

Opening Statement of Rep. Bart Stupak

Hearing on “Premium Increases by Anthem Blue Cross in the Individual Health Insurance Market”

February 24, 2010

Today’s hearing is the fifth time in this Congress, that our Subcommittee has examined questionable business practices in the private health insurance market. One of the hearings we had last year examined the problem of underinsurance. We heard stories about ordinary citizens who thought they had sufficient health insurance, but learned that their policies were inadequate when they needed them most. We also looked into the problem of small businesses purging, which is when a health insurance company raises premiums to the point it is unaffordable for businesses to continue coverage. Lastly, we held two hearings on rescissions, which is the private health insurance industry practice of terminating coverage after a policyholder becomes sick so that the company can avoid paying expensive and much-needed medical care.

Our hearing today will focus on rate increases in the individual insurance market in California. We will examine what is happening when insurance companies have no limitation or accountability on their rate increases. While most Americans receive health insurance through their employer in the group market or through government assistance programs such as Medicare and Medicaid, more than 15 million Americans receive their health insurance through the individual market. The individual health insurance market is unique in that companies are limited in their ability to spread risk among a larger population.

While today’s hearing will focus on WellPoint’s proposed premium increases in California – this is a national problem. According to a disturbing report released today by the Center for American Progress, WellPoint has implemented or proposed double digit rate increases in 11 of the 14 states in which they operate.

In Maine, WellPoint raised individual rates by 23 percent in 2010, after five straight years of double-digit increases for individual policyholders in that state. Likewise, Indiana residents covered by certain WellPoint policies will endure a rate increase of 21 percent. In Georgia, WellPoint policyholders faced a 21 percent increase in 2009, and are anticipating a similar rate increase again this year. And in the west, Colorado expects average rate increases in WellPoint policies of nearly 20 percent and as high as 24.5 percent in 2010.

But as residents of my home state know, the problem is not limited to WellPoint subscribers. Some Michigan policyholders are facing a proposed rate increase of 56 percent in the individual market.

On January 26, 2010, WellPoint sent out letters advising 800,000 California policyholders of possible rate increases for the coming year. As it turns out, nearly 700,000 WellPoint subscribers received rate increases of as much as 39 percent. WellPoint has tried to justify their rate increases through a high profile media campaign, reassuring policyholders, Congressional leaders and the Administration that the proposed rate increases are necessary due to rising medical costs and declining business resulting from economic difficulties; not from padding their bottom line.

Through our investigation, we discovered internal documents that suggest a closer relationship between the proposed premium increases and WellPoint profits. The documents reveal that WellPoint sought inflated premium increases as a negotiating tool with the California Department of Insurance. WellPoint also appears to be directing policyholders into less generous health insurance plans as a way to lower medical claims, while awarding their executives excessive salaries and paying for lavish retreats.

In our insurance rescission investigation last year, we learned that if an insurance company believes your illness may be costly, it will go back and re-examine your initial application to find an excuse to cancel your coverage. As health insurance industry executives brazenly told us, this practice will continue until there is national health care reform to expressly prohibit it. In this case we are reminded of this sad fact, an internal WellPoint document tells us that the practice of rescissions is a “key issue” for maintaining lower medical loss ratios.

Our first panel of witnesses will put a face on the frightening premium increases that have affected California.

Lauren Meister received notice that WellPoint will increase her rates this year by 38.6 percent. WellPoint offered her an alternative plan that does not cover the brand name medication she requires to treat a chronic condition.

Julie Henriksen is a single mother with two children. WellPoint has proposed to raise her premiums by 30 percent. One of her two sons was born with a hole in his heart that required open-heart surgery at age 3, and he now requires annual care from a cardiologist. If Lauren switches to the alternative plan WellPoint has offered, she will have to pay \$5,000 out of pocket before her insurance even kicks in.

Jeremy Arnold has experienced rate increases on his WellPoint policy totaling 74 percent between 2009 and 2010. Anthem has proposed to raise his rates 38 percent in 2010.

We will also be hearing from Angela Braly, President and Chief Executive Officer of WellPoint. Accompanying her is Cynthia Miller, WellPoint’s Executive Vice President and Chief Actuary. I look forward to their testimony to help this Committee understand why WellPoint made the decision to raise premiums this year by up to 39 percent.

Tomorrow the White House will be holding a summit to discuss the President's newly-released health care reform proposal. Included in this proposal is language granting states the authority to regulate rate increases by private health insurers like WellPoint. This hearing could not come at a better time. It provides a frightful reminder that unless Congress and the Administration act, Americans across the country will continue to experience large premium increases, and will be priced out of the market. With limited or no health care coverage we are all just one injury or illness away from bankruptcy.