

Understanding How HMSA Prices Individual Plans

When setting rates for individual plans, HMSA treats each plan as a group of members. Rates for the coming year are based on projected costs for that group.

Factors include 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). Because these individual plan groups are generally small, their use of medical services can vary greatly from year to year. And it takes just a few very expensive medical procedures to create a negative experience for the whole group.

Another factor when setting rates is rising health care costs. Learning more about health care costs can help you manage them better.

Why are health care costs rising?

Consumer expectations: Consumers today have rising expectations when it comes to health care. We are better informed and expect fast results. With higher expectations comes higher demand for new and costly drugs, medical technology and service.

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

not available just a few years ago 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 true medical emergencies only.

Other cost factors include our aging population, increased state and federal government regulation, health care fraud and abuse, and medical errors.

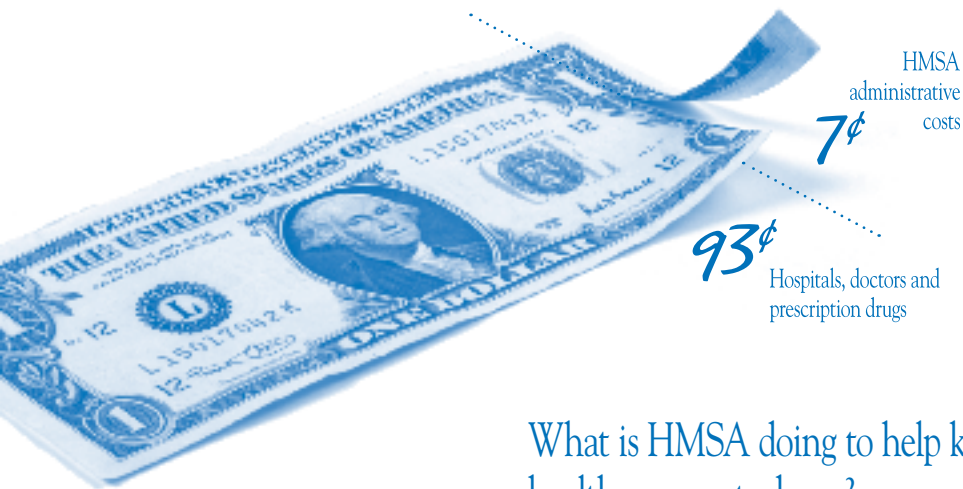


HMSA



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Working for a Healthier Hawaii



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

Managing administrative costs: Over 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 and cost-effective 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.

Focus on prevention and chronic care: HMSA is here to help members make healthy lifestyle choices and stay on track with HealthPass, health education classes, Care Connection, and more. Visit www.HMSA.com to learn more.

Other HMSA efforts include fighting fraud and abuse, working with partners to develop community events and programs, and educating our members and the community on the rising cost of health care.

How can you help manage health care costs?

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

Practice prevention: Prevention, detection and early treatment of disease are effective ways to 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: There are simple steps you can take to help keep drug prices down—always ask for generic drugs when filling a prescription, manage your medications carefully, and use antibiotics wisely. Visit www.HMSA.com to learn more.

There are other ways you can help manage health care costs, such as using emergency rooms for real medical emergencies only, being informed and involved regarding local and national health care issues, and knowing your health plan benefits so you can use your health plan wisely.

Mahalo

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