



BlueCross BlueShield  
of Illinois

## *Rising Health Care Costs and Efforts to Make Them Affordable*

We live in a time when medical knowledge and technology are being used in amazing ways to help us live longer and better lives. However, the cost of health care continues to rise at an alarming rate. An aging population, the growing number of uninsured, inflation, advancements in medical technology, costly medications, government regulations and other factors contribute to the escalating cost of health care.

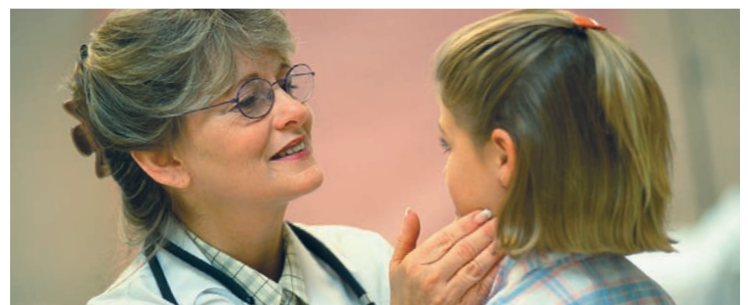
There is no single prescription for health care cost reform, but Blue Cross and Blue Shield of Illinois (BCBSIL) is working to help make health care more affordable for employers and individuals by targeting our efforts in several areas:

**Prescription Drugs** Prescription drugs continue to be the fastest growing health expense in our country. Projections over the next several years indicate drug costs will increase at a rate of about 13 percent per year. In recent years, BCBSIL has worked toward reducing pharmacy costs for our employer groups by continuing to review and update our clinical programs. We recently implemented several cost saving clinical programs to help employer groups better manage pharmacy costs. The programs include: excluding coverage for prescription strength medications with over-the-counter (OTC) drugs of the same strength, prior authorization for specific drug classifications and specialty pharmacy for high cost injectable medications. Our future focus is to continue helping our employer groups manage the increasing cost of prescription medications by additional clinical programs and through innovative benefit designs.

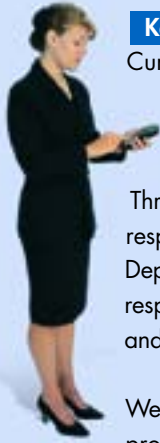
**Consumer/Employer Demand** BCBSIL offers a range of affordable coverage options to meet the changing needs of members and employers. Innovative products and services provide the right combination of benefits, network design, incentives and cost to fit members' expectations and employers' budgets. With our BlueEdge<sup>SM</sup> program, employers can offer a high deductible health plan paired with a Health Care Account or Health Savings Account. Eligible services can be paid from these accounts and count toward members' deductibles. For members, BlueEdge plans emphasize preventive care, offer a wide range of health education resources and give them a strong incentive to make wise health care decisions. We also have additional HCA options that can be offered alone or with any of our products. Members and employers will appreciate how Blue Cross simplifies the BlueEdge program by coordinating and integrating critical consumer-centered services with multiple vendors.

**Health Care Fraud** The detection, prevention and reduction of fraud and abuse are essential to maintain a health care system that is affordable for everyone. It's reported that between four and eight percent of all health care claims are fraudulent, adding up to nearly \$50 billion each year. Throughout BCBSIL, we have several anti-fraud measures in place. Our Special Investigation Department identifies and investigates possible fraud and refers appropriate cases for criminal prosecution where any individual or company defrauds or attempts to defraud our company or our customers. Among the department's management staff are former high-ranking FBI officials with nationwide law enforcement contacts. Our Blue Chip claims processing system is designed to identify infractions, and our employees - including claims processing, medical review and customer service personnel - are trained in fraud awareness. We encourage members and employer groups to report fraud to our 24-hour fraud hot line, and we include anti-fraud messages on explanation of benefit statements, publish member and employer newsletter articles on the dangers of fraud and more.

**Rising Cost of Hospital/Physician Fees** Fees for health care services continue to increase due to factors such as the number of uninsured Americans and higher doctor malpractice fees. As the largest health insurer in the state, we contract for savings or negotiate lower costs with the physicians and hospitals and establish incentive-based contractual relationships with network hospitals.



# Ongoing Initiatives at Blue Cross and Blue Shield of Illinois



**Keeping Operating Costs Low** At BCBSIL, we are committed to keeping administrative costs as low as possible. Currently, about 88 cents of every premium dollar is used to pay for medical care received by our members. About 12 cents of every dollar is used for costs associated with processing and paying member claims, providing customer service and other administrative services.

Through our Coordination of Benefits (COB) program, if we determine that another insurance company should be financially responsible for a claim, we coordinate payment with them. In addition, our Corporate Reimbursement/Subrogation Department administers a provision that enables Blue Cross to recover dollars paid for claims that are ultimately the responsibility of another party. Millions of dollars have been recovered, which help us to improve our programs and services and lower costs.

We also attempt to reduce the costs associated with chronic diseases through our clinical management programs. These programs identify patients with conditions such as asthma, diabetes or heart disease, and provide both patients and their physicians with information and resources to manage the condition.

**Monitoring Medications** Our Pharmacy and Therapeutics Committee oversees the prescription drug formulary. The formulary, combined with drug plan designs that encourage members to use generic and formulary drugs, helps reduce costs by controlling prescription drug use and saving members money.

In addition, our retail pharmacy program contracts with national and regional chains and local independent pharmacists to maintain reasonable prices for prescription drugs.

**Leveraging the Web and Information Technology** We continually look for new ways to leverage the latest in technology for maximum efficiency, responsiveness and to reduce transaction costs. Blue Access® for Members provides members instant online access to a wide range of health and wellness information, access to claim information and a variety of other services. Features include the Hospital Comparison Tool, which lets members compare hospitals on specific diagnoses and procedures, and the Treatment Cost Advisor, which allows members to get cost estimates for common health services.



Blue Access® for Employers provides a secure, online source of tools to help employers manage their account more effectively, allow online bill payment and help conduct transactions faster.

**While there's no easy solution to getting health care costs under control, Blue Cross and Blue Shield of Illinois remains committed to help control health care costs, increase efficiency and offer optimal value to our customers.**