



The Vita Viewpoint Important Information for Decision Makers

2003 HMO Rates to Increase an Average of 17%

Preliminary results from Milliman USA's eleventh annual HMO Intercompany Rate Survey indicate continuing double-digit rate increases into 2003. The 2003 expected increase, if implemented, would be the largest annual increase in the eleven year history of Milliman's survey. Increases of this magnitude are likely to prompt the development of consumer driven approaches to health care and to accelerate the movement of cost sharing to employees as employers seek to reduce their health benefit costs.

One hundred of the four hundred HMOs that serve the commercial employer market responded to the Milliman USA flash survey, which asked for the anticipated rate increase for January 2003 renewals. Over 95% of those responding expected increases over 10%, with more than 70% indicating increases would be over 15%. These increases reflect increased provider expenses and rising consumer demand.

"If it holds, this 2003 increase will mark the third year in a row of double digit increases. We would need to look back to the mid-1990s to find a time when HMO rates increased by less than the general inflation rate," notes Steve Cigich, author of the Milliman USA annual survey. "Increases of this level cannot be sustained without significant reaction in the marketplace. I look for employers to increase employee responsibility regarding health care financial decisions. In addition to shifting more of the premium responsibility to employees and a continuation of increases in copayments a continued emergence of personal spending accounts is likely to occur to help employees bear this increased burden."

Regional results varied narrowly around the 17% national average. Regional increases are expected to range from a low of 14% in the East North Central region to a high of 19% in the Mountain, South Atlantic, and West South Central regions.

Source: Milliman USA Survey Data Details High Trends and Variation in the Market. SEATTLE--(BUSINESS WIRE) --July 1, 2002

For questions or additional information, please contact Vita Benefits Group at (650) 968-8811.