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3 HEARING ON PREMIUM INCREASES BY ANTHEM BLUE CROSS IN THE

4 INDIVIDUAL HEALTH INSURANCE MARKET

5 WEDNESDAY, FEBRUARY 24, 2010

6 House of Representatives,

7 Subcommittee on Oversight and Investigations

8 Committee on Energy and Commerce

9 Washington, D.C.

10 The Subcommittee met, pursuant to call, at 10:03 a.m.,  
11 in Room 2123 of the Rayburn House Office Building, Hon. Bart  
12 Stupak [Chairman of the Subcommittee] presiding.

13 Present: Representatives Stupak, Braley, Markey,  
14 DeGette, Schakowsky, Christensen, Welch, Green, Sutton,  
15 Waxman (ex officio), Capps, Eshoo, Hill, Burgess, Gingrey,  
16 and Griffith.

17 Staff present: Phil Barnett, Staff Director; Kristin  
18 Amerling, Chief Counsel; Bruce Wolpe, Senior Advisor; Sarah

19 Despres, Counsel; Purvee Kempf, Counsel; Naomi Seller,  
20 Counsel; Jack Ebeler, Senior Advisor on Health Policy;  
21 Stephen Cha, Professional Staff Member; Dave Leviss, Chief  
22 Oversight Counsel; Stacia Cardille, Counsel; Ali Golden,  
23 Professional Staff Member; Erika Smith, Professional Staff  
24 Member; Ali Neubauer, Special Assistant; Karen Lightfoot,  
25 Communications Director, Senior Policy Advisor; Elizabeth  
26 Letter, Special Assistant; Matt Eisenberg, Staff Assistant;  
27 Sean Hayes, Minority Counsel; Alan Slobodin, Chief Minority  
28 Counsel; Clay Alspach, Minority Counsel; and Garrett Golding,  
29 Minority Legislation Analyst.

|

30           Mr. {Stupak.} This meeting will come to order. Today  
31 we have a hearing entitled ``Premium Increases by Anthem Blue  
32 Cross in the Individual Health Insurance Market.'' Before we  
33 begin, I ask unanimous consent that the contents of our  
34 supplemental memo be entered into the record. This  
35 supplemental report is in regards to our investigation in the  
36 small business health insurance market. We had a draft last  
37 night and I think it was just finalized today. And the  
38 company documents with that memo, there is a document binder  
39 I think we all have agreed on. So without objection, they  
40 will be entered into the record. I should also note for the  
41 record that members will be going back and forth 2 floors up.  
42 Consumer Protection and Trade Subcommittee is also having a  
43 hearing on telecommunications, which many of our members are  
44 members of both subcommittees, and they will be going back  
45 and forth for this hearing.

46           Right now the chairman, ranking member and chairman  
47 emeritus will be recognized for 5-minute opening statement.  
48 Other members of the subcommittee will be recognized for a 3-  
49 minute opening statement. I will begin. Today's hearing is  
50 the fifth hearing in this Congress that our subcommittee has  
51 examined questionable business practices in the private  
52 health insurance market. One of the hearings we had last

53 year examined the problem of under insurance. We heard  
54 stories about ordinary citizens who thought they had  
55 sufficient health insurance but learned that their policies  
56 were inadequate when they needed them most.

57 We also looked into the problem of small businesses  
58 purging, which is when a health insurance company raises  
59 premiums to a point it is unaffordable for businesses to  
60 continue their health coverage. Lastly, we held 2 hearings  
61 on rescissions, which is the private insurance industry  
62 practice of terminating coverage after a policy holder  
63 becomes sick so the company can avoid paying expensive and  
64 much needed health care. Our hearing today will focus on  
65 rate increases in the individual insurance market in  
66 California. We will examine what is happening when insurance  
67 companies have no limitation or accountabilities under rate  
68 increases. While most Americans receive health insurance  
69 through their employer in a group market or through  
70 government-assisted programs such as Medicare and Medicaid  
71 more than 15 million Americans receive their health insurance  
72 through the private individual market.

73 The individual health insurance market is unique in that  
74 companies are limited in their ability to spread their risk  
75 among a larger population. While today's hearing will focus  
76 on WellPoint's proposed premium increase in California, this

77 is a national problem. According to a disturbing report  
78 released today by the Center for American Progress WellPoint  
79 has implemented or proposed double digit rate increases in 11  
80 of the 14 states in which they operate. In Maine, WellPoint  
81 raised individual rates by 23 percent this years after 5  
82 straight years of double digit increases for individual  
83 policy holders in that state.

84 Likewise, Indiana residents covered by certain WellPoint  
85 policies will endure a rate increase of 21 percent. In  
86 Georgia, WellPoint policy holders face a 21 percent increase  
87 in 2009 and are anticipating a similar rate increase again  
88 this year. And in the west, Colorado expects average rate  
89 increases in WellPoint policies of nearly 20 percent and as  
90 high as 24.5 percent this year. But as residents of my home  
91 state know, the problem is not limited to WellPoint  
92 subscribers. Some Michigan policy holders are facing a  
93 proposed rate increase of 56 percent in the individual  
94 market.

95 On January 26 this year WellPoint sent out letters  
96 advising 800,000 California policy holders of possible rate  
97 increases for the coming year. As it turns out, nearly  
98 700,000 WellPoint subscribers received rate increases of as  
99 much as 39 percent. WellPoint has tried to justify their  
100 rate increases through a high profile media campaign

101 reassuring policy holders, congressional leaders, and the  
102 Administration that the proposed rate increases are necessary  
103 due to rising medical costs and declining business resulting  
104 from economic difficulties, not from padding their bottom  
105 line.

106 Through our investigation, we discovered internal  
107 documents that suggest a closer relationship between the  
108 proposed premium increases and WellPoint's profits. The  
109 documents reveal that WellPoint sought inflated premium  
110 increases as a negotiating tool with the California  
111 Department of Insurance. WellPoint also appears to be  
112 directing policy holders to less generous health insurance  
113 plans as a way to lower medical claims while awarding their  
114 executives excessive salaries and paying for lavish retreats.  
115 In our insurance rescission investigation last year, we  
116 learned that if an insurance company believes your illness  
117 may be costly, it will go back and re-examine your initial  
118 application to find an excuse to cancel your coverage.

119 As health insurance industry executives brazenly told us  
120 this practice will continue until there is national health  
121 care reform to expressly prohibit it. In this case here, we  
122 are reminded of this sad fact. An internal WellPoint  
123 document tells us that the practice of rescission is a ``key  
124 issue'' for maintaining lower medical loss ratios. Our first

125 panel will put a face on the frightening premium increases  
126 that have affected California. Lauren Meister received  
127 notice that WellPoint increased her rates by 38.6 percent.  
128 WellPoint offered her an alternative plan that does not cover  
129 the brand name medications she requires to treat a chronic  
130 condition.

131 Julie Henriksen is a single mother with 2 children.  
132 WellPoint has proposed to raise her premiums by 30 percent.  
133 One of her 2 sons was born with a hole in his heart and  
134 required open heart surgery at age 3, and now requires annual  
135 care from a cardiologist. If Lauren switches to the  
136 alternative plan WellPoint has offered she will have to pay  
137 \$5,000 out of pocket before her insurance even kicks in.  
138 Jeremy Arnold has experienced rate increases on his WellPoint  
139 policy totaling 74 percent between 2009 and 2010. Anthem has  
140 proposed to increase his rates 38 percent this year. We will  
141 also be hearing from Angela Braly, the President and CEO of  
142 WellPoint. Accompanying her is Cynthia Smith, WellPoint's  
143 Executive Vice President and chief actuarial. I look forward  
144 to their testimony to help this committee understand why  
145 WellPoint made the decision to raise premiums this year by up  
146 to 39 percent.

147 Tomorrow the White House will be holding a summit to  
148 discuss the President's newly released health care reform

149 proposal. Included in this proposal is language granting the  
150 states the authority to regulate rate increases by private  
151 health insurers like WellPoint. This hearing could not come  
152 at a better time. It provides a frightful reminder that  
153 unless Congress and the Administration acts, Americans across  
154 the country will continue to experience large premium  
155 increases and will be priced out of the market. With limited  
156 or no health care coverage, we are all just one injury or  
157 illness away from bankruptcy. Next, I would yield to the  
158 gentleman from Texas, Mr. Burgess, and welcome him sitting  
159 officially as the ranking member now of the Oversight and  
160 Investigations Committee. I look forward to working with him  
161 throughout this Congress. And, Mr. Burgess, your opening  
162 statement, please.

163 [The prepared statement of Mr. Stupak follows:]

164 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

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165 Dr. {Burgess.} Thank you, Mr. Chairman. We will see if  
166 you still feel that way after a few months. I thank you and  
167 Chairman Waxman for allowing us to have this hearing today.  
168 I want to thank the witnesses who traveled far and wide to  
169 come and be with the committee today and to share their  
170 stories about the purchasers of health insurance and the  
171 people who provide health insurance. You know, it is odd,  
172 Mr. Chairman, you look around the room and you don't see the  
173 insurance commissioner of the State of California, which  
174 really strikes me as odd in a hearing of this nature. If the  
175 reason for this hearing is to determine whether a state  
176 insurance company has violated a state's regulations then you  
177 would think logically that the head of the state's regulatory  
178 agency would be present and be with us.

179 But here today we have Anthem, WellPoint's California  
180 subsidiary, in a dispute with the California insurance  
181 commissioner. The evidence shows that Anthem submitted, as  
182 required, by California state requirements, their actuarial  
183 determinations as to why they needed to decrease premiums  
184 less than 20 percent as well as raise some premiums as high  
185 as 39 percent. The evidence also shows that the California  
186 state insurance commissioner did nothing with the actuarial  
187 information they were given by Anthem. They did not raise a

188 single complaint for over 4 months. Now why the federal  
189 government is involved in a state issue, a state dispute, to  
190 me presupposes that the fundamental difference between the  
191 line of thinking between national Democrats and national  
192 Republicans in the health care debate.

193         The central argument of the Democratic Party is that we  
194 need a national single federal regulator oversee all health  
195 insurance companies but Republicans believe fundamentally  
196 that insurance is a state issue and based on risk pools how  
197 many people get sick at one time versus how many healthy  
198 people there are who won't get sick. So the actuaries look  
199 at the market place and determine this ratio. And, of  
200 course, we are involved right now in this tremendous,  
201 tumultuous health care debate or what used to be called a  
202 health care debate before the President renamed it health  
203 insurance reform, and that is why the timing of this hearing  
204 couldn't be more coincidental. And just for the record, I  
205 never attribute anything to coincidence if it can be  
206 adequately explained by conspiracy.

207         Tomorrow, the President is holding a bipartisan photo-op  
208 on health insurance reform at the White House, a 6-hour  
209 photo-op, so it is a significant photo-op, and his Secretary  
210 of Health and Human Services has used the state-based issue,  
211 the increase of Anthem's in the State of California to

212 increase support as another reason why we need a \$1 trillion  
213 or \$2 trillion health reform package. In fact, his Secretary  
214 of Health and Human Services has said that the profits of  
215 Anthem are outrageous, her words, and that the insurance  
216 companies should not make that much money. Why does profit  
217 matter if the actuaries have done their work?

218 I will agree, a 39 percent premium is a huge number, a  
219 big, scary number but it may be irrelevant in this debate if  
220 the debate is on whether or not the business model of the  
221 insurance should be based on what the actuaries are  
222 determining is a risk spread. Now I make no apologies for  
223 the insurance companies. They are certainly capable of  
224 defending themselves, and, if not, then they deserve what  
225 they get but I think a GAO report needs to be commissioned to  
226 study how the insurance companies determine how much they are  
227 going to charge with their premiums, but if the numbers show  
228 that there will be a precipitous decline in the number of  
229 people who are in the risk pool then any number, no matter  
230 how big, may in fact turn out to be acceptable.

231 So if we are just focused on solving a dispute between  
232 California and Anthem, whose actuary is right, now wouldn't  
233 that be a stimulating hearing? We could have dueling  
234 actuaries. If Anthem is right, their actuary portrayed an  
235 accurate risk for the State of California, or is the

236 California Department of Insurance right to complain 4 months  
237 after the fact that Anthem is a bad insurance company. But,  
238 you know what, we are really not here to answer those  
239 questions. We are here to answer whether there needs to be  
240 reform in the health care industry as a whole. And I will  
241 tell you as a practicing physician for over 25 years, there  
242 needs to be. Costs are a problem. Yet, after months and  
243 months of debate, we really haven't figured out how to answer  
244 the question of how do we bend the cost curve or actually we  
245 have figured out to bend it in the wrong direction.

246 We haven't determined whether these costs are  
247 conclusively attributable to the business practices of health  
248 care providers, who are sometimes impugned, or the insurance,  
249 who are often impugned, or whether these costs are  
250 attributable to what the First Lady is focusing on, lifestyle  
251 choices, diet, exercise, and the epidemic of obesity. Or  
252 maybe it is just that people are living longer and the cost  
253 of treating an older generation were never envisioned when we  
254 created Medicare back in the '60s. And, of course, there is  
255 the advancing complexity of what we are able to do. The very  
256 fact that we have more than one cholesterol-lowering  
257 medication on the market is significant. What we can all  
258 agree on is there needs to be reforms in the health industry.  
259 Let us get rid of pre-existing conditions and lifetime caps.

260 I am for that. Let us work on tort reform. How about  
261 increased competition? I could be for that.

262 Increased flexibility and portability, who would be  
263 against that? How about some improvements for people who are  
264 stuck in the COBRA system so they are not stuck with such a  
265 high premium? I could be for that. But, you know, we are  
266 going to turn our attention to the President's summit  
267 tomorrow. I hope the President, I hope the President is  
268 truly interested in including good ideas regardless from  
269 which side of the dais they emanate. I will yield back the  
270 balance of my time.

271 [The prepared statement of Dr. Burgess follows:]

272 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
273 Mr. {Stupak.} Thank you, Mr. Burgess. Mr. Waxman,  
274 chairman of the full committee. Thanks for being here, and I  
275 look forward to your opening statement.

276 The {Chairman.} Chairman Stupak, thank you for  
277 convening this important and timely hearing. On February 4,  
278 the Los Angeles Times reported that Anthem Blue Cross, a  
279 subsidiary of WellPoint, intended to raise its rates as much  
280 as 39 percent for their 800,000 individual policy holders in  
281 California. And I want to single out Duke Helfon and Lisa  
282 Garrion, who are reporters who have done excellent work on  
283 this issue and brought to our attention the rescissions as  
284 well which has been a tactic used by those who cover  
285 individuals for insurance policies. By any measure, this was  
286 a breathtaking increase in health insurance costs. We are  
287 holding today's hearing to find out what is really driving  
288 these enormous rate increases.

289 WellPoint says the rate increases are a result of  
290 medical inflation and healthier policy holders dropping  
291 coverage. But the thousands of pages of WellPoint documents  
292 we have reviewed tell another story. They tell a story not  
293 about costs but about profits, not about increasing coverage  
294 but about reducing benefits to policy holders, not about  
295 removing barriers to coverage but about erecting new ones,

296 not about covering more people who have illnesses, but about  
297 cutting them off and seeking out new customers who are  
298 healthier and wealthier.

299         The documents also tell a story of potential huge new  
300 premium rate increases still to come. WellPoint says that  
301 its rate increases have nothing to do with increasing company  
302 profits, but an internal company e-mail says that its rate  
303 increase would ``return California to target profit of 7  
304 percent.'' WellPoint says that its rate increases are  
305 absolutely necessary, but its internal company documents  
306 describe a plan to build in a cushion to allow for  
307 negotiations. The company told its board of directors that  
308 its average rate ask would be 25 percent but that its final  
309 rate increase would only be 20 percent. Other documents  
310 raised the possibility that WellPoint may have manipulated  
311 its actuarial assumptions to keep its medical loss ratio, a  
312 key measure reviewed by California regulators, flat.

313         The documents we have reviewed show WellPoint is  
314 proposing its highest increases on its more generous plans,  
315 and at the same time it is actively developing new products  
316 called downgrade options that reduce benefits for its policy  
317 holders. As we will hear from the witnesses on our first  
318 panel, this purging process cuts coverage for WellPoint  
319 policy holders when they need it the most, when they get

320 sick, and the WellPoint documents point to a future of even  
321 higher rate increases. WellPoint told committee staff that  
322 WellPoint voluntarily capped its maximum rate increase at 39  
323 percent. Well, if WellPoint had not done this some policy  
324 holders could have faced rate increases of over 200 percent.

325         Mr. Chairman, we have circulated a memorandum to members  
326 describing these documents, and I know they are now part of  
327 the record. One question we asked is where does all of this  
328 money go? We have learned that in 2008 WellPoint paid 39  
329 senior executives over a million dollars cash each, and the  
330 company spent tens of millions of dollars more on expensive  
331 corporate retreats. During 2007 and 2008, WellPoint spent  
332 \$27 million on 103 executive retreats. One retreat in  
333 Scottsdale, Arizona cost over \$3 million. Corporate  
334 executives at WellPoint are thriving, but its policy holders  
335 are paying the price. Ultimately, what this hearing will  
336 show is that the current system is absolutely unsustainable.  
337 If we fail to pass health reform, insurance rates will  
338 skyrocket and health insurance will become so expensive only  
339 the most healthy and the most wealthy will be able to afford  
340 coverage.

