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Health costs soaring

Big boosts expected in 2005

THE BIGGEST BITE out of most paychecks only figures to get worse in the new year.

Say hello to another big price jump for healthcare costs. They're soaring, especially here, where an average city family pays \$713 a month, second-highest in the country after Boston.

The cost of insuring an average family hit \$10,000 this year, with workers covered under company plans contributing over \$2,600 and the companies the balance.

A recent survey by the Kaiser Family Foundation, a non-profit that tracks the the industry, showed healthcare costs rose 11% this year over 2003 — more than triple the inflation rate and the fourth straight year of double-digit increases.

And there are some immediate smoking guns.

"Rising obesity is responsible for about 30% [of rising costs]," said Kenneth Thorpe, health policy professor at Emory University, pointing to the connection to high cholesterol and diabetes. "We need to attack obesity head on, like we have with smoking".

Expert opinions differ on what's most responsible for driving up costs, and on how to get them under control.

Indeed costs are 59% higher since 2000, compared to just a 12% increase in average annual wages.

The average deductible has spiked to \$861 from \$580 in the past four years. Co-pays, too, are rising — next year should see routine increases to \$25 from \$20 for each doctor visit.

And there's likely to be little immediate relief. Among 200 big companies in the Kaiser survey, more than half said they were "very likely" to raise employee contributions next year.

"More sick adults are getting more treatments," said Thorpe.

Improvements in technology and medical devices like scanners and implants have improved health-

care quality but also carry high costs.

Michael Winfrey, an Huron Group consultant, highlighted the sometimes forgotten costs of hospital basics — from office supplies and bandages to artificial limbs. Together with building depreciation and interest payments, these items make up 40% of all hospital costs.

"They're rising 6% to 9% per year, especially with new technologies for things like hip replacements," Winfrey said.

And then there's the growing paperwork.

"About 90% of doctors are not employed by the hospitals, and you have separate forms for everything," said Winfrey.

Health coverage costs in the city have raced ahead of even the high national average.

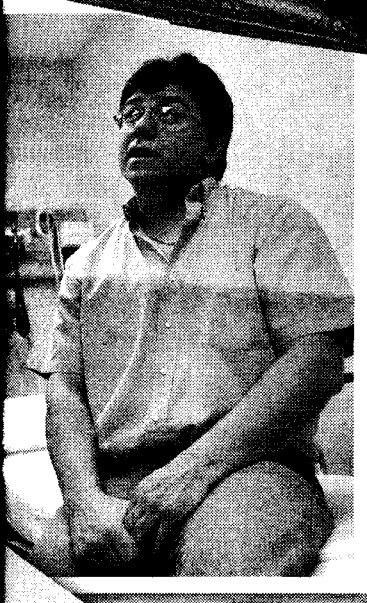
Some insurance execs blame a 1993 law that made New York one of just seven states that guarantee applicants can't be turned down for coverage, even if their health is already poor.

"Some apply only after they are sick, so you have healthy people paying in to subsidize them," said Bob Fahlman, chief operating officer of eHealthInsurance, which sells health policies online.

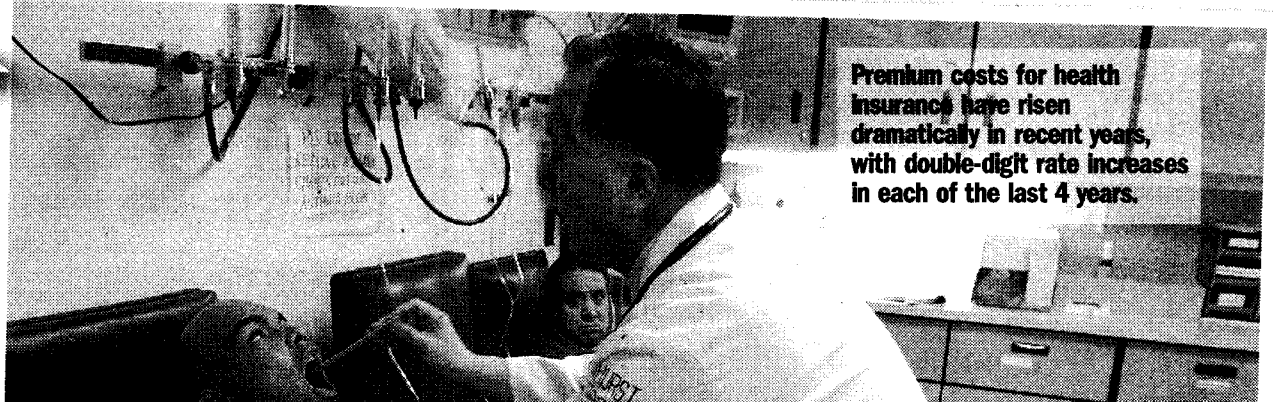
The law also has a clause called "community rating," which sets prices based on costs in each local area. That's bad news for city residents whose hospitals sit on expensive real estate and employ more medical residents and interns than a typical upstate facility.

"There are more teaching hospitals here, you'll see a lot more residents gathered around your bed than you would in Utica," Fahlman said.

BY TOM VAN RIPER
DAILY NEWS WRITER



VERAGE
CTIBLE
\$580
\$861
8%



Premium costs for health insurance have risen dramatically in recent years, with double-digit rate increases in each of the last 4 years.