

National health care trend survey

37th edition 2019



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Introduction

This is the Thirty-seventh National Health Care Trend Survey from Buck, in which we analyze the trend factors used by health insurers and third-party administrators to project employers' future health care costs.

One hundred and twelve insurers and/or administrators responded to our survey request in July 2018. Participants provided us with a set of the annual trend factors they are currently using to project employers' health care costs for 2019. The number of covered lives for each coverage reported by respondents to this trend survey is shown in the table below:

Type of service	Number of covered lives
Medical	110 million
Medicare supplement	8 million
Prescription drugs	268 million
Dental	46 million
Vision	133 million

Participants provided us with different factors by coverage – medical, prescription drug, dental, and vision care. In general, the trend factors provide for increases resulting from:

- Inflation
- Utilization of services
- Technology (e.g., new services)
- Addition of new programs
- Changes in the mix and intensity of services

Throughout this report, the weighted average trend rates are weighted by the reported number of covered lives for medical, Medicare supplement, prescription drug, dental, and vision coverage. The reported number of covered lives, for each type of coverage, represents employees plus dependents for commercial business only, including insured and administrative services only (ASO) business, effective July 2018.

Contact

Please direct any questions or requests for special analyses to our survey support team at **800 887 0509** or hrsurveys@buck.com.

We are interested in your comments about this survey. Please let us know if there are any important issues you would like to be added in the next release.

Qualifications to the report

Trend factors

The trend factors shown in this report reflect insurers' projected rates of increase in health care costs. The final premium rate increase requested by an insurer will also reflect:

- Changes in the insurer's administrative expenses and risk changes
- Changes in benefit design
- Changes in any explicit margins for conservatism
- Recovery of any prior period losses
- Mandated benefits, including the impact of the Affordable Care Act

Therefore, employers could see premium rate increases that differ from the health care trend factors summarized in this report.

Please note that the graphs in the report only contain data from 2010 to 2019. Historical trends (from 1999) are included in the appendix.

Qualifications to the report (continued)

The trend factors collected for this survey (labeled Thirty-Seventh Edition 2019) are being used by insurers to calculate premium and funding rates for health insurance plans effective in 2019. Shown below are the previous data collection cycles and the respective trend factor effective dates.

Collection cycle	Collected
Thirty-Seventh Edition/ 2019	Jul-18
Thirty-Sixth Edition/ Mid-Year Update 2018	Jan-18
Thirty-Fifth Edition/ 2018	Jul-17
Thirty-Fourth Edition/ Mid-Year Update 2017	Jan-17
Thirty-Third Edition/ 2017	Jul-16
Thirty-Second Edition/ Mid-Year Update 2016	Jan-16
Thirty-First Edition/ 2016	Jul-15
Thirtieth Edition/ Mid-Year Update 2015	Jan-15
Twenty-Ninth Edition/ 2015	Jul-14
Twenty-Eighth Edition/ Mid-Year Update 2014	Jan-14
Twenty-Seventh Edition/ 2014	Jul-13
Twenty-Sixth Edition/Mid-Year Update 2013	Jan-13
Twenty-Fifth Edition/ 2013	Jul-12
Twenty-Fourth Edition/ 2012	Jul-11
Twenty-Third Edition/ 2011*	Jul-10
Twenty-Second Edition/ 2010**	Jul-10
Twenty-First Edition/Second Half 2009	Jul-09
Twentieth Edition/First Half 2009	Jul-09
Nineteenth Edition/Second Half 2008***	Jul-08
Eighteenth Edition/Second Half 2007	Jul-07
Seventeenth Edition/First Half 2007	Jan-07
Sixteenth Edition/Second Half 2006	Jul-06
Fifteenth Edition/First Half 2006	Jan-06
Fourteenth Edition/Second Half 2005	Jul-05
Thirteenth Edition/First Half 2005	Jan-05
Twelfth Edition/Second Half 2004	Jul-04
Eleventh Edition/First Half 2004	Jan-04
Tenth Edition/Second Half 2003	Jul-03
Ninth Edition/First Half 2003	Jan-03
Eighth Edition/Second Half 2002	Jul-02
Seventh Edition/First Half 2002	Jan-02
Sixth Edition/Second Half 2001	Jul-01
Fifth Edition/First Half 2001	Jan-01
Fourth Edition/Second Half 2000	Jul-00
Third Edition/First Half 2000	Jan-00
Second Edition/Second Half 1999	Jul-99
First Edition/First Half 1999	Jan-99

* The survey was originally published as Second Half 2010

**The survey was originally published as First Half 2010

*** The survey was conducted once in 2008

Summary of survey results

The following table summarizes the weighted average trend factors for each type of coverage for the 2019 survey:

	Weighted average annual trend	n
Medical (excluding Rx)		
PPO	7.5%	89
POS	7.2%	68
HMO	7.7%	49
High deductible consumer driven (with \$1500 deductible and Rx)	7.4%	25
Medicare supplement (without Rx coverage)	3.1	27
Prescription drug		
Card program – all respondents	6.6%	57
PBM	5.7%	5
Health insurers	10.0%	52
Dental		
Reasonable and customary (100/80/50)	5.0%	34
Scheduled	3.2%	9
Dental PPO	4.2%	35
Dental HMO	3.8%	10
Vision		
Reasonable and customary	2.3%	18
Scheduled	2.8%	19

Medical

Health insurers and administrators reported medical trend factors ranging from 7.2% to 7.7%, generally down by 0.1%-0.7% compared to the same trends reported in the previous survey. Some survey respondents cited favorable claim experience and a reduction in provider reimbursement rates as the reasons for the lower trends.

The trend factors still remain higher than inflation. Some of the reasons for this occurring are as follows:

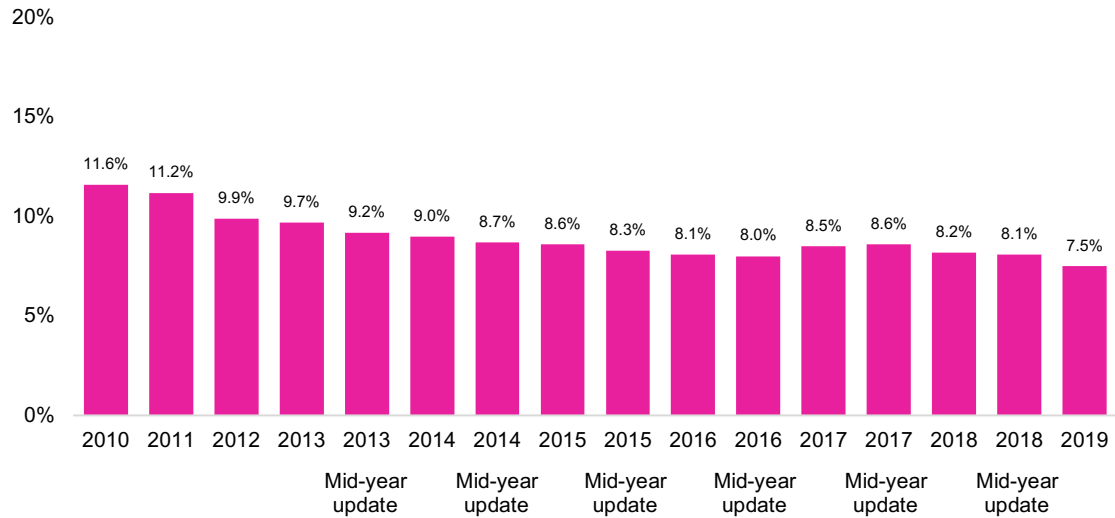
- Health care is subject to increases in utilization of services. A source of these increases is the greater use of diagnostic tests and treatments.
- Medicare and Medicaid continue to limit reimbursement to providers, placing providers under pressure to shift unreimbursed costs to their commercial patients, a major source of cost increases in the industry. Provisions of the Patient Protection and Affordable Care Act (PPACA) may force even further shift costs to commercial payers.
- Health insurers remain conservative due to the uncertainty associated with potential changes to PPACA
- Federal and State governments continue to mandate coverage of certain benefits, such as expanded mental health benefits and prosthetic parity.
- Providers are under increased regulatory scrutiny (e.g., electronic health record data entry requirements), which increases their administrative costs resulting in increases in their fees and negotiated rates.

