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Health coverage shrinks as costs up again: study

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WASHINGTON (Reuters) - The cost of providing health care for workers rose again in 2007 to nearly \$8,000 annually per employee, prompting more businesses to drop the benefit, according to an annual business survey released on Monday.

Costs rose by 6.1 percent, about the same pace as last year but lower than the double-digit rates of prior years.

But that's still more than twice the rate of inflation, and costs to businesses would be even higher if they had not shifted more of it to the workers and their families, the National Survey of Employer-Sponsored Health plans found.

The survey by employee benefits firm Mercer included nearly 3,000 private and public employers with 10 or more workers. In keeping with trends of recent years, businesses with fewer than 200 workers were more likely to cut back on coverage than larger ones.

The study found enrollment in so-called "consumer-directed health plans" rose from 3 to 5 percent of all covered employees. These are high-deductible health plans linked to tax-favored health savings accounts. Premiums are lower than more traditional plans but people have to pay more before the coverage kicks in.

The survey found that only 62 percent of large employers cover part-time workers, who make up an increasingly large share of the work force. Some of these businesses are now offering "mini-med" plans that offer limited health coverage for part-timers.

"The arguments for and against mini-med plans tend to fall into the 'Is the glass half-empty or half-full?' variety," Mercer partner Blaine Bos wrote in the report. "Some employers think they're better than nothing. Others think they're dangerously inadequate because they don't cover catastrophic expenses."

The study found that the number of large employers offering coverage to same-sex domestic partners rose to 34 percent, from 29 percent a year earlier.

It also spotlighted a trend involving smokers. Five percent of larger employers are attempting to reduce tobacco use by linking health insurance premium payments to whether employees use tobacco.

(Reporting by Joanne Kenen, editing by Philip Barbara)

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