341         Health insurers like WellPoint may get richer, but our  
342 nation's health will suffer. We cannot go down this road  
343 forever. It is breaking our middle class and it will

344 bankrupt our nation. We will learn much from today's  
345 hearing, Mr. Chairman, and I hope we will apply these lessons  
346 when we meet at the White House tomorrow and in the days and  
347 weeks to come. We have got to reform the current health care  
348 system. Individual insurance seeks not to spread the cost  
349 but to exclude people from coverage so that they will not  
350 cost the insurance companies more money, and that is not  
351 insurance that is going to protect people who need it the  
352 most when they get sick. Thank you, Mr. Chairman.

353 [The prepared statement of Mr. Waxman follows:]

354 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
355 Mr. {Stupak.} Thank you, Mr. Waxman. Mr. Gingrey, for  
356 an opening statement, please, 3 minutes.

357 Dr. {Gingrey.} Thank you, Mr. Chairman. And, Mr.  
358 Chairman, I want to join with you and all of our colleagues  
359 in welcoming and congratulating my OB GYN colleague on our  
360 side of the aisle as the new ranking member of the  
361 subcommittee, and I congratulate Dr. Burgess. First off,  
362 these patients here today, they need reform, as do many  
363 patients who find it increasingly hard to afford health  
364 insurance or chronically ill patients who cannot find a  
365 policy because they are simply too sick to insure. The  
366 increases they receive especially in an economy like the one  
367 we are currently experiencing are tough to justify, and I  
368 would like to thank them for coming today and we look forward  
369 to your testimony.

370 Throughout the past year, many in this Congress have  
371 seemed to operate in a bubble seemingly oblivious to the  
372 needs or the wants of their constituents because of  
373 ideological reasons. We started this Congress with the hope  
374 that we would work together to reform our health care system.  
375 What we ended up finding was a Congress more prone to closing  
376 doors than opening them creating special deals to, yes, buy  
377 Democratic votes instead of compromising to find Republican

378 ones. I along with many of my colleagues continue to write  
379 the President and Democratic leadership offering my medical  
380 advice. Unfortunately, they have yet to respond.

381         So whether it becomes a paycheck doesn't bring home  
382 enough money to afford it or our sickest patients cannot  
383 access it, every American should have quality health care. A  
384 majority of Americans, and an overwhelming majority of  
385 Congress strongly agree with that sentiment. Yet, here we  
386 sit without a health reform bill because Washington continues  
387 to pursue a bill that they cannot sell to the American  
388 people. The Obama plan is the same bill with a few minor  
389 changes, notably changes that favor unions, increase cuts to  
390 senior's health plans. If it was a popular bill, we would  
391 not be sitting here today. If it was a good bill, we would  
392 not be sitting here today.

393         Mr. Chairman, the American people simply do not want the  
394 Obama plan. Every day that this Administration and this  
395 Congress spends in backroom meetings on the Obama plan is one  
396 day too many. I believe I can speak for every member of this  
397 committee when I say that we can fix the problems in our  
398 health care system. The only thing standing in the way of  
399 that goal is a simple, yet inconvenient truth, the plan  
400 President Obama and Democratic leaders want is not what the  
401 American people want. Mr. Chairman, I believe that the

402 Democratic majority has a decision to make. If they truly  
403 want health care reform, they will need to get rid of the  
404 bill that Americans don't want. If they want bipartisan  
405 health reform, they will need to invite Republicans to work  
406 with them to help create legislation, not just invite them to  
407 review that has already been created and now, of course,  
408 plused up by another \$100 billion.

409         Inviting Republican leadership to a televised meeting at  
410 the Blair House while secret meetings on the Obama plan  
411 continue at the White House is not the change that the  
412 American people want or will accept. I look forward to the  
413 witnesses' testimony. And, Mr. Chairman, I will yield back  
414 as my time has expired.

415         [The prepared statement of Dr. Gingrey follows:]

416 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
417 Mr. {Stupak.} Thank you, Mr. Gingrey. Ms. DeGette for  
418 opening statement, please, 3 minutes.

419 Ms. {DeGette.} Mr. Chairman, I will submit my opening  
420 statement for the record. But I want to say I am offended by  
421 some of the things that my colleague from Georgia just said,  
422 and the reason why I am offended by them, it is one thing for  
423 us to disagree about the content of a health care bill. It  
424 is another thing to disparage people's motives. Now there  
425 are a lot of motives to be disparaged on both sides of the  
426 aisle, but I will say every single member of this committee  
427 who has worked on this bill from Chairman Waxman to the  
428 ranking member to everybody else has worked hard on this  
429 bill. Now Mr. Gingrey and his colleagues may not like the  
430 bill that this committee passed, but they cannot deny that we  
431 spent hours of hearings in this committee and we spent hours  
432 of markups considering amendments from both sides. And if  
433 you don't like the bill, that is just fine. That is not a  
434 partisan problem. That is a problem of not liking the bill,  
435 and I understand that.

436 But I would ask that Mr. Gingrey and everybody else just  
437 quit painting everybody with the same broad brush because if  
438 we ever hope to restore a spirit of comity to this committee  
439 and this Congress attacks like that should not be

440 countenanced on either side of the aisle. I want to say one  
441 more thing. There really is a problem here that we are  
442 trying to deal with, and I don't think anybody in this room  
443 would disagree with that. As the chairman said, there are  
444 proposed rate increases by Anthem Blue Cross in California,  
445 in Michigan, in Connecticut, in Maine, in Oregon and Rhode  
446 Island, and 20 percent in my home state of Colorado. Now  
447 today on the floor they are going to have a bill repealing  
448 the antitrust exemptions of the McCarran-Ferguson Act.

449         Only 2 industries currently enjoy those exemptions, and  
450 that is the health care industry and major league baseball.  
451 I guess we can talk about major league baseball later this  
452 year. But if we want more competition, it would seem to me  
453 that this would be a good start, and I would hope my friends  
454 on both sides of the aisle would vote for this bill. In the  
455 meantime though to deny that there is a problem to say, well,  
456 you know, the insurance companies because medical costs are  
457 going up have to increase their premiums like this is denying  
458 the fact that my constituents and everybody in this room  
459 constituents cannot buy insurance policies on the individual  
460 market because they cannot afford to pay these rate  
461 increases.

462         And I have people come to me every day and talk to me  
463 about this. Some of them are related to me, and I am sure

464 everybody in this room has experienced those same issues.  
465 So, you know, my view--and I have worked with Mr. Gingrey. I  
466 have worked with everybody in this room. They know that I am  
467 not particularly a partisan person, that I try to work on  
468 these issues in a bipartisan way. So I would say on both  
469 sides of the aisle let us cut it out. If we don't like each  
470 other's bills, let us just debate against the bills. Let us  
471 stop disparaging their motives. And I yield back.

472 [The prepared statement of Ms. DeGette follows:]

473 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
474 Dr. {Gingrey.} Mr. Chairman, since Ms. DeGette  
475 mentioned my name, can I have 30 seconds to respond?

476 Mr. {Stupak.} No, let us move on. We are not going to  
477 go back and forth. We will have an opportunity later. Maybe  
478 Mr. Griffith can yield you some time, but yield now to Mr.  
479 Griffith for 3 minutes for an opening statement.

480 Mr. {Griffith.} Thank you very much for the  
481 opportunity, and I certainly appreciate being here. The good  
482 news about health care reform is that everyone would like to  
483 see it happen. The discussion of how it might happen has  
484 certainly been ongoing and will continue to be ongoing. One  
485 of the bills that was passed this year that I think got not  
486 as much applause as it should have was the FDA's ability to  
487 control tobacco, a huge, life saving bill in and of itself.  
488 That in and of itself was health care reform, and I think  
489 Chairman Waxman needs to be proud of that. And I know as a  
490 cancer specialist, I am certainly proud of it.

491 One quick comment is that in order to reform health  
492 care, we must understand we cannot reform it around a  
493 shortage, and the shortage are MDs. There is a difference  
494 between coverage and access. We have millions of Americans  
495 covered today who can't access health care because we don't  
496 have enough providers to take care of them. So if we gave

497 everyone in America a little card that says USA health care  
498 our emergency rooms would still be just as busy as they are,  
499 just as crowded. We would still have just as much trouble  
500 getting our Medicare and Medicaid and our pediatric patients  
501 seen, and so any part of reform or improvement in health care  
502 must include a major increase in the number of medical  
503 schools, a major increase in the number of young men and  
504 women who are entering medical school, and we need to  
505 increase our mid-level providers, our nurse practitioners.  
506 We must increase their ability to see our chronically ill and  
507 do education.

508           Half of all deaths in America over the next hundred  
509 years will be lifestyle-related. There will be smoking,  
510 overeating, not enough exercise, unrelated to infection or  
511 malignant disease. Thank you, Mr. Chairman.

512           [The prepared statement of Mr. Griffith follows:]

513 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
514           Mr. {Stupak.} Thank you, Mr. Griffith. And I should  
515 say welcome to the committee. It is your first time with us.  
516 Welcome to the committee. Next is Mr. Braley for an opening  
517 statement.

518           Mr. {Braley.} Thank you, Mr. Chairman. Even though the  
519 focus of this hearing is on rate increases by Anthem Blue  
520 Cross what we are really talking about is a problem that  
521 affects people all over this country because it is not a new  
522 problem and the point has been raised about health insurance  
523 reform versus health care reform. I have always stressed the  
524 need for comprehensive global health care reform, and we  
525 cannot afford as a country not to move forward with health  
526 care reform. Even though this hearing is focused on Anthem  
527 Blue Cross in the State of California, this very same issue  
528 is facing my constituents in Iowa. Last week, Well Mark Blue  
529 Cross/Blue Shield, the largest health insurer in Iowa,  
530 announced it would raise rates an average of 18 percent for  
531 Iowans who buy their own health insurance, and that is  
532 expected to affect about 80,000 Iowans. Some of them will  
533 see their rates go up over 20 percent.

534           According to Well Mark, this is the largest annual  
535 increase since 2006 and the troubling rise in premiums comes  
536 on top of an average 9.3 percent increase for individual

537 policy holders last year, and a 54 percent increase in rates  
538 for individuals over the past 5 years. So when asked about  
539 this, the company spokesman noted that this was not related  
540 to anything that we don't already deal with and blamed  
541 increase in chronic conditions such as obesity and knee and  
542 hip ailments as well as the price of prescription drugs and  
543 high tech medical imaging.

544         And this is what is very fascinating. He also said the  
545 real way to make insurance more affordable is to lower health  
546 care costs and require everyone to have insurance, which is  
547 one of the very points that we have been struggling with in  
548 this debate over how we address the problem of providing  
549 access to health care coverage for millions of Americans. So  
550 I think Iowans want to know exactly why companies like Well  
551 Mark and WellPoint are raising rates on these individual  
552 plans and what factors went into their decisions because  
553 everyone who is affected by this deserves a detailed  
554 justification for the increases from their insurance  
555 companies. They deserve to know that their elected officials  
556 are working to ensure appropriate and adequate oversight and  
557 regulation of the insurance industry and working to ensure  
558 that they have access to quality affordable health care.

559         That is why I believe this hearing is a good first  
560 start, but it is also one more example about why we need

561 comprehensive health care reform in this country. All  
562 Americans deserve access to quality affordable health care  
563 coverage as soon as possible, and unless we look at all the  
564 contributing factors including unregulated high increases in  
565 health insurance premiums, which have been going on for  
566 decades in this country, we are never going to get at the  
567 root of the problem and that is why I look forward to the  
568 testimony of our witnesses. And I yield back.

569 [The prepared statement of Mr. Braley follows:]

570 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
571           Mr. {Stupak.} Thank you, Mr. Braley. Mr. Green, for an  
572 opening statement, please.

573           Mr. {Green.} Mr. Chairman, I want to thank you for  
574 holding this hearing today on the recent individual health  
575 insurance policy increases proposed by WellPoint and Anthem  
576 Blue Cross/Blue Shield in California. Millions of Americans  
577 do not have insurance through their employers or through  
578 public programs and they turn to the individual insurance  
579 market to purchase an insurance policy. Individuals who  
580 purchase insurance through the individual market must go  
581 through sometimes a difficult application process and often  
582 they are denied coverage through pre-existing conditions.  
583 Even if they are approved for coverage, they cannot afford  
584 the premiums in the individual market. We do know that in  
585 tough economic times like these health individuals drop their  
586 coverage to save money because health premiums across the  
587 Board are too high, and because of this occurrence could  
588 reduce this risk pools so significantly that extreme premium  
589 increases are necessary for those individuals who want to  
590 maintain their individual policies.

591           At least that is the explanation given by WellPoint  
592 President and CEO Angela Braly to HHS Secretary Sebelius when  
593 asked to explain skyrocketing premium increases in

594 California. There are not enough healthy people in Anthem  
595 Blue Cross/Blue Shield individual market and 39 percent  
596 premium increase is necessary for Anthem to continue to  
597 provide coverage in that area. The data emerges from the  
598 National Association of Insurance Commissioners clearly  
599 showing that enrollment in Anthem BCBS in California  
600 increased from 583,967 individual policies at the end of 2008  
601 to 627,082 individual policies at the end of the third  
602 quarter of 2009. That is an increase of over 7 percent in  
603 the individual market for Anthem in California alone, so a  
604 high rate increase because of reduced pool doesn't make  
605 sense.

606         It appears to me that the insurance industry's dirty  
607 little secret drastically increasing individual policy rates  
608 without justification and running rough shod over consumers  
609 has finally been given the public attention it deserves.  
610 Companies and Anthem Blue Cross/Blue Shield has been trying  
611 to get away with these outrageous type increases in Michigan,  
612 Rhode Island, Washington, and Maine, just a few.  
613 Unfortunately, states like Texas have very little we can do  
614 to prevent these rate increases going into effect, and are  
615 often at the mercy of the insurance companies, and that is  
616 historically true in Texas. Today, we are finally telling  
617 the insurance industry that the party is over. You have been

618 making astronomical profits in the individual market off the  
619 backs of the sick and working folks who don't have an option  
620 but to obtain health insurance, but in the individual market  
621 it has gone on too long.

622         Both the House and Senate reform bills contain  
623 provisions to give state and HHS Secretary the ability to  
624 review health insurance premium increases and the President's  
625 proposal takes this one step further by creating oversight of  
626 insurance premiums at the federal level. If individuals  
627 continue and cannot afford health insurance they end up in  
628 the emergency room forcing the health care system and the  
629 taxpayer to pay for their expenses, yet the insurance  
630 companies continue to see increased profits while making it  
631 nearly impossible for individuals to gain access or to afford  
632 a policy.

633         These hearings highlight we desperately need insurance  
634 reform and health insurance reform in our country. All  
635 individuals should have access to quality and affordable  
636 health insurance. And, Mr. Chairman, we are not seeing that  
637 in our country. Otherwise, insurance reform wouldn't be  
638 needed, but we know in my particular district 43 percent of  
639 my constituents who are working don't have insurance through  
640 employers so they don't have a group plan so they have to go  
641 to the individual market, and I yield back my time.

642 [The prepared statement of Mr. Green follows:]

643 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
644 Mr. {Stupak.} Mr. Markey, for an opening statement.

645 Mr. {Markey.} Thank you, Mr. Chairman, very much. Many  
646 people think that health insurance reform doesn't matter to  
647 them because they already have health insurance.

648 Skyrocketing premiums and insurance company abuses, however,  
649 reveal a different story. Medical bills are the leading  
650 cause of personal bankruptcies in the United States today.

651 In 2009, 60 percent of all people who declared personal  
652 bankruptcy did so because of their medical bills, and 80  
653 percent of those people actually had health insurance. They  
654 just weren't covered or what it was that ultimately came to  
655 become the disease that affected them or their family.  
656 People just discovered they weren't covered.

657 It is appalling that over the coming weeks and months  
658 when many Americans sit down to pay their bills, they will  
659 open a letter from their health insurance company informing  
660 them that their premiums will increase by 14, 22 or even 39  
661 percent. Last week, I spoke with a small retail business  
662 owner named Diane Otnesio from Woburn, Massachusetts in my  
663 district. She recently got a letter from her insurance  
664 company saying that her health insurance premium is jumping  
665 32 percent from \$494 per month to \$652, and her husband had  
666 the same increase. So this is essentially a 30 percent

667 increase, and she says to me personally my small business is  
668 struggling to survive and I am expected to pay an extra \$158  
669 for the same health plan. It is making an already difficult  
670 economic situation even worse.