- Providers - particularly hospitals - have consolidated into hospital systems, giving them greater bargaining leverage with managed care organizations. As a result, these providers have been able to negotiate higher fees.
- Some hospitals have bought up physician practices. In some cases, the physicians will send lab work to the hospital instead of independent labs. Hospital lab prices tend to be higher than those of the independent labs.
- The increased number of diagnosis codes under ICD 10, which was effective 10/1/2015, may enable providers to more easily up code their claim submissions.
- Advances in medical technology and treatments continue. While technology may ultimately be the key to containing health care cost increases, research and development costs often result in higher initial costs for these services.

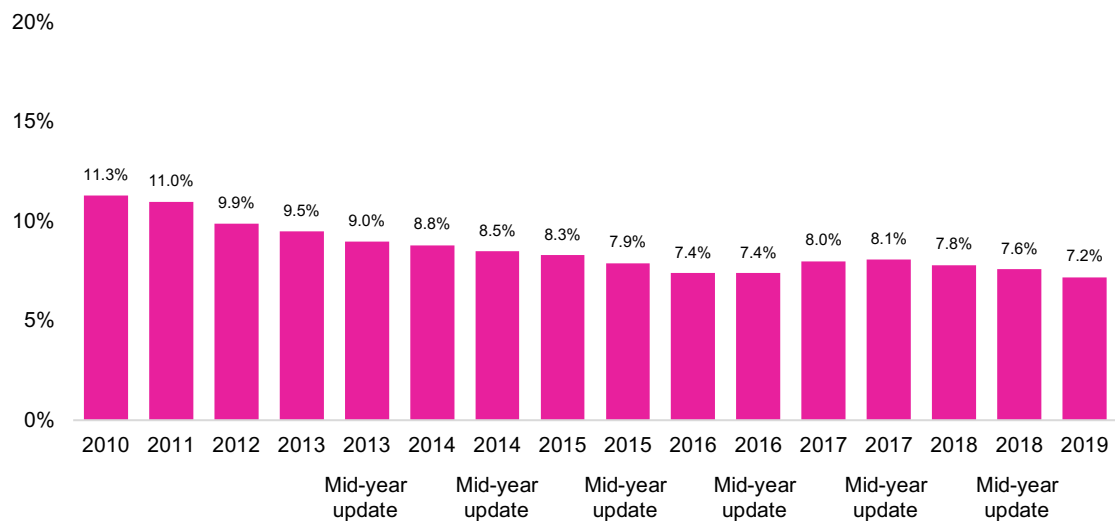
The trend factor for plans that supplement Medicare (excluding prescription drugs) increased by only 0.1% -- from 3.0% to 3.1%. This trend is still significantly lower than trends for plans covering active employees. The lower trends are a result of Medicare's ability to limit its payment rates to participating providers -- rates which "spill over" to Medicare supplement plans.

Medical trends

Medical PPO

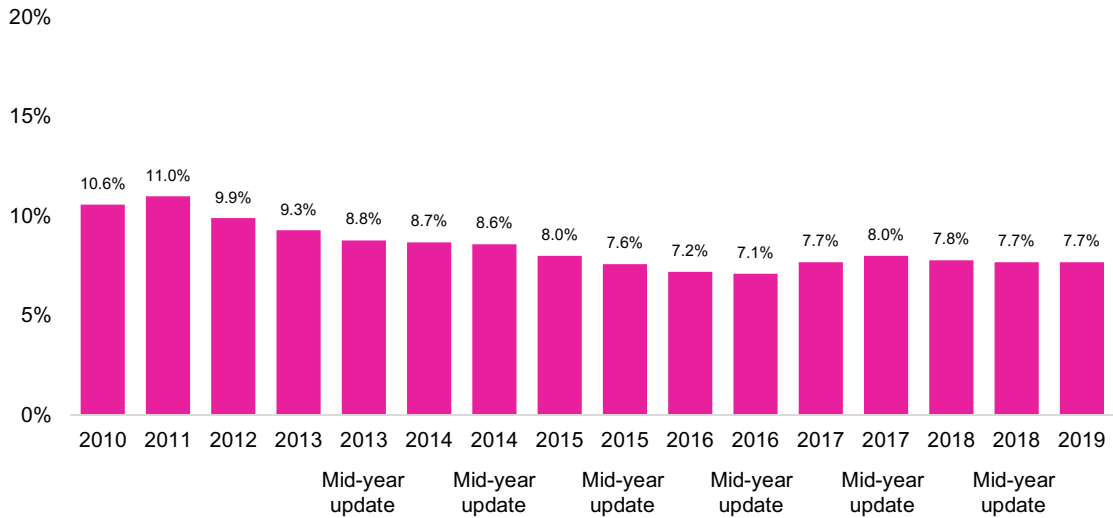


Medical POS

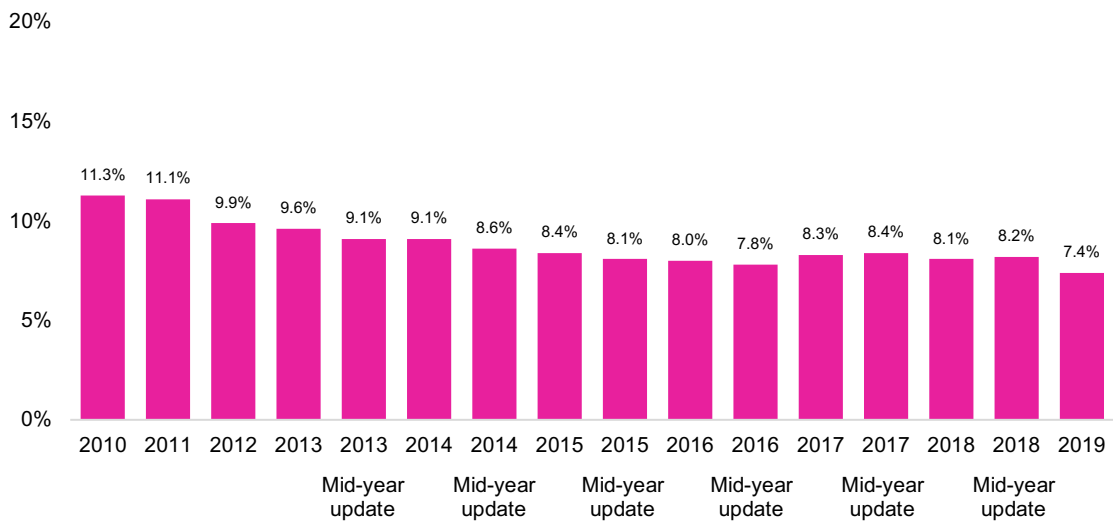


Medical trends (continued)

Medical HMO

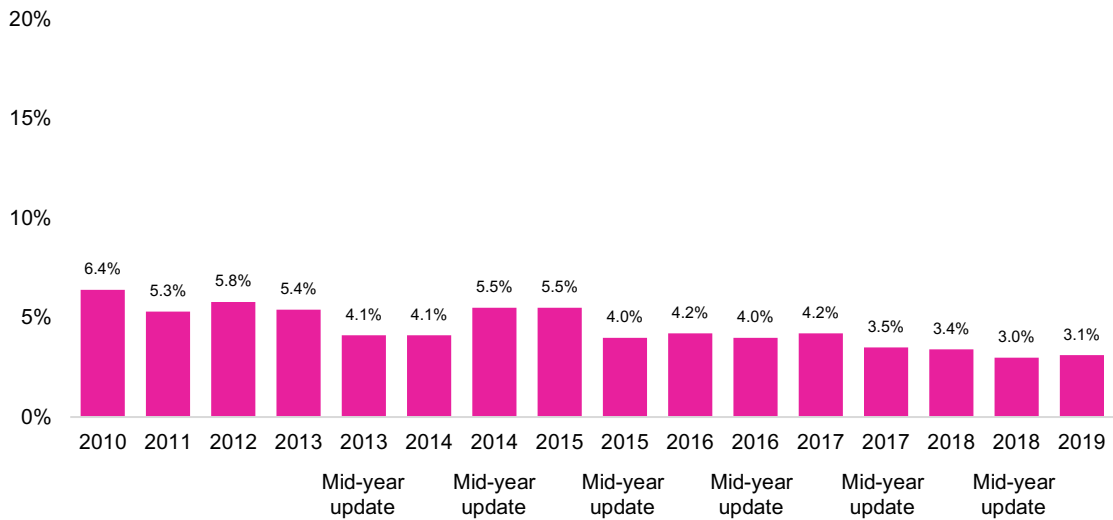


High deductible



Medical trends (continued)

Medicare supplement without Rx coverage



Prescription drug

Health insurers reported a weighted average prescription drug trend of 10.0% -- down by 0.9% from the 10.9% reported in the prior survey. The weighted average trend reported by Pharmacy Benefit Managers (PBMs), who generally do not take any underwriting risk, also dropped by a comparable rate (1.0%) – from 6.7% to 5.7%.

