



Wellpoint Raising Rates by Double Digits in at Least 11 States

Double-Digit Premium Increases Are Not Just in California

Scot J. Paltrow February 24, 2010

The recent news that WellPoint's Anthem Blue Cross health insurance company in California wanted to increase premiums for individual policyholders as much as 39 percent is further evidence the current health system is not sustainable. And a survey by the Center for American Progress Action Fund found that California isn't the only state where WellPoint is hiking individual premium rates by double-digit percentages. In fact, double-digit hikes have been implemented or are pending in at least 11 other states among the 14 where WellPoint's Blue Cross Blue Shield companies are active: California, Colorado, Connecticut, Georgia, Indiana, Maine, Nevada, New Hampshire, New York, Virginia, and Wisconsin.

In Maine, where WellPoint-owned Anthem Blue Cross and Blue Shield is by far the largest insurer, the company is seeking to raise individual rates an average of 23 percent this year. This comes after five consecutive years of double-digit premium increases by the company on these policies.¹

In Indiana, Anthem Blue Cross Blue Shield is increasing rates an average of 21 percent this year, hitting some individuals with hikes of up to 50 percent. In Colorado, the big WellPoint-owned insurer is boosting individual premiums by an average of 19.9 percent this year.²

And Connecticut state insurance regulators allowed Anthem Blue Cross Blue Shield to impose a 20 percent hike last year after the WellPoint-owned insurer sought permission to hike rates on individual policies by 22 percent to 32 percent.³

There are also signs that WellPoint has substantially increased rates on "small group" policies, which cover small businesses with up to 50 employees. Data wasn't immediately available in many states, but in New York WellPoint is increasing premiums on small group policies by up to 28.6 percent this year. Small group policies in New Hampshire went up 17 percent in 2009.⁴

The company now called WellPoint grew rapidly starting in the late 1990s and has become the nation's largest health insurer in terms of the total number of people covered under both individual and group policies. Anthem Inc. bought WellPoint Health Networks in 2004 and adopted "WellPoint" as its corporate name. WellPoint ranks 32nd on the 2009 Fortune 500 list of the largest U.S. companies. It grew by acquiring a string of big, nonprofit Blue Cross Blue Shield companies, which it turned into a profit-making business. WellPoint reported a \$4.7 billion profit for 2009, nearly double that in 2008, although most of the 2009 increase came from the \$2.2 billion sale of a unit that managed drug coverage benefits.⁵

Recent premium changes in the individual market from WellPoint Inc. subsidiaries by state

California: Average rates are expected to increase 25 percent in 2010, with increases as high as 39 percent for some policyholders.

Colorado: Average rates are expected to increase 19.9 percent in 2010, with increases of up to 24.5 percent for some policyholders.

Connecticut: State regulators approved an up to 20 percent increase for certain policyholders in 2009 after WellPoint's subsidiary requested rate hikes from 22 percent to 32 percent.

Georgia: Average rate increases were 21 percent in 2009. Georgia Insurance Commissioner John Oxendine said the same percentage increase is expected for 2010.

Indiana: Rates are expected to increase 21 percent in 2010.

Kentucky: Rates for individual policyholders with Anthem's PPF/FFS plan increased 3 percent in July 2009.⁶

Maine: Anthem Blue Cross and Blue Shield requested a 23 percent increase for 2010 after five straight years of double-digit increases for individual policyholders. Anthem is suing the Maine Insurance Commissioner for rejecting its request last year for an 18.5 percent rate hike and allowing a 10.9 percent increase.

Missouri: No data available. WellPoint did not respond to CAP Action requests for data.

Nevada: The Nevada Division of Insurance approved roughly a 13 percent overall rate increase for Anthem Blue Cross and Blue Shield in 2009.⁷

New Hampshire: Average rates are expected to increase between 12 percent and 13 percent. There was a 17 percent increase in 2009 for small business premiums.

New York: Rates are expected to increase 13.2 percent to 17.2 percent, depending on the health plan.

Ohio: Average individual rates are expected to decline 44.2 percent in 2010 due to a new state law that went into effect in 2010.*

Virginia: Rates are expected to increase 7 percent to 15 percent.⁸

Wisconsin: Certain individual health plan rates are expected to increase 17.2 percent.⁹

* Previously, this sentence read: "Average individual rates are expected to decline 40 percent in 2010 due to a new state law that went into effect in 2010."

Action at the state level

Insurance regulators and governors in a handful of states where WellPoint has a significant presence are beginning to speak out against big rate hikes by WellPoint and other insurers.

