

# Getting to the bottom of health care costs

Why is health care so expensive — and what are we doing to help control the costs?

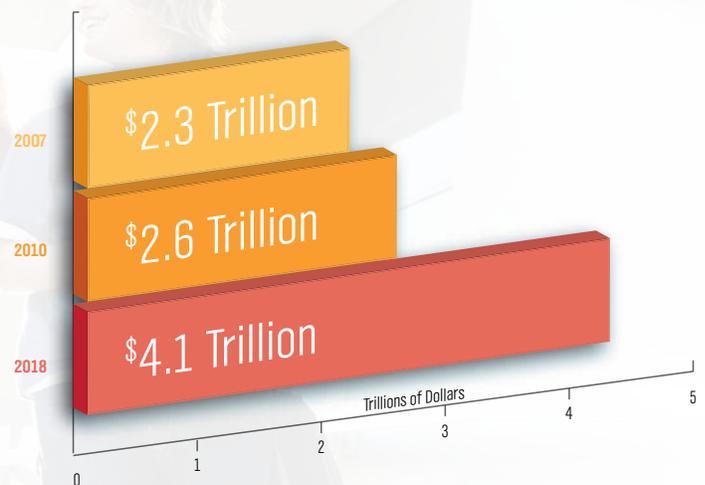


As students, you have enough to worry about managing your studies, social calendar and other extracurricular activities. At Anthem, we want to help you manage health care costs. So, if and when you get that hospital bill with all the big numbers, or your premiums go up or your benefits change, you deserve to know why. You also deserve to know we're doing what we can to make sure our student members are able to get affordable health care.

**But, first things first:**

**How much is being spent on health care each year?**

Before we can look at why health care premiums are going up, let's look at how much money is spent on health care in the U.S.<sup>1</sup>



- In 2007, the U.S. spent \$2.3 trillion on health care.
- In 2010, the U.S. spent \$2.6 trillion on health care.
- And in 2018, the U.S. will likely spend \$4.1 trillion on health care.

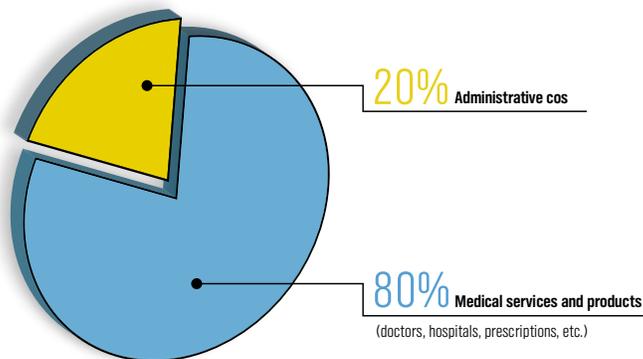
**Health care costs and premiums go hand in hand.  
If costs go up, so do premiums.**

## How are your premium dollars spent?

The amount of money spent on health care costs, which includes doctor visits, hospital costs, lab work and prescription drugs, is called the medical loss ratio.

When the Affordable Care Act (ACA) was passed in 2010, new limits were set on how much of your premium costs could be used for things other than health care and activities that help to promote better care. According to the new health care law, at least 80% of your premium dollars must be spent on health care. The other 20% should be spent on things such as claims processing, enrollment and billing, government compliance, and other things that help to control the rising cost of care.

### Where does my health insurance premium dollar go?<sup>2</sup>



Today, health care spending is responsible for 100% more of our gross domestic product than it was 30 years ago.<sup>2</sup> Here's what's causing health care costs and premiums to rise:

- **Unhealthy lifestyles:** In 2012, a study by the Centers for Disease Control and Prevention (CDC) found that we can prevent many chronic conditions such as smoking, poor eating habits and lack of exercise, by living a healthier lifestyle.
- **Modern technology:** While doctors are now able to read test results, share medical information with each other, and prescribe medication with just a touch of a button, modern technology is also one of the key reasons why health care costs are on the rise.<sup>2</sup>
- **Inflation:** For working students who are insured through their employer, the average amount spent on health care is approximately \$4,547 per person, which is 4.6% higher than the amount spent in 2011. The rising cost of hospital stays, outpatient care, procedures and prescriptions also cause prices to rise.<sup>3</sup>
- **Cost shifting:** About one-third of health care costs are spent for hospital care, where prices have been going up substantially.<sup>4</sup> In 2011 the average price of inpatient surgical stays went up 8.5% from 2010 to \$29,858, while emergency room average costs rose 5.4% to \$1,381.<sup>3</sup>
- **Unnecessary services:** When patients get tests they've already had, treatments that haven't been proven to work, or check into the hospital when they don't need to, this is considered an "overuse" of medical services. Overuse may be responsible for nearly one-third of the \$2.6 trillion the U.S. spends on health care each year.<sup>5</sup>
- **Health care fraud and abuse:** The U.S. loses about \$80 billion a year because of health care fraud — for all non-math majors, that's more than \$219 million a day.<sup>6</sup>
- **Prescription drug costs and use:** In 2012, prescription drug prices rose 3.6% — or twice the 1.7% inflation rate.<sup>7</sup>



