Rising Health Care Costs:
Why are they increasing?
What are we doing to help?
What can you do to help?

Rising health care costs is a frequent news topic. If you buy health insurance, as an employer or as an individual, you know this first-hand, because when the cost of medical care goes up, so does the cost of health insurance. Why is this happening? What is causing medical costs to rise rapidly, which increases the cost of health insurance?

Below are some of the major drivers of higher health care costs in New Mexico:

**Aging population.** Along with the rest of the nation, New Mexico’s work force is getting older. As we age, we use a greater amount of health care. Between 1950 and 1998 the proportion of New Mexicans age 45 to 64 increased from 15 to 21 percent and the proportion over age 65 more than doubled from 5 to 11 percent. Increases are expected to continue.

**New technologies.** Today we are able to provide incredible new treatments that were not available just a few years ago. While these advances have improved our quality of life, they have significant costs. Balancing access to the latest technology with keeping health care affordable is an ongoing challenge. Nationwide, 20 percent of hospital inpatient and outpatient cost increases are due to technology.

**Patient demand.** By international comparison, Americans are heavy consumers of medical services and demand choices in health care. Many people want access to heavily advertised drugs and services.

**Increasing health care regulation and litigation.** Both the federal and state governments periodically develop new rules and regulations that apply to insurers. Many of these mandates result in premium increases because they may require insurers to develop new processes and provide or expand coverage for certain treatments. Fear of litigation has caused many of the managed care restrictions to be dropped in the past few years. These reductions in these cost-containment efforts have led to additional increases in medical services and costs.
Shortage of nursing professionals. The nation is experiencing a shortage of nurses and New Mexico’s shortage is greater than average. This is causing hospitals to compete for these health care professionals by offering higher salaries, thus driving up employment costs.

The consumer is not aware of the actual cost of health care. Few people realize that the drug for which they paid a $10 copayment may actually cost $150. People are not aware that the few minutes they spend seeing a doctor for a common cold results in an average total cost of $200 or more (doctor’s fees, lab work, x-rays, pharmacy). Copayment and deductible amounts have not kept pace with medical cost inflation, making consumers less aware of actual costs.

Excess use of avoidable care. People tend to go to doctors for more minor problems today than they did in the past. They also get more medical services. When it comes to medical treatment, some people assume that more is better. For example, the American Academy of Family Physicians has estimated that Americans receive 50 million unnecessary prescriptions for antibiotics every year. These unnecessary prescriptions cause side effects and are the reason that so many bacteria are now resistant to antibiotics.

Increasing number of uninsured. As health insurance premiums increase, so does the number of people and employers who decide to drop health insurance. In 2001 an estimated 22 percent of New Mexicans were uninsured compared to 14 percent nationally. New Mexico’s uninsured rate continues to increase.

This raises costs for everyone in two ways: First, the people most likely to drop their insurance tend to be those who are healthy and think that they can manage without insurance. As healthy people leave the insurance pool, the people left with insurance tend to be those with more health problems. This causes premiums to increase for those still in the insurance pool. Second, uninsured people tend to get treatment for routine problems in emergency rooms. Often these higher-cost emergency services go unpaid. This raises the cost of health care for everyone because these costs are passed on to others.

What are WE doing to help hold down health care costs?

Not-for-profit status. Blue Cross and Blue Shield of New Mexico, as a Division of Health Care Service Corporation, is part of a not-for-profit Mutual Legal Reserve Company. We are owned by our policyholders, not by stockholders. Because we do not pay dividends to stockholders, revenues earned are used to pay providers and members for covered benefits and to pay associated administrative expense. Any surplus revenues are held for our members’ future benefit claims.

A for-profit company provides a service in order to earn a profit; a not-for-profit company earns a profit in order to provide a service.
Choices in health plans. BCBSNM provides a wide range of health care plans, including PPO, HMO, Point-of-Service, and Consumer Driven Health Plans (CDHP), and a wide range of copayment and deductible options, in order to provide choices to fit every budget, for both employers and for people who buy their own health insurance.