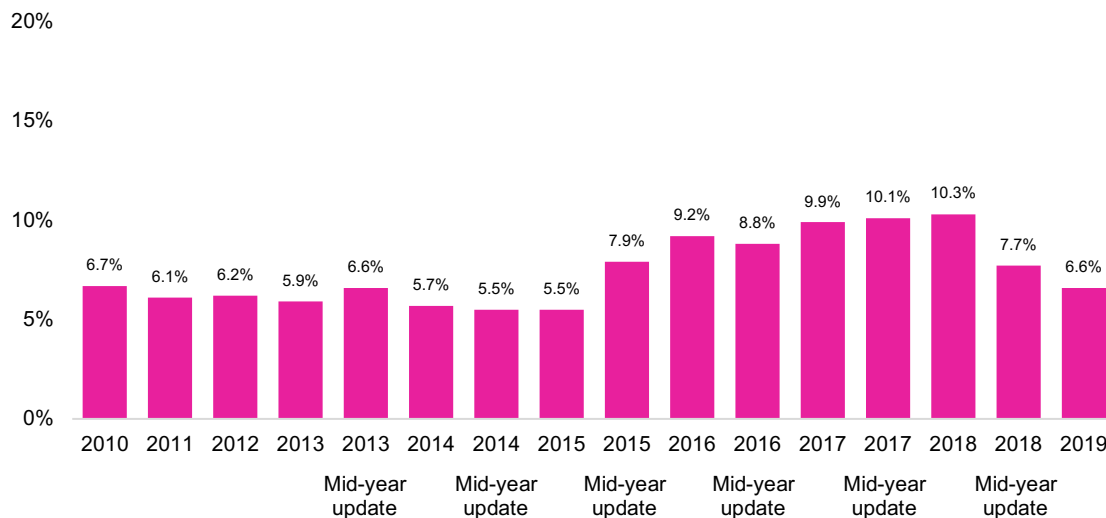
Respondents cited a variety of reasons for the drop, including reduced pharmacy reimbursement rates, reduced utilization, and reduced specialty drug costs.

The trend factors still remain higher than inflation, for many of the same reasons cited in the medical section. Additional reasons unique to prescription drugs include the following:

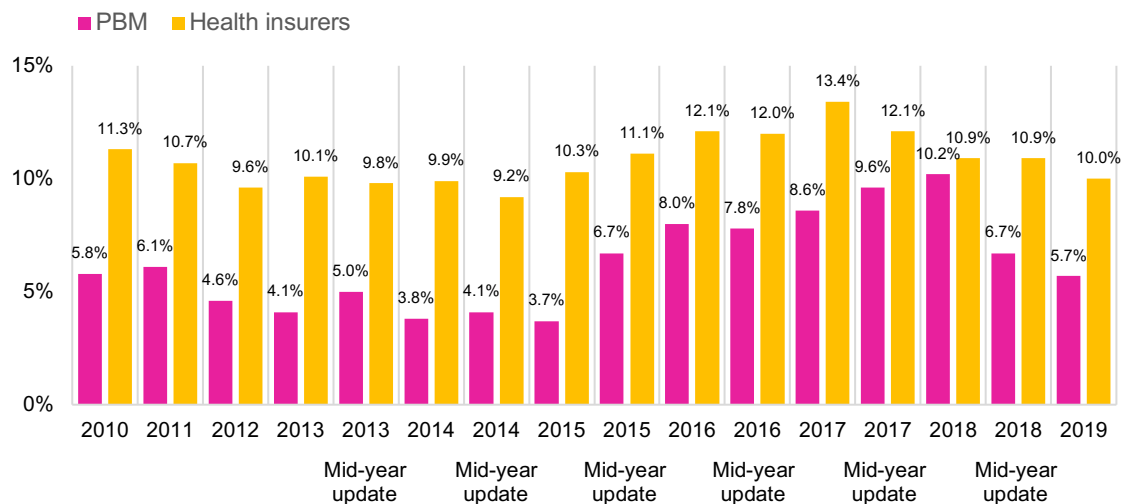
- The increase in number and usage of pharmaceutical products that improve the quality of life and/or enhance lifestyles.
- Aggressive marketing campaigns directed towards consumers are designed to motivate consumers to demand prescriptions for specific drugs.
- Increase in the number and in the usage of high-cost biotech drugs and other specialty medications.
- Drug manufacturers establishing drug prices to help them recover their costs for research and development expenses, as well as to maintain or improve their profit margins.
- Some drug manufacturers aggressively increasing the price of their generics. While the resulting price is still cheaper than that of the comparable brand, the price increase can be significant.
- Drug manufacturer coupon programs that promote use of higher cost branded drugs in lieu of lesser expensive alternatives.

Prescription drug trends

Prescription drug



Prescription drug – PBMs vs. health insurers

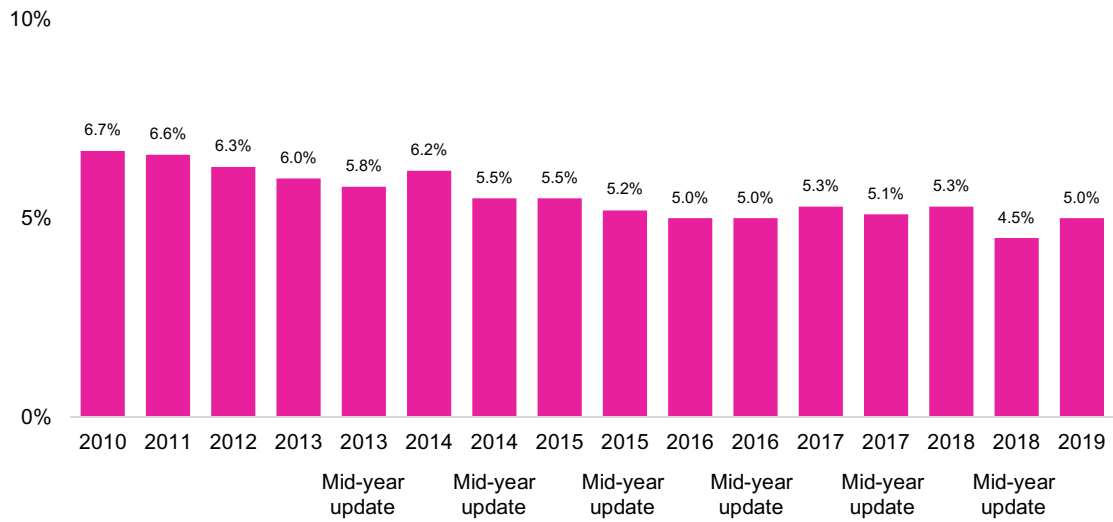


Notes:

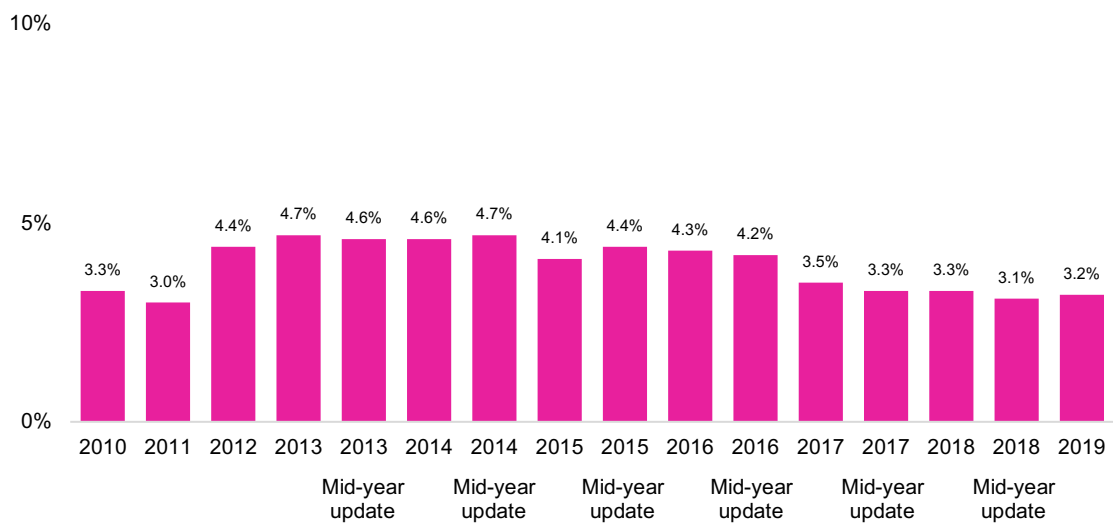
- No data for 2nd half of 2009 survey for PBMs, the data point was interpolated.
- Data reported in 2016 survey corrected in mid-year 2016 survey.