(continued)



## What we're doing to help control and lower costs

### Letting members take charge of their health:

We offer plans and programs to help change the way members use their benefits, such as:

- *Anthem Special Offers*: rewards members with discounts for living a healthier lifestyle.
- *Innovative plan designs*: get members more involved in their care.
- *Estimate Your Cost and Zagat® Health Survey online tools at [anthem.com/ca](https://www.anthem.com/ca)*: help members make better choices about where they get care.
- *Other health and wellness programs, offered at no extra cost*:
  - *24/7 NurseLine*: Nurses help members make informed decisions about their care or talk about a health issue.
  - *Future Moms*: Moms-to-be get coaching, education and support throughout the whole pregnancy. Nurse coaches are available 24 hours a day to answer questions about important topics such as pregnancy, labor, breastfeeding and postpartum depression.
  - *[anthem.com/ca](https://www.anthem.com/ca)*: Online health assessment that gives personalized tips and health information.

**Finding and fixing fraud:** We have dedicated teams that work to prevent, find and recover dollars lost to fraud.

### Helping our student members save money on care:

We understand that students pay enough for textbooks and student housing without having to pay extra for medical services and/or doctor visits. Anthem helps members save millions of dollars on health care each year by negotiating discounts with doctors and hospitals. We also developed a program that uses Google apps to help members avoid costly ER visits when it's not a true emergency.

**Working to lower drug costs:** Anthem works with pharmacy benefits managers to make sure that you get the most value for your money when it comes to prescription drugs. We also want to make sure that you take only the medications you need, use generics when possible and take prescribed medicines in a safer environment.

## What's next? We'll continue to do what we can to help control health care costs.

At Anthem, we'd rather you focus on how you're going to ace your next exam instead of how you're going to pay for your next doctor visit. We'll continue to work to find new ways to lower costs and improve your health.

As health care costs keep rising, we'll continue to focus on what's most important: helping to keep our members healthy.

For more information, please visit [anthem.com/ca](https://www.anthem.com/ca) or call 1-800-888-2108.

- 1 Centers for Medicare and Medicaid Services, Office of the Actuary, *National Health Expenditure Projections 2010-2020: Forecast Summary* (January 2011); [cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/downloads/proj2010.pdf](https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/downloads/proj2010.pdf).
- 2 Bipartisan Policy Center, *What Is Driving U.S. Health Care Spending? America's Unsustainable Health Care Cost Growth* (September 2012); [bipartisanpolicy.org](http://bipartisanpolicy.org).
- 3 Health Care Cost Institute website: *Health Care Cost and Utilization Report: 2011* (September 2012); [healthcostinstitute.org/files/HCCI\\_HCCUR2011.pdf](http://healthcostinstitute.org/files/HCCI_HCCUR2011.pdf).
- 4 Kavalanz, Parija. CNNMoney website: *6 reasons health care costs keep going up* (July 12, 2012); [money.cnn.com](http://money.cnn.com).
- 5 Korda, Holly Ph.D. Altarum Institute Health Policy Forum website: *Medical Overuse: More Care is Not Necessarily Better Care* (May 31, 2012); [altarum.org/forum/post/medical-overuse-more-care-not-necessarily-better-care](http://altarum.org/forum/post/medical-overuse-more-care-not-necessarily-better-care).
- 6 The FBI website: *Health Care Fraud* (2013); [fbi.gov/about-us/investigate/white\\_collar/health-care-fraud](http://fbi.gov/about-us/investigate/white_collar/health-care-fraud).
- 7 Cauchon, Dennis. USA Today website: *Drug prices jump again while other costs decline* (February 13, 2013); [usatoday.com](http://usatoday.com).