

What's Driving Your Employer-Provided Health Coverage Premiums?

For more than 180 million Americans, employer-provided coverage (EPC) delivers widespread access to health care for workers across all company sizes and their families. Employers not only offer high-quality coverage but also contribute directly to help pay for them – an essential benefit offering that helps increase access to affordable care for employees.

According to a Kaiser Family Foundation (KFF) [Employer Health Benefit Survey](#), annual family premiums for EPC averaged \$22,463 in 2022. AHIP examined how those EPC premium dollars are invested in care, services, and other important functions. **Key highlights from the analysis include:**

Prescription Drug Costs



22.2% of EPC premiums

So far this year, brand name drug makers have **hiked prices on at least 587 brand name drugs**. Far too often, these out-of-control drug prices are forcing hardworking American to choose between paying bills and getting the life-saving medicines they need.

Outpatient Hospital Costs



19.9% of EPC premiums

Consolidation among hospitals and health systems has reached its highest point in recent history. If left unchecked, continued **consolidation has been shown to lead to a reduced quality of care, reduced wage growth and higher costs for patients**.

Inpatient Hospital Costs



19.0% of EPC premiums

Hospital consolidation increases health insurance premiums. Research shows that hospitals in **consolidated markets charge far higher prices** than hospitals in markets with several competitors.

