HEALTH INSURERS PADDED PROFITS IN 2010

In 2010, health insurance companies posted sky-high profits. The top five insurers by revenue posted total profits of $11.7 billion last year — more profitable than the top five energy companies, construction companies, airlines, motor vehicle and part manufacturers, and food and drug stores.

UnitedHealth:	$4.63 billion in profits
WellPoint:	$2.89 billion in profits
Aetna:	$1.77 billion in profits
Humana:	$1.10 billion in profits
CIGNA:	$1.35 billion in profits
Total:	**$11.7 billion in profits**

Each of these companies managed to pad their profit margins last year by charging more while spending less on benefits. While some companies did spend more on medical care, they also collected hundreds of millions more in premiums:

UnitedHealth Group collected $6.09 billion more in premiums over 2009, while only spending $3.55 billion more on medical care.	**Profit padding: $2.54 billion**
CIGNA collected $2.35 billion more in premiums over 2009, while only spending $1.64 billion more on medical care.	**Profit padding: $709 million**
Humana collected $2.79 billion more in premiums over 2009, while only spending $2.31 billion more on medical care.	**Profit padding: $473 million**

Other companies collected less in premiums, but spent even less on medical care:

Aetna spent $1.34 billion less on medical care compared to 2009, while collecting $633 million less in premiums.	**Profit padding: $708 million**
WellPoint spent $637 million less on medical care compared to 2009, while collecting $545 million less in premiums.	**Profit padding: $92 million**

Despite rising profits and the ever-widening gap between what these companies collect in premiums and what they spend on medical care, these companies continue to request premium hikes. **Thankfully, the Affordable Care Act protects against unjustified premium increases, and includes key tools to ensure that premium dollars go primarily toward medical care and not profits.**

— *OVER* —

HEALTH REFORM PROTECTS CONSUMERS FROM UNJUSTIFIED PREMIUM HIKES

Health insurance premiums have doubled on average over the last 10 years, rising much faster than wages and inflation. The health reform law provides states with $250 million in grants to improve how states review proposed health insurance premium increases.

Premium review is an effective way to protect consumers from unjustified premium hikes. In the past year alone:

- Blue Cross Blue Shield of Massachusetts agreed to a significant reduction of proposed increases – less than 13 percent instead of the nearly 23 percent they initially requested.
- Oregon disapproved premium increase requests of 10 percent, 18 percent and 20 percent.
- Anthem Blue Cross of California withdrew a request for a 39 percent increase in health insurance premiums, after an independent audit discovered errors in Anthem's request, and HHS Secretary Sebelius and state officials asked for justification.

The Affordable Care Act provides new tools to improve transparency and take action against insurers that propose unjustified premium increases:

- This year, the HHS Secretary can review justifications for increases in premiums and make them public.
- In 2014, health plans that show a pattern of excessive or unjustified premium increases can be excluded from the new health insurance Exchanges.

HEALTH REFORM ENSURES PREMIUMS GO TO MEDICAL CARE, NOT PROFITS

One of the most important consumer protections in health reform is a provision that limits the amount of much premium dollars that can go to profits, bureaucracy, and executive compensation, by setting a minimum requirement for how much must be spent on medical care.

In 2010, more than 20 percent of consumers who purchased coverage in the individual market were in plans that spent more than 30 percent of premiums on administrative costs. An additional 25 percent of consumers were in plans that spent between 25 and 30 percent of premiums on administrative costs. And in some cases, insurance companies spend more than 50 percent of premiums on administrative costs and profits.

Starting this year, insurance companies will be required to spend <u>80 to 85 percent of premium dollars on medical care and health care quality improvement, rather than on profits, bureaucracy, and executive compensation</u>. If they don't, the insurance companies will be required to provide a rebate to their customers. The new rules will protect up to 74.8 million insured Americans this year, and estimates indicate that up to 9 million Americans could be eligible for rebates starting in 2012 worth up to $1.4 billion. Average rebates per person could total $164 in the individual market.