671 People like Ms. Otnesio are doing the right thing and  
672 faithfully paying their health insurance premiums, but it is  
673 becoming increasingly difficult when some insurance companies  
674 are jacking up premiums and experiencing huge profits. In  
675 the midst of this economic crisis, WellPoint, the parent  
676 company of Anthem Blue Cross, recorded a \$2.3 billion  
677 increase in annual profits. That is a 91 percent increase  
678 compared to the company profits in 2008. Did that jump in  
679 profits mean that WellPoint covered more of their customers'  
680 medical costs? No. In fact, their contribution to medical  
681 expenses of their customers decreased by 1 percent. Did this  
682 rise in profits lead to an appropriate reduction in premiums?  
683 No. Anthem Blue Cross is considering raising individual  
684 health insurance premiums by as much as 39 percent.

685 And, sadly, Anthem Blue Cross is not an isolate case.  
686 Last week, Health and Human Services Secretary Sebelius  
687 released a report showing that health insurance companies in  
688 6 other states proposed outrageous increases in health  
689 insurance premiums. There could not be a more important  
690 hearing, Mr. Chairman. I thank you for having it. It goes

691 right to the heart of the anxiety that millions of Americans  
692 all across our country are feeling right now as we sit here  
693 in this hearing room. Thank you.

694 [The prepared statement of Mr. Markey follows:]

695 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
696           Mr. {Stupak.} Thank you, Mr. Markey. Ms. Christensen,  
697 for an opening statement, 3 minutes, please.

698           Mrs. {Christensen.} Thank you, Mr. Chairman. Amid the  
699 reports of record breaking profits in the insurance industry  
700 almost 3 million more people in this country lost their  
701 coverage. So I want to thank you, Chairman Stupak and  
702 Ranking Member Burgess, for having this oversight hearing on  
703 what proposes to be an extreme increase in insurance  
704 premiums. This morning, we are looking at what is happening  
705 in California but premium increases every year, year after  
706 year, are hurting American families and increasing the ranks  
707 of the uninsured, exactly the opposite direction this country  
708 ought to be moving in. Over the years, I have worked with  
709 WellPoint, and I applaud the work that they have done in  
710 diversity and wellness programs and other areas, but I am  
711 alarmed by the proposed 39 percent increase in premiums.

712           Despite the reasons that they offer, I do not see that  
713 they support the need for these premium increases, and I  
714 cannot support them. WellPoint is among the big 5 who  
715 enjoyed a combined profit of \$12.2 billion last year. I  
716 don't grudge them the profits. They are in the business to  
717 achieve profits, but ordinary folks, your clients and others,  
718 are having to make unsustainable sacrifices to keep health

719 insurance and to make ends meet. I cannot see why keeping  
720 the premiums where they are, having been raised about 20  
721 percent last year, would be an even comparable sacrifice for  
722 WellPoint or its shareholders because as I see it they would  
723 still realize substantial profits.

724         We welcome WellPoint's support for health care reform.  
725 Indeed, in a very real way this Congress' failure to pass  
726 meaningful legislation such as we passed in this committee  
727 last year is a major part of the problem we are discussing  
728 today. It is time for our Republican colleagues to stop  
729 blocking what we and the other committees passed at the long  
730 hearings and markups and which everyone was involved. So  
731 anyone who goes to the White House tomorrow without a  
732 determination to insure everyone, to provide equitable health  
733 care to everyone, including those living in the territories,  
734 and reduce health care costs should get out of the way and  
735 let others who will do what has to be done sit in their  
736 chair.

737         If there is anything that WellPoint and those of us on  
738 this side of the dais can agree on, it is that we might not  
739 be here having this hearing today if the President had signed  
740 the kind of legislation this House passed last year. I want  
741 to welcome those who are here to testify this morning, both  
742 the customers of WellPoint and the officials of WellPoint,

743 and I look forward to your testimony.

744 [The prepared statement of Mrs. Christensen follows:]

745 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
746 Mr. {Stupak.} Thank you. Mr. Welch, for an opening  
747 statement. He stepped out. Ms. Sutton, opening statement.

748 Ms. {Sutton.} Thank you, Mr. Chairman. Thanks for  
749 holding this hearing today. I would like to be able to say  
750 that I am shocked that we are talking about this, but sadly I  
751 am not. While I understand that this hearing focuses  
752 primarily on Anthem Blue Cross in the California market  
753 unfortunately as we heard here the situation is not unique.  
754 Across this country millions of Americans, affecting both  
755 individuals and businesses, are being devastated by shocking  
756 increases in their health insurance premiums. And let us be  
757 clear, health insurance companies have been socking it to the  
758 American people and businesses for years. Health Care for  
759 America Now recently released a report that found that in  
760 2009 the health insurance industry had record profits.

761 Let us just think about that. In 2009, a year when the  
762 average American family suffered unlike any year in recent  
763 history, health insurance companies still had record profits.  
764 And according to the report the 5 biggest for-profit health  
765 insurance plans had combined profits of \$12.2 billion in  
766 2009, up 56 percent from the year before. According to a  
767 Health and Human Services report, over the last 9 years  
768 profits at the largest insurance companies increased 10 times

769 faster than inflation, and over the last decade the amount  
770 private insurance companies spend on administrative costs,  
771 administrative costs, instead of paying claims and covering  
772 care, the amount that they spent on administrative costs grew  
773 faster than the amount they spent on prescription drugs as  
774 well.

775         Premiums continue to skyrocket but consumers don't  
776 receive additional benefits or care. These increased  
777 premiums mean families have to make untenable choices. They  
778 are forced to sit down and weigh their chances of getting  
779 cancer or getting hit by a bus against having to pay an  
780 insurance premium that is now suddenly 30 percent higher,  
781 sometimes higher than their mortgage. Choosing to pay the  
782 higher premium means they may not be able to pay their  
783 heating bill or other basic life necessities or send their  
784 children to college, or sometimes it means choosing, if you  
785 can even call it a choice, to not have health insurance.  
786 This is not a situation that should occur in the United  
787 States of America.

788         And this why we have heard a lot about health care  
789 reform. The Affordable Health Care for America Act that was  
790 passed by the House contained an 85 percent medical loss  
791 ratio, which would require insurance companies like Anthem  
792 Blue Cross, WellPoint, to be held accountable to consumers

793 when they do not spend enough of their premium revenue on  
794 actual health benefits. The days of health insurance  
795 companies putting profits before people need to be over. I  
796 am sad that we are sitting here to discuss this today but the  
797 American people, they need answers, and it is time for  
798 WellPoint to explain why they are raising premiums in this  
799 way, especially right now. And I yield back.

800 [The prepared statement of Ms. Sutton follows:]

801 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
802           Mr. {Stupak.} Thank you. Mr. Welch is here. Opening  
803 statement.

804           Mr. {Welch.} Thank you, Mr. Chairman. These premium  
805 increase requests really are just the latest effort on the  
806 part of the insurance industry to preserve and protect its  
807 business model, and it is a business model that served them  
808 extremely well with record profits and record salaries but  
809 has imposed real harsh consequences on individuals in America  
810 and our businesses that are trying to provide health care to  
811 their citizens. It is not sustainable. There is nothing  
812 really to talk about. How possibly can a family or a  
813 business cope with an envelope that arrives telling them that  
814 the cost of health care is going to increase 40 percent. And  
815 Anthem, WellPoint, always has an excuse, always has an  
816 explanation, that is ``the cost of health care.'' But  
817 essentially what the insurance industry has done,  
818 unfortunately, with a good degree of success, is block any  
819 systemic reform which this country needs in order to have a  
820 health care system that is affordable and accessible.

821           It is pretty astonishing when you look at what the  
822 premium increases has been, 26 percent between 2003 and 2008  
823 for single policies, 33 percent for family policies. The 10  
824 largest health insurers saw their profits balloon from \$2.4

825 billion to \$13 billion in 2007. And as the member from Ohio  
826 was saying, the amount paid to health providers has gone from  
827 95 percent in some cases to 74 percent. That has enabled  
828 some companies to pay executive salaries in the range of \$24  
829 million. In my own small state of Vermont when the CEO of  
830 Blue Cross left, he got a \$7.2 million golden parachute.  
831 That came out of rate increases. It came out of businesses  
832 that were struggling with the decision about whether they  
833 were going to cut workers or cut their benefits, a decision  
834 our employers don't want to make.

835         So if I have a complaint about the insurance industry,  
836 it is not the individual rate increases. It is the  
837 consistent effort to stand in the way of health care reform  
838 so that the folks in this country, the businesses in this  
839 country, can have some confidence that they are going to get  
840 affordable and accessible health care. Health care is not  
841 about being in service of the insurance industry. The  
842 insurance industry should be about being in the service of  
843 helping us have access to health care. I yield back. Thank  
844 you, Mr. Chairman.

845         [The prepared statement of Mr. Welch follows:]

846 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
847           Mr. {Stupak.} Thank you, Mr. Welch. Last, but not  
848 least, Ms. Schakowsky, opening statement, please.

849           Ms. {Schakowsky.} Thank you, Mr. Chairman. When I saw  
850 the latest stories out of California about Anthem Blue Cross'  
851 decision to raise rates, I knew, my constituents knew, this  
852 is not an isolated incident. It is just the most recent  
853 example of what the insurance companies are doing to policy  
854 holders across the country. This committee has known for  
855 some time that arbitrary rate increases are a real threat to  
856 health access. Last summer, 12 of my colleagues and I  
857 successfully offered an amendment to the health reform bill  
858 to prevent excessive premium hikes like the one we now see  
859 from Anthem. We passed legislation requiring prior approval  
860 of large rate increases. And I am glad the President has now  
861 called for strong rate review regulation in his proposal for  
862 comprehensive reform, and I look forward to ensuring that  
863 what started as an amendment in this committee becomes law.

864           I have heard from my constituents in my district asking  
865 that we not limit our investigation to California or to  
866 Anthem. They have sent me policy statements and renewal  
867 notifications highlighting years of high premiums. They have  
868 described the tough choices they have had to make, agreeing  
869 to high deductibles in an effort to maintain coverage, and

870 yet the increases keep coming and coming. Illinois, like 25  
871 other states, does not require prior rate approval of premium  
872 increases, and there is no authority to reject or deny  
873 excessive rate increases. So my constituents are turning to  
874 me, to Congress, to act to protect them.

875 In addition to those stories, I have heard cases from my  
876 district showing that these trends are not confined to the  
877 individual market. From a community health center in my  
878 district in the process of renewing their Blue Cross/Blue  
879 Shield group policy, they are looking at an across the board  
880 double digit premium hike this year, and they are being  
881 forced to pay higher co-pays for things like emergency room  
882 visits or to see a specialist. Congress has taken repeated  
883 action to increase funding for community health centers.  
884 That money was intended to provide quality access to health  
885 care for our most vulnerable populations, not to pay  
886 insurance company premium hikes.

887 Families are forced to make extremely tough choices when  
888 faced with an unexpected 39 percent increase in their budget  
889 and their personal stories only emphasize the need for  
890 comprehensive health reform that brings greater access and  
891 affordability to our health care system. I would like to  
892 close by thanking the witnesses for their participation in  
893 today's hearing and look forward to their testimony. I yield

894 back.

895 [The prepared statement of Ms. Schakowsky follows:]

896 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
897           Mr. {Stupak.} Thank you. That concludes the opening  
898 statements from all members of the subcommittee. I should  
899 note, and I appreciate the fact, that Ms. Eshoo from  
900 California is here, and I am sure when we get to questions  
901 she will probably have a question or two. And Ms. Capps was  
902 also here, who just had to step out. As I said, we have two  
903 hearings going, one on the third floor and one here, and  
904 members are going back and forth. But members of the full  
905 committee of the Energy and Commerce Committee who may not be  
906 a member of this subcommittee will be allowed to ask  
907 questions at a later time of witnesses. So that concludes  
908 the opening statement by members of the subcommittee.

909           We have our first panel of witnesses before us. They  
910 are Lauren Meister, who is from West Hollywood, California,  
911 Ms. Julie Henriksen, who is from Los Angeles, California; and  
912 Mr. Jeremy Arnold, who is also from Los Angeles, California.  
913 It is the policy of this subcommittee to take all testimony  
914 under oath. Please be advised by the rules of the House that  
915 you are allowed to be advised by counsel during your  
916 testimony. Do you wish to be represented or advised by  
917 counsel during your testimony, any of our witnesses? All  
918 shaking their heads no, so we will take that as a no.  
919 Therefore, I am going to ask you to please rise and raise you

920 right hand and take the oath.

921 [Witnesses sworn.]

922 Mr. {Stupak.} Let the record reflect that the witnesses  
923 have replied in the affirmative. They are now under oath and  
924 they will begin with an opening statement. I would ask Mr.  
925 Arnold if you would not mind going first. Pull that mike up,  
926 press a button, the green light should go on, and you need to  
927 keep that mike fairly close to your voice in order to project  
928 your voice. Begin, please.

|  
929 ^TESTIMONY OF JEREMY ARNOLD, LOS ANGELES, CALIFORNIA; JULIE  
930 HENRIKSEN, WESTCHESTER, CALIFORNIA; AND LAUREN MEISTER, WEST  
931 HOLLYWOOD, CALIFORNIA

|  
932 ^TESTIMONY OF JEREMY ARNOLD

933 } Mr. {Arnold.} Thank you. Good morning, Mr. Chairman,  
934 and members of the committee. I am an Anthem Blue Cross  
935 policy holder, who has been directly impacted by Anthem's  
936 astonishing proposed rate increases in California. Because I  
937 work as a self-employed writer and also have an additional  
938 part-time job, I have had to purchase individual health  
939 insurance. Two weeks ago, Anthem informed me that the  
940 premiums on my rate plan PPO 40 policy were going up 38  
941 percent from \$231 to \$319 a month. This follows an increase  
942 exactly 1 year ago of 26 percent when my rates went up from  
943 183 to 231 a month. In other words, my premiums are poised  
944 to rise to a level that is a whopping 74 percent higher than  
945 barely over a year ago.

946 This is outrageous. My benefits have not improved in  
947 any way, and I don't go to the doctor that often. Last year,  
948 I went a handful of times and paid about \$1,250 in medical  
949 bills. As per the terms of my policy, Anthem paid a balance

950 of about \$1,600 in claims, far below the \$2,700 in premiums I  
951 paid Anthem. I did also take prescription drugs, including a  
952 generic and a brand name medication, to manage high  
953 cholesterol and blood pressure related to a mild heart  
954 condition that I developed after I joined Anthem. Those 2009  
955 drug costs were subject to a separate \$500 brand name  
956 deductible.

957 In its notice to me last month, Anthem offered to switch  
958 me to a plan with a lower increase in premiums, but one which  
959 does not include brand name drug coverage. That is  
960 unacceptable to me since I need that coverage to treat my  
961 condition. There are other Anthem plans I could try to  
962 switch to. Some of these require underwriting in which case  
963 my pre-existing condition would probably make me ineligible.  
964 Some don't require underwriting but carry high deductibles,  
965 lower lifetime maximums, and very poor prescription drug  
966 coverage. If Anthem goes ahead with its desired rate  
967 increase, I will not only be driven to one of these high  
968 deductible policies, I will have to hope that I don't get  
969 sick or injured. Hope is not an effective health care policy  
970 and hope is not what Anthem is supposed to be selling. I eat  
971 right. I exercise. I take care of myself. I am generally a  
972 healthy person and I resent being squeezed in this way.

973 Anthem tries to justify these rate hikes by citing

974 rising medical costs. This is disingenuous. If insurance  
975 companies believe that medical costs are out of control, they  
976 should fight them rather than simply passing them off to  
977 ordinary Americans. Anthem and WellPoint's recent  
978 astronomical profits are repellants because they are at the  
979 expense of breaking the backs of people like me. I have no  
980 problem with corporate profit making, but I do have a problem  
981 with profiteering, especially when it is at a level that  
982 penetrates so far into the economic and social well-being of  
983 our country that we Americans are discouraged from pursuing  
984 dreams and starting businesses and are stuck in undesired  
985 jobs simply because we worry about losing our health  
986 insurance or being able to afford it for our employees.

987       This is wrong. It is insane, and it must be fixed by  
988 doing whatever it takes to pass meaningful health reform now.  
989 It would be simplistic to think that Anthem's corporate greed  
990 is the only problem here though it is a huge one that I  
991 believe requires stringent regulation. Sharing the blame are  
992 indeed hospitals and doctors raising rates far above what is  
993 defensible, and a legislature that is too beholdng to  
994 special interests and consumed with partisan rhetoric to take  
995 necessary action. All these parties feed off each other to  
996 conveniently and happily line their own pockets or win  
997 elections while blaming the other side and caring not a wit

998 about the rest of it.

999           In conclusion, I want to say to Anthem and the insurance  
1000 companies, including WellPoint President Angela Braly, to  
1001 hospitals and medical providers, and to legislators on both  
1002 sides of the aisle, I ask you all in words that are as true  
1003 today as they were in 1953 when Joseph Welch first said them,  
1004 have you no sense of decency at long last, have you left no  
1005 sense of decency? Thank you.

