

HEALTH CARE COSTS AND TRENDS

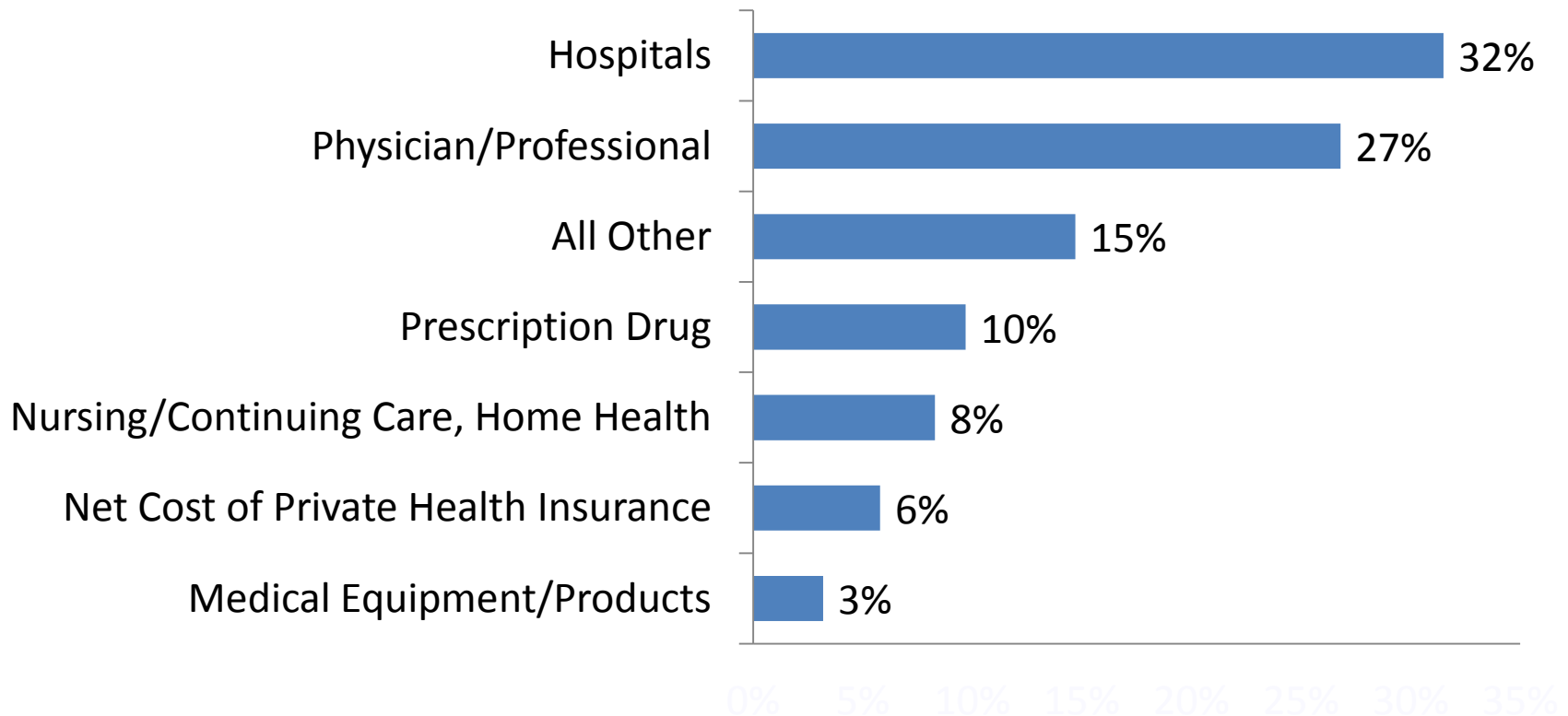
February 6, 2014

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Blue Cross Blue Shield of Minnesota



WHERE HEALTHCARE DOLLARS GO: THE NATIONAL VIEW



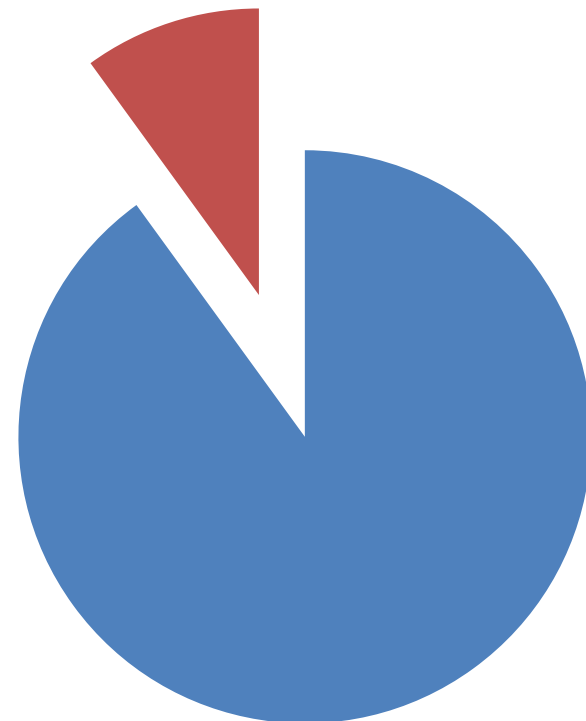
NOTE: Aggregate payments by Commercial and Government insurers and individual out-of-pocket
Physician/Professional category includes Dental Services

SOURCE: U.S. Healthcare Spending 101: 2011 National Health Expenditure Data. America's Health Insurance
Plans. <http://thecostapp.ahip.org/>. Last accessed 01/22/2014.

