



**BlueCross BlueShield
of Oklahoma**

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***Understanding –
and holding down –
the rising cost
of health care.***



Getting to the core: Why medical costs have risen

Medical technological advances – Technology is a major driver of health care costs. The federal government estimates that during the 1990s, 10 to 40 percent of the growth in personal health care spending can be attributed to advances in technology.

(Source: Medical Cost Reference Guide, Oct. '04, BCBSA)

Diagnostic imaging is the most costly technology accounting for nearly \$100 billion in medical costs. More than 400 million procedures will be performed this year. One MRI alone can cost up to \$1,700. (Note: this cost for an MRI is an average and may not reflect the actual cost.)

Cost of prescription drugs – Over the past 20 years there has been a substantial and steady increase in total spending for prescription drugs.

Three factors are driving this increase:

- Increased utilization
- Price inflation
- Higher-cost drugs

The number of prescriptions dispensed has risen steadily throughout the years to an all-time high in 2002 of 3.1 billion prescriptions dispensed in the United States. Furthermore, the cost of the prescriptions has risen as utilization of the new and more expensive drugs has risen.

(Source: Medical Cost Reference Guide, Oct. '04, BCBSA)

Health care is the single largest expenditure in the United States. According to the Centers for Medicare and Medicaid Services, health spending outranked housing, food, national defense and auto expenses. As the old adage of “an apple a day...” fades, Americans face unprecedented health care costs. In fact, by 2003, Americans spent \$1.7 trillion in health care and costs are projected to double by 2012 to \$3.1 trillion.

Poor health status – Oklahoma is the only state in the nation with a documented age-adjusted death rate that has grown worse. If Oklahoma had the same death rate as the rest of the nation, there would be 3,700 fewer deaths every year. So what is killing Oklahoma? The top three causes of death and disease are:

- Nicotine addiction resulting in the chronic use of tobacco
- Calorie addiction and physical inactivity leading to obesity
- Alcohol abuse and addiction

(Source: Oklahoma State Board of Health 2005 State of the State Health Report)

Medical fraud – Of the \$1.7 trillion spent on health care in 2003, it is estimated that about 5 percent of that total (as much as \$85 billion) is lost to fraud. In addition to the financial loss, health care fraud creates an environment that exploits consumers and their health information and contributes to the rising cost of health care.

(Source: Medical Cost Reference Guide, Oct. '04, BCBSA)

Aging population – Every year in Oklahoma, 28,000 people turn age 65. The number of Oklahomans ages 55 to 64 will expand 42 percent by the year 2020. As the population ages, more prescription drugs, procedures and treatments are needed to ensure longer and healthier lives. This means that the need for health care services also increases.

(Source: Oklahoma Department of Commerce)



Cost shifting – When patients do not have health insurance, the cost of their care is shifted to patients with insurance or who can afford to pay for medical care. Cost shifting increases the cost of all medical care. Currently, 20.3 percent of Oklahomans are uninsured compared to a national average of 15.5 percent.

(Source: Oklahoma Department of Health)

Further, as government programs like Medicare and Medicaid lower their reimbursement levels, health care providers are shifting costs to private sector patients and insurers.

Reinsurance costs – Insurers nationwide are developing responses to bioterrorism and meeting the challenge of increases in reinsurance premiums.

Physicians' malpractice costs – Oklahomans face an increasing risk of not being able to find a doctor when they need one because of skyrocketing malpractice insurance costs. Medical malpractice premiums for Oklahoma physicians rose 72 percent in 2004 and 55 percent in 2005. Even though seven out of eight claims filed against Oklahoma doctors are dismissed, the legal fees for defending a physician against even the most frivolous claim must be paid – impacting health care costs, safety, accessibility and quality of care.

(Sources: Physicians Liability Insurance Company and the Oklahoma State Medical Association)

What is Blue Cross and Blue Shield of Oklahoma doing to stabilize costs?

Multi-tiered prescription drug cards – Three and four tier prescription programs promote cost sharing and member incentives for choosing generic and preferred brand name prescriptions.

Health promotion programs – Health promotion programs are geared toward members with chronic health conditions. The goal is to educate members about good lifestyle habits to promote health. When a member is educated about the disease process, he or she is more likely to make better lifestyle choices, which increases quality of life and reduces medical costs from potential complications. Programs include diabetes, asthma, congestive heart failure and coronary artery disease.

Consumer Driven Health Care – Blue Cross and Blue Shield of Oklahoma offers a variety of consumer driven health care plans. BlueOptions® offers lower premiums for employers and employees for coverage through a smaller PPO network. Health reimbursement accounts and health savings accounts may be paired with a high deductible plan. These plans encourage consumerism and increase an employee's stake in their health care benefits while reducing premiums for employers.

Van program – Important health screenings are available free of charge through a partnership with the Oklahoma Lions Clubs. Children's vaccinations are available free of charge at public and private clinics through the Caring Van Program.

Anti-fraud initiatives – Blue Cross and Blue Shield of Oklahoma is committed to preventing and eliminating fraud on behalf of members and network providers. Our special investigations unit, through investigations and audit activity in 2004, was responsible for \$3.3 million in savings that would have been paid if this activity were not done.

What can an employer do to stabilize costs?

- Look at your current health plan. Does it still meet the company's needs? Would a different plan better suit your needs, such as one with higher deductibles and copayments?
- Look at prescription drug benefits. Do they encourage use of less-expensive generic drugs?
- Consider offering your employees incentives to remain healthy. Offer fitness club reimbursements; or take part in Blue Cross and Blue Shield of Oklahoma's Walking WorksSM program, designed to encourage healthier lifestyles through the promotion of a daily, 30 minute routine of walking. By engaging and educating your employees, you can actively work toward stabilizing costs.

What can an employee do to stabilize costs?

- Use the emergency room only in a true emergency.
- Maintain good health and fitness practices.
- Manage chronic conditions – This will not only reduce medical expenses, it may increase quality of life.
- Learn about your health insurance benefit plan and use only network providers.
- Use generic drugs whenever possible.
- Avoid alcohol and tobacco.

"An apple a day keeps the doctor away."

It may be an antiquated phrase, but the heart of the message remains true: through the promotion and education of healthy lifestyles, and the consistency of quality practices, we can help hold down the rising costs of health care.





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