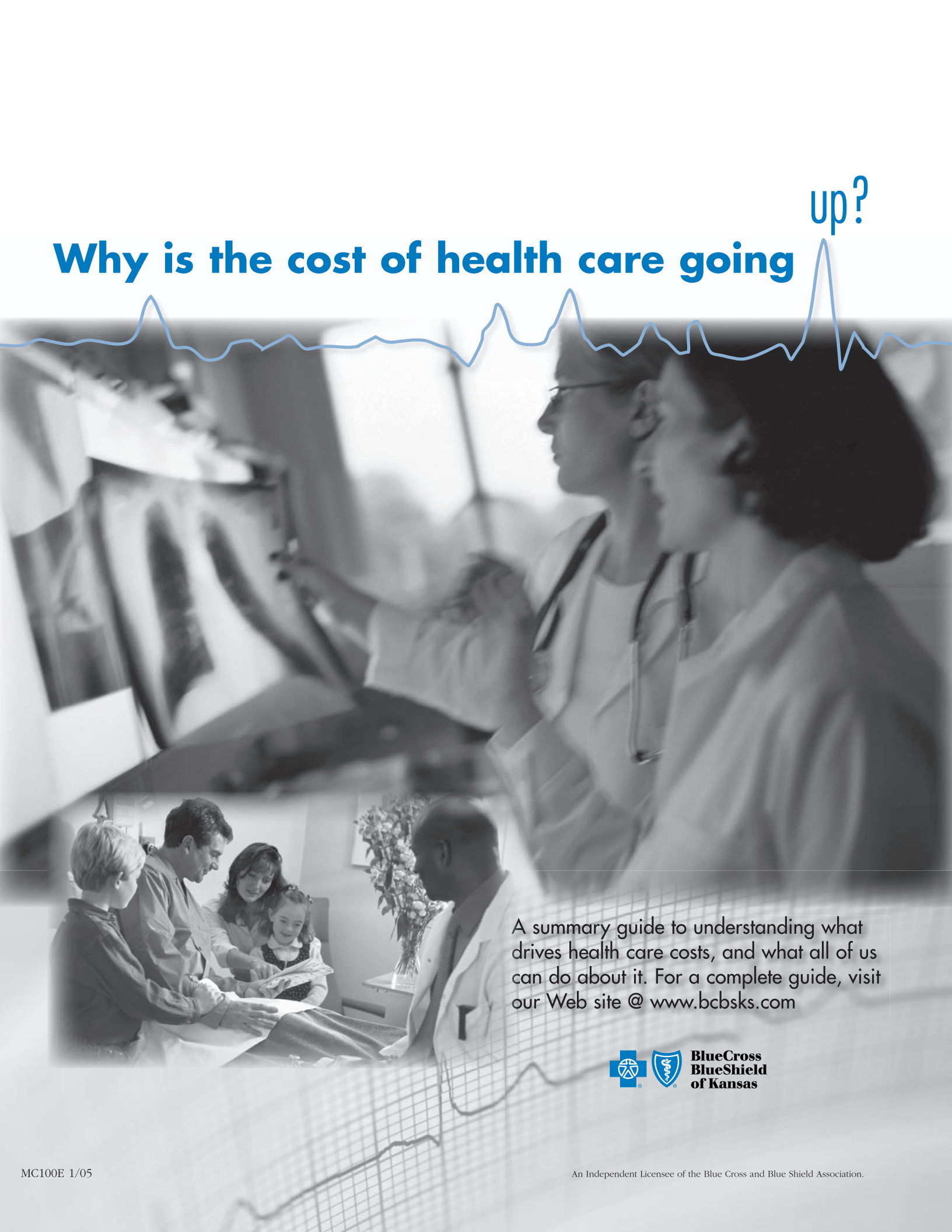


Why is the cost of health care going up?



A summary guide to understanding what drives health care costs, and what all of us can do about it. For a complete guide, visit our Web site @ www.bcbsks.com



Why is the cost of health care going up?

There are many different factors that contribute to the cost of health care and, ultimately, the premiums people pay. Here are some of the reasons why the cost of health care is going up:

- **Aging population**

As people reach middle age they tend to require more medical care. Nearly one in three Kansans is age 45 or older, including the large generation of Baby Boomers.

- **Technology**

Medical technology encompasses all aspects of medicine: equipment, drugs, surgeries and more. These state-of-the-art advances give us early diagnoses, less intrusive procedures and better outcomes, but come with a huge price tag.

- **Prescription drugs**

Technology to create new drugs, along with expensive advertising campaigns, are two reasons why drug costs are rising. Advertising keeps consumers from asking about generic drugs, those unadvertised drugs that provide the same effectiveness at a fraction of the cost.

- **Patient demand for services**

Kansans are demanding more and more medical services. Some of the increase can be tied to our aging population, but not all of it. Our insatiable desire for the latest test or the newest drug is part of the reason health care costs are going up.

- **Government mandates and regulations**

When federal or state legislation requires that specific benefits or services, known as mandated benefits, be added to all health insurance plans, premiums will go up for everyone.

- **Treating the uninsured**

Doctors and hospitals understand that they often treat patients who don't have the ability to pay their bills. They shift those uncollectable costs to those who can pay: people with insurance.

- **Treating the underinsured**

Medicare and Medicaid generally pay much less than private insurance for medical services. Again, health care providers who are not paid enough to cover the cost of these services shift more cost to those who have private insurance.