1006           [The prepared statement of Mr. Arnold follows:]

1007 \*\*\*\*\* INSERT 1 \*\*\*\*\*

|  
1008           Mr. {Stupak.} Thank you, Mr. Arnold. Ms. Henriksen,  
1009 your opening statement, please.

|  
1010 ^TESTIMONY OF JULIE HENRIKSEN

1011 } Ms. {Henriksen.} Good morning, Chairman Stupak,  
1012 Chairman Waxman and members of the committee. I first would  
1013 like to say that I am honored and more so extremely  
1014 encouraged with the invitation to come before the  
1015 subcommittee to present my real life situation regarding the  
1016 most recent premium increase of my Anthem Blue Cross  
1017 individual health insurance policy. The new found urgency  
1018 and the spirit of determination with which these hearings are  
1019 taking place give me a tremendous amount of hope that the  
1020 issue of health care reform is going to remain an enormous  
1021 focus of attention until a solution is found satisfactory to  
1022 all. A little about myself and my particular case. I am 54  
1023 years old. I have two teenage sons, Keaton, who just turned  
1024 18 years old and is heading to college next year, and  
1025 Britton, who is 16 years old and a junior in high school. I  
1026 am self-employed as a consultant in the field of architecture  
1027 and interior design, specializing in hotel design.

1028 I have worked continuously in this field for  
1029 approximately 27 years now. I make fairly good money, and  
1030 both my boys attend private school. I have held a Blue Cross  
1031 individual family policy since owning my own small business.

1032 My current policy is called a PPO share plan designated with  
1033 a \$1,500 deductible. My monthly premium is \$1,042 covering  
1034 the three of us. Dated January 26, I received a letter with  
1035 a booklet attached stating that on March 1 of this year, my  
1036 monthly premium would be raised to \$1,352 for the same  
1037 policy. This is an increase of \$310 per month or a 29.8  
1038 percent increase.

1039 Just to clarify, my current policy states that I must  
1040 meet an annual \$1,500 deductible for each two members of my  
1041 family which totals 3,000, and an annual out-of-pocket  
1042 expense of 4,500 for two members of my family, which totals  
1043 9,000 in addition to the yearly premium of \$12,504 that I pay  
1044 already. I have to tell you that we have never even met the  
1045 deductible each year. All three of us are very, very lucky  
1046 to be very healthy. But what is most concerning to me is  
1047 that I am held captive in this policy since my younger son,  
1048 Britton, was born with a heart condition. Not discovered  
1049 until age 3, he was born with a small hole in his heart about  
1050 the size of a dime between his right and left atrium.

1051 In addition, he has a condition called a cleft mitral  
1052 valve, which means that the flap that opens and closes to  
1053 allow blood to flow from the atrium to the rest of the body  
1054 does not shut properly. Rather it swings back into the  
1055 atrium and in so doing allows a small amount of blood to flow

1056 back into the heart with each beat. He had surgery when he  
1057 was 3-1/2 years old, which repaired the hole in his heart.  
1058 At the same time the mitral valve was corrected to the extent  
1059 that it is characterized as a mild leak. The flap of the  
1060 valve needs to move back and forth so it can only be cinched  
1061 so far to correct a leak. He is seen by a pediatric  
1062 cardiologist once a year for an ultrasound and an  
1063 echocardiogram just to make sure that the leak has not  
1064 changed from mild to moderate or severe. He is extremely  
1065 healthy and is in no way hindered with any symptoms or  
1066 restrictions when it comes to sports exercise. In fact, he  
1067 is on his school's tennis team and has played sports of all  
1068 kinds all his life.

1069         The reason that I am held captive, so to speak, is  
1070 because he has in insurance terms a pre-existing condition.  
1071 Sadly, I am allowed the so-called privilege of staying with  
1072 Anthem Blue Cross and paying exorbitantly unreasonable  
1073 premium hikes each year until I can't pay them anymore. In  
1074 the same written notice by Anthem, I was offered a downgrade  
1075 to my policy to an annual \$2,500 deductible for each member  
1076 with a 5,000 annual out-of-pocket amount for each member at a  
1077 cost of 1,089 per month, an additional increase of \$47 to my  
1078 current 1,042. I am allowed to downgrade until the term  
1079 change in policy takes place and then involves the active

1080 underwriting, which I do not want to happen.

1081           I should note here that if I were to accept this  
1082 new monthly premium of \$1,352, thereby retaining my same  
1083 current policy, this amount would be shy just \$92 of my  
1084 monthly home mortgage payment, which I refinanced this past  
1085 summer. What worries me most is what will it be like for my  
1086 son when he is 22 years of age, and I am no longer able to  
1087 claim him as a dependent on my taxes. Will he be excluded  
1088 from any kind of policy because of his unforeseen heart  
1089 condition when he was born?

1090           I must tell you that I have never written to any  
1091 government officials or office before this, and though my  
1092 letter, just another amongst many in the storm of shock and  
1093 outcry about Anthem's premium increases, but I felt so  
1094 compelled to do so for the very reason stated above, and the  
1095 fact that in this economically depressed environment, I find  
1096 the act of Anthem Blue Cross raising premium costs to  
1097 individual policy holders for such high amounts truly  
1098 unconscionable. Not to make light of the situation, but if I  
1099 were to send out a letter today in my industry stating that I  
1100 was raising my hourly consultant rate by almost 30 percent, I  
1101 would not be working.

1102           To conclude, I find that even with all the disagreements  
1103 in Congress regarding the latest health care reform proposals

1104 amazingly, I really still do have a positive outlook that our  
1105 government officials can come up with a workable solution to  
1106 the obvious and urgent need to change the direction of the  
1107 health care in this country. I thank you for the opportunity  
1108 to be heard.

1109 [The prepared statement of Ms. Henriksen follows:]

1110 \*\*\*\*\* INSERT 2 \*\*\*\*\*

1111 | Mr. {Stupak.} Thank you. Ms. Meister.

|  
1112 ^TESTIMONY OF LAUREN MEISTER

1113 } Ms. {Meister.} Good morning. Lauren Meister, West  
1114 Hollywood. Thank you for inviting me to speak today. I have  
1115 been an individual plan member of Blue Cross of California,  
1116 now Anthem, for over 17 years. I have always dealt with the  
1117 company directly, not through an agent. Like many people, in  
1118 2008 my income dropped substantially. I was paying a \$500  
1119 monthly premium for Anthem's PPO 500 plan. I called Anthem  
1120 in December of '08 to see what other less expensive plans  
1121 were available. I expected the plan would have a higher  
1122 deductible or co-pay but would still have the basic necessary  
1123 coverage.

1124 The Anthem rep was aware of my budget, my medical  
1125 history and age. I was turning 49. She recommended Anthem's  
1126 PPO 1500 plan, which was about \$1,000 less per year, so I  
1127 switched. Just a few months later, I received a notice from  
1128 James Oatman, VP and General Manager of Anthem Blue Cross  
1129 Individual that rates for the PPO 1500 plan were being  
1130 increased on March of '09, and that the new monthly premium  
1131 would be 528, even higher than what I had been paying for the  
1132 PPO 500 plan but with less coverage. I paid the new premium  
1133 until I spoke with friends about their plans. In October, I

1134 called Anthem again and asked them how the PPO 40 plan with  
1135 Brand RX coverage differed from the PPO 1500 plan, which they  
1136 had recommended to me in '08.

1137 I was told by this Anthem rep that the PPO 40 plan had a  
1138 lower monthly premium, no deductible and higher co-pay, but  
1139 the main difference was it did not cover maternity, which at  
1140 49 I probably didn't need anyway, so I switched plans again.  
1141 At 49, I had been paying for maternity coverage, a costly,  
1142 unnecessary benefit. I thought Anthem execs should know, so  
1143 I wrote a letter to James Oatman, and I copied Ms. Angela  
1144 Brawley, Ben Singer, Director of PR for Anthem Blue Cross of  
1145 California, as well as Senator Boxer and Congressman Waxman.  
1146 The only response I received was from Congressman Waxman. In  
1147 January, 2010, James Oatman finally did send me a letter but  
1148 this was to inform me that my rates were being raised once  
1149 again from 373 to 516 per month, an increase of 38 percent.

1150 The letter noted that I would also have the option to  
1151 change to PPO 40 plan with generic RX coverage only. This  
1152 alternate plan would increase my premium by only 16 percent  
1153 as if the 16 percent increase was a great savings. I have  
1154 allergy asthma and I take brand prescriptions Accolate,  
1155 Aerobid and Symbicort. Symbicort is fairly new. Accolate  
1156 will not be generic until probably 2011. Hopefully, I can  
1157 hold my breath until then literally. For the record, with

1158 the proper medication my breathing capacity is nearly 100  
1159 percent, but without the proper medication, I may end up  
1160 needing more health care services, which ultimately will  
1161 increase medical costs for both me and my provider.

1162         Pre-existing conditions such as asthma limit one's  
1163 chances of being able to switch to a different health care  
1164 provider, particularly if the goal is to lower the cost of  
1165 the premium and still maintain coverage. This is only one of  
1166 many reasons why we need health care reform. I read that  
1167 Anthem's explanation for increasing rates by up to 39 percent  
1168 was rising medical costs. In one respect, Anthem is right.  
1169 It shouldn't cost \$20 for a hospital to administer an  
1170 aspirin, but then Anthem's executive salaries and  
1171 stockholders do not appear to be suffering, and how much  
1172 money goes to lobbyists trying to prevent health care reform,  
1173 the same reform that Anthem indicates is necessary to keep  
1174 health care costs from rising.

1175         My issue with Anthem is shared by many and is just a  
1176 symptom of a broken system. We have a system where  
1177 prevention and wellness are not encouraged nor embraced. For  
1178 example, because I was turning 50, my doctor prescribed a  
1179 bone density test for baseline measurement. Anthem Blue  
1180 Cross did not cover one nickel of the test even though that  
1181 test could determine if I had a propensity for osteoporosis.

1182 Penny wise, pound foolish. It is obvious. The health care  
1183 industry needs to be regulated. We saw what the regulation  
1184 did to the cost of utilities in California. We saw what the  
1185 lack of regulation has done on a global level to our  
1186 financial and banking systems. Well, it is having the same  
1187 effect on our health care system.

1188         If the City of West Hollywood where I live can regulate  
1189 how much landlords can raise the rent each year to keep rents  
1190 stabilized, why can't the federal government regulate how  
1191 much insurance companies can raise their rates per year in  
1192 order to stabilize premiums. I believe that we should all be  
1193 able to buy health care coverage. If someone can afford to  
1194 pay for private insurance, great, but, if not, there has got  
1195 to be a public, not-for-profit alternative without having to  
1196 move to Canada, England or France. Some representatives from  
1197 Congress have stated that we don't need a public option. I  
1198 say to them I just want what you have, nothing more and  
1199 nothing less. To me, insurance is like marriage. You expect  
1200 the insurer to be with you in sickness and in health. That  
1201 is why we buy insurance.

1202         If the insurer can't live up to this expectation then  
1203 perhaps they need to get out of the business of insuring. I  
1204 also want to just reply that I am an American, and I support  
1205 Obama's health plan, and I just wanted to make that clear.

1206 Thank you.

1207 [The prepared statement of Ms. Meister follows:]

1208 \*\*\*\*\* INSERT 3 \*\*\*\*\*

|  
1209           Mr. {Stupak.} Thank you, and thank you all for your  
1210 testimony and for coming here today. We are going to start  
1211 with questions. We will start with the chairman of the full  
1212 committee, Mr. Waxman, for questions, please.

1213           The {Chairman.} Thank you very much. I appreciate the  
1214 testimony each of you has given. Ms. Meister, you indicated  
1215 you are a constituent. I don't know if the other two  
1216 witnesses are also constituents because you are from LA . I  
1217 do know that WellPoint is a constituent of mine as well. And  
1218 I want to do what is right for all my constituents, but it is  
1219 not right to have insurance companies deal with ever  
1220 increasing costs by shifting those costs onto the  
1221 beneficiaries, their customers, because that is what they are  
1222 doing. If you have a brand name drug, they won't cover it.  
1223 You have to pay for it if you want it. If you want  
1224 insurance, they figure out a way to increase your rates to  
1225 keep the policy you already have. This is the problem with  
1226 individual insurance.

1227           What we have as federal employees is we can choose  
1228 between a number of different plans and they can't turn us  
1229 down and they can't charge us more if we have pre-existing  
1230 medical conditions. We get coverage because the costs are  
1231 spread among all the insured. That is true of federal

1232 employees, members of Congress, for a lot of people that work  
1233 for large employers that provide coverage, but the 3 of you  
1234 are not in that situation. You have your own business. You  
1235 have part-time jobs. You have your own activities, so you  
1236 have to go in the individual market. Those are the people  
1237 for the most part who don't have insurance coverage because  
1238 they can't afford it, and it looks like you may not have  
1239 insurance coverage yourselves if you don't pay these  
1240 increased rates or they give you another alternative.

1241 WellPoint lets you go into another plan that costs more  
1242 and covers less. What a deal. It doesn't hold down the cost  
1243 of care. It simply makes you have to pay more of it, but  
1244 that is not what you want from insurance. You want insurance  
1245 to cover at least their share of the cost, and you would also  
1246 like them to negotiate better prices to hold down health care  
1247 costs overall. I don't see any evidence of holding down  
1248 costs except shifting them on to you. Let us look at this  
1249 situation that you are facing.

1250 Ms. Meister, you talked about your current plan. You  
1251 have a PPO. You have to pay a percentage of your medical  
1252 costs and you use a brand name drug as well as generic  
1253 medications after you meet your deductible. Is that a  
1254 correct statement of the plan you have generally?

1255 Ms. {Meister.} Yes, and the brand drugs only come--they

1256 don't come in generic.

1257           The {Chairman.} So you can't get a generic for those  
1258 where you need the brand name drugs. You told us in your  
1259 opening statement you take your medication to treat chronic  
1260 asthma. These are not in generic form, so if you go along  
1261 with what you are being told by Anthem, you would have to  
1262 switch to a plan with inferior coverage or attempt to pay the  
1263 higher monthly premium. That is the way they have got you in  
1264 the squeeze, isn't it?

1265           Ms. {Meister.} That is correct.

1266           The {Chairman.} Have you decided what you are going to  
1267 do?

1268           Ms. {Meister.} I have decided that I am going to take  
1269 the lower coverage with the generic brand and I will pay out  
1270 of pocket for the brand medication.

1271           The {Chairman.} And, Mr. Arnold, you have the same  
1272 health insurance plan as Ms. Meister, and they propose to  
1273 increase your cost by 38 percent as well, or you can switch  
1274 to a plan that covers generic medications only, is that  
1275 right?

1276           Mr. {Arnold.} That is correct, or I could switch to a  
1277 plan that also covers brand name but one that has a much  
1278 higher deductible over all.

1279           The {Chairman.} And faced with this kind of a problem,

1280 you have got a terrible choice to make. Have you decided  
1281 what choice you are going to make?

1282 Mr. {Arnold.} At the moment, I am in a wait and see  
1283 attitude because I know that these proposed increases have  
1284 been put on hold until May 1, but if nothing changes I will  
1285 probably switch to one of the very high deductible policies.

1286 The {Chairman.} And they would be very happy because  
1287 they is what they would like you to do. Then you would just  
1288 have to pay more of your costs. Mr. Chairman, these  
1289 witnesses made clear that the alternative plans Anthem is  
1290 offering to its policy holders provide dramatically less  
1291 coverage for marginally less money, and if the only option  
1292 available to consumers in the individual market is to pay  
1293 outrageous monthly premiums or switch to a plan that doesn't  
1294 meet their needs, then it is another example of why we need  
1295 reforms in the individual market. All of us here will say we  
1296 care about this. We want to have insurance reforms. That is  
1297 what we are told.

1298 But you can't reform the insurance system without  
1299 providing some standard policy so you can compare policies.  
1300 You have such arbitrariness in the kinds of policies that you  
1301 have available to you, and you can't really figure out what  
1302 your needs are because from year to year it changes and it  
1303 goes up. What we need is for insurance companies to have to

1304 provide insurance for everybody and spread those costs, and  
1305 to do that we have to make sure that everybody is covered,  
1306 and to make sure that everybody is covered we have to help  
1307 people who can't afford their coverage, and we have to tell  
1308 the insurance companies they can't deny you that coverage.

1309         That is where we find our differences as we try to deal  
1310 with health reform. We have got to deal with the problem in  
1311 a broader way than say, oh, let us do away with pre-existing  
1312 conditions where the Republican proposal doesn't even do  
1313 that. They would put people with pre-existing conditions in  
1314 a special group where they would pay higher premiums and they  
1315 would be treated differently. We have got to standardize  
1316 insurance and make sure that people have access to it. That  
1317 is what President Obama has been trying to do.

