

COMPARISON OF PUBLIC AND PRIVATE INSURANCE ADMINISTRATIVE COSTS

Introduction. Following is very general information comparing administrative costs for public and private insurance products. Note that the types of insurance listed differ in various respects from family leave insurance.

Public insurance administrative costs.

For 2006, the federal government stated administrative costs for **Social Security** as .7 percent for Social Security and 2.5 percent for Social Security Disability Insurance. **Medicare** administrative costs were stated to be 1.5 percent.

The national average for administrative costs for **workers' compensation** programs (all types of programs) is 21.2 percent. For Washington, the administrative cost is 7.1 percent. These figures are based on a 10 year average, 1995 – 2004.

The Health Care Authority projects fiscal year 2008 administrative costs at 5.5 percent of total expenditures for the **Uniform Medical Plan** and 4.4 percent for **Basic Health**.

Private insurance administrative costs.

A number of reports and studies indicate that non-benefit costs of **private health insurance** plans average about 12 percent of premiums. Non-benefit costs include administrative costs, taxes, and profits.

Loss ratios for private insurers very generally indicate the difference between the amount spent on claims and all other expenses. By broad category, loss ratios in Washington in 2006 were:

Health Care Service Contractors – 82.15 percent
Health Maintenance Organizations – 99.39 percent
Life and Disability – 69.37 percent

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