Provider contracting. Participating providers agree to not “balance bill” our members for any additional charges above the agreed-upon fees. By working together, we try hard to strike a balance among providing reasonable reimbursement to medical professionals, keeping costs down for our members, and offering the most comprehensive provider networks in the state.

| The most comprehensive provider networks in the state keep getting larger.  
The addition of Covenant Medical Group in Lubbock, Texas, and surrounding communities further expanded in-network choices by another 220 providers for our members in the southeastern part of New Mexico. As of 4th quarter 2003, our provider networks totaled: |
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<td>HMO–7,000     PPO–7,200     POS–7,200     Participating–7,500</td>
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BlueCard®. Through the unique BlueCard program, our members have access to health care providers contracted with Blue Plans nationwide and in over 200 countries. Approximately 90 percent of the physicians and hospitals throughout the United States contract with a Blue Cross Blue Shield Plan.

The BlueCard program provides savings through negotiated fees between local providers and that area’s Blue Plan. These arrangements provide savings ranging from 35 to 55 percent of billed charges. In 2001, BlueCard reduced health care costs more than $9 billion for Blue members, and their employers, nationwide.

Reporting. We help employers evaluate and manage their benefit plan’s health care costs by providing a reporting package with the information they need to identify trends and make critical decisions about benefit plan designs, contracting strategies, and utilization patterns.

Care management. We have many processes in place to ensure that our members receive appropriate, quality health care at the most cost-effective level of care. These processes include referrals, preauthorization, utilization review, and case management. We work closely with our members, their physicians, and their families to determine the most appropriate, cost-effective benefit options.

Drug List. We work to control escalating drug costs through our three-tier prescription drug program that is based on our Drug List – preferred drugs that have been approved by BCBSNM for use by physicians and members and
are available at the lowest copayment level. Our Pharmacy and Therapeutics Committee, made up of physicians and pharmacists, decides which drugs to include on the list, basing their decision on therapeutic uniqueness, safety, and cost.

**Disease management and education.** We provide health fairs; community health outreach programs; disease management programs for members with asthma, diabetes, and hypertension; and educational materials, such as information about diabetes, asthma, women’s health, immunizations, and cardiovascular disease. National studies show that these types of programs create savings through reductions in hospitalizations, emergency room admissions, and inappropriate medication use.

**Fraud control.** Our fraud control center uses an aggressive approach to fraud detection and takes advantage of every opportunity to identify and investigate potentially fraudulent situations. We achieve substantial savings for our customers through our fraud control activities.

**Electronic claims submission.** A major part of administrative expense is the cost of processing claims. It costs approximately 50 percent more to process a paper claim as compared to an electronic one. To take advantage of this cost difference, we actively promote the electronic submission of claims from providers. Approximately 65 percent of all claims are now submitted electronically.

**Comprehensive claims processing systems.** Our claims processing procedures and systems play a key role in controlling costs. They are designed for accuracy and to recognize fraud and abuse. Our comprehensive claims systems also monitor for other coverage, track subrogation (the right to collect from a third party, such as auto insurance), and monitor workers’ compensation claims. These processes help contain costs by preventing payment duplication. Subrogation efforts resulted in savings of $40.3 million in 2002 for the three Blue Plans of HCSC: New Mexico, Texas, and Illinois.

**Patient and provider notification of payment.** A key part of cost control includes providing timely, itemized Explanations of Benefits (EOBs) to patients and providers. Opportunities for abuse (e.g., reporting services or claims not actually received) or errors on our part can be quickly identified by the provider or the patient, and the appropriate steps are then taken.

**Web sites and newsletters.** We use our Web site and newsletters to communicate with members. We provide on-line personal account capabilities through Blue Access for Members, which allows members to check if a claim has been paid, view explanations of medical benefits, confirm who is covered, review membership information, and verify PCP selection. These communication tools are cost-effective ways of informing members about their benefits.