Doctor Visits

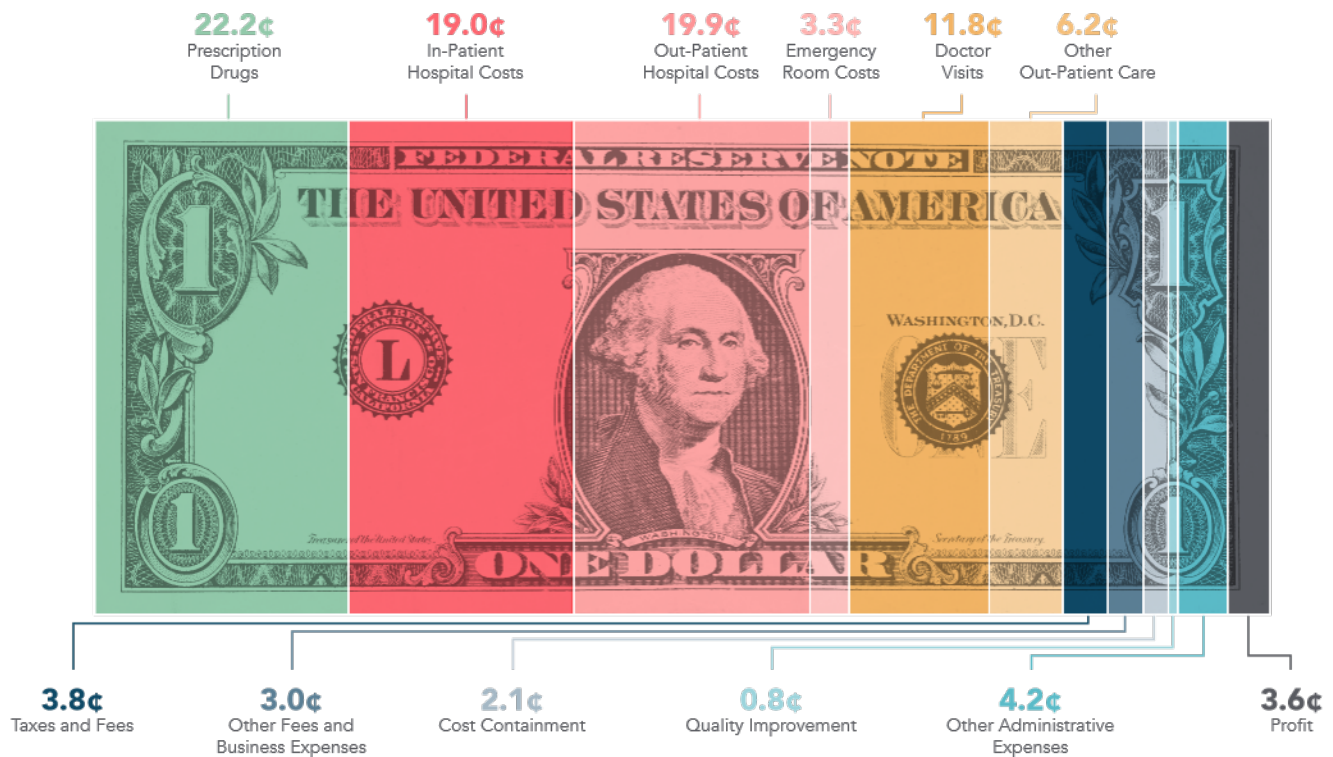


11.8% of EPC premiums

By the end of 2020, **nearly half of America's doctors** were employed by hospitals or health systems. When hospitals gain more market power by taking over doctor practices, they can control referrals and demand higher prices, which in turn makes premiums and costs even higher for everyone.



How Your Employer-Provided Coverage Premium is Spent



Employer-provided coverage continues to be a bedrock of America's health care system and is one of the most efficient means we have of enrolling individuals and families in affordable coverage. As policymakers consider the future of the health insurance market, let's build on the strength, stability, and success of employer-provided coverage. Together, we can ensure that Americans have access to the affordable, high-quality care they deserve.

Methodology

The total employer-based insurance spending and the spending as a share of the family premium have been calculated based on the statistics and categorization from [Where Does Your Health Care Dollar Go? \(AHIP, 2022\)](#). The amount of average family premium for employer coverage, \$22,463 in 2022, was obtained from the results of [KFF Employer Health Benefit Survey](#).

While AHIP researchers used the latest data available, the data comes from different years: 2018-2020 for AHIP premium dollar statistics and 2022 for the average family premium.

Description of Employer-Provided Coverage Premium Dollar Categories

CATEGORIES	WHAT THIS INCLUDES
Prescription Drugs	Payments for outpatient prescription medications, mostly self-administered drugs, as well as payments for prescription medications administered in the physician's office or clinic. For both of these drug categories, the prescription drug spending was calculated net any estimated prescription drug rebates paid by the drug company.
In-Patient Hospital Costs	Payments for all services during hospitalization, including the administration of prescription drugs provided during a hospital stay, payments to physicians, and facility payments.
Out-Patient Hospital Costs	Physician and facility non-drug related payments for treatment in the outpatient department of hospitals, not including emergency room care.
Emergency Room Costs	Physician and facility non-drug related payments for emergency room visits and ambulance transportation.
Doctor Visits	Payments to doctors or clinics for all non-drug related outpatient services provided during visits to doctor offices, clinics, and urgent care facilities.
Other Out-Patient Care	Payments for all outpatient services incurred outside hospitals, doctor offices and clinics, such as claims from ambulatory surgery centers, labs, dialysis, or at-home care.
Taxes and Fees	All taxes and assessments paid by the health insurance provider.
Other Fees and Business Expenses	Agent and broker direct sales salaries and benefits, fees and commissions paid to agent and brokers, and insurance rebate payments.
Cost Containment	Claims adjustment expenses, detection and prevention of fraud and abuse, case management, expenses for appeals, expenses for developing and managing provider and prescription drugs networks.
Quality Improvement	Efforts to improve health quality and increase the likelihood of desired health outcomes such as preventing hospital readmissions, improving patient safety, wellness and health promotion, and health information technology.
Other Administrative Expenses	General and administrative costs to run the business, including salaries, outsourced services, equipment, accreditation and certification fees, rent, legal fees and expenses, advertising, postage, utilities, etc.
Profit	Net profit of for-profit health insurance providers and the difference between total revenue and total expenses for not-for-profit health plans.

ABOUT COVERAGE@WORK

Coverage@Work (C@W) is a campaign to educate policymakers and the public about the value of employer-provided coverage for over 180 million Americans. C@W supports and advocates for market-based solutions that advance health, choice, affordability, and value for every American. [Learn more at AHIP.org/CoverageAtWork](#)