1318         We are going to go to a summit tomorrow that the  
1319 President has called for the Democrats and Republicans. I  
1320 hope we can work on this in a bipartisan basis. This  
1321 shouldn't be a Democratic or Republican issue, but we will  
1322 see tomorrow whether we can look for common ground rather  
1323 than hear the accusations back and forth that we want to  
1324 socialize medicine or we are going to create death panels or  
1325 we are cutting back on people and the elderly, and then yet  
1326 we find lack of cooperation to find a solution to this  
1327 intractable problem. I hope we don't let another opportunity

1328 go by and wait another 15 years before we tackle the problem  
1329 again. You can't afford it, and the American people can't  
1330 afford it either. Thank you, Mr. Chairman.

1331 Mr. {Stupak.} Mr. Burgess for questions, please, 5  
1332 minutes.

1333 Dr. {Burgess.} Thank you, Mr. Chairman. In the  
1334 interest of bipartisanship and comity, I feel that I need to  
1335 respond to some of the lectures that we have been getting  
1336 this morning. Mr. Chairman, and referring to Mr. Waxman as  
1337 the chairman of the full committee, I would be offended as  
1338 chairman of the committee if the committee passes a bill and  
1339 the Senate passes this bill I didn't like, but fair enough,  
1340 the Senate passes a bill, a bill I didn't like that was  
1341 starkly different from this committee's bill, but  
1342 nevertheless they did what they intended to do, and then the  
1343 proper process is for the two sides to get together, House  
1344 and Senate, I am talking about, not Republicans and  
1345 Democrats, but the House and Senate to get together and  
1346 reconcile the differences in what is called a conference  
1347 report, and this is part of our normal procedure.

1348 But now we have a situation where the White House  
1349 functioned as the conference with no input that I am aware of  
1350 from yourself or Mr. Stupak or Mr. Rangel or Mr. Miller as  
1351 chairman of the Education and Work Force Committee, the White

1352 House put together this conference report and now we will be  
1353 required at some point to vote on that and deal with it  
1354 through a process called reconciliation which is a little  
1355 arcane, but it means you don't have to have quite so many  
1356 supporters to get this done. And if the American people were  
1357 behind what we were doing, it wouldn't be this difficult.

1358         Now you can look at polls however you want, but 60  
1359 percent of the American people don't like what we are doing.  
1360 Twenty percent of the people are in favor of Congress  
1361 generally and 45 percent of the people are in favor of the  
1362 President, so with these sorts of numbers it is difficult to  
1363 do something this massive in the form of restructuring. Now  
1364 just another issue that you made. You brought up the federal  
1365 employee health benefits plan. It is employer-sponsored  
1366 insurance so it doesn't exactly translate to what we are  
1367 talking about here today, but had we worked more on making  
1368 the individual market look more like the ARISA protected  
1369 market under employer-sponsored insurance the multi-state  
1370 corporations that provide insurance to their employees across  
1371 the country that aren't holding to things like state lines  
1372 perhaps we could have delivered something that was meaningful  
1373 for someone in the individual market.

1374         I have been in the individual market. I know that it is  
1375 sometimes tough to find the plan you want. I have had adult

1376 children in the individual market. I have had to keep up  
1377 with things that they chose not to but I thought was  
1378 important. We do have regulation in the individual market.  
1379 It occurs at the state level right now. It may be a bad  
1380 thing. Maybe it needs to be at the national level, but, you  
1381 know, when I just looked through the federal employee health  
1382 benefits plan book, I get a better deal because my residence  
1383 is in Texas than I would in California, and certainly a  
1384 better deal than I would get in New Jersey, so maybe I don't  
1385 want a national regulator who is going to base everything on  
1386 an area that is really not germane to where I live, so we do  
1387 have to be sensitive to the fact that the states are  
1388 different.

1389         Now we passed a bill twice in the 108<sup>th</sup> and 109<sup>th</sup> Congress  
1390 that would have allowed aggregations of small businesses  
1391 across state lines, so-called association health plans. The  
1392 reason there is not pre-existing conditions in the federal  
1393 employee health benefits plan is not because we set up  
1394 something that is better for ourselves. It is because the  
1395 pool is so big, there are so many federal employees, which  
1396 may be a good thing or a bad thing, we could argue about  
1397 that, but there are so many federal employees that the pool  
1398 is so large that pre-existing conditions actually don't enter  
1399 into the equation. What we could do for writers across the

1400 country, for example, or architects across the country, let  
1401 every architect buy into an association plan where all the  
1402 other architects buy into it, realtors, whatever kind of  
1403 association you want to make, and suddenly you have got a  
1404 pool that has the market share of a company like Verizon that  
1405 has employees in all states in the union and buys insurance  
1406 for them.

1407           Mr. Arnold, I think you brought up about the  
1408 affordability of the premium, and I don't know your income  
1409 and I am not going to ask you, but have you looked at the  
1410 House-passed bill and calculated what your premium would be?

1411           Mr. {Arnold.} No.

1412           Dr. {Burgess.} The House-passed bill, and I am not  
1413 lecturing you here, I want to make you aware, the House-  
1414 passed bill is a good deal for someone who is unemployed and  
1415 has no insurance. It provides access that has never existed  
1416 in the past. Your premium under the House-passed bill, and  
1417 again I don't know how much you make and I am not going to  
1418 ask you to tell us, but for someone who makes at 350 percent  
1419 of the federal poverty level the annual premium, the annual  
1420 premium would be right at \$4,200 a year, so a little bit more  
1421 than what you are paying right now.

1422           Now 350 percent of the federal poverty level is a good  
1423 salary. I don't know how it works out with California cost

1424 of living. But it is just a little under \$38,000 a year for  
1425 a single individual. I don't know whether you are married or  
1426 not, and again I am not going to ask you. But just to point  
1427 out that, yes, you have brought up a significant point that  
1428 we need to pay attention to, that your premium has increased  
1429 significantly under Anthem, and we are going to ask Anthem to  
1430 justify that they have done in the California market.

1431 But I do want you to understand that with the House-  
1432 passed bill that not everyone in your situation, depending  
1433 upon income, someone who earns 400 percent of the federal  
1434 poverty level, which is \$43,000 a year, would be paying  
1435 \$5,400 in annual premium as a single individual in the  
1436 government option, in the House-passed plan. Only 2 rating  
1437 bands for younger and older, no tobacco rating, so there are  
1438 some things in the House-passed bill that might not improve  
1439 affordability in your situation, and that is really what we  
1440 are talking about here because Anthem has affected the  
1441 affordability of your policy. I would give anything to know,  
1442 Ms. Meister, what you are going to be charged for your bone  
1443 density. I won't ask you, but I will also suggest that I  
1444 think your doctor was right to recommend it. And if your  
1445 doctor recommended it when you were 65 years of age, yes, it  
1446 would be covered under Medicare but your doctor would only be  
1447 paid \$40 for the privilege of providing you that service.

1448           Again, I don't know what your doctor was proposing to  
1449 charge you. I suspect it was more than \$40 but I don't know  
1450 that. After you turn 65 under the big public option that we  
1451 now call Medicare if your doctor charged you more than \$40  
1452 for that procedure, my cost is \$200--

1453           Mr. {Stupak.} The gentleman's time has expired.

1454           Dr. {Burgess.} --your doctor would be violating the law  
1455 to charge you the additional. So we will give up some things  
1456 if we go with the House-based bill. That is why it is so  
1457 important for us to get it right. That is why it is so  
1458 important for us to go through regular order and not let the  
1459 White House subsume the duties of the conference committee--

1460           Mr. {Stupak.} The gentleman's time has expired.

1461           Dr. {Burgess.} --which is, unfortunately what has  
1462 happened now. I told you you would regret having me here.

1463           Mr. {Stupak.} No, Mike. I have sat in this chair a  
1464 long time and I have listened to you forever, and I know you  
1465 always go over. I know I have to be diligent. I know I have  
1466 to keep on you. I feel sorry for these witnesses because  
1467 they are self-employed. They took time off of their jobs  
1468 probably at a loss of money to come and give us the courtesy  
1469 of asking them questions, and you never asked them a  
1470 question. So I feel sorry for our witnesses.

1471           Dr. {Burgess.} I supplied them with valuable

1472 information they couldn't have gotten any other place.

1473           Mr. {Stupak.} Yeah. Well, it is amazing. It is my  
1474 turn for questions. Let me just say a couple things. This  
1475 committee, this subcommittee in the last 3 years have held  
1476 hearings on under insured, on rescissions, on purging of  
1477 small businesses. And I asked for this hearing. As I said  
1478 in my opening, Michigan proposed a 56 percent rate increase.  
1479 And I would have liked to have had this hearing in LA. We  
1480 have had hearings in Indiana. I will go anywhere in the  
1481 country to hold hearings on health care because I think that  
1482 consumers in this country are being bankrupt by health  
1483 insurance, and I want to see health insurance passed. And  
1484 the reason for this hearing--and it is a coincidence. When  
1485 we set this hearing, when we were doing things, we didn't  
1486 know the White House was going to do a summit on health  
1487 insurance. But I will go anywhere with this subcommittee. I  
1488 will go to any district and hold these hearings because I  
1489 think they are valuable.

1490           And when Michigan proposed a 56 percent increase for our  
1491 people, I have the e-mails that they finally settled at 30 to  
1492 39 percent increase for these small business people, much  
1493 like the panel we have here today, and people just can't  
1494 afford it. We are all truly one injury or one illness away  
1495 from bankruptcy. But let me ask this question. Yesterday we

1496 did a hearing on Toyota, and 10 years ago if I would have  
1497 bought a car and I buy one now today, I get all kinds of  
1498 extra bells and whistles whether it is a Toyota, a General  
1499 Motors, whatever it might be. Mr. Arnold, Ms. Henriksen, Ms.  
1500 Meister, has your insurance given you more bells and whistles  
1501 as you have seen these increases?

1502 Mr. Arnold, yours went up 74 percent in the last 2  
1503 years. Ms. Henriksen, I see premiums increased about by the  
1504 time you do your premium, your deductible, and your out-of-  
1505 pocket, that is about \$31,000 before you even start tapping  
1506 into anything. And, Ms. Meister, you are just trying to keep  
1507 your drugs that will keep you breathing. Have you seen  
1508 increases in benefits as these prices have gone up?

1509 Ms. {Meister.} No, less benefits.

1510 Mr. {Stupak.} Mr. Arnold.

1511 Mr. {Arnold.} Yes, also less for me. Last year, in  
1512 fact, when my rates were raised 26 percent, Anthem also  
1513 increased my prescription drug co-pay for both brand name and  
1514 generic.

1515 Mr. {Stupak.} Ms. Henriksen.

1516 Ms. {Henriksen.} No, I haven't, and sometimes when I  
1517 open my statement from them after going to doctor, I am  
1518 shocked that like, oh, wow, they didn't cover that. You  
1519 know, it is things like that, but I haven't calculated

1520 exactly any changes.

1521 Mr. {Stupak.} You mentioned your son that had the heart  
1522 issue there, the hole in the heart. How long will they  
1523 continue to hold like a pre-existing condition like you  
1524 mentioned he is going to turn 22--

1525 Ms. {Henriksen.} Probably the rest of his life.

1526 Mr. {Stupak.} Okay.

1527 Ms. {Henriksen.} He will always have a heart condition.

1528 Mr. {Stupak.} Which requires him to see a cardiologist.  
1529 He doesn't have any problems. He's playing sports.

1530 Ms. {Henriksen.} He is completely fine. I mean, you  
1531 know, you can only cinch it so far, and it can't be  
1532 completely corrected so he will always have a condition in  
1533 his heart, but he can only stay on my insurance till I claim  
1534 him as a dependent.

1535 Mr. {Stupak.} Well, the other thing in looking at this  
1536 file and WellPoint and Anthem here in California, and we are  
1537 looking at one of the e-mails that the vice president for  
1538 individual pricing states, it says Jim has asked Brian to  
1539 price five or six downgrade options to be made available in  
1540 conjunction with the upcoming rate action, meaning this  
1541 increase they are passing on. In another e-mail the  
1542 company's regional vice president and actuarial, Brian  
1543 Curley, proposes that WellPoint create five or six California

1544 look-alike plans, look-alike plans for California, with a  
1545 benefit or two removed to create a downgrade option upon  
1546 renewal. My question, and I guess I will direct it to Ms.  
1547 Meister, how does it make you feel to know that part of  
1548 Anthem's business plan is to reduce or restrict your health  
1549 care coverage being offered to you on downgrade options to  
1550 switch it during your annual renewal. How are you going to  
1551 be able to afford your medication?

1552 Ms. {Meister.} This is what has been happening the last  
1553 few years. I have had to downgrade because the price has  
1554 gotten too high so I will have to pay for my medications  
1555 through my savings through--

1556 Mr. {Stupak.} What do you think that cost is going to  
1557 be for your brand name drug if you are going to go to the  
1558 generic, so what will that out-of-pocket cost be, do you  
1559 know, of this drug?

1560 Ms. {Meister.} Yes. Accolate is \$100 and I have to buy  
1561 that every month, so that--

1562 Mr. {Stupak.} \$100 for a 30-day supply. Okay.

1563 Ms. {Meister.} That is just for the Accolate, yes.

1564 Mr. {Stupak.} Ms. Henriksen, Anthem, I believe you  
1565 said, offered to switch you to a similar plan to the one you  
1566 have now which would come with higher deductibles. What is  
1567 your opinion on the scale backs?

1568 Ms. {Henriksen.} Pardon me?

1569 Mr. {Stupak.} What is your opinion on, well, okay, I  
1570 can get a different plan. I am going to get less coverage  
1571 but I am going to have to pay more.

1572 Ms. {Henriksen.} I figure I don't have a choice. I  
1573 can't afford the premium that they are stating for the  
1574 existing policy they have now so I have a call in to my agent  
1575 and, you know, he is going to go over options for me, but I  
1576 know from talking to him almost a year ago that because of my  
1577 son's heart condition I can only downgrade so far until he  
1578 has to be underwritten, and I don't want to do that. So, you  
1579 know, I would probably go with the downgrade of the \$2,500  
1580 deductible and 5,000 out-of-pocket because it is \$47 more  
1581 than my existing payment but it is not \$310 more.

1582 Mr. {Stupak.} What is the breaking point when you can  
1583 no longer afford it at all?

1584 Ms. {Henriksen.} Oh, I think it is insane as it is now.

1585 Mr. {Stupak.} You said it was almost as high as your  
1586 mortgage, right?

1587 Ms. {Henriksen.} Yes. It is \$92 less than my mortgage  
1588 payment.

1589 Mr. {Stupak.} Mr. Arnold, let me just finish up with  
1590 you, if I may. I know you have had a 74 percent increase in  
1591 your premium rates according to your testimony. Obviously,

1592 your insurance hasn't gotten better. Do you believe Anthem  
1593 is trying to push customers off the plans with less  
1594 comprehensive coverage and in the plans that barely meets  
1595 their needs so they just drop coverage all together?

1596 Mr. {Arnold.} Yeah. I mean I think the reason that the  
1597 plans are going up are because healthy people are dropping it  
1598 all together because they are like me. They are getting  
1599 priced out of it. I mean I am generally a healthy person. I  
1600 have an existing condition, but it is getting so high that I  
1601 mean if it went up to \$800 a month I would have to drop it.  
1602 That I couldn't afford. No way. But that is an extreme.  
1603 Just to prove a point. I mean 319 a month which they want to  
1604 raise it to is very, very difficult for me. The 231 that I  
1605 have had for the last year, I have not been happy with but,  
1606 you know, I have managed to do it even though last year was a  
1607 pretty tough year in this economy and my income was lower  
1608 last year than it was the year before. So, yeah, they are  
1609 trying to push people like me out.

1610 Mr. {Stupak.} Thank you. My time has expired. Thank  
1611 you all for being here. Mr. Gingrey, questions, please.

1612 Dr. {Gingrey.} Mr. Chairman, thank you. And I will be  
1613 fairly brief. I wanted to direct my first question to Ms.  
1614 Meister. Ms. Meister, you mentioned in your testimony kind  
1615 of in your closing that you want just what members of

1616 Congress, members of the House and the Senate have, nothing  
1617 more, nothing less, and I want to just say to you and to the  
1618 other witnesses that I agree with you. I agree with you. I  
1619 think that the American people in every state should have  
1620 that opportunity and when the health care reform bill was the  
1621 first marked up in this committee, H.R. 3200, we spent hours  
1622 and several days, in fact, several weeks marking up that bill  
1623 and amending it and making some suggestions for amendments on  
1624 both sides of the aisle. In fact, two amendments that I had  
1625 in particular that I think you will like, and I would like to  
1626 ask your opinion on it, was that all Americans have what we  
1627 have, members of Congress, and that amendment unfortunately  
1628 went down pretty much straight party line, and I followed up  
1629 with that and said, well, you know, if there is a public  
1630 option, and I think you in your testimony talk about a public  
1631 option, as you know, right now there is no public option in  
1632 any of the bills, but in this committee there was. H.R.  
1633 3200, there was a robust public option, as I am sure you  
1634 know.

