

## Behind the numbers: Medical cost trends for 2011 By Price Waterhouse Coopers

Generic drugs, the normalization of COBRA costs, and employees paying more out-of-pocket costs will bring down employers' cost of healthcare next year.

Although medical costs will slightly decrease next year, healthcare-related expenses will still rise faster than the inflation rate, according to PricewaterhouseCoopers' Medical Cost Trends 2011 report. The findings question the financial sustainability of the U.S. healthcare system, and whether healthcare reform will translate into greater efficiency and reduced expenses.

Medical costs in 2011 for employers will decrease slightly from 9.5 percent to 9.1 percent. The drop results from the proliferation of generic drugs, normalization of COBRA costs, and employees paying more out-of-pocket costs for medical care.

Healthcare reform's biggest changes will take effect in 2014. Some factors that will influence healthcare include a requirement that forces insurance companies to cover dependents to age 26, no lifetime limits on coverage, and subjection to medical loss ratios. As a result, insurance companies, providers, and pharmaceutical companies may change their services, prices, products, and policies. Anticipation of higher demand may push prices up.

The full repercussions of healthcare reform will play out over a decade, PwC says. Long-term changes will include reducing cost-shifting from the uninsured, changing the payment system for providers, creating new markets for health insurance, and an excise tax on high premium plans starting in 2018.

**Source:** [Price Waterhouse Coopers Website](#)

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