Dental trends

Dental (reasonable and customary)

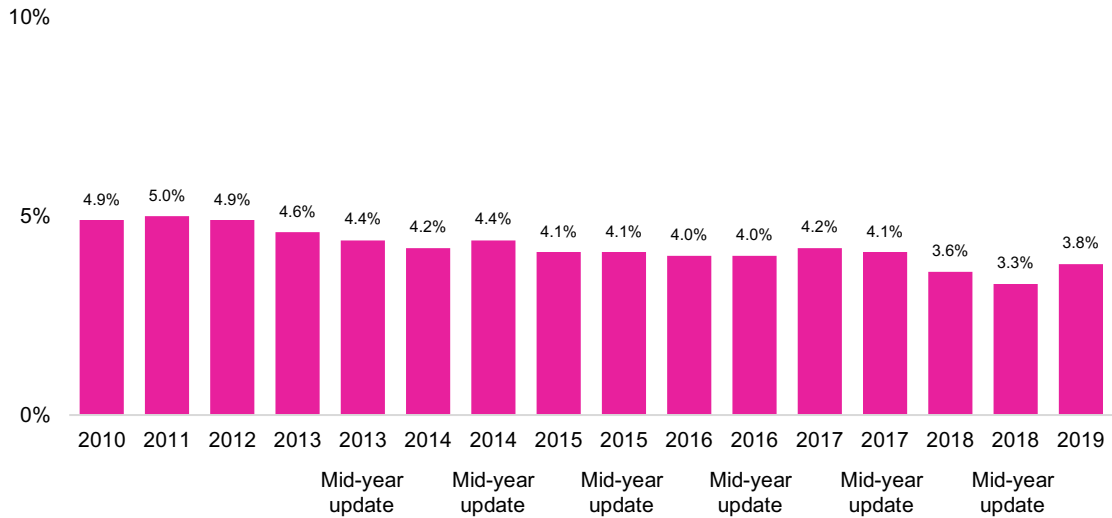


Dental (scheduled)

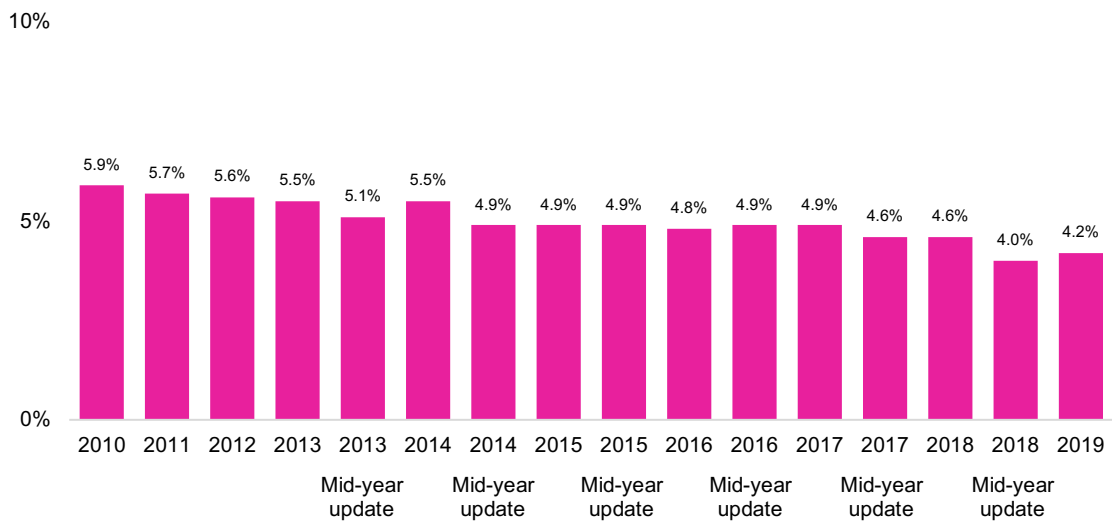


Dental trends (continued)

Dental HMO

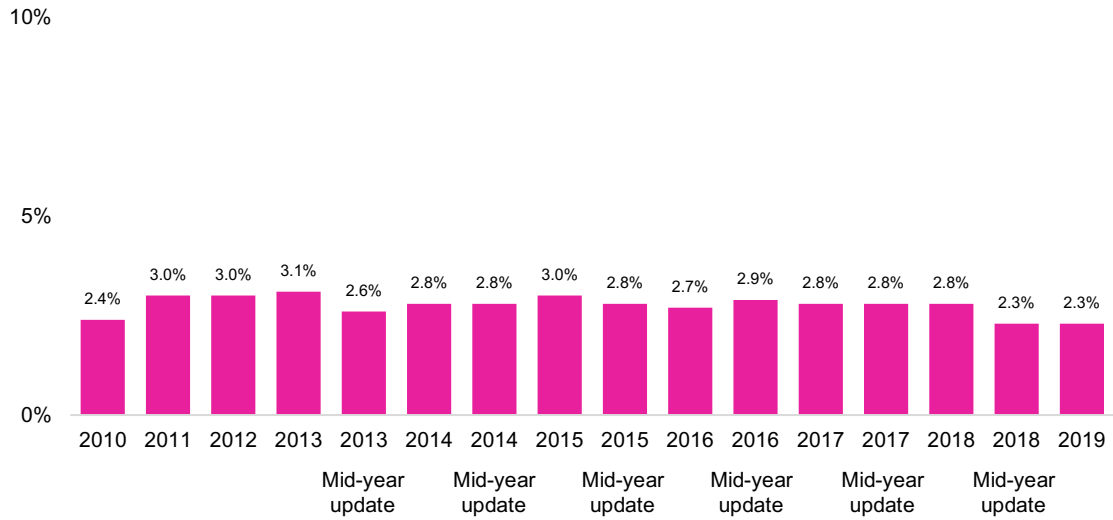


Dental PPO

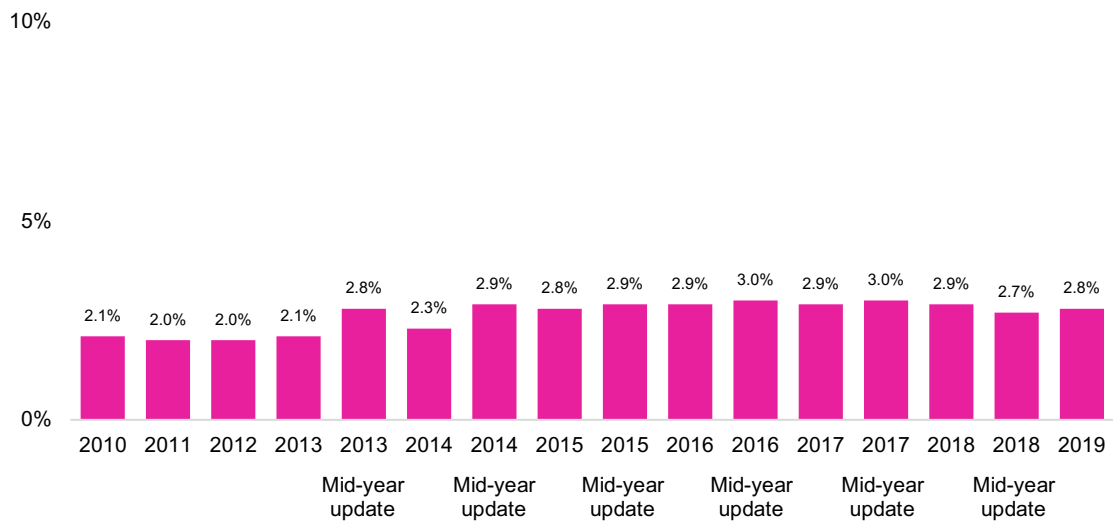


Vision trends

Vision (reasonable and customary)



Vision (scheduled)