1635         And so my amendment was, okay, if the public option is  
1636 so good, maybe it is, then let's show good faith in it and  
1637 have every member of Congress, House, Senate, and indeed the  
1638 President and the Administration and their families sign up  
1639 for the public option, and that also failed on straight party

1640 line vote. I would like to know your opinion and maybe the  
1641 other members of the panel, what they think of that, those  
1642 two recommendations.

1643 Ms. {Meister.} I am very willing to pay for insurance.  
1644 I just want to pay for something that is affordable and that  
1645 actually covers me. We have Medicare. I thought the plan  
1646 that extended Medicare to 55, down to 55, was a good idea,  
1647 and have those people between 55 and 64 pay for the plan, so  
1648 I don't know what else to say. I don't want to have to be  
1649 spending the next 15 years of my life looking forward to  
1650 being 65 so I can get Medicare.

1651 Dr. {Gingrey.} Well, yes, and certainly I understand  
1652 your point there but do you realize that, and I am sure you  
1653 do, that Medicare currently has an unfunded liability over  
1654 the next 50 years of \$35 trillion, and so to add that many  
1655 more millions of people between age 55 and 64 when we can't  
1656 even meet the obligations that we currently have, you know,  
1657 that was the problem with that proposal.

1658 Ms. {Meister.} I see the country supported bail out for  
1659 the banks and for the car companies. I would like to see  
1660 them bail out the American people.

1661 Dr. {Gingrey.} And I think you will be pleased to know  
1662 that I voted against that bail out for the car companies, and  
1663 I thank you for bringing that up. Mr. Arnold, let me shift

1664 to you just a minute in regard to meaningful health reform.  
1665 You mentioned that. By meaningful health reform, would you  
1666 include in that medical liability reform?

1667 Mr. {Arnold.} Absolutely, I would. I think that ideas  
1668 on both sides of the aisle, there are good ideas on both  
1669 sides. Just to address what you just said a moment ago about  
1670 the public option and so forth the reason that--well, you  
1671 explicated the reason. You said it was party line vote. It  
1672 is politics. The party that is not currently in power  
1673 doesn't want to give the party that currently is in power and  
1674 the President a victory of any sort, so parties and  
1675 politicians and parties--

1676 Dr. {Gingrey.} Well, Mr. Arnold, reclaiming my time  
1677 because I just got a very few seconds left. Absolutely, I  
1678 think that we ought to give the President the opportunity to  
1679 do it in a bipartisan way and that is why when we have this  
1680 meeting tomorrow at the Blair House, the health care summit,  
1681 I feel sure that the members on the Republican side from the  
1682 House and the Senate, maybe Dr. Coburn or Dr. Brasso  
1683 representing health care in particular as a profession will  
1684 offer that, and I look forward to the President hopefully  
1685 adopting it because California, as the three of you well  
1686 know, enacted that legislation back in the late '70s. I  
1687 think the acronym was MICRA, and it has worked. It has

1688 worked. And fortunately the California legislature hasn't  
1689 ruled any of that unconstitutional so I am glad that you  
1690 support medical liability reform. Mr. Chairman, I see my  
1691 time has expired, and I will yield back.

1692 Mr. {Stupak.} Mr. Arnold, did you want to finish an  
1693 answer there?

1694 Mr. {Arnold.} Yes. I would like a brief moment to  
1695 finish what I was saying. I thank Mr. Gingrey for what he  
1696 said, and I take him at his word and I would hope that you  
1697 would encourage all of your parties and colleagues to operate  
1698 in good faith and not to use words, irresponsible words, like  
1699 socialism and death panels and so on and so forth that you  
1700 hear from parties and politicians and from partisan media  
1701 commentators because they are completely not an accurate  
1702 description of the issues that are at stake. Thank you.

1703 Mr. {Stupak.} Ms. DeGette for questions.

1704 Ms. {DeGette.} Thank you. Thank you, Mr. Arnold, for  
1705 clarifying your statement. I think what you said is  
1706 important and I hope everybody listens to it. It seems to me  
1707 in listening to all three of your testimony aside from the  
1708 fact that you are buying insurance on the individual market  
1709 the other problem that each of you has is either yourselves  
1710 or family member with a pre-existing condition that pretty  
1711 much limits you from trying to shop around and buy cheaper

1712 insurance, is that correct, Mr. Arnold?

1713 Mr. {Arnold.} Yes.

1714 Ms. {DeGette.} Ms. Henriksen, Ms. Meister. And I  
1715 understand, Ms. Henriksen, when you were talking, I told my  
1716 staff, I said I feel like this is me because I am like you, I  
1717 have two daughters, 20 and 26, and like you my younger  
1718 daughter has a pre-existing condition which she will have for  
1719 her whole life. Not only does that limit--even though I am  
1720 in the federal employees insurance system, I am still limited  
1721 in shopping around because of underwriting, but what I am the  
1722 most terrified about with her is when she graduates from  
1723 college and starts trying to buy insurance on her own she is  
1724 going to have an impossible time buying a policy, especially  
1725 as a young person who is just starting out in the labor  
1726 market that will cover her pre-existing condition. I am sure  
1727 that you have thought about that too with your son.

1728 Ms. {Henriksen.} That scares me immensely and with  
1729 businesses eliminating all insurance group plans and things  
1730 like that in my industry hardly anybody has it. I don't see  
1731 how he is going to be able to pay for an individual policy  
1732 with a pre-existing condition when he is working.

1733 Ms. {DeGette.} Right. So here is my question for all  
1734 three of you. If you could go on some kind of insurance  
1735 exchange that allowed anybody to go in and buy from different

1736 insurance companies, and the people on that exchange so you  
1737 could choose between competition between different insurance  
1738 companies and they couldn't exclude you or your kids because  
1739 of a pre-existing condition, do you think that would help you  
1740 with your insurance choices? Mr. Arnold.

1741 Mr. {Arnold.} It sounds like it might, yes.

1742 Ms. {DeGette.} Ms. Henriksen.

1743 Ms. {Henriksen.} Yes. I believe that it is free  
1744 enterprise, I guess, and you are allowed the privilege of  
1745 shopping for almost anything else. Why shouldn't it be  
1746 insurance too?

1747 Ms. {DeGette.} Ms. Meister.

1748 Ms. {Meister.} Yeah, because we are being penalized for  
1749 being individuals and having individual plans.

1750 Ms. {DeGette.} Right. And, you know, Ms. Meister, I  
1751 want to ask you about something because you said you thought  
1752 it was as good idea if they extended Medicare down to age 55  
1753 and with every passing year that idea sounds better to me  
1754 too. But were you aware that those proposals didn't just say  
1755 we are going to pay for people to have Medicare. They would  
1756 actually have to buy in.

1757 Ms. {Meister.} Oh, yeah, absolutely.

1758 Ms. {DeGette.} And you would be willing to buy into  
1759 that Medicare is what you are saying.

1760 Ms. {Meister.} Absolutely.

1761 Ms. {DeGette.} I just wanted to clarify that. Okay.

1762 Now I just want to explain one more thing with the 3 of you

1763 because I think there has been some miscommunication about

1764 insurance companies selling insurance across state lines.

1765 Were you aware that right now insurance companies can sell

1766 insurance across state lines, but if they do that they have

1767 to comply with the laws of the state where they are selling

1768 that? Mr. Arnold, were you aware of that?

1769 Mr. {Arnold.} No, actually I wasn't.

1770 Ms. {DeGette.} Okay. Ms. Henriksen.

1771 Ms. {Henriksen.} No, I wasn't either.

1772 Ms. {DeGette.} Ms. Meister.

1773 Ms. {Meister.} No.

1774 Ms. {DeGette.} Okay. Well, see, what happens right now

1775 different states like California or Colorado or Iowa or

1776 Georgia, any of the states, they can sell insurance across

1777 state lines, but if they do that they have to give people the

1778 insurance coverage that those states require, so if

1779 California says you have to cover maternity benefits or you

1780 have to cover prostate cancer screening or something else,

1781 then they have to do that, but what the proposal that some

1782 from the other side of the aisle have made is to say people

1783 could sell insurance across state lines but they would only

1784 have to comply with the laws of the state where they are  
1785 incorporated. It would be sort of like how all corporations,  
1786 not all, but a lot of corporations incorporate in Delaware  
1787 because those state laws are very favorable to corporations.

1788 So they can incorporate in a state which had very low  
1789 requirements for coverage. And I want to talk to you about  
1790 that, Ms. Henriksen, because you got 2 kids. Would it help  
1791 you to be able to buy a very low cost plan but one that  
1792 didn't offer very many coverages for you like mammography or  
1793 some screenings for your kid? Would that help you?

1794 Ms. {Henriksen.} I guess I would have to see  
1795 specifically what they were offering.

1796 Ms. {DeGette.} What it was, yes.

1797 Ms. {Henriksen.} But, like I said, we are so lucky, all  
1798 three of us, to be healthy. We never go to the doctor. We  
1799 have very little cost incurred, you know, through insurance  
1800 so I would be interesting to see what I could eliminate and  
1801 what I would then need. I could pick and choose, I guess.

1802 Ms. {DeGette.} Yeah, you could pick and choose. But  
1803 you wouldn't want to buy a plan that would barely cover  
1804 anything if you got sick.

1805 Mr. {Henriksen.} No.

1806 Ms. {DeGette.} And, Ms. Meister, would you want to buy  
1807 a plan that wouldn't cover the specific medications that you

1808 needed?

1809 Ms. {Meister.} I would have to work it out and actually  
1810 figure out the financial side of it and see how much my  
1811 medications cost me per year and how much I am being covered.  
1812 I mean even now I have a deductible for the brand. I believe  
1813 it is \$500. Until that kicks in, it is 4 months into the  
1814 year.

1815 Ms. {DeGette.} Okay. Thank you.

1816 Mr. {Stupak.} Thank you. Mr. Braley for questions. We  
1817 will wait for Mr. Green to get settled there.

1818 Mr. {Braley.} Thank you, Mr. Chairman. I began my  
1819 opening remarks by talking about the fact that I am not a  
1820 Democrat who limits my conversation to health insurance  
1821 reform because I believe that health insurance reform is a  
1822 key part of comprehensive health care reform. And I am so  
1823 glad the three of you are here today because you helped put a  
1824 human face on what is wrong with health care and health  
1825 insurance delivery in this country right now. We had 17 town  
1826 hall meetings back in my district last summer and what I  
1827 learned is that people who oppose health care reform, and  
1828 especially the health care reform we have been talking about,  
1829 really don't want to talk about the human face of health  
1830 care, so I want to spend a few moments talking to you about  
1831 that.

1832           One of the people who came up to me in my last town hall  
1833 meeting ripped the House health care bill, and then said  
1834 after the meeting, Congressman, I need your help. I said  
1835 what can I do? He said my brother was just diagnosed with  
1836 non-Hodgkin's Lymphoma, and he lives in the northern part of  
1837 your district. The closest place for him to get treatment is  
1838 at the Mayo Clinic in Rochester, Minnesota, but he can't get  
1839 treatment there because they are not in his insurance plan's  
1840 provider network. Another young woman interviewed me during  
1841 the health care debate who was a class mate of my 2 sons, sat  
1842 down to interview me, and the first thing I noticed about her  
1843 was she had a cleft palate. And during her interview, she  
1844 told me that she was so excited because her parents had  
1845 almost saved up enough money for her last surgery, and I said  
1846 isn't that covered by your insurance policy? And she said,  
1847 no, it is defined as cosmetic surgery under my plan.

1848           So a woman, 21 years old, born with a birth defect just  
1849 like cystic fibrosis or cerebral palsy, which are covered  
1850 under health care policies, has gone 21 years with a birth  
1851 defect that limits her ability to eat, to talk and, most  
1852 importantly, her self esteem. The last one I want to talk  
1853 about is my nephew's son, Tucker Wright, who I have talked  
1854 about before in these hearings. Tucker was 18 months old  
1855 when he was diagnosed with liver cancer, had 2/3 of his liver

1856 removed, has had enormous medical costs, and thank God he is  
1857 still alive, but he will almost certainly reach his lifetime  
1858 cap under his private health policy by the time he is 18. He  
1859 will almost certainly have another bout of cancer before he  
1860 turns 18. His parents are doing fundraisers to cover their  
1861 uninsured medical costs. Both of them work full time and  
1862 have good health insurance, and yet if his parents want to  
1863 change jobs they would not be able to because of the  
1864 exclusion for pre-existing conditions.

1865 All three of you have lived this in your own lives so I  
1866 want to ask you, Ms. Meister, you have chronic asthmas, you  
1867 talked about that. If you opted to terminate your policy  
1868 with Anthem and purchase an individual insurance policy to  
1869 get a more reasonable deductible or premium, you would have  
1870 to go additional medical underwriting, correct?

1871 Ms. {Meister.} I would imagine so, yes.

1872 Mr. {Braley.} Right, because that is the way this  
1873 works. And given your chronic asthma, do you think that that  
1874 would be a problem for you in getting additional coverage?

1875 Ms. {Meister.} Personally, I work out every day. I  
1876 live a very healthy life so I don't--but on paper that is a  
1877 different story.

1878 Mr. {Braley.} You have to fill out the same  
1879 questionnaire.

1880 Ms. {Meister.} They should talk to me like you are  
1881 talking to me.

1882 Mr. {Braley.} Yes. And, Ms. Henriksen, you talked  
1883 about your son's problem with the condition with the hole in  
1884 his heart. When you fill out any application for  
1885 underwriting purposes, you are required to go through your  
1886 family's health history and that would appear.

1887 Ms. {Henriksen.} Yes.

1888 Mr. {Braley.} And does that concern you?

1889 Ms. {Henriksen.} Oh, completely.

1890 Mr. {Braley.} And, Mr. Arnold, you were the one who  
1891 concluded your compelling remarks with a smack down to all of  
1892 us about doing what is right, and you also have been affected  
1893 by this because these are the types of things that make it  
1894 frustrating for people to get private insurance because this  
1895 can be so daunting. Is the experience that you have had  
1896 consistent with what the other witnesses and some of the  
1897 people we have been talking about face every day and try to  
1898 get health care coverage?

1899 Mr. {Arnold.} Absolutely so, yes. Yes. I won't repeat  
1900 everything that they just said, but what Ms. Meister said  
1901 about being underwritten again and pre-existing condition  
1902 either not being covered or causing the base rate on that  
1903 policy to be marked up by my insurance agent told me 20 to

1904 100 percent because of that condition. These are the kinds  
1905 of things that can happen.

1906 Mr. {Braley.} Mr. Chairman, health insurance is  
1907 supposed to help us when we are sick, not punish us for  
1908 requiring medical care, and I think what we have heard today  
1909 reinforces the need to get health reform done now. We as a  
1910 country cannot afford to wait any longer. Passing meaningful  
1911 health care legislation that eliminates disqualification  
1912 based on pre-existing conditions is absolutely essential so  
1913 that every American can have access to quality comprehensive  
1914 health insurance, and I yield back.

1915 Mr. {Stupak.} Thank you, Mr. Braley. I should note  
1916 that Representative Hill is with us. He is a member of our  
1917 committee. We had a hearing on rescissions down in his  
1918 district earlier this year in Indiana. Like I said, we would  
1919 be happy to go where we need to go to do these hearings  
1920 because I think it is important that we put a human face on  
1921 the cost of health insurance. We have votes coming up. I am  
1922 going to try to get through this panel if we can. Mr. Green,  
1923 you are up for questions, please.

1924 Mr. {Green.} I appreciate my colleague from Iowa  
1925 questions and your responses. I want to look at it from a  
1926 different tact because you have trouble with rate regulation  
1927 or insurance regulation in California. In Texas we have

1928 never had any regulation. It is literally the free market.  
1929 And having been involved as a state legislator in trying to  
1930 deal with fairness for my constituents and purchasing  
1931 individual policies and having a son who had the same problem  
1932 is his small business trying to find an individual policy.  
1933 He couldn't find one because in high school he was diagnosed  
1934 with colitis and nobody wanted to write him except for \$2,000  
1935 a month. He has found it through an HMO or PPO in Real Ranch  
1936 Valley in Texas so he can get it at least for his 2 boys now  
1937 and his wife because he just couldn't do it. So problems in  
1938 individual market and oversight whether it is in California  
1939 or Texas or Virginia or anywhere and that is the issue. And  
1940 that is why the lack of oversight or ability to look at what  
1941 these premium increases that we are getting ready to  
1942 experience.

1943 My concern, and this is something that members of  
1944 Congress have to defend when we travel anywhere, and believe  
1945 me it has made us watch where we are traveling. I want to  
1946 ask some questions. In addition to paying their top  
1947 executives handsomely between 2007 and 2008, WellPoint spent  
1948 over \$27 million to host 103 executive retreats off company  
1949 premises. The Democrat caucus actually had our retreat here  
1950 at the Capitol. Fifty-five of these retreats, over half the  
1951 costs were over \$100,000. To put that in perspective, the

1952 median income in the United States in 2008 was \$52,000, and  
1953 so you can see that over half the retreats were over 100,000  
1954 so that was well over the median income. In 2007, WellPoint  
1955 spent 3.7 million to host 782 attendees at a brokers and  
1956 agents event at the Phoenician, a lavish resort and spa in  
1957 Arizona, for 5 days. And if I could put up a picture of that  
1958 slide.