Over 15,000 visitors per month use our on-line provider search function to find the closest doctors, hospitals, and other health care providers.
**BCBSA Health Care Cost Campaign.** We are part of a national initiative launched by the Blue Cross and Blue Shield Association in 2001 to identify the causes of rising health care costs and strategies to manage escalating costs. The Association is sharing its findings with health plans, employers, legislators, and consumers based on the theme that “If everyone does their part, we can keep health care affordable.” The Association has made the Health Care Cost Campaign its number one priority.

**What can YOU do to help hold down health care costs?**

When health insurance pays for medical care, it’s easy to think that “someone else” is paying for it. The total cost of health care – how much it really costs – is often invisible to people because they are only aware of the portion they pay when they go to the doctor or hospital. But it’s your money. As New Mexicans use more and more medical services, you pay for it in higher insurance premium costs.

Whether you buy your own health insurance or are covered through a group health plan provided by your employer, you play a vital role in helping to hold down health care costs. Here are some things you can do:

**Take care of yourself and practice prevention.** The most effective way of keeping medical problems and health care costs under control is to develop a healthy lifestyle that includes regular exercise and a balanced diet.

- Get regular checkups and physical exams, including dental.
- Get the immunizations and health screening tests recommended for your age, sex, and risk group, including blood pressure and cholesterol screenings, Pap tests, and mammograms. Preventive Health Guidelines for children and adults are available on our Web site at www.bcbsnm.com.
- Learn the early warning signs of potential health problems and consult a physician when needed. If you have a persistent problem, get it taken care of as soon as possible.
- Ask your physician to recommend a medical guide you can use to recognize early signs, symptoms, and to consider remedies for routine illness.

**Know your health plan benefits.**

- Read your benefit booklet and understand what’s covered by your health insurance policy. Know if and when you need a referral or preapproval for services. For BCBSNM members, the summaries of benefits for many plans are on our Web site (www.bcbsnm.com), or call Customer Service at the phone number on the back of your ID card.
- For maximum cost savings, use participating or in-network providers for your medical care. Choose your doctors or hospital from the health plan’s provider directory (for BCBSNM members, also available on-line at www.bcbsnm.com).
- If you are an HMO plan member, coordinate your care through your Primary Care Physician (PCP).
If you have a medical condition that requires extensive medical treatment, find out if you qualify for case management services. For BCBSNM members, contact our Health Services department: 1.800.325.8334.

Before encouraging the state legislature to pass insurance mandates, consider what level of care should be mandated by the state and whether you can afford it. When insurance companies are required to cover additional treatments and services, costs go up for everyone.

**Take an active role in your care.**

- Choose a family doctor and develop a good relationship with him or her. Coordinating your care through a doctor that understands your medical needs and your expectations can result in a more effective treatment plan.
- Learn as much as you can about your medical needs and take an active role in health care decision-making. You have the right to be involved in your care and treatment.
- When you go to the doctor, be prepared. Write down issues you want to discuss and questions you want to ask, and take notes so you can remember the details later.
- Specialists have in-depth training and experience in particular areas of medicine, but specialty care is usually more expensive. If you need to see a specialist, you can help get the most out of specialty care through good communication and preparation. In addition to the above preparation for a doctor visit:
  - Understand what your primary doctor’s diagnosis is and what your primary doctor wants the specialist to do.
  - Be sure that you have a referral before seeing a specialist, if your health plan requires one. (For BCBSNM/HMONM members, check your summary of benefits or your benefit booklet or call the Customer Service number on the back of your ID card.)
  - Bring x-rays or test results with you when you visit the specialist. Keep your regular doctor involved and have test results sent to both you and your PCP.

Our Web site, www.bcbsnm.com, provides direct links to respected health care sites, which can provide valuable medical information essential to making good decisions about your health care.

**Avoid unnecessary medical tests.** Sometimes tests are ordered simply as standard procedure. Before consenting to a test, ask:

- What is this for? How will it help me get better? How much will it cost?
- Are there any alternatives that are less risky or less costly that will provide equivalent results?

Don’t repeat medical tests needlessly. If you change doctors, have your current records forwarded to your new doctor.