National health care trend survey

Appendix – Distribution of trend factors and historical trends

Current medical trend rates

Medical

Trend rate	PPO:	POS:	HMO:	High deductible consumer driven:
0.0	3.4%	1.5%	2.0%	2.9%
0.5				
1.0				
1.5				
2.0				
2.5	1.1%			2.9%
3.0		1.5%		
3.5			2.0%	
4.0				
4.5	1.1%	1.5%	6.1%	
5.0			4.1%	
5.5	11.2%	23.5%	10.2%	5.7%
6.0	15.7%	16.2%	18.4%	20.0%
6.5	13.5%	17.6%	14.3%	17.1%
7.0	15.7%	19.1%	14.3%	8.6%
7.5	9.0%	4.4%	4.1%	2.9%
8.0	6.7%	5.9%	6.1%	5.7%
8.5	9.0%	2.9%	6.1%	5.7%
9.0	7.9%	2.9%	4.1%	17.1%
9.5	3.4%	1.5%	6.1%	8.6%
10.0	1.1%			
10.5				2.9%
11.0	1.1%		2.0%	
11.5				
12.0		1.5%		
Total	100.0%	100.0%	100.0%	100.0%

PPO	
Total PPO	89
Weighted average	7.55
Simple average	6.83

POS	
Total POS	68
Medical POS WAVG	7.25
Medical POS AVG	6.49

HMO	
Total HMO	49
Medical HMO WAVG	7.66
Medical HMO AVG	6.65

High deductible C.D.	
Total Hdeduct	35
Medical Hdeduct WAVG	7.43
Medical Hdeduct AVG	7.08

Trends are grouped to the nearest 0.5% interval for the above distributions, but averages are calculated with actual data instead of rounded numbers.

Current medical trend rates

Medical

Trend rate	Medicare supplement (with no Rx coverage):
0.0	5.4%
0.5	
1.0	
1.5	2.7%
2.0	8.1%
2.5	13.5%
3.0	13.5%
3.5	16.2%
4.0	21.6%
4.5	8.1%
5.0	2.7%
5.5	
6.0	5.4%
6.5	2.7%
Total	100.0%

PPO	
Total PPO	37
Weighted average	3.10
Simple average	3.41

Trends are grouped to the nearest 0.5% interval for the above distributions, but averages are calculated with actual data instead of rounded numbers.

Current stand-alone prescription drug trend rates

Card program

Trend rate	Card program:
0.0	5.8%
2.0	0.0%
2.5	0.0%
4.0	0.0%
4.5	
5.0	
5.5	1.9%
6.0	3.8%
6.5	1.9%
7.0	1.9%
7.5	
8.0	3.8%
8.5	13.5%
9.0	1.9%
9.5	15.4%
10.0	1.9%
10.5	7.7%
11.0	5.8%
11.5	3.8%
12.0	11.5%
12.5	3.8%
13.0	1.9%
13.5	1.9%
18.0	3.8%
19.0	
20.0	
21.0	1.9%
32.0	1.9%
32.5	1.9%
Total	100.0%

Trend rate	Card program:
2.0	20.0%
2.5	20.0%
3.0	
3.5	
4.0	20.0%
4.5	
5.0	
5.5	
6.0	20.0%
6.5	
7.0	
7.5	
8.0	
8.5	20.0%
Total	100.0%

Trend rate	Card program:
0.0	5.8%
5.5	1.9%
6.0	3.8%
6.5	1.9%
7.0	1.9%
7.5	
8.0	3.8%
8.5	13.5%
9.0	1.9%
9.5	15.4%
10.0	1.9%
10.5	7.7%
11.0	5.8%
11.5	3.8%
12.0	11.5%
12.5	3.8%
13.0	1.9%
13.5	1.9%
18.0	3.8%
19.0	
20.0	
21.0	1.9%
32.0	1.9%
32.5	1.9%
Total	100.0%

Card program	
Total card program	57
Rx card WAVG	6.6
Ex card AVG	10.28

PBMs	
Total PBMs	5
Rx card WAVG	5.74
Rx PBM AVG	4.63

Health insurers	
Total health insurers	52
Rx HI WAVG	9.99
RX HI AVG	10.83

Trends are grouped to the nearest 0.5% interval for the above distributions, but averages are calculated with actual data instead of rounded numbers.

Current dental trend rates

Dental table

Trend rate	Reasonable and customary:	Scheduled:	Dental PPO:	Dental HMO:
0.0			5.7%	
0.5				
1.0			5.7%	10.0%
1.5				
2.0	8.3%		22.9%	10.0%
2.5		11.1%	5.7%	
3.0	4.2%	33.3%	5.7%	20.0%
3.5	4.2%	22.2%	5.7%	20.0%
4.0	29.2%	11.1%	20.0%	20.0%
4.5	4.2%		5.7%	
5.0	33.3%	11.1%	14.3%	20.0%
5.5	8.3%			
6.0	4.2%	11.1%	5.7%	
6.5				
7.0				
7.5				
8.0				
8.5	4.2%		2.9%	
Total	100.0%	100.0%	100.0%	100.0%

Reasonable and customary	
Total dental R&C	24
Dental R&C WAVG	4.99
Dental R&C AVG	4.53

Scheduled	
Total dental schedule	9
Dental schedule WAVG	3.25
Dental schedule AVG	3.72

Dental PPO	
Total dental PPO	35
Dental PPO WAVG	4.21
Dental PPO AVG	3.38

Dental HMO	
Total dental HMO	10
Dental HMO WAVG	3.85
Dental HMO AVG	3.40

Trends are grouped to the nearest 0.5% interval for the above distributions, but averages are calculated with actual data instead of rounded numbers.

Current vision trend rates

Vision table

Trend rate	Vision reasonable and customary	Vision scheduled:
0.0	22.2%	5.3%
0.5		
1.0	27.8%	36.8%
1.5		
2.0	27.8%	10.5%
2.5	11.1%	15.8%
3.0	5.6%	31.6%
3.5		
4.0		
4.5		
5.0	5.6%	
Total	100.0%	100.0%

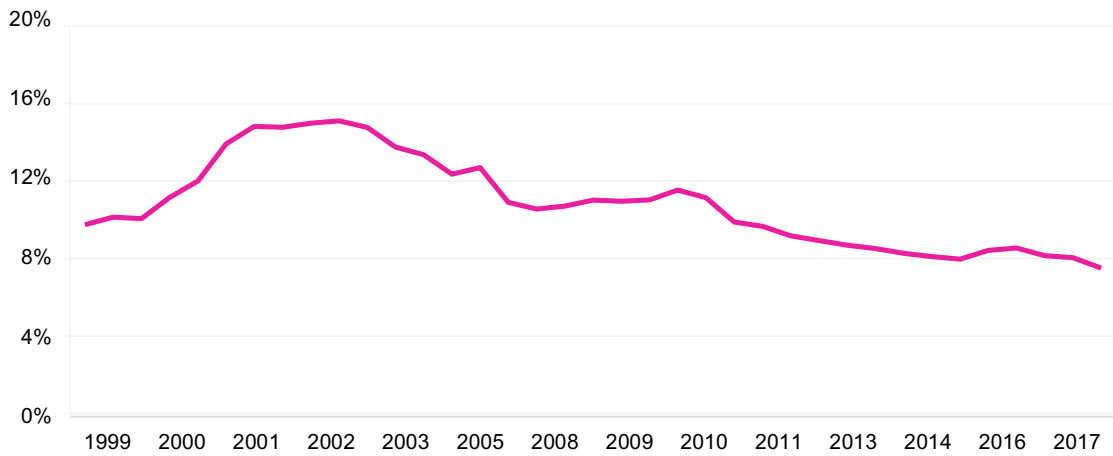
Vision reasonable and customary	
Total vision R&C	18
Vision R&C WAVG	2.35
Vision R&C AVG	1.56
Vision scheduled	
Total vision schedule	19
Vision schedule WAVG	2.82
Vision schedule AVG	1.92

Trends are grouped to the nearest 0.5% interval for the above distributions, but averages are calculated with actual data instead of rounded numbers.