1959 Later that year, WellPoint sent 154 attendees to the  
1960 Four Seasons resort in Manlei Bay, Hawaii for a 4-day broker  
1961 event that cost the company 850,000. That is over 500,000 a  
1962 person. If we could put that slide there. In 2008 during  
1963 the height of the recession, WellPoint paid over 1.3 million  
1964 to host 360 attendees at the Four Seasons Hotel in San Diego,  
1965 and if we could put that slide up there. Ms. Henriksen, do  
1966 you think a company that is struggling to keep up with the  
1967 rising health care costs would be able to send thousands of  
1968 employees and agents on lavish retreats such as these?

1969 Ms. {Henriksen.} No, definitely not. I would like to  
1970 know what they are doing at these retreats.

1971 Mr. {Green.} Mr. Arnold.

1972 Mr. {Arnold.} Of course not.

1973 Mr. {Green.} Ms. Meister.

1974 Ms. {Meister.} No.

1975 Mr. {Green.} What is your reaction to the images and

1976 figures because I know what my constituents would be if I was  
1977 at that locations, and since you are ultimately paying the  
1978 freight or asked to pay the freight, does it make you wonder  
1979 if your hard-earned premiums have indirectly gone to paying  
1980 for the spa retreats and the golf getaways?

1981 Ms. {Meister.} I was thinking I wish I was an executive  
1982 at WellPoint.

1983 Mr. {Green.} Mr. Chairman, it seems unconscionable that  
1984 the company with the spending record that would reach deeper  
1985 into the pockets of the policy holders at a time when so many  
1986 Americans are struggling to stay afloat, it also seems to me  
1987 that any company that can afford to send hundreds of their  
1988 employees to these lavish retreats all over the world can  
1989 afford to maintain reasonable and affordable premium rates  
1990 for its customers, and that is what bothers me. On the  
1991 individual market, we don't see that regulation and oversight  
1992 on the state level, and that is why maybe on the national  
1993 level, I know President Obama earlier this week announced  
1994 that, there are parts of his bill that I have problems with  
1995 or his suggestion, but one of the things I like is if we are  
1996 going to sell insurance across state lines to individuals  
1997 whether they be in Houston, Texas where I represent or San  
1998 Diego or anywhere else, I would like to see that there is  
1999 some oversight on what they are doing with that money to

2000 justify those premium increases. Thank you, Mr. Chairman.

2001 Mr. {Stupak.} Thank you, Mr. Green. Continuing with  
2002 questions, Ms. Sutton, questions, please, for this panel.

2003 Ms. {Sutton.} Thank you, Mr. Chairman, and thank you  
2004 for your compelling testimony. I think your stories speak to  
2005 the stories of many Americans across the country, including  
2006 my constituents. To follow up on my colleague, Mr. Green's  
2007 questioning, I would just like to talk a little bit about the  
2008 executive at WellPoint. Not only do we see the lavish  
2009 retreats that were pictures that were reflected on the  
2010 screen, we also know that as premium rates increase and  
2011 become more and more inflated and health insurance coverage  
2012 slips further out of reach for people just like you, it is  
2013 important to ask where are the revenues going, not only to  
2014 retreats but also to executive salaries.

2015 WellPoint has stated publicly that these most recent  
2016 premium increases were necessitated by rising medical costs  
2017 and a shrinking risk pool, that it needs these rate increases  
2018 in order to stay afloat. But I understand that companies do  
2019 need to turn a profit. We all understand that. But what I  
2020 don't understand is how WellPoint can claim that these  
2021 increases, rate hikes that are literally bankrupting its  
2022 policy holders are necessary to stay in business especially  
2023 when we see what we see when it is spending millions upon

2024 millions of dollars compensating its top executives. Data  
2025 received by the committee show that WellPoint paid its  
2026 executives over \$347 million in 2007 and 2008 alone.

2027           In 2008, WellPoint paid \$115 million to 85 senior  
2028 executives compensating 39 executives over a million dollars  
2029 each. That year one executive made \$9 million and two  
2030 executives made over \$4 million. And I guess I would just  
2031 like to ask you, our witnesses and policy holders, how you  
2032 feel about a portion of your premium payments bankrolling  
2033 multi-million dollar salaries in these tough times. Ms.  
2034 Meister, do you believe a company that can afford to pay a  
2035 single executive nearly \$10 million in 1 year has the right  
2036 to demand higher premiums from you so that it can ``keep up  
2037 with the market?''

2038           Ms. {Meister.} No, I don't. And I agree with something  
2039 Ms. Henriksen said. She said if I raised my rates like they  
2040 raise our rates, I wouldn't have clients, and that is the  
2041 same in my business. You know, there is reasonable and then  
2042 there is just outrageous.

2043           Ms. {Sutton.} Thank you. Ms. Henriksen.

2044           Ms. {Henriksen.} Well, not to be funny but it makes me  
2045 sick to think that all of this money is going to executives  
2046 in this economy when so many people are struggling. I do  
2047 make good money, yet my industry is really struggling. There

2048 are no new hotels being built. There are no, you know,  
2049 residential. There is no building going on so I suffer  
2050 because of that.

2051 Ms. {Sutton.} And Mr. Arnold.

2052 Mr. {Arnold.} I, of course, too think it is  
2053 unconscionable, and I believe the number I read was that in  
2054 the last quarter WellPoint had a profit of over 4 billion.  
2055 Even if you cut that in half, it is still an incredibly  
2056 healthy profit, so it just speaks to, as I said in my  
2057 testimony, profiteering versus profit making. There is a  
2058 difference. And profit making is fine. It drives our  
2059 economy. It is the foundation of American business. But  
2060 profiteering, when it affects people like us in the way that  
2061 it has, is just wrong. It speaks to a lack of decency, and  
2062 lack of decency may not be illegal but it is wrong and that  
2063 is why I think it requires government intervention and  
2064 regulation.

2065 Ms. {Sutton.} Thank you. I think you all make the case  
2066 very well, and for one don't think a company that is paying  
2067 its executives more than \$100 million a year has any right  
2068 asking Americans to subsidize these outrageous salaries in  
2069 the form of increased premiums and stripped down coverage.  
2070 It is not like you are getting more for what you are paying.

2071 Mr. {Stupak.} The gentlelady has yielded back. We have

2072 three votes on the floor, and the first vote is the rule to  
2073 allow debate to begin on the antitrust exemption if we are  
2074 going to take it away from the insurance industry so it is a  
2075 rather critical vote and thus far it is down basically party  
2076 lines. So I am going to recess for--hopefully we are back  
2077 here in 20, 25 minutes. And I would like this panel to stay  
2078 if they can. I would love you to stay because you have Ms.  
2079 Schakowsky and I know Mr. Hills, Ms. Capps, and Ms. Eshoo all  
2080 probably had questions too. It has been a good panel. We  
2081 would like you to stay. So let us try to be back in here in  
2082 about--let us call it 25 minutes. This vote might stay open  
2083 for a little bit. Twenty-five minutes, so we are in recess  
2084 till 12:25.

2085 [Recess.]

2086 Mr. {Stupak.} Thanks for coming back right away, all  
2087 the members. Let us resume this hearing. When I left, I  
2088 think Ms. Schakowsky, you are up for questions if I remember  
2089 correctly. And thanks to the panel again for staying.

2090 Ms. {Schakowsky.} Thank you, Mr. Chairman, and thank  
2091 you panel. You know, it occurred to me that this panel would  
2092 only take place of the industrialized nations in the United  
2093 States of America, that in every other industrialized  
2094 country, they have made the threshold decision that  
2095 healthcare would be provided in some fashion, maybe through

2096 the public sector, often entirely through the private sector,  
2097 but still to all of their people.

2098         The other thing that occurred to me when we look at all  
2099 three of you, and I guess I would have to add your son, we  
2100 are talking about essentially healthy, high-functioning  
2101 individuals, not a bunch of sick people, which underscores  
2102 that, you know, it is hard to reach hardly any age at all  
2103 without having some sort of a preexisting condition.

2104         I had, and I don't know where they just disappeared to  
2105 here, this is from Blue Shield of California. It is a little  
2106 old, 2006, a three-page, four column list. It says  
2107 ``Applicants who have any of these conditions listed below  
2108 may be declined without medical record review.'' Things like  
2109 adoption in progress, how about that? Breast  
2110 microcalcifications. I mean, lots of women have that.  
2111 Diabetes with hypertension. We were talking about Diana's  
2112 daughter who has--pregnancy of self, spouse or significant  
2113 other. Varicose veins would be a preexisting condition that  
2114 would deprive people of, you know, no, you can't have this  
2115 insurance.

2116         I wanted to see if we could put up on the screen, the  
2117 Committee recently learned that these recent premium  
2118 increases may only be the tip of the iceberg. Staff, if  
2119 anyone here to put up the internal--

2120 Mr. {Stupak.} There you go.

2121 Ms. {Schakowsky.} There we go.

2122 [Slide]

2123 Ms. {Schakowsky.} WellPoint analysis of what potential  
2124 rate increases would do for them. These are various  
2125 scenarios. The first scenario calculates, they call them,  
2126 SAFs. Those are really rate caps. If they left it  
2127 unchanged, that is, the rates unchanged, the second scenario  
2128 actually proposes to lower the rate caps to 37 percent which  
2129 is two percentage points lower than the rates that Anthem  
2130 filed with the Department of Insurance. And the third  
2131 proposes, and I quote, ``to remove these rate caps  
2132 completely.'' The scenario would result, they say, in a  
2133 maximum of 228.4 percent for certain plans. And had this  
2134 scenario been implemented, over 27,000 customers would have  
2135 received a 228 percent increase.

2136 The fact that they would even consider and do the  
2137 scenario to me is just incredibly shocking, but I guess my  
2138 conclusion is that we cannot just leave the insurance  
2139 companies in the driver's seat deciding how they will  
2140 regulate themselves according to rates. What our bill did  
2141 and what the President's bill does is establish rate review  
2142 that could actually prohibit some of these rate increases,  
2143 and I wanted to hear your feelings about that. Let us start

2144 with Ms. Meister and just go across.

2145 Ms. {Meister.} Yeah, I mean, that is what I said  
2146 before. We need to have a maximum percentage put on of how  
2147 much insurance companies can raise their rates each year,  
2148 just like some cities have rent stabilization.

2149 Ms. {Schakowsky.} Right.

2150 Ms. {Meister.} There could be stabilization of  
2151 insurance rates.

2152 Ms. {Schakowsky.} Let me also say some states do that.  
2153 I am a state that does not, one of the 25 states that doesn't  
2154 do any rate regulation whatsoever right now. Ms. Henrikson?

2155 Ms. {Henrikson.} I am all for a national committee that  
2156 would review rates. I feel California has been neglectful in  
2157 that sense. So I know it is based on where you live and all  
2158 that kind of thing, but I believe a national rate regulation  
2159 would be very beneficial.

2160 Ms. {Schakowsky.} It would be called a National Health  
2161 Insurance Rate Commission I think is what we are talking  
2162 about.

2163 Mr. {Arnold.} Yeah, I agree with that, too, and I would  
2164 also add that I think if there were rate regulation on  
2165 insurance companies that that would also put pressure on  
2166 medical providers, hospitals and doctors, who we keep hearing  
2167 are raising their rates so irresponsibly. If that is true,

2168 that would force them to change their ways as well.

2169           And just very quickly, what you said about unregulated  
2170 insurance premiums keep rising, it is true. I mean, my rates  
2171 went up 26 percent last year, 38 percent now. Why should I  
2172 have any reason to believe they won't try and raise them  
2173 another 40 percent next year? I mean it is logical to think  
2174 that they would.

2175           Mr. {Stupak.} Thank you. A member of the Full  
2176 Committee, Ms. Eshoo, do you have questions, please, of this  
2177 panel? And thanks for being here. You are not a member--

2178           Ms. {Eshoo.} Thank you, Mr. Chairman.

2179           Mr. {Stupak.} --of the Subcommittee but a member of the  
2180 Full Committee.

2181           Ms. {Eshoo.} Thank you, Mr. Chairman, for having this  
2182 hearing. I appreciate the opportunity to participate, and I  
2183 am very glad that we have the rules that allow members from  
2184 other subcommittees to join you. This is a very important  
2185 hearing.

2186           I want to thank the witnesses. So many members have  
2187 said you really put the human face on this. And while my  
2188 questions are not directly for you but rather the executive,  
2189 I just thought that I would enter for the record, I did write  
2190 to Ms. Braly, the President and CEO of WellPoint, after the  
2191 news came out about the rate hikes up to 39 percent. But I

2192 think that it is a telling thing that Anthem Blue Cross, the  
2193 unit, in an email message urged their employees to oppose  
2194 healthcare reform. And that email is reported to have said  
2195 that reform proposals would ``cause tens of millions of  
2196 Americans to lose their private coverage.'' And it seems to  
2197 me that this panel is right on the edge, given what the  
2198 increases were. So I think that more than anything else, you  
2199 have helped to separate, you know, the political rhetoric  
2200 that has gone across the country, and really what the facts  
2201 are because this is your life. You are speaking of real-life  
2202 experiences. I can't think of a better panel to have come in  
2203 and testified. This case is not over. I think that there  
2204 are, I know that there are, many of us that to our last  
2205 breath will fight for the kinds of reforms that need to take  
2206 place, both in the health insurance industry and healthcare  
2207 as well because this simply cannot be sustained, not  
2208 individuals, not families, not local governments, not state  
2209 governments, not the Federal Government and not businesses,  
2210 either. So thank you for traveling across the country to  
2211 testify. I admire your spirit, and I like the way you just  
2212 keep following up with members and saying it the way it is.  
2213 That is not often the case with witnesses, so we thank you.

2214 Thank you, Mr. Chairman. I am going to have to leave  
2215 for my Intel Committee meeting, but I thank you again for

2216 your legislative hospitality.

2217           Mr. {Stupak.} Thank you. Well, that concludes  
2218 questions of members of the panel and of the Committee. So I  
2219 want to thank this panel for coming. Let me just say one  
2220 thing. Mr. Arnold, in a question that was put to you, a  
2221 clarification. I don't want to get into the healthcare  
2222 debate because I think it is more important that we hear from  
2223 you. We have had enough healthcare debates. We need to act  
2224 and move legislation along. But there was some questions  
2225 about your premium, what you would pay and what you would pay  
2226 underneath the House bill as it was passed. I think Mr.  
2227 Burgess asked you some questions along that. Those numbers  
2228 he was quoting you is from Congressional Budget Office, and  
2229 that would take place in 2016. They wouldn't be what your  
2230 current premium would be, plus underneath the House bill you  
2231 would have a full plethora of services. You wouldn't be  
2232 denied because of preexisting injury or illness. You have  
2233 preventative care. There is a number of benefits there in  
2234 the House bill that is probably not covered in your current  
2235 one. So just to clarify the record, that number is thrown  
2236 out to be more than your current policy would be in 2016, and  
2237 we don't know what your policy would be in 2016 from Anthem  
2238 we are going. So just a clarification.

2239           Again, let me thank this panel.

2240 Dr. {Burgess.} Mr. Chairman, with all due respect.

2241 Mr. {Stupak.} All due respect, I will let you go for a  
2242 minute but I am not going to let you pontificate for 10  
2243 minutes.

2244 Dr. {Burgess.} No pontifications. That was based on  
2245 the 2009 figures if the bill had passed last year. The  
2246 Chairman is correct because none of the benefits go into  
2247 effect for 4 years from the passage of the bill. Taxes of  
2248 course would go into effect on day one.

2249 And also, just a point of clarification, Mr. Arnold.  
2250 You made the comment just a moment ago that providers were  
2251 raising rates irresponsibly. Do you have an example for us  
2252 of a provider that you have encountered that has raise rates  
2253 irresponsibly?

2254 Mr. {Arnold.} I don't, but I think your next witness,  
2255 Ms. Braly, will say over and over again how they are raising  
2256 their rates.

2257 Dr. {Burgess.} And I am ready for that. I just needed  
2258 to know if you had some information that I needed to be aware  
2259 of.

2260 Mr. {Arnold.} No, I don't personally have specific  
2261 examples of that.

2262 Dr. {Burgess.} Most doctors in my state, and I suspect  
2263 California is the same way, our prices are set by the

2264 insurance companies which in turn are set by Congress with  
2265 Medicare rates, and private insurance pays a percentage of  
2266 what Medicare's maximum allowable fee schedule is, even for  
2267 those procedures that are not covered under Medicare, like  
2268 childbirth. So I just wondered if you had some direct  
2269 experience because I do intend to question Ms. Braly about  
2270 that extensively.

