



Health Insurance 101

Where do my premium dollars go?



HEALTH INSURANCE BASICS AREN'T TAUGHT IN SCHOOL.

So when it comes to understanding insurance, the entire topic can be overwhelming.

We'd like to help you understand the basics by teaching you how health insurance works, where your premium dollars go, and what you can do to become a **SMARTER HEALTH CARE CONSUMER.**

Health Insurance 101

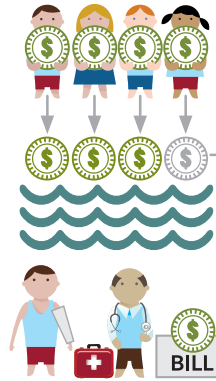
UNDERSTANDING INSURANCE

– The basic concept behind health insurance is a community approach to cost-sharing. In insurance lingo, this is called a “pool,” which includes others who have also purchased health insurance coverage.

The **PREMIUMS** people pay go into a pool.

A **POOL** is a collection of premiums used to pay claims for all members in the pool.

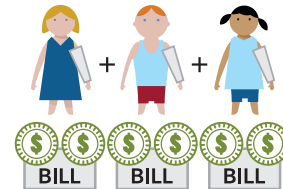
When someone receives medical care, money is used from the pool to **PAY THE BILLS**.



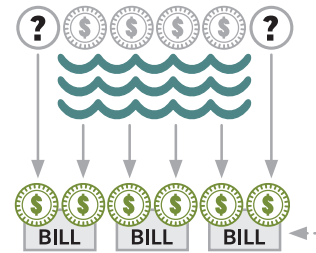
As health care costs **RISE** ...



... and health care use **INCREASES** ...



... the amount of money in the pool **DECREASES** as claims are **PAID**.



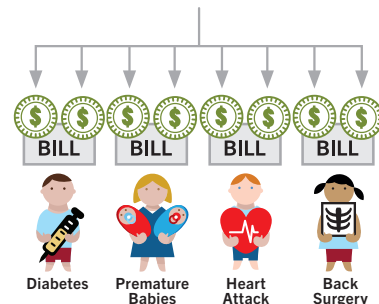
Your **PREMIUMS GO UP** because the amount of money in the pool must **INCREASE** to pay all the bills.



This ensures that there is enough **MONEY** in the pool ...



... to cover the **POTENTIAL HEALTH CARE EXPENSES** and prevent a catastrophic event from bankrupting an individual or a family.



AS COMPLEX AS HEALTH CARE CAN BE, ONE RULE IS EASY TO UNDERSTAND:

The more paid out in claims, the more premium dollars are needed.

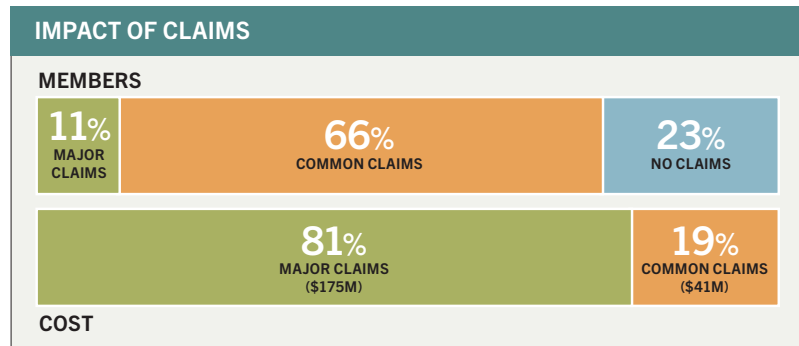
Teamwork

YOUR DOLLARS SUPPORT THE POOL

You'll have the peace of mind knowing that if you have a health problem, we've got you covered. Your premiums not only support the health care needs of you and your family, they also support others in your pool. It's our job to make sure there is enough money in the pool to cover potential health care expenses for everyone.

Nearly one quarter (23 percent) of our members did not file any claims in a year's time. In other words, they paid their premiums, but did not use any health care services.

The vast majority of dollars spent (81 percent) came from 11 percent of members who had major claims. Often these major claims are unexpected. For example, due to a heart attack, surgery, accident or sudden illness.



Haven't filed any claims?

Your premiums can increase even if no services are used because your premiums are used to support others in the pool.

Claims incurred for all Individual Under 65 Market for period 4/1/2010-3/31/2011.