- **Economic pressures on providers**

Doctors and hospitals are under economic pressures that force them to find ways to lower their expenses or increase revenue by providing more services. They face higher costs for malpractice insurance, investing in technology, and recruiting and retaining nurses.

- **Lifestyle choices**

Poor food choices and little or no physical exercise is a dangerous combination for many people. Smokers and those who abuse alcohol dramatically increase their chances for many serious ailments.

- **Consumer is not the direct payer for health care**

Deductibles and copayments have not kept up with medical cost inflation. For example, if the amount of deductibles kept pace with medical inflation, a \$200 deductible in 1990 would be the same as a \$1,000 deductible today.

What can you do to help control costs?

Whether you buy your own health insurance or are covered through a group health plan provided by your employer, you can help hold down health care costs. Here are some ways you can help:

- **Choose to live a healthy life**

Improve or maintain your overall health through regular exercise. Make smart food choices; include more fruits and vegetables in a diet that is low in fat and high in fiber. If you smoke, quit.

- **Know when to seek treatment and when to treat yourself**

It is important to learn when and for what to see your doctor. For example, symptoms of a common cold can be treated with over-the-counter medication, rest and fluids. Sometimes a telephone call to your doctor, rather than an office visit, is the best option.

- **Participate in your care**

You have every right to fully understand your medical condition, along with why your doctor recommends specific treatment options. Build a good relationship with your doctor, and don't be afraid to ask questions.

- **Practice prevention**

Ask your doctor for a recommended medical guide and for a schedule of health screenings based on age and sex. They can help you recognize the early signs of some conditions so you can begin treatment before it becomes severe or chronic.

- **Avoid unnecessary care**

It is important to discuss the costs, benefits and risks of all medical tests and treatments with your doctor. Avoid unnecessary hospitalizations when outpatient services are available.

- **Don't needlessly repeat tests**

If you are referred to a specialist, make sure to take or have sent all your current X-rays, lab work and test results so he or she does not necessarily have to order a duplicate set.

- **Ask your doctor or pharmacist if a generic drug is right for you**

With a generic drug you get a less expensive prescription medication that is equal to the brand-name drug in terms of safety and effectiveness.

- **Keep the word "emergency" in emergency room**

A trip to the emergency room is expensive, and should be used only in the case of a true emergency. If you require minor, non-urgent care, call your doctor's office for an appointment or advice rather than go to the ER.

- **Always think "Safety First"**

Equip your home with smoke detectors, and store guns and household poisons in secure locations. Always wear a seat belt, and never drive drunk. Avoid dangerous lifestyle choices, including use of illegal drugs, unprotected sex and excessive use of alcohol.

- **Review all bills**

It is important for you to carefully review all medical bills to make sure they don't include duplications, inaccurate dates or charges for supplies, medications or services that you did not receive. If you find an error, contact the provider's billing department.

What is Blue Cross and Blue Shield doing to control costs?

Blue Cross and Blue Shield of Kansas is dedicated to providing our members with the security, dependability and quality services that they have come to expect from us. Here are some ways we are working for you to control costs:

- **Contracting with providers offers major savings**

Doctors and hospitals that contract with us agree to provide services at a discounted fee. Each year, such agreements save our members hundreds of millions of dollars.

- **Keep administrative costs low**

Currently, less than 10 cents of every premium dollar goes to the costs of processing and paying claims, providing customer service and other business activities. In 2003, our entire cost containment program saved members more than \$848 million.

- **Policy restrictions save dollars**

Your health insurance plan does not provide coverage for every medical service, procedure, piece of equipment or drug. It contains certain restrictions designed to help keep your premium affordable.

- **Create a variety of health plan options**

By listening to our members, we continually strive to develop new and varied products that offer affordable coverage options, including flexibility on the amounts of deductibles and copayments.

- **Develop new pharmacy programs**

We create programs that encourage use of generic drugs and offer savings on brand-name drugs. A three-tiered benefit design works in conjunction with our preferred medication list (or formulary) to offer three levels of copayment.

- **Investigate possible fraud**

We are committed to eliminating all fraudulent activity. Detection, prevention and elimination of fraud, abuse and over use of services are essential to maintaining a health care system that is affordable to everyone.

- **Legislative activities**

We traditionally oppose mandated benefits, and ask lawmakers to “first do no harm” when they consider new legislation. We keep Kansas business owners informed as to what health-related legislation is being considered at the state and federal levels, and how it might affect them.

- **Work with medical providers**

Many solutions for controlling health care costs happen when we work closely with the people who deliver health care. We seek input from a variety of active medical providers on treatment options and medical care.

- **Promote community health programs and initiatives**

We are taking steps to increase our emphasis on wellness and prevention. For example, materials for people who want to quit smoking are available on our Web site.

- **Conduct educational campaigns**

Our staff of insurance professionals – employees who live and work throughout the state – present programs designed to improve the efficiency and effectiveness of our health care system.

- **Work with other Blue Plans**

The 40 independent Blue Plans that form the Blue Cross and Blue Shield Association work together on a variety of programs and services that lower costs for all members.

- **Web and electronic services**

We continue to use technology to become more efficient and cost-effective. Members can visit our Web site to check the status of a claim, learn about their eligibility, print forms, and locate a doctor, hospital, pharmacist or other health care professional.