WellPoint's Anthem Blue Cross Blue Shield in Ohio had to reduce rates by 44.2 percent on its individual open enrollment coverage, according to the Ohio Insurance Department, because of a law that went into effect on January 1, 2010. Open enrollment is a guaranteed issue coverage sold in the individual market that insurers must offer to people with pre-existing medical conditions, and is different from coverage sold to most individuals. Some non-open enrollment coverage decreased by 8 percent.¹⁰

Indiana lawmakers have introduced a bill requiring insurers to disclose information on rate increases, including a breakdown of how much premium dollars are spent on administration costs versus paid out in benefits.¹¹ Connecticut lawmakers are also looking at legislation that reviews premium rate increases.¹²

State officials in at least two other states—New York and Georgia—are pressing their legislatures to repeal 1990s laws that deregulated health insurance premiums. Insurance department officials in those two states said in interviews that their efforts are in response to what they view as a pattern of “excessive” premium increases.¹³

In response to a concerted push by the health insurance industry, many states agreed in the 1990s to deregulate premiums and give up authority for state insurance departments to review and approve rate hikes in advance. At least 22 states now allow rate hikes to go into effect without any prior review by regulators.

Most of these states have adopted a “file and use” regime, in which insurers are free to make rate changes after merely filing notice with the states. Regulators in these states can require premium refunds to policyholders after rate hikes have gone into effect, and actual experience shows excessive profit margins for the insurers. Yet a 2009 report from the New York State Insurance Department said that many insurers falsify or fudge data to hide such profits.¹⁴

The need for reform

The rate hikes in California have resulted in an array of criticism from lawmakers. President Barack Obama called the planned California hikes “jaw dropping” in his February 20 weekly radio address, and he called in his health care proposal unveiled on February 22 for a newly created federal Health Insurance Rate Authority to regulate rates.¹⁵ This new body would have the power to overrule “unreasonable and unjustified” premium increases. This proposal is similar to legislation introduced by Sen. Dianne Feinstein (D-CA).¹⁶ And the House bill includes provisions requiring insurance companies to disclose the justifications of their rate increases.¹⁷

Reps. Henry Waxman (D-CA) and Bart Stupak (D-MI) have called a hearing on February 24 in the House Oversight and Investigations subcommittee to look into the California rate hikes. In the wake of criticism, Anthem announced on February 13 that it will delay putting the hikes into effect until at least May 1.¹⁸

Some health reform advocates and insurance regulators contend that many of the recent big increases have been imposed just to boost insurers’ profits. They say that companies can manipulate reported numbers to make it seem that profits on individual plans are smaller than they actually are. One method involves inflating actuarial estimates of the

costs of medical care that policyholders already have incurred, but for which they haven't yet filed claims. These estimates of so-called "incurred but not reported" claims are included in the companies' calculations profit margins on policies.

Recent earnings reports show that the health insurance industry has been doing well overall despite the downturn in the economy. The nation's five largest health insurers increased their profits by 56 percent in 2009 to \$12.2 billion.¹⁹

WellPoint has said that the California rate hikes are necessary to stave off losses. WellPoint claimed in a public statement on February 13 that enrollment by healthy individuals in the state was dropping because of the weak economy. "We are ... experiencing a higher proportion of healthy individuals choosing not to enroll, leaving an insured pool that utilizes significantly more services," the statement explained.

But Reps. Waxman and Stupak questioned WellPoint's veracity. In a letter to WellPoint, the lawmakers said last week that data the company provided to the National Association of Insurance Commissioners showed that individual enrollment in Anthem Blue Cross in California hadn't dropped, but actually increased by more than 7 percent in 2009.²⁰

WellPoint has denied that its planned hikes are unreasonable and says the controversy is overblown. "The rate increases being reported in the media relate only to the individual insurance market, which represents less than 10 percent of California members," the company said in a public statement.²¹ And in response to questions from Health and Human Services Secretary Kathleen Sebelius, Brian Sassi, head of WellPoint's Consumer Business Unit, said in a letter that the requested California rate hike is justified because "Anthem's profit margin in California is in-line with and below that of many of our competitors, including our two large not-for-profit competitors."²²

America's Health Insurance Plans, the health insurance lobbying organization, blamed recent premium increases on rising medical costs. AHIP President Karen Ignagni said, "Health insurance premiums are increasing in the individual market because of soaring medical costs and because younger and healthier people are dropping their coverage due to the economy."²³

Conclusion

WellPoint's double-digit premium rate increases in the individual market are further evidence that health reform is needed. Reform is crucial for those in the individual market since premium rates are less stable and it is more difficult for some to purchase coverage. Insurance companies are still allowed to drop coverage when a person gets sick and to deny coverage based on a pre-existing condition. The health reform bills currently before Congress take steps to rein in insurance company abuses, make them more transparent and hold them accountable, and make health coverage more affordable to those who need it most.

Endnotes

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