

Blue Cross Curbs Costs, Speeds Service

by JOHN COIT
Financial Times Writer

CHAPEL HILL—Blue Cross and Blue Shield of North Carolina sells health care insurance to 1.9 million people in the state—nearly one-third of the population.

When the government programs—such as Medicare and the military's CHAMPUS are thrown in—the health plan covers nearly one-half of North Carolina's population.

Operating out of its gleaming, angular offices here, the non-profit organization and its 1,000 employees work toward administering the health plan's 18,000 group and individual policies.

Nearly 85% of the people covered under Blue Cross and Blue Shield are in group plans. The balance hold individual policies.

"We got into the health benefit service business early," said H.C. Cranford, vice president for public relations. "We know our business pretty well. We've learned to be more efficient, deliver a quality product and provide better service."

Cranford admits, without reservation, that the rates paid by Blue Cross and Blue Shield subscribers "are probably the highest of any health care plan. But we also deliver more and deliver it better than any other plan."

"We try to keep up with what the people who subscribe to our service want. We're putting in a dental plan. We've been authorized to put through a major medical plan (up to \$250,000 for a catastrophic illness), and we're always attempting to improve in the area of cost containment."

Cranford said Blue Cross and Blue Shield paid back 94 cents on every dollar it took in last year. Since the plan is a non-profit concern, it has no stockholders to pay, lower-than-usual salary ranges and other benefits—but it does pay taxes on property, premiums and other fees necessary to do business.

Blue Cross and Blue Shield is not an insurance company, Cranford pointed out. It is organized differently and operates under a different law from profit-making companies.

"When we determine what our rates are going to be we have to hold a public hearing before the insurance commissioner," he said. "We are under the glass and we are being checked and audited to see if our rates are adequate and appropriate."

Health care costs, as everyone knows, have climbed sharply in recent years, rising much faster than the inflation rate. Hospital costs last year rose an average of 17% in the state, while doctors' fees went up 12%.

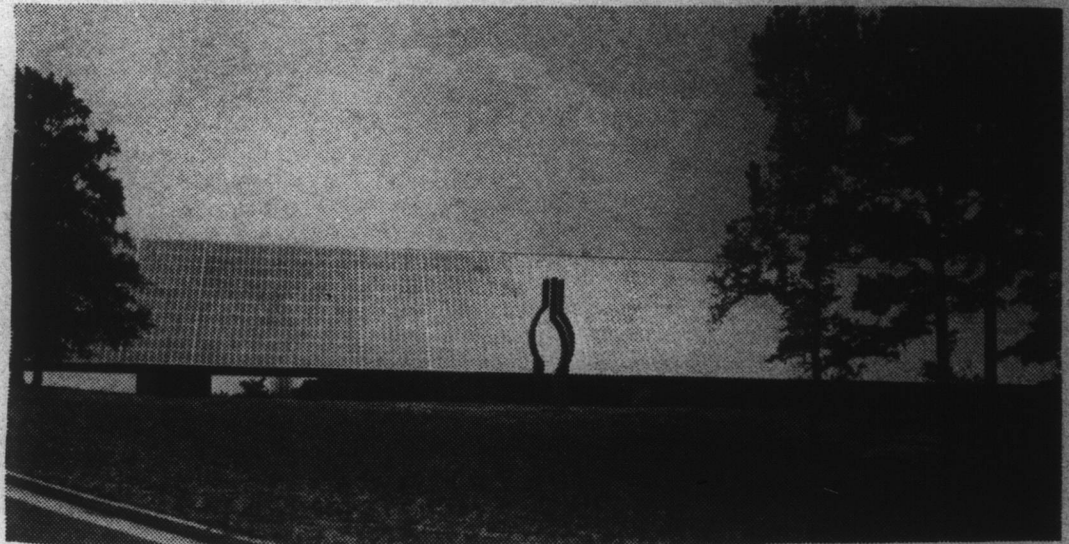
In 1975, North Carolina Blue Cross-Blue Shield paid 3,140,890 claims totaling \$406,838,172.

That includes payments through government plans it administers. Blue Cross through its private plan paid out \$228 million in claims and grossed \$246 million.

Net income in 1975 was \$1,140,000, compared to \$4,507,000 in 1974.

Part of the sharp rises in hospitalization are due to major advances in medical technology and improved care, said Cranford. He pointed out that a hospital stay costs three times more than, say, 10 years ago. But he added that care is three times better and the typical hospital stay is one-third shorter. In the end, he said, the patient pays about the same thing for the same level of care as he once did.

Cranford also offered some hope that the heavy cost of getting well is stabilizing. He said projections show that costs will increase about 8-10% this year—still high, but much



BLUE CROSS-BLUE SHIELD OF NORTH CAROLINA operates out of modern headquarters between Chapel Hill and Durham. The non-profit plan directly writes health insurance for about one-third of the state's population.

less than the trend of the past five years.

According to the plan's annual report, there were sizable increases in benefit expenses during the first half of 1975. The organization, under state law, must keep a three-month reserve of funds to pay claims—even if there is zero income.

"The plan avoided a large loss of its state-mandated reserves by implementing rate increases on group accounts, which cover about 80% of all subscribers," the report said.

The state Insurance Department Jan. 1 approved a rate increase averaging 10%, the first Blue Cross rate hike since 1973.

To save money, Blue Cross-Blue Shield has begun a strict cost-containment program—using its various divisions to analyze what it costs to provide benefits and ferreting out questionable claims and wasteful procedures.

The organization also keeps a sharp eye on the bills which are presented for payment by the plan. Said Cranford: "We can and do challenge some of what comes in because we think fees and costs are too high, weren't delivered or were mistakenly added to a patient's bill."

The organization is trying to improve its relations with subscribers, said Cranford.

Blue Cross and Blue Shield has started a program by which subscribers get a full summary of what the plan paid to hospitals and doctors for patient care and services.

The plan has also begun an extensive health education program which it hopes will cut down on the amount of claims paid for services that could have been avoided.

Blue Cross and Blue Shield also is attempting to get its subscribers to use out-patient facilities for minor surgery and health care—rather than to into the hospital for what could be taken care of in a clinic.

And it is encouraging patients to get testing and pre-hospital work-ups done before admission, thus saving a day's bill—which can be considerable.

Follow-up care can also be conducted at the patient's home by a visiting nurse, says Cranford. All together, he says, this could save the patient as much as 30-35% of the cost of being sick.

The organization is also putting all its files on a computer with CRT terminals in each of the service centers across the state. That way, claims can be processed faster, benefits can be looked up in seconds and questions about benefit service can be answered with a minimum of waiting time, says Cranford.

In general, Blue Cross and Blue Shield favors national health insurance—but on terms which would place the administration of it in the hands of the private sector.

Blue Cross, in a position paper, says the program should be "jointly developed by government and the private sector with the private sector playing a role which utilizes its unique abilities to deliver services economically and efficiently."

Naturally, Blue Cross-Blue Shield wants a national health insurance program its own people have developed for the government's consideration.

It calls for universal health coverage, private purchase of supplemental coverage, retention of Medicare for the elderly, continuance of a free market and strategies to contain health care costs.

Said Cranford: "Health care benefits must continue to be first class and provide good service. It must be able to project what health care will cost and stay with it. And it must find ways to hold costs down."

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