



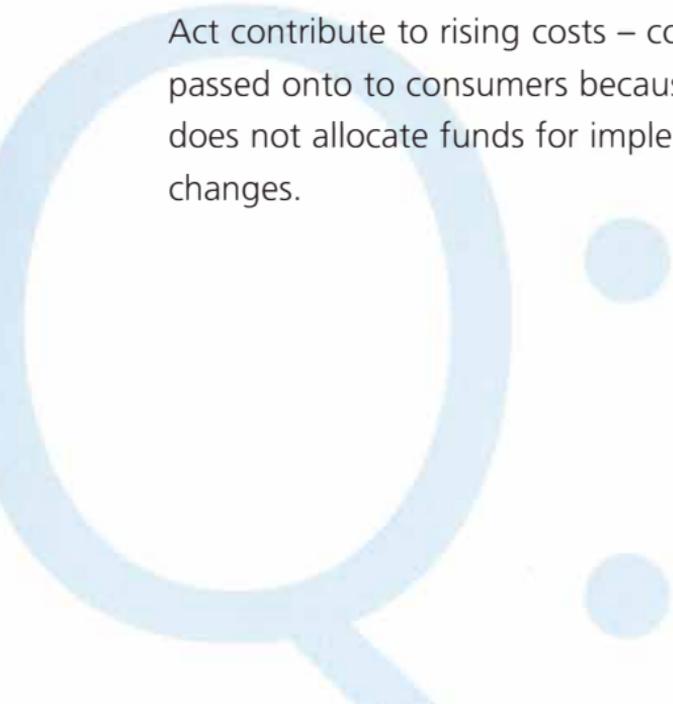
The State of Health Care

Making Sense of
the Current Issues
in Health Care

Q: Why are health insurance premiums always increasing?

A: Health care costs continue to increase in our country for several reasons. First, as the “baby boomer” population ages and has more serious illnesses and diseases, it requires more medical care and expensive medical procedures. Prescription drug costs for individuals and health plans increased nearly 19 percent last year.¹ Hospital outpatient spending has grown at a consistently high rate throughout the 1990s with annual per capita cost increases averaging around 8.5 percent.² Costs also are rising because of the tremendous advances in medical technology and pharmaceuticals, which help prolong our lives by discovering diseases earlier and treating previously life-threatening diseases. However, with all of these advances come additional costs that must be absorbed into the system. At the same time, insurance companies are dropping many of the restraints on care that infuriated consumers and physicians but kept their costs in check.

In addition, continuous legislative and regulatory changes such as the Patients’ Bill of Rights and the Health Insurance Portability and Accounting Act contribute to rising costs – costs that are passed onto to consumers because government does not allocate funds for implementing the changes.



Q: How will the latest health care legislation affect consumers?

A: The federal government passes laws and creates policies that are intended to improve our health care system. Sometimes, these laws and policies have unintended, costly consequences for consumers. In the last few months, Congress has passed different versions of patients' rights legislation and more provisions of the Health Insurance Portability & Accountability Act (HIPAA) are taking effect.

The Patients' Bill of Rights mandates national "rights" that many consumers currently have through their health plans and existing state laws. Most plans have given consumers more access to emergency services and medical specialists and also have an independent review process for disputes over medical decisions. Health care experts are concerned that as plans and employers are exposed to more lawsuits and the administrative burdens of the legislation, consumers will inevitably pay the price of increased medical costs through reduced coverage options or higher premiums.

Under the latest HIPAA provisions, consumers can expect to have greater access to their medical records, while signing more consent forms for the disclosure of their medical data. Physicians, hospitals and health plans will be able to communicate better because patient information will be tracked in the same format.

Implementing HIPAA could cost the health care industry more than \$60 billion.⁵ Since the government has not provided funding for implementation, these costs will likely be passed on to health plans, providers and consumers resulting in increased premiums and more uninsured Americans.

Q: What is going on with Medicare?

A: Medicare has recently made news because of the Medicare+Choice crisis. Nationally, the number of seniors enrolled in Medicare+Choice has dropped from 6.4 million to 5.6 million in the last two years.³ An increasing number of health plans are leaving the program because of low reimbursement rates and overwhelming regulatory requirements. In fact, nearly 200 health plans nationwide have left the program since 1999.⁴

The Medicare prescription drug benefit also has received attention lately because of President Bush's plan to provide Medicare beneficiaries with drug discount cards issued by private companies.

Q: Why are health plans constantly changing their provider networks?

A: Changes to provider networks are ongoing and often occur because providers ask to be removed from a particular network. Other network adjustments are made in response to changing marketplace demographics and consumer needs.

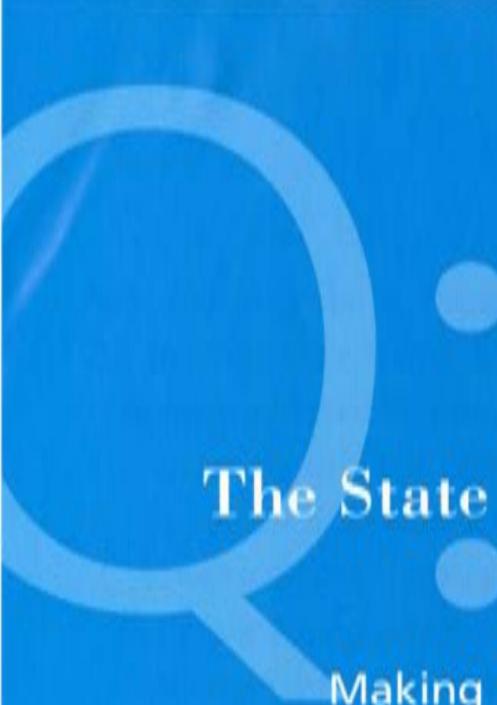
¹ "Medical Cost Surge as Hospitals Force Insurers to Raise Payments," *New York Times*, 5/25/01

² Center for Studying Health Care Costs: An Upswing in Premiums and Costs Underlying Health Insurance 11/00

³ Center for Medicare and Medicaid Services (Medicare Managed Care Contract Report[s] for December 1999 and October 2001)

⁴ Center for Medicare and Medicaid Services (Medicare Managed Care Contract (MMCC) Plans – Monthly Summary Report[s] for December 1998, December 1999, December 2000 and October 2001)

⁵ "Getting Hip to HIPAA," *Tallahassee Democrat*, 8/8/01



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Making Sense of the Current Issues in Health Care

Health care has been a dominant issue in the national and local news and the political landscape. We want to update you on the major health care issues affecting Americans today including overall increasing medical costs, the Medicare program, the Patients' Bill of Rights and other legislative efforts.



Glossary:

Medicare+Choice

Program created by Congress in 1997 to expand health care options for Medicare beneficiaries. Through Medicare+Choice, beneficiaries receive health care coverage from health plans for a set amount of money from Medicare every month. It usually offers services beyond traditional Medicare, such as prescription reimbursement and dental coverage. In exchange, beneficiaries must use the plan's network of providers.

Patients' Bill of Rights

Federal legislation that mandates national "rights" many consumers already have including the ability to appeal their health plans' decisions, increased access to emergency services, pediatricians and other specialists, and clinical trials for new drug therapies.

Health Insurance Portability & Accountability Act (HIPAA)

A law passed by Congress in 1996 with broad provisions, including health insurance portability for individuals between jobs and stricter privacy protections for records. Previously enacted HIPAA provisions allow individuals to keep health care coverage if they have lost or changed jobs.

For more information on these and other issues facing health care today, please visit www.bcbshealthissues.com.