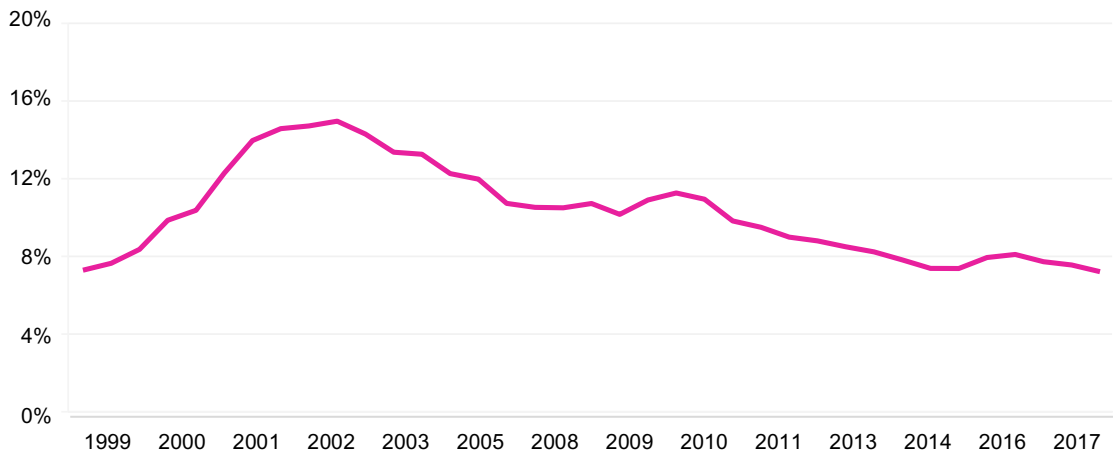
Historical trends

Medical

Medical PPO



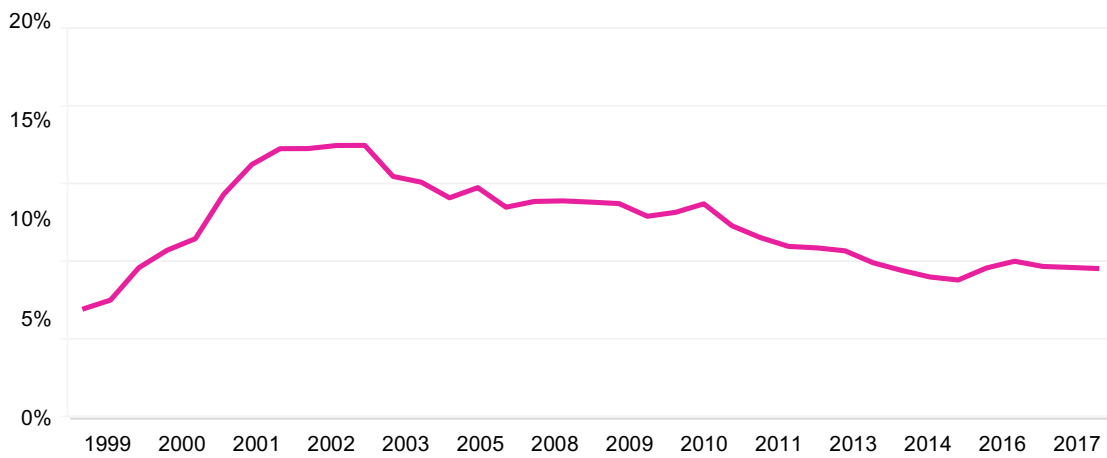
Medical POS



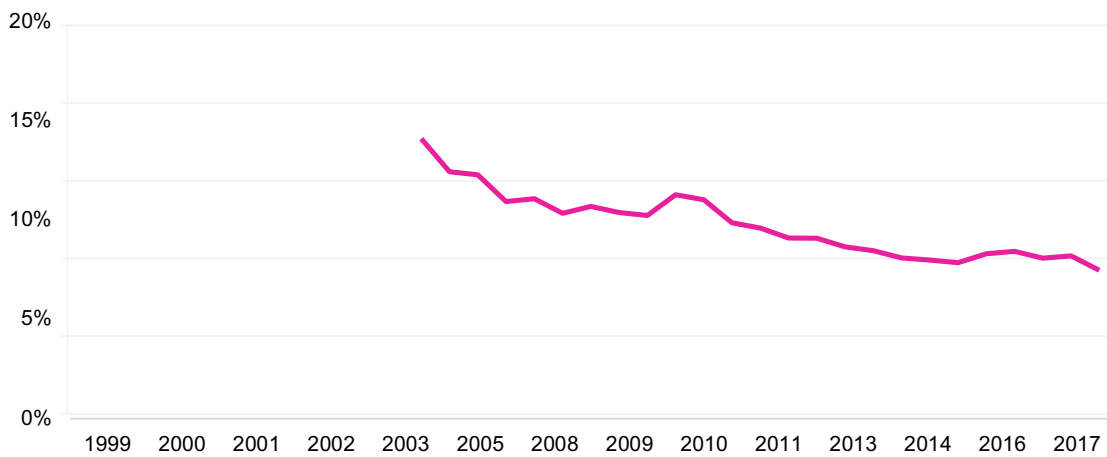
Historical trends

Medical (continued)

Medical HMO



High deductible

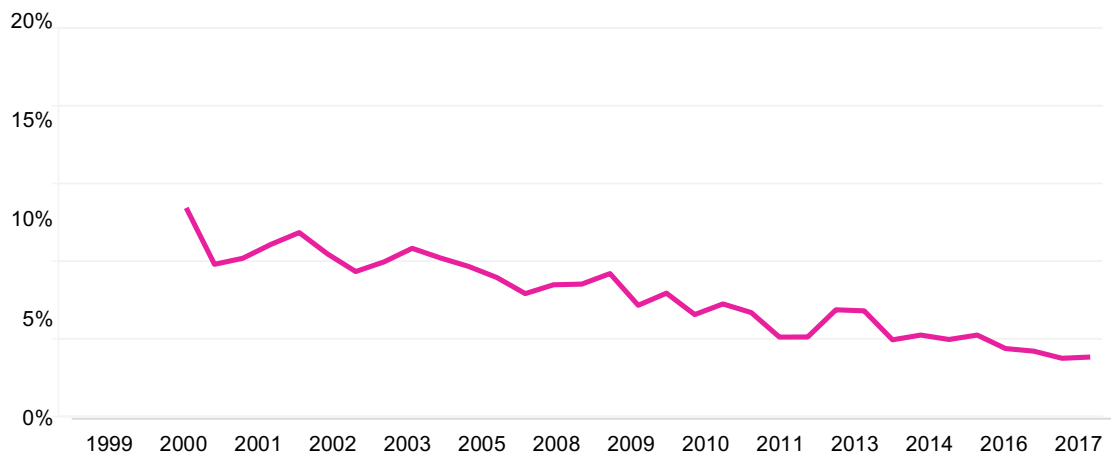


Note: Collection of data began in November 2005.

Historical trends

Medical (continued)

Medical supplement without Rx coverage

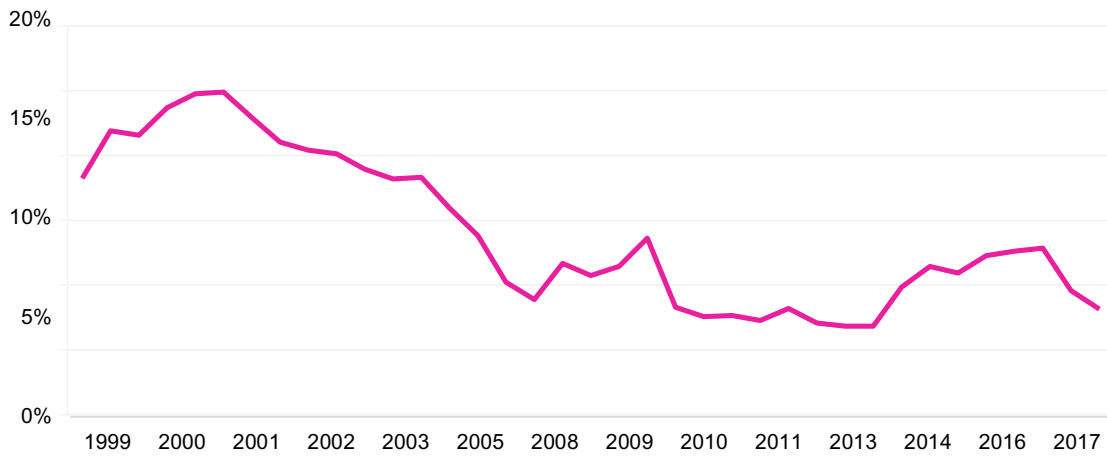


Note: Collection of data began in November 2000.

