The Rising Cost of Healthcare...
why health insurance premiums are going up.

Today, we’re seeing the most rapid rise in healthcare costs in more than a decade—with a price tag of $1.4 trillion.

AND WHAT DRIVES UP HEALTH INSURANCE PREMIUMS IS THE COST OF HEALTHCARE.
WHY HEALTHCARE COSTS ARE ON THE RISE

You see it on television and in the newspapers: America’s healthcare costs are going up, with spending growing at a faster rate than the rest of the economy. Why is this happening?

We want and use more healthcare.

With higher incomes and greater expectations, Americans demand more health services and use such services more frequently. While this can mean a longer, healthier life, it does increase healthcare spending.

We want state-of-the-art treatment.

While new technologies can save lives, not all result in less expensive treatment; indeed, some technologies are expensive to buy and maintain and operate, so they significantly increase costs.

We’re getting older—so we use more healthcare.

People over 50 use twice as much healthcare as those in their 20s, almost four times as much by the time they hit 60... so, as the population ages, the cost of healthcare rises.

Hospitals spur spending too!

Hospital spending rose to $451 billion in 2001. And because more hospitals are organized as networks, they can drive a harder bargain on the prices they charge.

We’re using more drugs, more frequently... and higher priced drugs!

Spending on prescription drugs is rising at double-digit rates, with the price tag projected to reach $309 billion by 2008. In addition to the shift to newer, higher-priced drugs, advertising drugs directly to consumers puts pressure on doctors to prescribe what the patient requests... not always the most cost-effective alternative.
GOVERNMENT HAS A HAND IN THIS TOO!

Both in the states and in our nation’s capital, legislators pass laws that affect health insurance.

Mandates

The federal government and states keep passing new laws that require insurers to cover a wide variety of services and items, not all of which people want. In the 2001-2002 legislative cycle, more than 1,000 new laws were created in the 50 states and the District of Columbia, most of which mandate costly new benefits.

The federal government is still considering sweeping mandates in so-called “patients’ rights” and “mental health parity” legislation. While such laws may arguably bring added benefits for some people, they add to the price of health insurance for everyone. Further, when the federal government passed a law on confidentiality of medical records, it failed to adopt a single standard, instead allowing all 50 states and the District of Columbia to create their own privacy laws. The cost of complying with all these different laws is high—and again, the consumer’s pocketbook will feel the pinch.

Pressure from providers

Doctors (and other providers) are asking government to help them increase their compensation—but those fees are ultimately paid for by the insurer and the consumer.

DOCTORS’ “UNIONS.” A growing number of states have passed, or are considering, antitrust waiver laws that allow self-employed doctors to band together to negotiate fees collectively. Under these laws, doctors will be able to form cartels.
“PROMPT PAY” LAWS. Doctors would like government to force insurers to pay their bills too quickly—sometimes in a matter of days—without the time to safeguard against errors, fraud and abuse. This is of particular concern because healthcare fraud is costing up to $55 billion annually, according to the National Health Care Anti-Fraud Association. “Prompt Pay” laws will lead to mistaken payments . . . and heavy fines. Again, the consumer will suffer.

BARRIERS TO FEE NEGOTIATION. Have you ever seen a doctor bill that shows the amount your doctor would actually charge if your insurer weren’t paying the bill? The difference between what doctors charge and what the insurance company pays is the negotiated rate.

In effect, insurers negotiate lower rates on behalf of the patient. But some doctors are working to pass laws that would effectively eliminate the insurers’ ability to negotiate fees. This would be bad for consumers and would ultimately result in higher insurance premiums.

The courts—a looming cost crisis

America’s court system should help people, and a courthouse shouldn’t be just an ATM for trial lawyers! Frivolous lawsuits affect the cost of your health insurance now, and they could have a bigger impact in the future.

How do lawsuits affect health premium costs now? The cost of medical malpractice insurance for doctors is reaching sky-high levels. Just the threat of a lawsuit causes many health providers to practice what is known as “defensive medicine”—and those unnecessary tests and excessive exams increase everyone’s insurance costs.

How might lawsuits be an even greater threat to the cost of my insurance?

Down the line, frivolous class action and individual lawsuits affect premium costs. And in Washington, D.C., and several states, lawmakers are attempting to expand liability for health insurers and businesses. Lawsuits never healed a single person, but they do increase the cost of insurance for nearly everyone. And the more frivolous lawsuits there are, the more they’ll cost you.
WHY SHOULD WE CARE ABOUT RISING HEALTHCARE COSTS?

For working-age Americans, employers are the primary source of health insurance. On average, a person’s employer pays 75 percent of his or her monthly health insurance premium. But skyrocketing healthcare costs are leading to sharp increases in these premiums, which in turn are causing many employers to re-examine their insurance plans, the plans’ copays and deductibles, and the amount they contribute toward their employees’ premiums.

Higher insurance premiums may ultimately lead to people losing coverage altogether. Today in America, 41 million people are without insurance. And eight out of 10 of those are employed.

Curbing healthcare costs keeps people insured by keeping health insurance premiums affordable. When premiums are affordable, more Americans get access to the best healthcare the world has to offer.

WHAT CONSUMERS CAN DO

LIFESTYLE MAKES A DIFFERENCE
Living smart makes a difference in the amount of medical care a person needs. Exercise, a balanced diet, maintaining the right weight and not smoking can all help.

WATCHING FOR MISTAKES
Everyone should make sure the information they give to medical providers and hospitals is correct and up-to-date—incorrect information may delay claim payment. It’s smart to review bills and statements for accuracy and make inquiries if something doesn’t seem right.

PUBLIC POLICY COUNTS
Legislators (in the states and in the nation’s capital) are making laws that influence the cost of healthcare and premiums. It’s good to be aware of the relationship between these public policy decisions and business or family finances; contacting elected representatives is the next step.
Health plans offer value

It’s true that health insurance premiums have risen. But the value of benefits also has grown. Today’s insurers or health plans:

■ Pay for the quality medical services patients need
■ Give consumers wide access to a variety of physicians, modern technology, prescription drugs, and even alternative therapies and practitioners
■ Reduce the out-of-pocket costs for millions of Americans (managing care results in lower annual expenses, because patients pay less for doctor visits, tests and other services)
■ Improve the quality of care, for example, by covering preventive services, monitoring drug interactions, encouraging regular screenings for chronic conditions like diabetes and engaging in other disease management efforts
■ Save money by negotiating contracts with doctors and hospitals, and by detecting fraud

The Premium Dollar

According to government statistics, 90 cents of the premium dollar pays for medical services—doctor visits, hospital care, outpatient services, prescription drugs and other items covered by health plans. And, although company profitability varies, on average less than one percent of the premium dollar represents profits. The remainder goes to state and federal taxes, the cost of running a business and customer services.