

INSURANCE COMPANIES PROSPER, FAMILIES SUFFER:

Our Broken Health Insurance System

Introduction

Recently, Anthem Blue Cross of California, an insurance company owned by the for-profit company WellPoint, Incorporated, announced that its individual market premiums would rise by as much as 39 percent in the coming months. This shocking increase isn't unique. Across the country, families have seen their premiums skyrocket in recent years, and experts predict these increases will continue. Sandy Praeger, a leader of the National Association of Insurance Commissioners, predicts that we will "see rate increases of 20, 25, 30 percent."¹

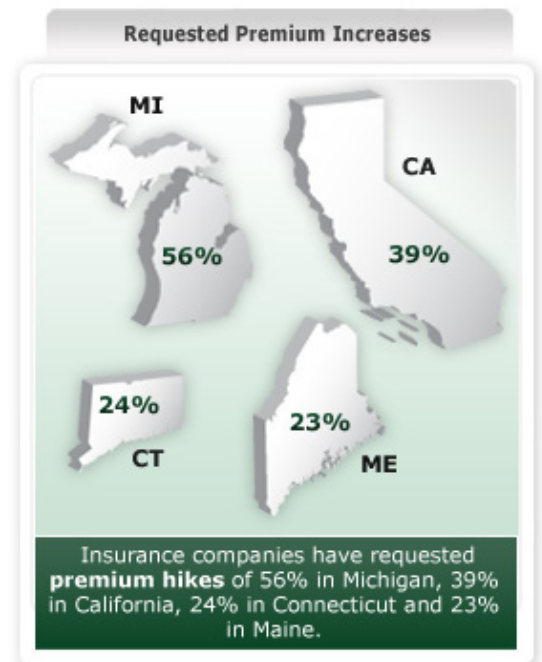
These massive increases are disturbing examples of the problems that make reforming our health insurance system more important than ever.

Premiums Rise, Insurance Industry Profits Increase, Health Care Costs Cripple Working Families

Anthem Blue Cross of California announced that its individual market premiums would rise by as much as 39 percent in the coming months. After Secretary Sebelius and state officials asked for a public justification for these increases, Anthem Blue Cross delayed raising its rates for two months.²

Anthem Blue Cross isn't alone in insisting on premium hikes. Anthem of Connecticut requested an increase of 24 percent last year, which was rejected by the state.³ Anthem in Maine had an 18.5-percent premium increase rejected by the state last year as being "excessive and unfairly discriminatory"⁴ – but is now requesting a 23-percent increase this year.⁵

In 2009, Blue Cross/Blue Shield of Michigan requested approval for premium increases of 56 percent for plans sold on the individual market.⁶ Regency Blue Cross Blue Shield of Oregon requested a 20-percent premium increase.⁷ UnitedHealth, Tufts, and Blue Cross requested 13- to 16-percent rate increases in Rhode Island.⁸ And rates for some individual health plans in Washington increased by up to 40 percent until Washington State imposed stiffer premium regulations.⁹



Source ²⁻⁶

"I've never seen anything like this... I think it's just unconscionable."

Mark Weiss

Mark, whose Anthem premium will rise 35%, has been a member of Blue Cross for 30 years.

Source ²⁶

Leading experts have predicted that, without reform, these increases will continue, and the federal government and most states don't have the legal authority to block or reduce health insurance rate increases.¹⁰

WellPoint and others claim that the premium increases are necessary given the rise in health care costs. While rising health care costs is a known problem with our broken health care system, some of the premium increases requested by insurance companies are 5 to 10 times larger than the growth rate in national health expenditures.¹¹ All the while, insurance companies and their CEOs continue to thrive.