Mix of Healthcare and Other Costs

MOST OF BLUE CROSS'S COSTS ARE OUTSIDE OF OUR DIRECT CONTROL





- Costs are sensitive to decisions made by employers, members, and providers

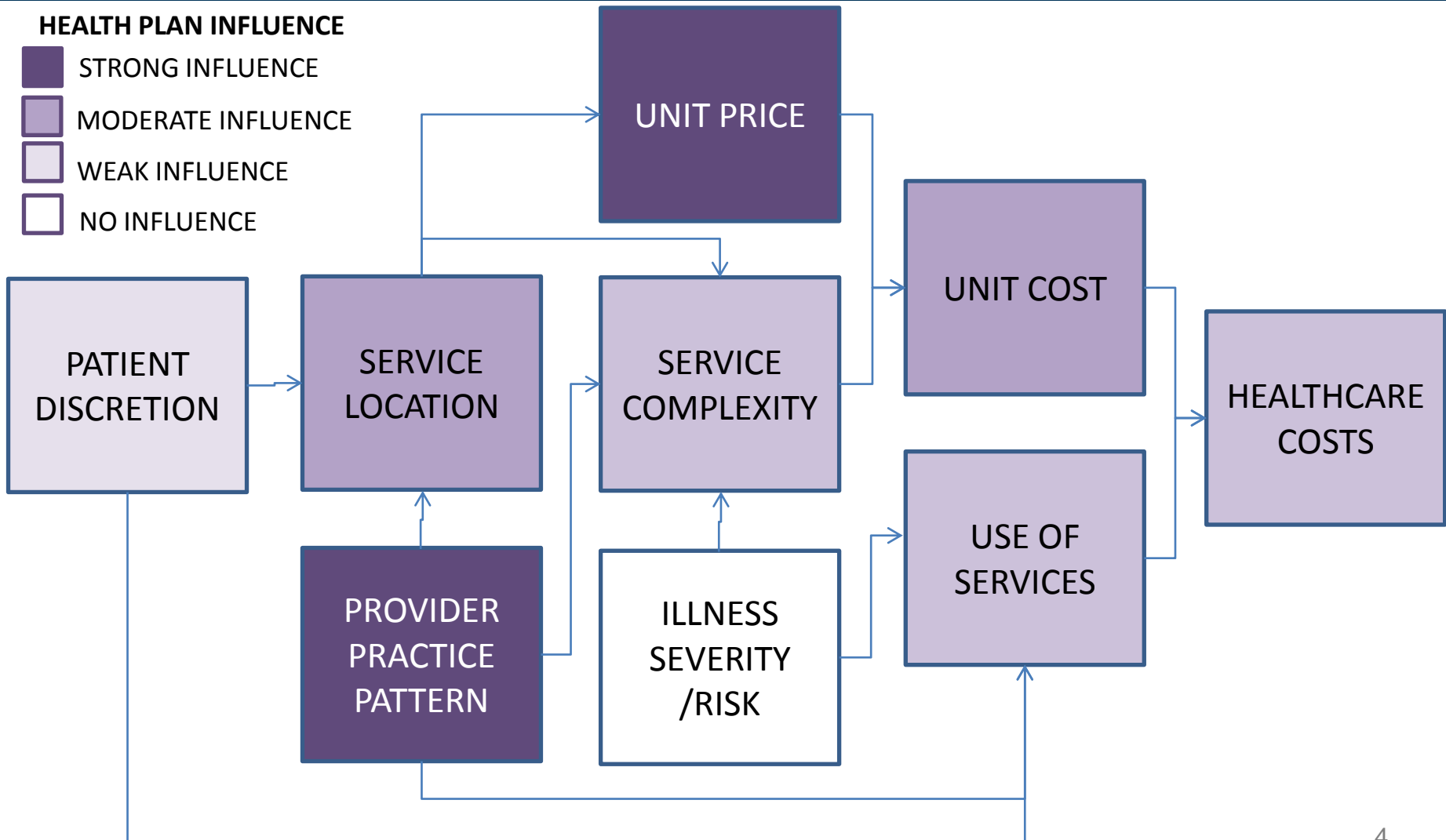


■ Cost of Healthcare ■ Administrative costs

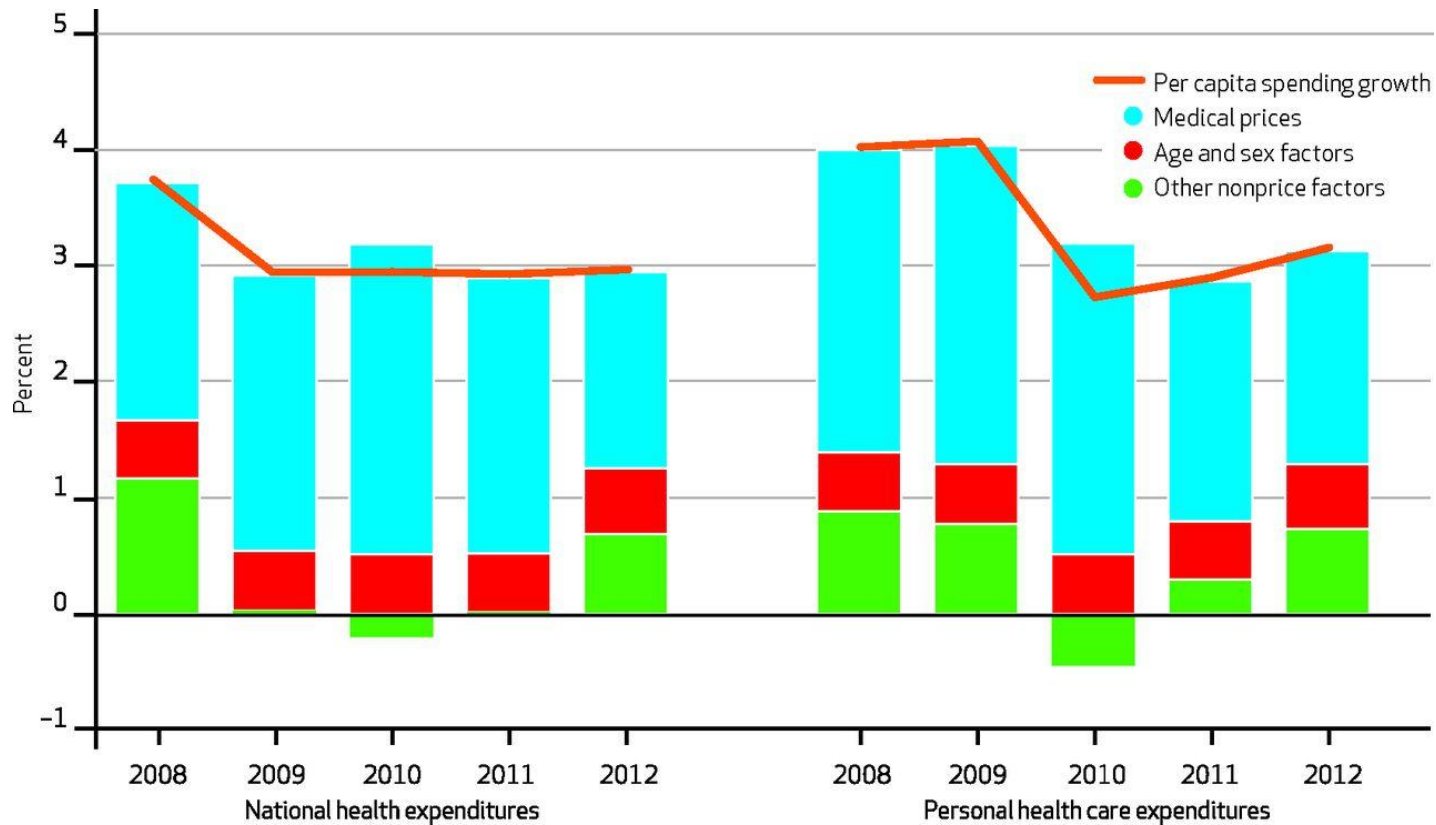
WHAT DRIVES COST OF HEALTHCARE?

HEALTH PLAN INFLUENCE

-  STRONG INFLUENCE
-  MODERATE INFLUENCE
-  WEAK INFLUENCE
-  NO INFLUENCE



UNIT PRICE DRIVING HEALTHCARE COSTS



NOTE: National health expenditures (shown at left) are composed of 85% personal health expenditures (shown at right) and 15% other expenditures such as public health programs.

SOURCE: Martin, AB, Hartman, M, Whittle, L, Catlin, A, the National Health Expenditure Accounts Team. **National Health Spending In 2012: Rate Of Health Spending Growth Remained Low For The Fourth Consecutive Year.** *Health Affairs*, January 2014; 33(1), 67-77.

Other Factors Driving Cost of Healthcare



Provider/Network

- Provider unit price
- Outpatient ancillary services
- Choice of site of service

Population Health

- Oncology
- Orthopedic procedures
- Heart disease

Pharmacy

- Specialty pharmacy
- Slowdown of brand-to-generic conversions

Additional Factors Impact Premium Trends

Premium Trends are impacted by claim trend and additional factors:

- Benefit changes
- Age and gender changes
- Changes in taxes
- Changes in expenses
- Out-pocket benefits

ACA Changes Also Impact Costs and Premiums

- New benefits (e.g., preventive care, no lifetime maximums, Essential Health Benefits)
- Change in covered population
 - Guarantee issue of coverage
 - No preexisting condition limitations
- Limits on cost sharing (out-of-pocket max)
- New taxes (insurer fee, reinsurance, Exchange fee, PCORI)
- Prescribed age factors and areas
- Metal Level Actuarial Value requirements

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THANK YOU.