

Initial HMO premiums up 18%, but down from last year

Employers negotiating the renewal of HMO contracts are finding increases averaging 17.7% next year, according to a Hewitt Associates database of 140 large employers representing more than 1 million plan members and \$4 billion in premium.

Hewitt consultants indicate that these early negotiations signal a slowdown in health plan premium increases for 2004. Initial HMO rates averaged a 21% increase at this time last year, but after plan changes, negotiations and terminations, the average HMO premium surged 17% in 2003.

"The good news is that this may signal the moderation of health care increases over the next few years," says Ken Sperling, East market leader in Hewitt's Health Management Practice. Hospital cost increases are slowing, and patients are using more over-the-counter and generic drugs, he notes. Also, more plans are increasing copays for provider visits from \$10 to \$15.

Initial premium increases were highest in the Southwest, averaging 26%, and lowest in the East at 13%. Average increases are 19% in the West, 17% in the Southeast and 15% in the Midwest.