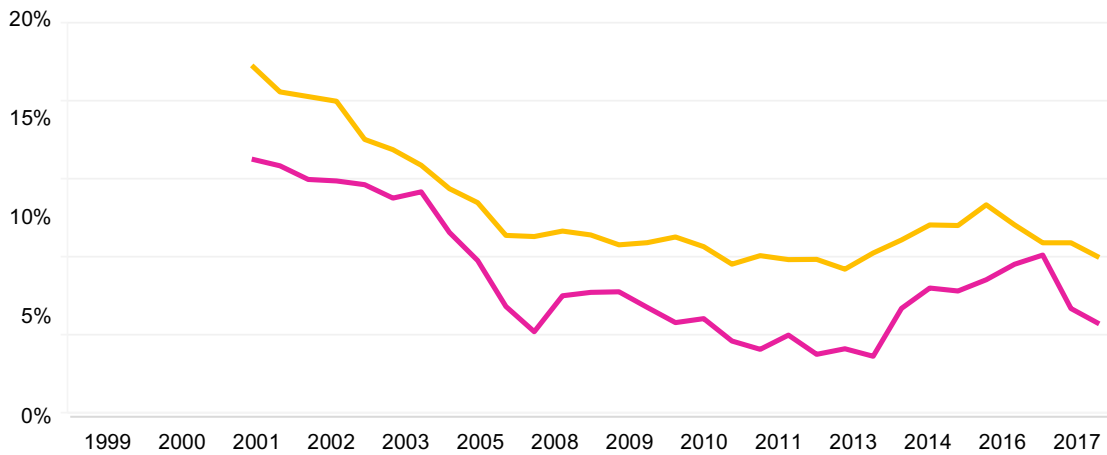
Historical trends

Prescription drug

Prescription drug – All respondents



Prescription drug – PBMs and health insurers



- PBM
- Health insurers

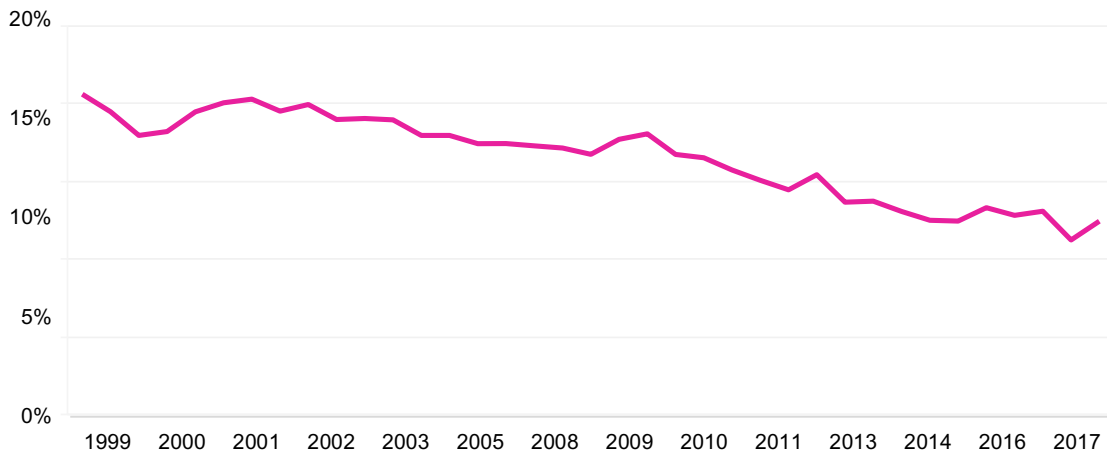
Note:

- No data for 2nd half 2009 survey PBMs, the data point was interpolated.
- Data reported in 2016 survey corrected in mid-year 2016 survey.

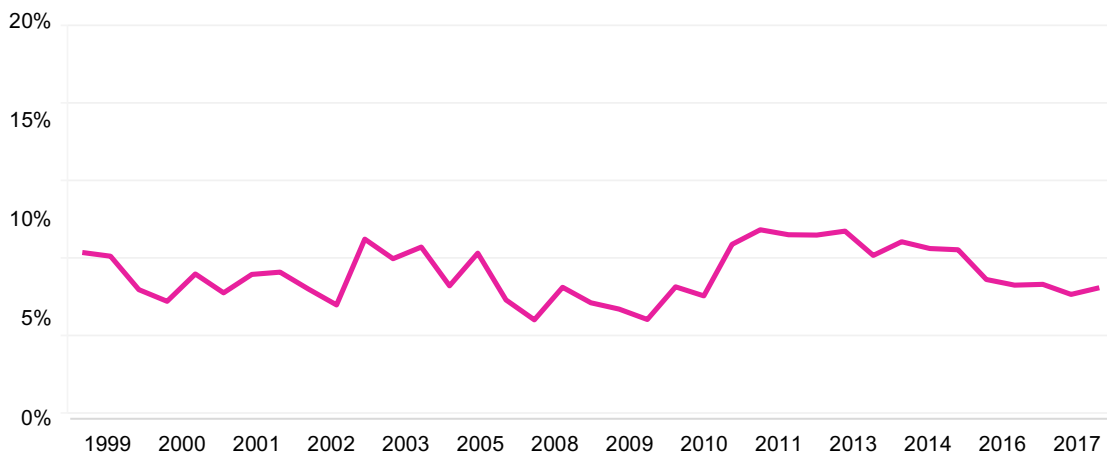
Historical trends

Dental

Dental (reasonable and customary)



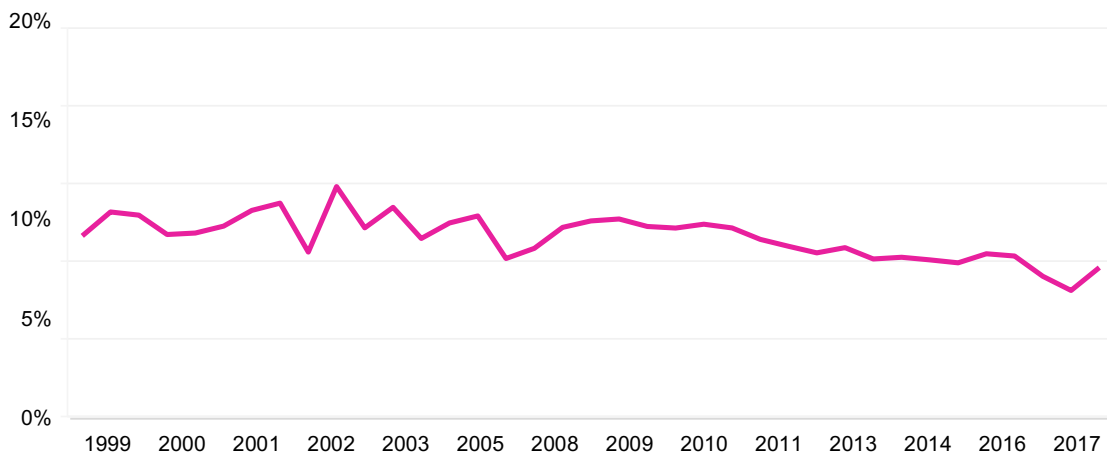
Dental (scheduled)



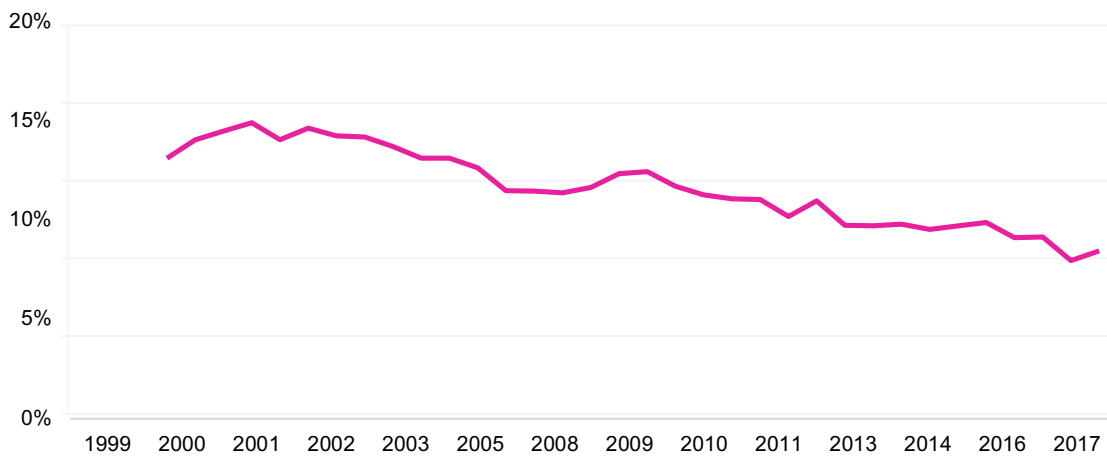
Historical trends

Dental (continued)

