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U.S. NEWS

More Cost of Health Care Shifts to Consumers

High-Deductible Insurance Plans Prompt Some to Delay Treatment

By **STEPHANIE ARMOUR**

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Americans increasingly have to dig into their own pockets to pay for medical care, a shift that is helping to curb the growth in health spending by employers and the government.

The trend is being accelerated by the Affordable Care Act because many private plans sold by the law's health exchanges come with hefty out-of-pocket costs, which prompt some people to delay or put off seeking care.

For the exchanges' 2015 policies, which went on sale last month, "bronze-level" plans have an average deductible of \$5,181 for individuals, up from \$5,081 in 2014, according to a November report from HealthPocket, which publishes health insurance market analyses. Bronze plans generally cover 60% of consumers' medical expenses.

While surveys show steeper out-of-pocket costs lead some people to defer even routine medical care, economists say the trend brings an important upside: It is helping fuel a period of historically low growth in health-care spending, which eases the federal deficit.

The federal government said Wednesday that 2013 was the fifth consecutive year in which health spending grew at less than 4%. The 3.6% rate is the lowest since the government began tracking such spending in the 1960s. While economists initially



Doyle Lewis and his son, Ryan, at home in Minneapolis. The family has held off on some medical spending because of their high-deductible insurance plan. *DAVID BOWMAN FOR THE WALL STREET JOURNAL*

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credited the recession for the soft spending growth, the trend continued even as the economy improved.

A study published last year in the journal *Health Affairs* examined data covering more than 10 million workers at large employers

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where out-of-pocket costs increased. The study found that the employers' health spending growth fell over the four years studied, and it attributed about one-fifth of that slowdown to steeper out-of-pocket costs.

“There has been a steady increase in deductibles and the main effect is to reduce use,”

said Drew Altman, president of the nonprofit Kaiser Family Foundation. “The gradual shift to consumers having more skin in the game is encouraged as part of national policy, and it’s having an impact.”

Doctors such as David Holte, an orthopedic spine surgeon in Waconia, Minn., say they are seeing a change in peoples’ behavior as out-of-pocket costs rise.

“Patients are shopping around more,” said Dr. Holte of Twin Cities Orthopedics. “Back when everything was covered, they would get tests done and also get stuff done they didn’t need. Now they’re having cost discussions and putting off knee and hip replacements.”

One in three Americans said they or a family member delayed medical care because of costs in 2014, according to a report last month by survey company Gallup. That is the highest percentage since Gallup began asking the question in 2001.

- The 2010 health law is likely to continue the shift. To keep premiums low, insurers designed the plans to include steep out-of-pocket charges. Silver plans, which are the most popular plans purchased on exchanges and cover 70% of medical expenses, have an average deductible of \$2,927 for individuals and \$6,010 for families for 2015, according to HealthPocket.

Since 2009, the average deductible for workers who get employer health coverage has shot up 47% to \$1,217 from \$826, according to a September survey by the Kaiser Family Foundation and the Health Research & Educational Trust, a nonprofit affiliated with the American Hospital Association.

That has left couples such as Jessica and Doyle Lewis leery of spending on medical treatments. Ms. Lewis, a project manager at Wells Fargo & Co., has a family plan with a \$6,000 deductible.

“We knew after my son was born that he was going to be an only child, but we put off a vasectomy for four years because of the deductible and the economy,” said Ms. Lewis, 32, of Minneapolis. “Any medical coverage, we’ve deferred.”

One of the largest assessments of high-deductible insurance found the plans significantly cut health spending. The study by Rand Corp., published in 2011 in the American Journal of Managed Care, looked at more than 800,000 families across the U.S. When people shifted into plans with high deductibles, their health spending dropped an average of 14% compared with families in plans with lower deductibles,

according to the report.

The historically low growth rates in health costs aren't expected to last forever. Federal spending forecasters project U.S. health spending will increase 5.6% in 2014, in part because millions of uninsured gained coverage this year.

More cost-sharing with patients doesn't explain the spending slowdown in Medicare, where beneficiaries pay just a sliver of the costs and their share has held steady in recent years. Spending growth for the program for seniors and the disabled slowed to 3.4% in 2013 from 4% in 2012, according to the Centers for Medicare and Medicaid Services. That is partly attributed to slower growth in enrollment and to beneficiaries' lower use of services.

Economists point to other drivers behind the overall health-spending slowdown, including the sluggish economic recovery, as well as other components of the federal health law such as efforts to cut health-care fraud and provide more preventive care.

“No one is saying the entire change is due to the Affordable Care Act, but we shouldn't infer that the ACA hasn't done anything,” said Jason Furman, chairman of President Barack Obama's Council of Economic Advisers.

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