



The Great Cost Shift

Why Middle-Class Workers Do Not Feel
the Health Care Spending Slowdown

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Introduction and summary

In recent years, the growth in overall health care costs has slowed dramatically. But for millions of Americans with employer-sponsored insurance, or ESI, this slowdown is illusory. From 2008 through 2013, the average annual growth rate of employees' monthly premium contributions and out-of-pocket expenses, adjusted for inflation, was more than double that of average annual growth in real per-capita national health care spending, which was less than 2 percent per year.^{1*} This growth has also outpaced employers' costs of offering these benefits by more than 40 percent.²

Employees experiencing higher health care costs tend to blame the Affordable Care Act, or ACA, even though the law largely leaves the employer-based system alone.³ In fact, many employers report that the ACA has had only a negligible influence on their health care costs.⁴

The actual reason why employee and employer costs are increasing at different rates is because employers have, over time, shifted greater responsibility for health care expenses to their employees through higher deductibles, higher copayments, and higher coinsurance—a practice that began long before the passage of the ACA. Other employers pay smaller shares of their employees' health care premiums.

To some degree, this long-term cost shifting has contributed to the overall health care slowdown.⁵ Increased cost sharing discourages the use of health care—individuals tend to spend less on their health care when they are subjected to higher fees or deductibles—which has lowered overall health care spending. Employees with higher cost sharing are more likely to avoid or delay even beneficial and cost-effective care.⁶ Employers, insurers, and public health care programs benefit from these savings, while individual employees with significant health care needs face greater out-of-pocket costs. Employees have increasingly reported that their health care costs are unaffordable.⁷ In other words, almost everyone in the health care system is realizing savings, but employees' costs are rising.

*The data cover the period from 2007 through 2013, but annual growth rates are calculated for 2008 through 2013 because the data for years prior to 2007 are not available.

Unlike changes to wages, which are straightforward and transparent, these types of changes to employees' health benefits can be hard to understand, making cost-shifting efforts difficult for employees to detect. For this reason, the Center for American Progress recommends the following three reforms:

- Increased transparency about employers' and employees' health care costs and savings
- Shared savings rebates to limit cost shifting to employees
- Reducing employees' cost-sharing burdens by expanding the ACA's free preventive-services benefit

These reforms will allow millions of Americans with ESI to benefit from the slowdown in health care spending. If employers ask their employees to shoulder a greater share of their health care costs, employees also should share in the resulting savings.

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