Health Care Costs
Understand. Manage. Act.

Anthem

Why Do Health Insurance Premiums Go Up?

The premiums health insurance companies charge are based on the amount of claims they've paid in the past and what they expect future claims to cost. When insurers pay out more in claims than they receive in premiums — and when future services are predicted to cost more — premiums go up.

Why are Health Care Costs Rising?

To answer this question, it is important to understand that there are many complex factors driving the cost of health care upward. The list below briefly describes six of these factors.

Technology

We are fortunate to live in a time when medical knowledge and technology are used in amazing ways to save and extend lives. However, these advances come at a price. And as the technology price tag grows, the cost of health insurance rises, too, because health care providers charge insurance companies and the government more for use of this technology and the increased cost gets passed on to you. For example, the total cost for an MRI is $1,890 while a chest X-ray costs $175 on average. While an MRI scan is sometimes the most appropriate option, in some situations a less high-tech solution might do the job.[1]

Prescription drugs

While technology also adds to the cost of new drugs, experts point to advertising as a leading reason prescription drug costs are skyrocketing. Between TV commercials, magazine ads and direct-to-physician promotions, some pharmaceutical companies spend more than Nike or Pepsi to promote their brand-name drugs.[2]

Increasing patient demand

As our population ages, there will be a continued growth in the number of health care services Americans need. However, it appears that today's demand is increasing even faster. In fact, a recent study concluded that increased consumer demand accounts for about 15 percent of annual insurance premium increases.[3]

Government regulations

Recent government regulations and coverage mandates represent $10 billion, or 15 percent, of the overall increase in health premiums.[3] While the mandates are well intended, when they require additional coverage or changes in service, they cause premiums to go up.

Increasing financial pressure on doctors and hospitals

Doctors and hospitals are under economic pressures that force them to find ways to lower their expenses or increase revenue by providing more services. For example, they are receiving lower payments from government-funded programs such as Medicare. At the same time, they are paying more for malpractice insurance. To make up for this inequity, some doctors and hospitals are raising their rates and passing on their additional expenses to insurers and consumers. When this happens the cost of care rises.

Lifestyle choices

With obesity recently replacing smoking as the leading cause of preventable death, lifestyle choices have a significant impact on rising health care costs. By exercising regularly, eating a balanced diet and taking simple preventive measures to stay healthy (e.g., wearing a seat belt) Americans can help control the cost of health care.

Seven Ways You Can Help Keep Health Care Affordable

While health care is a large and complex issue, there are several things you can do to help keep it affordable. Check out the seven ideas listed below to see how you can join the doctors, hospitals, employers and insurers who are working to keep quality care affordable.

1. Smart shoppers wanted: Be the best health care consumer you can be

When you make a health care purchasing decision, think of it as if you are spending your own money. The reason: you are spending your own money! Whether your employer provides you with a group health plan, or you purchase health insurance independently, responsible spending is a smart decision. You should still seek needed medical treatment, but make informed choices of when, how and from whom you receive medical care.

For example, when you shop for a car, you try to avoid wasting your hard-earned money. Instead, you ask questions, try to find the right car for your needs and make sure you know how much it will cost before you make your purchase. Shouldn't you do the same for an important purchase like health care?

2. Save money by requesting generic drugs

Ask your doctor or pharmacist if there's a generic drug available the next time you get a prescription. Some pharmacies can even put a permanent reminder on your records to be sure they always give you a generic drug if available. Generic drugs have the same ingredients, the same strength and same dosage as brand-name drugs. Plus, generics are FDA-approved and they cost a fraction of the price of the brand-name drugs.

3. Eat smart and exercise — the benefits of living well

You can help avoid some of the serious health problems that result from heart disease, type 2 diabetes and obesity by exercising regularly and eating a balanced diet. Managing stress, getting enough sleep and quitting smoking are also important factors in living a healthy lifestyle. Obesity, for example, cost the health care system $117 billion in the year 2000.[4]

4. Practicing prevention pays off

By simply buckling seatbelts, wearing bike helmets and using other safety equipment, we can save billions of dollars in related medical expenses. For example, the failure of some Americans to wear seat belts leads to an estimated 9,200 unnecessary fatalities and other needless injuries, totaling $26 billion in health care and other costs each year.[5]

5. Using antibiotics wisely saves their strength — and yours

Using antibiotics when you don't need them not only creates unnecessary drug expenses for you, but can also build up an immunity that will make antibiotics ineffective when you do need them. Antibiotics do not help viral infections that often cause colds, bronchitis, sore throats and flu. Talk to your doctor about your health and antibiotic concerns, and he or she can advise you on when antibiotics are right for you.

6. Keep the word 'emergency' in emergency room

Did you know that the emergency room is one of the most expensive units in the hospital? Modern emergency services are invaluable in life-threatening situations, but they are inefficient for routine care. For example, a treatment that costs $60 in your doctor's office could cost as much as $383 in the E.R.

In an emergency, call 911 or go to an emergency room. An emergency medical condition is one of recent onset and severity that would lead a reasonable person to believe that the absence of immediate medical attention could result in one of the following:

- *placing the health of the individual in serious jeopardy*
- *serious impairment to bodily function*
- *serious dysfunction of any bodily organ or part*

7. Take an active role in your care

Having an ongoing relationship with your doctor is an important part of making sure you get the care that's right for you. In fact, better communication between doctors and patients can help prevent medical errors. That's one of the reasons why it's important to keep an up-to-date health history and record of your prescriptions and share them with your physician.

Together We Can Keep Health Care Affordable

We all have a role in keeping health care affordable. Together doctors, hospitals, employers, insurers and consumers — just like you — can work cooperatively to manage rising health care costs.