

NEW HEALTH CARE COST REPORT IS CONSISTENT WITH FINDINGS OF REPORT RELEASED BY AHIP

A new report from Oliver Wyman (www.oliverwyman.com) is consistent with a recent analysis released by AHIP that found that current health care reform proposals will cause health care costs to increase far faster and higher than they would under the current system. The Oliver Wyman report was released today by the Blue Cross Blue Shield Association.

Key highlights:

- The Oliver Wyman report finds that current proposals will increase the cost of health care coverage for families and small businesses above what they would be under current law.
- Individual Market:
 - Oliver Wyman projects a **50% increase** in individual market premiums over a five- year period (NOTE: This does not include any of the industry taxes and assessments.) PwC found a 49% increase between 2009-2019.
- Small Group:
 - Oliver Wyman projects a **19 percent increase** in small group premiums. PwC found a 28 percent increase (please see points below on the additional factors that PwC analyzed that were not included in the Oliver Wyman analysis).
 - Oliver Wyman states that “After accounting for small employer tax credits, premium increases lead to **fewer small employers offering coverage**. We estimate **2.5 million fewer members** will be insured through small employer policies.”
- The PwC analysis released by AHIP also took into account additional factors that are not accounted for in the Oliver Wyman report:
 - Proposed Medicare cuts that will get passed to families and employers with private coverage.
 - New taxes on health insurance plans, medical device makers and pharmaceutical manufacturers that the Congressional Budget Office (CBO) has said will be passed on to individuals, families and employers in the form of higher premiums.
 - A tax on high-value health care plans.
- The Oliver Wyman report does not include the impact of medical inflation. The report states that: “the results of this report are presented in the absence of medical trend,” and that “**the inclusion of medical trend would have increased our projected cost increases over the five-year period we examined.**” The PwC report does include the impact of medical inflation, as is commonly done with health care cost analyses.

Chart 1: Average premiums for single coverage are estimated to be about \$4,800 in 2010, will increase to approximately \$8,200 in 2019 in the absence of reform and could increase to \$9700 if these reforms become law.

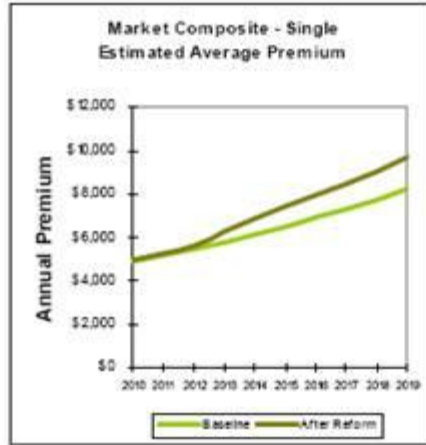


Chart 2: Premiums for family coverage will increase from about \$13,000 in 2010 to approximately \$21,900 in 2019 in the absence of reform and \$26,000 if these reforms become law.

