

# How HMSA Prices Individual Plans

To determine rates for individual plans, HMSA combines member claims data from all individual plans into a single, larger pool. Rates are based on the number of members who use services and the amount and type of services used (inpatient hospital care vs. outpatient care in the doctor's office, for example). The overall rate is then broken down into three age groups:

- Group 1: Birth through 24 years.
- Group 2: 25 through 49 years.
- Group 3: 50 years and beyond.

The rate of a particular age group is based on the volume of claims processed. For example, if Group 3 uses significantly more benefits than Group 1, rates for Group 3 will likely be more than Group 1.

Rates are also affected by rising health care costs. The following explains why health care costs are rising and what we can all do to contain costs.

## Why are health care costs rising?

**Consumer expectations:** Consumers have high expectations for health care. We are better informed and expect fast results. Higher expectations lead to increased demand for new and costly prescription drugs, medical technology, and services.

**Prescription drugs:** Prescription drug spending is the fastest-growing source of health care inflation nationwide. A major factor in drug spending is marketing, which results in patients asking their doctors for expensive brand-name drugs instead of generic equivalents.

**Medical technology:** Advances in medical technology can dramatically improve our health and may even save lives. But they also come at a high price. Treatments that were previously not available are now possible due to expensive, state-of-the-art technology.

**Unhealthy lifestyles:** Lack of exercise and an unhealthy diet can lead to serious and costly health problems. It costs Americans billions of dollars every year to treat cancer, heart disease, diabetes, and other chronic diseases associated with unhealthy lifestyle choices.

**Misuse of health care:** Making unwise medical choices affects your health and drives up expenses. Did you know that it costs significantly more to get care in an emergency room than at your doctor's office? Use the emergency room for medical emergencies only.

**Other cost factors:** An aging population, increased state and federal government regulations, health care fraud and abuse, and medical errors.



# HMSA



An Independent Licensee of the Blue Cross and Blue Shield Association



## What is HMSA doing to help keep health care costs down?

### Managing administrative costs:

Throughout HMSA's history, 93 cents of every dues dollar has gone directly to pay for our members' care, and only 7 cents has been used to run our business. HMSA has one of the lowest operating expense ratios of any health plan in the country.

**Managing drug costs:** HMSA's drug formulary helps physicians prescribe appropriate, affordable medications. And we promote the use of generic drugs, which are just as effective and safe as brand-name drugs and are significantly more affordable.

**Focusing on prevention:** HMSA is here to help members make healthy lifestyle choices. Visit [hmsa.com/healthwellness](http://hmsa.com/healthwellness) to learn more.

**Expanding access to care:** HMSA's Online Care allows Hawaii residents to speak to HMSA providers online or by phone without an appointment. Users can also keep track of their health information and speak to health and wellness coaches.

**Improving quality of care:** Hospitals and other providers are rewarded for the quality, safety, and efficiency of care they provide. And the patient-centered medical home (PCMH) puts patients in the center of their health care so they receive the right care at the right place and time.

**Investing in well-being:** Our tools include a website and action plans to improve physical, emotional, and social health and well-being; disease management and prevention services; and health classes.

**Other HMSA efforts:** Fighting fraud and abuse, working with partners to develop community events and programs, and educating our members and the community on rising health care costs.

## How can you help manage health care costs?

**Take responsibility for your health:** It's important to take care of yourself by adopting good lifestyle habits. Proper nutrition, exercise, adequate rest, and activities to relieve stress and prevent injuries can help you stay healthy and avoid costly medical care.

### Choose a primary care provider:

A doctor who knows your health needs and medical history can help you get appropriate care, including fewer expensive trips to the emergency room. Choose someone you feel comfortable with and can trust.

**Practice prevention:** Prevention, detection, and early treatment of disease can help you avoid serious and costly long-term illnesses. Ask your doctor about recommended screenings and immunizations.

**Take care of your unborn child:** Pregnant women should consult their doctors and receive regular checkups throughout their pregnancy. A healthy pregnancy is vital for the baby's growth and development.

### Make smart medication choices:

Help keep drug prices down — always ask for generic drugs when filling a prescription, manage your medications carefully, and use antibiotics wisely. Visit [hmsa.com](http://hmsa.com) to learn more.

**Other ways you can help:** Use emergency rooms for medical emergencies only, be informed and involved in local and national health care issues, and know your health plan benefits so you can use your health plan wisely.

## Mahalo

Thank you for reviewing this information. If you have any questions or comments, please contact your local HMSA office. We appreciate your membership with HMSA and look forward to working with you.