Dental HMO



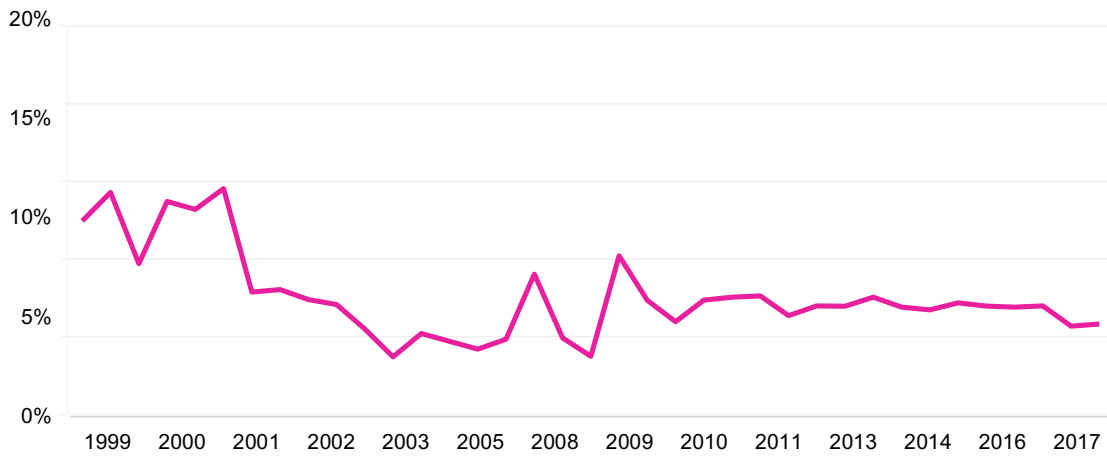
Dental PPO



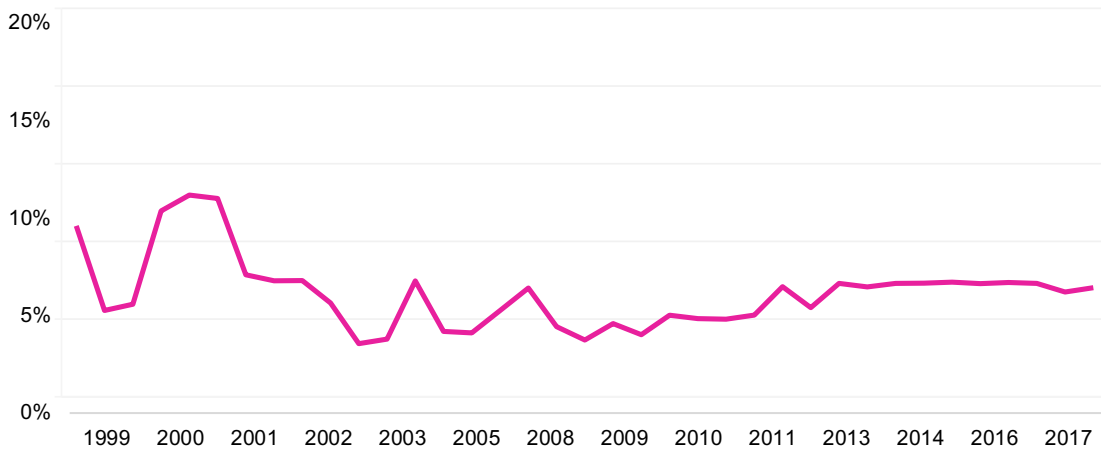
Historical trends

Vision

Vision (reasonable and customary)



Vision (scheduled)



Participating organizations

AmeriHealth Insurance Company of New Jersey
Anthem Blue Cross Blue Shield
Benecard
Blue Care Network of Michigan
Blue Cross Blue Shield of Alabama
Blue Cross Blue Shield of Arizona
Blue Cross Blue Shield of Florida
Blue Cross Blue Shield of Illinois
Blue Cross Blue Shield of Massachusetts
Blue Cross Blue Shield of Michigan
Blue Cross Blue Shield of Minnesota
Blue Cross Blue Shield of Montana
Blue Cross Blue Shield of Nebraska
Blue Cross Blue Shield of New Mexico
Blue Cross Blue Shield of North Carolina
Blue Cross Blue Shield of Oklahoma
Blue Cross Blue Shield of Tennessee
Blue Cross Blue Shield of Texas
Blue Cross Blue Shield of Vermont
Blue Shield of California
BSCA
Capital Blue Cross
CareFirst Blue Cross Blue Shield
CIGNA Health and Life Insurance Company
CIGNA Healthcare of Alabama
CIGNA Healthcare of Alaska
CIGNA Healthcare of Arizona
CIGNA Healthcare of Arkansas
CIGNA Healthcare of California
CIGNA Healthcare of Colorado
CIGNA Healthcare of Connecticut
CIGNA Healthcare of Delaware
CIGNA Healthcare of Florida
CIGNA Healthcare of Georgia
CIGNA Healthcare of Hawaii
CIGNA Healthcare of Idaho
CIGNA Healthcare of Illinois
CIGNA Healthcare of Indiana
CIGNA Healthcare of Iowa
CIGNA Healthcare of Kansas
CIGNA Healthcare of Kentucky
CIGNA Healthcare of Louisiana
CIGNA Healthcare of Maine
CIGNA Healthcare of Maryland
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CIGNA Healthcare of Missouri
CIGNA Healthcare of Montana
CIGNA Healthcare of Nebraska
CIGNA Healthcare of Nevada
CIGNA Healthcare of New Hampshire
CIGNA Healthcare of New Jersey
CIGNA Healthcare of New Mexico
CIGNA Healthcare of New York
CIGNA Healthcare of North Carolina
CIGNA Healthcare of North Dakota
CIGNA Healthcare of Ohio
CIGNA Healthcare of Oklahoma
CIGNA Healthcare of Oregon
CIGNA Healthcare of Pennsylvania
CIGNA Healthcare of Rhode Island
CIGNA Healthcare of South Carolina
CIGNA Healthcare of South Dakota
CIGNA Healthcare of Tennessee
CIGNA Healthcare of Texas
CIGNA Healthcare of Utah
CIGNA Healthcare of Vermont
CIGNA Healthcare of Virginia
CIGNA Healthcare of Washington
CIGNA Healthcare of West Virginia
CIGNA Healthcare of Wisconsin
CIGNA Healthcare of Wyoming
CIGNA Inc
CVS Caremark
Davis Vision
Dean Health Plan
Delta Dental Plan of New Jersey
Everence Financial
Excellus BCBS Central New York and Utica Regions
Excellus BCBS Rochester Region
Express Scripts
Florida Blue
Health Alliance
Health Net Health Plan of Oregon
Health Net of Arizona
Health Net of California

Participating organizations (continued)

Highmark Blue Cross Blue Shield of Delaware	Molina Healthcare of Texas
Highmark Blue Cross Blue Shield of West Virginia	Molina Healthcare of Washington
Highmark Blue Cross Blue Shield of Western PA	MedImpact
Highmark Blue Shield of Eastern and Central PA	Optima Health
Highmark Davis Vision	OptumRx
Humana	Premera Blue Cross Alaska
Independence Blue Cross	Premera Blue Cross Washington
Kaiser Health Plan of Colorado	Regence Idaho
Kaiser Health Plan of Georgia	Regence Oregon
Kaiser Health Plan of Hawaii	Regence Utah
Kaiser Health Plan of Mid Atlantic States	Regence Washington
Kaiser Health Plan of South Carolina	Sentry
Kaiser Health Plan of the Northwest	UCCI Dental
Kaiser Health Plan of Washington	United Concordia
Molina Healthcare of California	United Health Care
Molina Healthcare of Florida	Vision Service Plan
Molina Healthcare of Michigan	Wellmark Alliance Select
Molina Healthcare of Ohio	Wellmark Blue Select

About Buck

Buck is an integrated human resource (HR) consulting, benefits administration and technology services firm. Our 100+-year heritage of HR service excellence dates back to 1916, when Buck Consultants – founded by George B. Buck – established the actuarial basis of the New York State and City retirement systems.

Since then, Buck has grown into a leading provider of benefit consulting and actuarial services, helping public and private entities across the globe with their employee benefit programs. Buck consists of experts in health & welfare, retirement, actuarial services, plan administration, compensation, investment consulting, communication, HR technology, human capital management, and compliance & research.

For more information on the survey or how we can help you with your business needs please visit surveys@buck.com or send an email to hursurveys@buck.com.

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