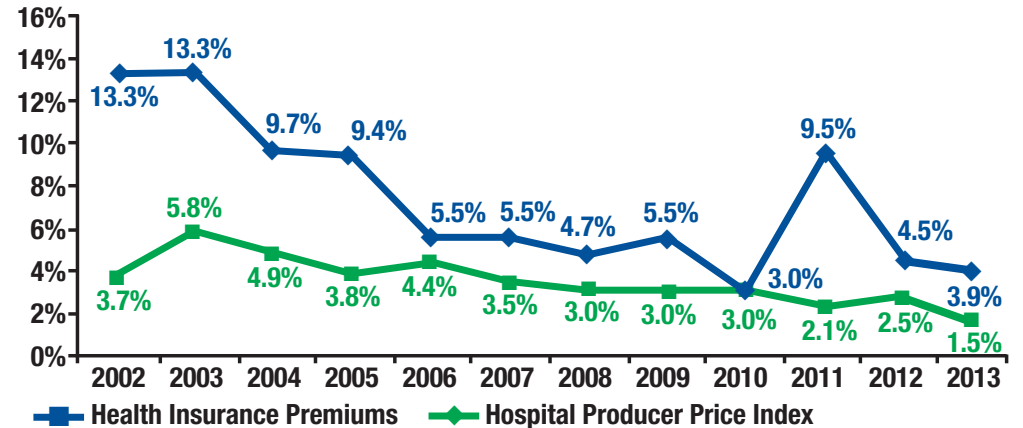
Annual Change in Health Insurance Premiums and Private Health Insurance Spending on Personal Health Care, 2002-2011



Source: CMS Office of the Actuary, 2013 release of historical data. The Kaiser Family Foundation and Health Research and Educational Trust, Employer Health Benefits, 2011.

Growth in hospital prices has been below that of health insurance premiums over the past decade.

Annual Change in Health Insurance Premiums and Hospital Producer Price Index, 2002-2012



Source: Bureau of Labor Statistics. Producer Price Index data, 2002-2012, for hospitals (622). The Kaiser Family Foundation and Health Research and Educational Trust, Employer Health Benefits, 2013.