Why Are Healthcare Costs Rising?

The Bottom Line on Rising Healthcare and the Numbers Behind It.

New technology in prescription drugs and healthcare services has the largest impact on the cost of healthcare. Rapid advancements produce new, more effective diagnostic tools and treatments—at higher costs.

That, in turn, produces a wave among the other contributing factors. As Medicare reduces reimbursement rates, providers shift their costs to insurance companies and patients to compensate. Malpractice insurance premiums for physicians have increased dramatically. And there are now more laws than ever dictating how health plans must do business.

When you add these items to an already struggling economy, a picture begins to emerge about why we are feeling the strain in the healthcare system.

What is PacificSource Doing to Control Costs?

PacificSource doesn’t have all the answers to the problem of rising healthcare costs, but we are constantly working to reduce costs that are within our control.

- We are partnering with providers to negotiate reasonable rates and offer you more—and more flexible—health plan choices.
- Our prescription drug preauthorization program helps us keep tabs on certain expensive drugs. Our goal is to ensure that members receive the care they need through cost effective means.
- Medical and disease management allow us to help members through complicated and often expensive treatment. Our medical staff with clinical expertise can streamline the process and trim costs.
- Process and quality improvement helps us keep our administrative expenses low. That means our employees are constantly evaluating and streamlining processes to control costs.

Experts attribute the high cost of healthcare to these factors:

- 46%: General inflation
- 13%: Broader networks and provider consolidation
- 8%: More expensive technologies
- 8%: New treatments
- 8%: Cost shifting from public providers and the uninsured to private payers
- 8%: Aging. Advancements are helping to extend the length and quality of life.
- 5%: More intensive diagnostic testing
- 5%: Lifestyle choices


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Most of the main healthcare cost drivers—such as general inflation—are not within our power to control. However, we recognize the need to work together with employers and members to manage these costs. We’re doing our best to educate consumers. We’re providing information so you can become better informed consumers, and we’re designing new health plans to engage you in cost sharing.

Become an Informed Consumer

What do you do before you purchase something major, like a car or refrigerator? If you’re like many people, you don’t sign on the dotted line until you have a chance to comparison-shop and ask a lot of questions. This same philosophy can be applied to healthcare. After all, you are purchasing something major—a treatment for your body and your health.

Reduce Your Prescription Costs

- If your health plan offers a prescription drug mail order service, make use of it. Mail order often provides maintenance medications at lower costs than you would find through a retail pharmacy.

- Ask your doctors and pharmacists if there are generic equivalents for your prescriptions. Generics can save you money and still provide the same quality and benefits of name brand drugs.

- Always use a participating pharmacy and show your member ID card to get the highest level benefit.

Choose the Proper Place of Service

In an emergency, choose the right medical facility.

- If a patient’s life is not in danger, an urgent care or extended hour clinic might be the most appropriate—and most economical—choice for treatment. These clinics are often open evenings and weekends, and care usually costs much less than it might at a hospital emergency room.

- Contact your physician if you’re not sure which medical facility is appropriate for your condition.

Use the Cost-Saving Programs Provided by PacificSource

- InTouch for Members: This interactive Web feature allows you to track your healthcare costs for the year and plan ahead for next year’s expenses.

- Prescription Drug Discount Program: You can make use of this program to reduce your costs on drugs not covered by your plan.

- The First Health Network: We contract with a national PPO network. That means no matter where you travel in the nation, you can always cut your costs by visiting a participating provider.

Communicate with Us!

- Read your benefit handbook and any other information you receive about your plan. Understanding your benefits helps you make the wisest, most cost-effective decisions.

- Our Customer Service Department can help you determine whether a proposed treatment or procedure is covered under your health plan.

- We can also guide you through the process of choosing participating providers for your care. Using providers in the network will save you significant out-of-pocket expense.

- Our staff of nurse case managers is also available to help you navigate through the healthcare system. They can help coordinate your care, give you more information about conditions and treatments, and assist with disease management.

Remember, you can have an impact when you take control of your health, and your healthcare dollars.

If you have questions, you are welcome to contact our Customer Service Department at 877.590.1596 or email cs@pacificsource.com.