**Use the emergency room only for emergencies.** More than half of all ER visits are for minor, nonemergency problems. These visits can be two to...
three times more expensive than a visit to the doctor’s office or an urgent care center. Emergency services are invaluable in trauma or life-threatening situations, but are inefficient for routine care.

If you think you need medical care but it’s not an emergency, call your doctor, who can provide you with the best directions for receiving the appropriate level of care at the appropriate time. Many medical situations may be relieved with self-care or at the doctor’s office or at an urgent care center.

**Reduce your doctor bills.** If you have minor medical problems, phone your doctor’s office for advice rather than automatically scheduling a visit. When we go to the doctor for a cold, it costs an average of $200, including the doctor’s fee, lab work, x-rays, and prescriptions. Yet there is usually very little a doctor can do to speed your recovery from a cold. You’ll probably be told to buy over-the-counter medications and get plenty of rest and fluids.

**Lower your hospital costs.**
- Before you’re admitted to the hospital, read your benefit booklet thoroughly, and be sure to understand exactly what is and isn’t covered by your policy.
- Watch for duplicate billings, inaccurate admission or check-out dates, and the billing of supplies, medications, and tests that you didn’t receive. If any charges are labeled “miscellaneous,” ask for an explanation.
- If you notice an error on your bill, notify the hospital’s accounting office and your insurance company of the error. Put everything in writing and keep copies.
- Save all medically related receipts. If you itemize deductions on your income tax return, you may be able to deduct nonreimbursed expenses that exceed 7.5 percent of your adjusted gross income. Deductible expenses are those not covered by insurance.
- Ask your doctor about alternatives to hospitalization that will provide the same results, such as outpatient services or same-day surgery, other treatments, or changes in diet and exercise that might help your condition.

**Reduce your prescription medication bills.** When your doctor prescribes a medication, consider the following tips that can help save money and help ensure you receive the most effective and safe drug treatment:
- Ask your doctor if an alternative diet or exercise regimen or less expensive over-the-counter medication could provide the same results.
- Tell your doctor and pharmacist what other medicines – including nonprescription drugs, vitamins, and herbal remedies – you are taking. Check with the pharmacist before using over-the-counter products if you are taking a prescription drug.
- Tell your doctor about any problems, such as allergic reactions or side effects, you’ve had with medications.
- If your doctor writes a prescription for a brand-name drug, ask if there is a generic substitute. Generic drugs are safe and most are as effective as their brand-name equivalents, and they generally cost considerably less.
If you have prescription drug coverage through BCBSNM, ask your doctor if the drug is on the BCBSNM Drug List. If you're on a maintenance medication, consider using the mail service plan, which provides a 90-day supply for two, rather than three, copayments.

- Take your medicine as directed. Follow dosage and timing instructions.
- Avoid overuse of antibiotics. The American Academy of Family Physicians estimates that Americans take 50 million unnecessary prescriptions for antibiotics each year, which contributes to bacterial resistance (“super bugs”) and side effects.

Antibiotics do not help viral infections, yet patients often demand antibiotics for treatment. Colds, bronchitis, sore throats, flu, and sinusitis are usually caused by viruses. For example, only a small percentage of sore throats are caused by strep and therefore require an antibiotic.

- Purchase all prescriptions from one pharmacy if possible. This will keep your drug profile updated and help your pharmacist track drug interactions.
- Check the label each time you take your medication to verify that you are taking the correct drug and dosage.
- Don’t take another person’s prescription medicine, even if your symptoms are similar.
- Don’t combine different drugs in one container. Drugs can react with one another, making them ineffective.
- Store drugs in a cool, dry place – not in your car’s glove compartment or your bathroom closet, where excessive levels of heat and humidity can affect them.

We hope this information is helpful in explaining why health care costs are increasing, what we at Blue Cross and Blue Shield of New Mexico are doing to reduce costs, and what you can do to help slow these increases. Our corporate mission is “To provide high-quality, cost-effective health care plans to as many people as possible in all the markets we serve.” Doing all we can to help slow the increases in health care costs is part of that mission.

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