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Fight Over Health-Care Premiums Heats Up

Government Report Highlights Steep Rate Increases, but Insurers Say Changes Are Necessary as Medical Costs Climb

By **AVERY JOHNSON**

A firestorm between the Obama administration and health insurers escalated Thursday, as the Department of Health and Human Services pointed to double-digit price increases or attempted increases in six states to make the case for overhauling the health-care system.

Over the past week, Democrats and [WellPoint Inc.](#), the country's largest insurer by members, have sparred over a 39% premium increase for individual plans by Wellpoint's Anthem Blue Cross unit in the individual market in California. At a news conference Thursday, Human Services Secretary Kathleen Sebelius cited more "extreme premium increases," including requests that insurers made to state regulators to raise rates by 56% in Michigan, 24% in Connecticut, 23% in Maine and 20% in Oregon.

"Unfortunately, this is pretty widespread," said Ms. Sebelius.

With the future of the health overhaul uncertain, the insurance industry finds itself in a delicate position. Insurers see little relief in sight to contain sharply rising health-care costs that they had hoped federal legislation would help bring under control. They face pressures from Wall Street to deliver returns to investors, while critics shine a spotlight on unaffordable premiums and coverage denials to the sick.



"They've got to go price to what they think they need," but then those price increases "invite a chorus of assaults," said Michael Turpin, a former executive at UnitedHealth Group Inc. who is now executive vice president at insurance brokerage USI Holdings.

It can be difficult to ascertain what factors push up premiums in specific markets. Companies file rate increases with regulators but aren't required to disclose the underlying medical cost trends by market segment and geography that influence the rate rises and that could help consumers decide if the increases are justified, said Mr. Turpin.

WellPoint and other insurers say they are raising prices to keep up with rising medical costs and sicker customer pools. WellPoint runs the Blue Cross Blue Shield plans in Maine and Connecticut, where state insurance regulators denied the company's request to raise prices last year, according to the HHS report.

"The increases in Maine and Connecticut are being driven by the same factors as in California: Underlying medical costs are increasing, and there's the

same kind of deterioration in the risk pool," said Brad Fluegel, WellPoint's chief of strategy. As people lose their jobs, he said, younger, healthier individuals are more likely to go without insurance in a difficult economy, skewing the mix of policy holders toward the elderly. After initial rejections from local insurance regulators, Mr. Fluegel said WellPoint wound up with a 17.5% increase in Connecticut and a 10.5% increase in Maine.

Ms. Sebelius countered that the top five publicly traded insurers made \$12 billion in profits last year. "While we don't want companies to be insolvent because then no claims would get paid...these profits are wildly excessive, way over anybody's estimates," she said.

WellPoint is the largest player in the individual market, and as such is particularly exposed to the health overhaul, which took aim at alleged abuses in that market, such as denying coverage to applicants with pre-existing conditions. Other major publicly traded insurers, such as [Cigna Inc.](#) and [Humana Corp.](#), don't sell nearly as many individual insurance plans, though they had hoped to expand that business if the overhaul brought some 30 million currently uninsured individuals into the marketplace.

The report provoked sharp words from nonprofit insurers, which felt unfairly attacked for a profit motive that they say doesn't exist.

Nonprofit insurer Blue Cross Blue Shield of Michigan is in many ways a model for the type of insurance system that the federal overhaul intended to create, said Andrew Hetzel, its vice president for corporate communications. Because of a 1980 state law, the nonprofit is required to accept all individual applicants. The insurer projects that it had losses of \$280 million in 2009 in the individual market, prompting it to ask for a 56% rate increase and eventually settling for a 22% rise, said Mr. Hetzel.

"This is really a one-size-fits-all political swipe at the insurance industry," said Mr. Hetzel. "We are being ridiculed for necessary business actions because of the unique regulatory environment in Michigan."

Increases aren't unique to the individual market. Not-for-profit insurer Blue Cross & Blue Shield of Rhode Island was cited by the HHS report as one of several insurers that requested price increases of 13% to 16%. Chief Executive Jim Purcell says it requested roughly those rate increases for corporate plans that it insures, though it asked for 6% and got nothing in the individual market last year.

"This isn't about administrative expenses. These are real claims by real people and it's Exhibit A for why we need health-care reform, but true reform that is different from what the administration and Congress has in mind," said Mr. Purcell.

Also on Thursday, the Main Street Alliance, a small business group that supports the health overhaul, held a conference with business owners to draw attention to premium increases they are facing. One small business owner from New Jersey saw his health plan, Health Net Inc., raise his premiums by 124% recently. "The State of New Jersey requires community rates to be based primarily on age and gender," a Health Net spokeswoman said. "This small business had significant employee changes which increased their premiums, as allowed by New Jersey law."

Regence, a not-for-profit plan in Oregon, Washington, Idaho and Utah, was singled out by the administration for requesting a 20% rate increase for individuals in Oregon. In November of last year, a 16% increase was approved by regulators, said Mike Becker, director of legislative and regulatory affairs at Regence BlueCross BlueShield of Oregon.

"Certainly this is a large increase that concerns us and concerns our members," said Mr. Becker, who said the health plan decreased rates in the individual market in 2006 and is losing money on that business.

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