



Contact: Jeremy Engdahl-Johnson
Milliman, Inc.
Tel: 646.473.3021
jeremy.engdahl-johnson@milliman.com

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Press Release

Milliman Medical Index: Healthcare costs climb to \$24,671 for a typical American family in 2015

A sharp increase in prescription drug costs drives higher rates of increase in 2015

Will the typical family soon trigger the Affordable Care Act's "Cadillac tax" on high-cost health plans?

Seattle – May 19, 2015 – Milliman, Inc., a premier global consulting and actuarial firm, today released the 2015 Milliman Medical Index (MMI), which measures the cost of healthcare for a typical American family of four receiving coverage from an employer-sponsored preferred provider plan (PPO). In 2015, costs for this family will increase by 6.3% (\$1,456), resulting in a total cost of \$24,671. The employer pays \$14,198 of this and the employee—through payroll deductions and cost sharing at the time of service—pays \$10,473. Of this year's total \$1,456 increase, \$467 was a result of prescription drugs, a 13.6% increase after a five-year period in which prescription drug costs averaged annual increases of 6.8%.

"For the last several years we've noted that the Milliman Medical Index was only indirectly affected by the Affordable Care Act, since the employer-sponsored insurance market was not a focus of the early reforms," said Chris Girod, co-author of the Milliman Medical Index. "But now we have the prospect that this family's health plan—which, in terms of actuarial value, is in a "gold" plan—may trigger the "Cadillac tax" that goes into effect on high-cost health plans in 2018. Whether or not our typical family of four finds themselves affected by the Cadillac tax will depend on whether future trends exceed recent levels, with people insured through smaller employer-sponsored plans potentially being more susceptible."

This year's 6.3% cost increase follows last year's all-time low of 5.4%. Most of the components of care analyzed by the MMI (physician, outpatient, inpatient, other) experienced trends in line with recent years, but the sharp increase in prescription drug costs heightened the overall rate of increase.

"The rate at which prescription drug costs increased this year doubled over the average increase of the prior five years," said Scott Wertz, co-author of the MMI. "This was driven by a combination of factors, including the introduction of new specialty drugs, a continued increase in compound drugs, and price increases for both brand name and generic drugs."

"Healthcare costs for this family have doubled in the past decade, and tripled since we began tracking this information in 2001," said Sue Hart, co-author of the MMI. "As has been the case throughout the time we have studied costs for this family, the rate of increases far outpace the consumer price index."

Employees and employers have shared the burden of this cost increase. The MMI is somewhat unique among health cost studies because it measures the total cost of health care services used by the family of four, including out-of-pocket expenses paid at time of service, and it separates the costs into portions



paid by employer versus employee. For the fifth consecutive year, employees have assumed an increasing percentage of the total cost of care.

To view the complete MMI, go to <http://us.milliman.com/MMI/>.

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