Source ¹⁴

Recent economic data show that profits for the ten largest insurance companies increased 250 percent between 2000 and 2009, ten times faster than inflation.^{12,13} Last year, as working families struggled with rising health care costs and a recession, the five largest health insurance companies – WellPoint, UnitedHealth Group, Cigna, Aetna, and Humana – took in combined profits of \$12.2 billion, up 56 percent over 2008.¹⁴ These health insurance companies' profits grew even as nominal GDP decreased by 1 percent over this same time period.¹⁵ WellPoint accumulated more than \$2.7 billion in profits in the most recent quarter alone.¹⁶

And recent data show that the CEOs of America's five largest insurers were each compensated up to \$24 million in 2008.¹⁷

Now, while insurance companies enjoy increasing profits and CEOs take in millions, American families struggle to find and maintain affordable, quality insurance coverage. A recent study found that almost 75 percent of individuals looking for coverage on the individual market never bought a plan, with 61 percent of those who did not purchase insurance citing premium costs as the primary reason.¹⁸

A Broken Health Insurance System Works for Insurance Companies – Not Families

Our broken health insurance system has allowed these premium increases to occur. More than 94 percent of insurance markets in the United States are now highly concentrated.¹⁹ Without competition, insurers have no reason to drive costs down, and without additional choices in the marketplace, consumers have no choice but to continue to pay, or lose coverage. As premiums go up in the current economic climate, more and more families are priced out of the market altogether, making a bad situation worse.

The "value gap" in the health insurance market is evident not just in overall premium hikes, but also in the use of those premium dollars. Over the past decade, the amount private insurance companies spent on administrative costs grew faster than the amount spent on prescription drugs, a trend that is projected to continue through the next decade.^{20,21} Three of the top five insurers cut the proportion of premiums they spent on customers' medical care last year, committing more to salaries, administrative expenses, and profits.²²

“It’s breathtaking... We’re going to have to cut back somewhere else. This kind of stuff strikes fear in the heart.”

Mary Feller

Mary was stunned to learn that the rate for her family will jump 39%, making her health insurance bill more expensive than her mortgage payments.

Source ²⁶

Finally, while insurance company profits rise, these companies provide less and less security for American families. The six largest publicly held insurers insured 2.2 million fewer people in the first three quarters of 2009. If the rest of the insurance industry exhibited the same trend, 4.2 million people – or around 15,000 people per day – would have lost private insurance over this period.²³

Health Insurance Reform Will Fix Our Broken Health Insurance System

Health insurance reform seeks to drive down costs, put consumer power and choice in the hands of the American people, and ensure all Americans receive the health care services they need and deserve. These efforts won’t just help our health care system – they will also help our economy. Lowering health care costs through reform could generate 250,000 to 400,000 jobs a year.²⁴ And reform will drive down premiums and limit out-of-pocket costs that eat into the family budget.

Reform will:

Place additional oversight on health insurance companies to ensure that people get value for the premiums they pay. Insurance companies will have to report how they spend the premium dollars they collect from their customers. If they spend too much on administrative costs and profits, they will have to give some of that money back to their customers. Insurance companies will also have to provide public justification for premium increases. Consumers can use this information to help decide whether they want to purchase a particular plan. And if insurance companies are not able to justify their premium increases, they could be barred from participating in the health insurance exchanges.

End Arbitrary Limits Placed on Coverage by Insurance Companies. Under health insurance reform, families will no longer face lifetime limits to their benefits, nor will coverage be denied or watered down based on medical history. As a result, health insurance will provide real protection from high health care costs.

End Insurance Company Discrimination. Health insurance reform will prevent any insurance company from denying coverage based on underlying health status. It will end insurance discrimination that charges families more if a family member has or had any illness, and limit differences in premiums based on age.

Create Competition Among Insurers with a Health Insurance Exchange. Health insurance reform creates a marketplace – or “exchange” – for insurance competition that will drive down premium prices for Americans. The health insurance exchange will bring families and plans together into one organized marketplace so families can compare prices and health plans in order to decide which quality, affordable option is right for them. Health insurance reform will guarantee every American a choice of health coverage, even if someone loses a job, switches jobs, moves, or gets sick.

Ensure Value in Our Health Care System. By rewarding high-quality and efficient care, encouraging care coordination, and reducing medical errors, health reform will slow the growth in health care costs and ensure value for every health care dollar spent.

Lower Premiums. The Congressional Budget Office estimates that reform will streamline administrative costs of insurance companies and bring more people into the insurance market, lowering premiums of a comparable plan in the individual market by 14 to 20 percent.²⁵ That means more money in the pockets of American families and the security of having high-quality coverage.

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