

Has health care become unaffordable?

A LOOK AT HEALTH CARE COST INCREASES THIS YEAR AND HOW LANDSCAPE CONTRACTORS PLAN TO COPE.

WHEN IT COMES to health care costs, landscape business owners are in a quandary. Over the past decade the cost of providing health insurance for most have doubled, making it more challenging everyday to offer employees benefits.

For Bruce Bachand, vice president of Orlando's Carol King Landscape Maintenance, for instance, insurance costs increased 27% in June 2010. He's being told costs could go up as much as 50% by this June as a result of the new health care mandates.

On average, landscape businesses that offer health plans will see their costs jump 9% this year with most employees paying higher deductibles as a result. This from a survey of more than 700 employers by PricewaterhouseCoopers, which also revealed 2011 will be the first time a majority of U.S. workers are expected to have health insurance deductibles of \$400 or more.

In a similar survey conducted by the National Business Group on Health, the majority of employers (63%) said they were increasing the proportion of insurance premiums paid by their employees as a result of rising rates. Approximately 46% plan to raise the limit on annual out-of-pocket payments and 44% plan to raise deductibles for in-network services.

A health care analysis report by Hewitt Associates shows the average total health care premium per employee for large companies is \$9,821 this year, up from \$9,028 last year. The amount employees contribute toward this cost is \$2,209 — 22.5% of the total health care premium. This is up 12.4% from 2010, when employees contributed \$1,966 or 21.8%. Average employee

out-of-pocket costs, such as copayments, coinsurance and deductibles, are \$2,177 this year — a 12.5% hike from last year's \$1,934. These rates mean in 10 years total health care premiums have more than doubled from \$4,083 in 2001 to \$9,821 in 2011. And employees' share of medical costs, including employee contributions and out-of-pocket costs, have more than tripled from \$1,229 in 2001 to \$4,386 in 2011.

No wonder 47% of small business owners who provide health insurance to their employees said they are considering discontinuing health insurance because the costs are too high, according to Discover's Small Business Watch.

Nearly the same amount responding to Discover's study (46%) also said the Health-care Reform Act passed by Congress and signed into law by President Obama in 2010 may hurt their businesses.

But the feedback on this is not consistent. Rick Ungar at *Forbes'* The Policy Page says major U.S. health insurance companies are reporting an increase in small businesses offering health care benefits to their employees as a result of the Act. But more will be known when small businesses file their 2010 tax returns this April.

While the Healthcare Reform Act is still being discussed and debated on Capitol Hill, Burton M. Goldfield, president and CEO of TriNet, an HR outsourcing company, recommends landscape business owners familiarize themselves with proposed changes and be prepared to act accordingly. For more information, visit the "Small Employers" page at Healthcare.gov.

To control their costs landscape contractors continue to cut costs and drive efficiency in their businesses. Some of Carol King's cost cutting measures included reducing paper use, utilizing email more, using smaller pickup trucks and more diesel trucks to cut fuel expenses and cracking down on overtime. "We challenge everyone to look at every nook and cranny to see if there are places they can cut back," he says. Health care specific, Carol King has raised employee deductibles and out-of-pocket expenses.



BY THE NUMBERS

9

% average health insurance increase for business owners this year.

SOURCE: PRICEWATERHOUSECOOPERS

69

% of small business owners who are having difficulty obtaining affordable health care for themselves and their employees.

SOURCE: DISCOVER SMALL BUSINESS WATCH, JANUARY 2011

38

% of small business owners who say rising health care costs have a major impact on their businesses.

SOURCE: DISCOVER SMALL BUSINESS WATCH, JANUARY 2011

47

% of small business owners who said they are considering discontinuing health insurance benefits for employees because the costs are too high.

SOURCE: DISCOVER SMALL BUSINESS WATCH, JANUARY 2011

44.8

% of American adults who get their health insurance through an employer.

SOURCE: GALLUP, NOVEMBER 2010