Common claims: Claims less than \$2,500

Major claims: Claims exceeding \$2,500

SOME USES OF PREMIUMS

CARE PROVIDED	AVERAGE COST OF CARE ¹	APPROXIMATE # OF MEMBER PREMIUMS ²
Having a baby	\$5,500	2
Diabetes	\$10,700	4
Back surgery	\$16,700	6
Heart attack	\$30,100	11
Premature baby	\$975,000	400

Did you know ...

About 400 people paid their premiums and sought no services to have dollars available to take care of one prematurely born baby.

¹Average cost of care based on midpoint of range in Des Moines, Iowa. Cost will vary by actual services received.

²Based on average per member annual premiums at rates effective 4/1/2011.

What else impacts premiums?

THREE MAIN REASONS WHY HEALTH CARE COSTS CHANGE

At Wellmark Blue Cross and Blue Shield, changing premiums is not a process we take lightly. We genuinely care about you, as well as all of our members. In many cases, you are our friends and family. Catastrophic health situations aren't the only type of claims that impact the cost of care.


- 1 MEMBERS ARE USING MORE SERVICES.** Overall, the number of times members of a pool go to the doctor, have tests run or prescriptions filled is increasing.
- 2 COST PER SERVICE IS INCREASING.** For example, the price of medical treatment and certain prescription drugs means increased spending.
- 3 THE TYPE OF SERVICES RECEIVED IS MORE EXPENSIVE.** For example, a trip to the emergency room is far more expensive than an office visit. An MRI is far more expensive than an X-ray.

Homework

WHAT CAN I DO TO HELP REDUCE HEALTH CARE COSTS?

Your role as a consumer of health care is critical. Using the tools and resources on myWellmark.com to make smart health care decisions goes a long way in controlling costs. Here are just a few things you can do:

WHAT YOU CAN DO	HOW myWELLMARK.COM CAN HELP
Use your benefits wisely	Learn the details of your health plan within the My Benefits section.
Use generic drugs when possible	Check prices for your medications at pharmacies near you, and explore lower-cost drugs.
Prevent health care problems before they start	Access the preventive care guidelines to help keep you and your family on the road to good health.
Use the emergency room only when necessary	Save the emergency room for true emergencies. Find the nearest hospitals and urgent care centers.
Be healthy	Find general health information and interactive tools to keep you and your family healthy.

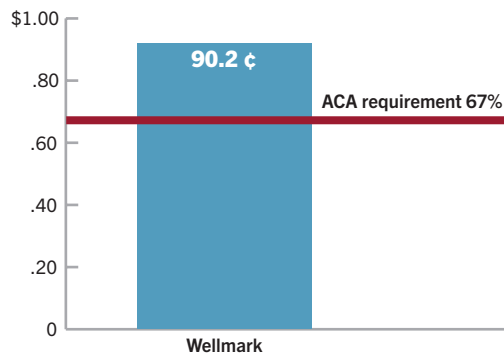
Learn  Use the tools and resources on myWellmark.com to make smart health care decisions. Register today.

Report card

WE'RE INVESTING IN YOU

Wellmark has met and exceeded the minimum Affordable Care Act (ACA) requirement for the Individual Under 65 Market in 2011.

BENEFITS PAID PER PREMIUM DOLLAR



The Affordable Care Act (ACA) requires all insurers in the state of Iowa to spend at least 67 percent of each premium dollar on medical costs. Wellmark far exceeds this requirement.



Wellmark spent 90.2 cents of each premium dollar (90.2 %) for the cost of care (doctors, hospitals, pharmacies, and other providers of care).

Lesson plan

WHAT'S WELLMARK DOING TO HELP ME?

Wellmark cares about the health of Iowans and the rising costs of health care. We are working hard to reduce the growing health care and related insurance costs. Here are some ways we are helping to manage your health care costs:

- > **WELLNESS PROGRAMS.** We provide support and guidance to help keep you healthy.
- > **IMPROVING THE HEALTH OF IOWANS.** We invest in Iowa communities through our [Blue Zones Project™](#) as part of the Healthiest State Initiative. This project is helping to change environments across the state to make the healthy choice the easy choice.
- > **ADMINISTRATIVE COSTS.** We carefully manage the dollars needed to run our business efficiently so that the majority of the dollars we receive in premiums goes toward health care costs.
- > **ACCOUNTABLE CARE ORGANIZATIONS (ACOs).** We help to achieve better health outcomes. An [ACO](#) is a group of doctors, hospitals, and other health care professionals who are held accountable for the quality and cost of care delivered to a defined population. This new payment model focuses on coordinating care to improve quality, provide greater value, and slow increases in health care costs.



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