2271 The {Chairman.} Will someone yield to me?

2272 Mr. {Stupak.} Yes.

2273 Dr. {Burgess.} I would be happy to yield to--

2274 The {Chairman.} Medicare sets rates for the whole  
2275 country, and it turns out that Medicare could be less than  
2276 what private insurance pays in any particular area. But the  
2277 private insurance companies negotiate the rates presumably  
2278 with the doctors and other healthcare providers. They and  
2279 Medicare are faced with ever-increasing costs in healthcare.  
2280 That is a fact. It doesn't mean that anybody is doing  
2281 anything wrong, but the system is costing more and more  
2282 money, and one of the things we try to do in health reform is  
2283 not only reform the insurance system so we don't have people  
2284 who have to fight on an individual basis to get any  
2285 opportunity to buy insurance at a fair amount, but we try to  
2286 hold down healthcare costs overall, and that is important.  
2287 So I just wanted to raise that point. Thank you.

2288           And I join with the Chairman in thanking these witnesses  
2289 for being here. You have been terrific. Thank you so much.

2290           Mr. {Stupak.} Thank you again. We will dismiss this  
2291 panel and thanks for your testimony. I would now like to  
2292 call up our second panel of witnesses.

2293           On our second panel we have Angela Braly, President and  
2294 CEO, WellPoint. Cynthia Miller, Executive Vice President,  
2295 Chief Actuarial and Integration Management Officer of  
2296 WellPoint.

2297           Welcome. It is the policy of this Committee--signs  
2298 down, please.

2299           Ms. {Braly.} Pardon me?

2300           Mr. {Stupak.} Before we get going, we are not going to  
2301 allow signs and that while we are trying to conduct this  
2302 hearing, okay? No, just put them away. Very good. Thank  
2303 you.

2304           It is the policy of this Subcommittee to take all  
2305 testimony under oath. Please be advised that you have the  
2306 right under the rules of the House to be advised by counsel  
2307 during your testimony. Do you wish to be represented or  
2308 advised by counsel?

2309           Ms. {Miller.} No.

2310           Ms. {Braly.} No.

2311           Mr. {Stupak.} Okay. I am going to ask you to please

2312 rise, raise your right hand to take the oath.

2313 [Witnesses sworn.]

2314 Mr. {Stupak.} Let the record reflect that the witnesses  
2315 replied in the affirmative. You are now under oath. We will  
2316 have an opening statement. It will be 5 minutes long. If  
2317 you would like to submit a longer statement for inclusion in  
2318 the record, we will be happy to submit it.

2319 Ms. Braly, if you don't mind, we will start with you.

2320 Ms. {Braly.} Yes.

2321 Mr. {Stupak.} Okay. Just pull that up. There we go.

2322 Great.

|  
2323 ^TESTIMONY OF ANGELA BRALY, PRESIDENT AND CEO, WELLPOINT,  
2324 INCORPORATED; AND CYNTHIA MILLER, EXECUTIVE VICE PRESIDENT,  
2325 CHIEF ACTUARY AND INTEGRATION MANAGEMENT OFFICER, WELLPOINT,  
2326 INCORPORATED

|  
2327 ^TESTIMONY OF ANGELA BRALY

2328 } Ms. {Braly.} Thank you, Mr. Chairman, and members of  
2329 the Subcommittee for this opportunity to discuss rising  
2330 healthcare costs and the need for sustainable healthcare  
2331 reform. This is a very important week for all Americans, and  
2332 I am sure you join me in hoping that tomorrow's health summit  
2333 will be the beginning of a truly constructive, positive  
2334 process in which every American can have confidence.

2335 I am especially pleased to have been invited to speak  
2336 with you because I understand the burden that rising  
2337 healthcare costs put on families. Because of our role in  
2338 healthcare, it is often insurers who have to deliver the bad  
2339 news regarding spiraling healthcare costs. There is nothing  
2340 I would like to do better than be able to report to our  
2341 members that the medical cost trend is going down. That is  
2342 why I appreciate the opportunity to explain why healthcare  
2343 costs are rising not only in California but across the

2344 country. The increases we are seeing in California are due  
2345 to factors that we have been sounding the alarm about for  
2346 years, the rise in healthcare costs and healthy people opting  
2347 out of the system when other issues arise, such as the tough  
2348 economic times we are experiencing today.

2349         These factors led to the rate increases you have seen  
2350 from our company and others in California. Rising healthcare  
2351 costs are driven by many factors including hospitals and  
2352 other healthcare providers charging higher rates, new medical  
2353 technology, underpayment by government programs, the growth  
2354 in chronic diseases and conditions like obesity, and an aging  
2355 population. These increases are generally compounded when  
2356 younger, healthier members drop their insurance leaving those  
2357 who most need healthcare to foot the bill. These issues are  
2358 particularly acute in California where our experience has  
2359 been that medical inflation is in the double-digits. Also in  
2360 California, we are required to offer coverage through two  
2361 guaranteed issue programs which by themselves lost almost \$70  
2362 million in 2009. Those are important programs that serve an  
2363 important purpose, but their costs are ultimately borne by  
2364 other members in California.

2365         Unless a legislative proposal addresses the fundamental  
2366 issue of rising healthcare costs, it cannot be considered  
2367 sustainable healthcare reform. Unfortunately, the leading

2368 proposals being discussed in Washington don't do enough to  
2369 control costs and don't do enough to get everyone into the  
2370 system. We have put forward substantive proposals on both  
2371 these fronts. My testimony submitted to the Committee  
2372 includes our specific suggestions on reform, but let me  
2373 highlight just three.

2374         First, Congress could address defensive medicine and  
2375 inappropriate care by including meaningful medical  
2376 malpractice reform in the legislation.

2377         Second, Congress could also require that the principles  
2378 of evidence-based medicine be used to guide how payments are  
2379 made. While this may seem like a technical issue, it is  
2380 these kinds of reforms that can have a lasting impact on  
2381 quality and cost.

2382         Third, in reforming the health insurance market,  
2383 Congress must enact policies that ensure a broad and stable  
2384 risk pool as they impose other requirements on the  
2385 marketplace.

2386         We know that every facet of the healthcare system,  
2387 hospitals, clinicians, manufacturers, drug companies, payers,  
2388 and we as Americans, contribute to the growth and healthcare  
2389 costs and all need to be called upon to reduce these costs.  
2390 Out of every dollar the Nation spends on healthcare, less  
2391 than one penny goes to health plan profits. Isn't it time to

2392 ask, what are we going to do about the other 9 cents?  
2393 Unfortunately, the deals made with the drug companies,  
2394 hospitals, physician groups, and labor unions left the  
2395 legislative proposals considered thus far without the most  
2396 important part, the core solution for lower cost, higher  
2397 quality healthcare.

2398         Rising healthcare costs frustrate all of us. It is a  
2399 serious problem facing the country that deserves not only a  
2400 serious discussion but meaningful action. WellPoint is eager  
2401 to continue to participate in both. While it may be tempting  
2402 to shift the blame to insurers for rising healthcare costs,  
2403 to do so would be the triumph of sound bites over substance.  
2404 Insurers are among the least profitable part of the  
2405 healthcare system and the part that helps the most in making  
2406 a meaningful reduction in healthcare costs. Insurance  
2407 industry margins are dwarfed by the margins of others in  
2408 healthcare. Real reform needs to focus on the areas where  
2409 systematic savings could be realized.

2410         The elephant in the room is the growth of healthcare  
2411 spending. Despite the attention we have garnered in this  
2412 debate, we are the tail on the elephant, and we need to  
2413 address the elephant.

2414         Thank you for the opportunity to be here today. This is  
2415 a critical time for our country and for the healthcare

2416 debate, and I look forward to discussing with you ways in  
2417 which we can work together to control rising healthcare  
2418 costs.

2419 [The prepared statement of Ms. Braly follows:]

2420 \*\*\*\*\* INSERT 4 \*\*\*\*\*

2421 Mr. {Stupak.} Thank you, Ms. Braly. Ms. Miller?

2422 Ms. {Miller.} I have no prepared statement.

2423 Mr. {Stupak.} Oh, you're not going to do a--okay.

2424 Well, let me ask this question. Let me ask about WellPoint's  
2425 motivations and increasing premiums. I have sort of  
2426 mentioned it and others have mentioned it. WellPoint's  
2427 executives, and in a way, Ms. Braly, you asserted the profits  
2428 were not a motivating factor in raising the premiums in  
2429 California. In written testimony you indicated that you were  
2430 disappointed that the critics cited profits as a primary  
2431 reason that companies were increasing the cost of premiums.

2432 So let me ask you this. Right there is a document book  
2433 on Tab 13. Please take a look at Tab 13 if we could put it  
2434 up on the screen.

2435 [Slide]

2436 Mr. {Stupak.} It is an email that was sent on October  
2437 7. It is in response to a voice mail--and in fact, I think  
2438 you are the one who left the message, senior corporate  
2439 actuarial wrote the average increase is 23 percent and is  
2440 intended to return California to a target profit of 7 percent  
2441 versus 5 percent this year.

2442 So my question is, were you attempting to raise profits  
2443 to 7 percent then in California by increasing the premiums?

2444 Was that the purpose behind this email?

2445 Ms. {Braly.} I think Cindy Miller was going to respond  
2446 to that because the email--

2447 Mr. {Stupak.} It was to her, right.

2448 Ms. {Miller.} Yes, it is important to understand that  
2449 that email was during the process of setting the rates, and  
2450 it only refers to part of our California individual business.  
2451 I think it makes reference to the fact that we had a 5  
2452 percent profit and are in that block.

2453 Mr. {Stupak.} In the previous year, right?

2454 Ms. {Miller.} In 2009. That in fact did not turn out  
2455 to be the case. We lost money in the individual market in  
2456 2009 on our California business, and the profit that we have  
2457 targeted in the rate increases that we have asked to  
2458 implement for 2010 is less than 2 percent.

2459 Mr. {Stupak.} But the email basically says we have got  
2460 to get the 7 percent if--got to increase our premium 7  
2461 percent so we can add that 7 percent profit. We have got to  
2462 increase our premiums, right?

2463 Ms. {Miller.} The email was sent on October 7, the  
2464 rates weren't filed until November 7th, and experience on  
2465 that block--

2466 Mr. {Stupak.} Well, let me ask you--

2467 Ms. {Miller.} --and the medical claims continued to

2468 escalate more than we anticipated--

2469           Mr. {Stupak.} Sure. Let me ask you one about November  
2470 22 then if it was filed on November 7. Go to Tab number 22.  
2471 On it, it is an email of November 2, and then you said you  
2472 filed on November 7 from Brian Curley, WellPoint's Regional  
2473 Vice President and Actuarial wrote, Note, we are asking for  
2474 premiums that would put us 40 million favorable. One week  
2475 earlier, Mr. Curley informed Brian Sassi, the President and  
2476 CEO of WellPoint's Consumer Business is that if we get the  
2477 increases on time, we will see an op gain upside of 30  
2478 million after downgrades and rate cap.

2479           I guess my concern is we say publicly we are not  
2480 increasing rates to increase our profits, but yet, these  
2481 emails sort of indicate that you have to have a minimum  
2482 increase in order to maintain profit. Go ahead.

2483           Ms. {Miller.} Well, again, it is important to remember  
2484 what I just said which is the lost money in the individual  
2485 market in California in 2009, and that is not a sustainable  
2486 business market. So certainly we are talking about profit  
2487 increases in absolute dollars, but again, when you look at  
2488 the profit margin that is built into the rates for 2010, it  
2489 is less than a 2 percent profit margin.

2490           Mr. {Stupak.} Well, okay, but look, we have seen your  
2491 internal corporate documents that you used a variety of

2492 accounting mechanisms to sort of manipulate the profit  
2493 figures. Look, we have seen at least five different  
2494 accounting measures used to describe profits. The methods  
2495 include pre-tax income, post-tax revenue, operating gains,  
2496 underwriting margins and profits. If I remember correctly,  
2497 WellPoint, at the end of 2009 in the last quarter, the last  
2498 90 days, their profit was \$2.7 billion or something like  
2499 that, right?

2500 Ms. {Braly.} Well, let me speak to that because the  
2501 fourth quarter of '09 was the quarter in which we sold our  
2502 pharmacy benefit management company. That is a company we  
2503 had had and invested in for years, and our belief was that by  
2504 selling that company and partnering with Express Scripts  
2505 which is a pharmacy benefit management company, we could do  
2506 the important thing that many of these panelists described  
2507 which is getting lower-cost drugs for our members by that  
2508 combination. So if--

2509 Mr. {Stupak.} Great.

2510 Ms. {Braly.} And those earnings now are, you know, no  
2511 longer part of our company because we have sold that. And so  
2512 when you look at our total earnings for 2009 and look at our  
2513 net margin which is an appropriate measure to look against  
2514 other elements, we were at 4.8 percent. That was our margin--  
2515 -

2516 Mr. {Stupak.} That was your margin? What does that  
2517 equal in real dollars in 2009?

2518 Ms. {Braly.} That was about \$2.385 billion.

2519 Mr. {Stupak.} Okay. 2.8 billion, that was your profit  
2520 in 2009 which is a year that everyone would consider was a  
2521 horrible year economically in this country and hopefully 2010  
2522 will be better. But what I am concerned about is our  
2523 hardworking Americans are asking to increase their premiums  
2524 to the wealth of WellPoint's investors. I mean, look it,  
2525 yesterday you had the hearing yesterday in California, right,  
2526 on the rate increase and Anthem President Margolin, is that  
2527 how you say that, defended the profit margin during the  
2528 hearing and he is saying it should be about--the 5 percent is  
2529 a figure that he said would be acceptable. In fact, he said  
2530 we have no interest in profit beyond the range I have  
2531 described to you, 2.5 to 5 percent is reasonable in their  
2532 appropriate profits. But when your policyholders are taking  
2533 a hit like the last panel see, everyone of them were self-  
2534 employed, they are individual, you know. It is that group,  
2535 basically self-employed people, they have taken 30, 40, 50  
2536 percent hit, but it seems like every year you have got to  
2537 have a profit. Is it reasonable to expect every year  
2538 companies are going to have profits and we got to have at  
2539 least 2.5? It would be great if we could guarantee every

2540 business to have 2.5 to 5 percent profit. What the heck, you  
2541 are at 7 percent or more.

2542 Ms. {Braly.} You know, actually, over a 5-year period,  
2543 our profit margin has declined. We continue to get more  
2544 efficient as a company and as a business, and we are working  
2545 hard to reduce healthcare costs and improve access to high-  
2546 quality, affordable healthcare.

2547 So it is important to be a business that sustains, that  
2548 we have an appropriate profit, and we think a 4.8 percent  
2549 margin on a relative basis is very efficient. And when you  
2550 look at that compared to others in the healthcare system, you  
2551 know, biotech companies are 23 percent profits,  
2552 pharmaceutical companies are in the 20 percent profit. We  
2553 have a chart in our written testimony describing that even  
2554 community-based hospital margins are in the 6.9 percent  
2555 profit margin. So we are part of the healthcare system that  
2556 is striving to get to more affordable healthcare for all our  
2557 members.

2558 Mr. {Stupak.} The only way we will get more affordable  
2559 is to knock off these profits that are being paid for by the  
2560 average American. I mean, I don't mind you making a profit,  
2561 but at the end of the year, 2009, a horrible year, you still  
2562 made \$2.-something billion and that is not enough?

2563 Ms. {Braly.} And we serve 34 million Americans across

2564 the country, and we feel that it is appropriate for our  
2565 business to be sustained so that we can be there for those  
2566 members when they incur those healthcare costs. We want to  
2567 be solvent as an organization and be able to continue to  
2568 invest in ways in which we can get to a more affordable,  
2569 higher-quality healthcare equation.

2570 Mr. {Stupak.} Sure, and I don't mean to inject the  
2571 healthcare debate in this whole deal, that is why so many of  
2572 us believe in a public option. You are killing the average  
2573 consumer. They can't afford anymore. We have got to put an  
2574 option up there. Today we are doing the antitrust exemption.  
2575 Hopefully that helps.

2576 My time is way over. Mr. Burgess, please, for  
2577 questions.

2578 Dr. {Burgess.} Thank you. I appreciate you all being  
2579 here today. I appreciate having an actual actuary here at  
2580 the table. It is a shame that we don't have the state  
2581 actuary, and you all could compare notes because I presume  
2582 you prepared some actuarial findings and presented those to  
2583 the State Board of Insurance, is that correct?

2584 Ms. {Miller.} Yes, my team does, by law, is required to  
2585 do rate filings in which we certify that the rates meet the  
2586 law and are reasonable. In addition, we have an independent,  
2587 outside actuarial firm, Milliman, probably the most respected

2588 firm in the country, also verify that they thought our rates  
2589 were reasonable and appropriate and met the law.

2590 Dr. {Burgess.} And those went to state regulators?

2591 Ms. {Miller.} Yes.

2592 Dr. {Burgess.} When was that?

2593 Ms. {Miller.} Our filing was on November 7. The  
2594 independent actuary reviewed the filing in mid-November and  
2595 issued a letter on December 15 that they believed that rates  
2596 were appropriate.

2597 Dr. {Burgess.} Is it possible for you to provide this  
2598 Committee with a copy of that letter? Do we have that in our  
2599 evidence binder somewhere?

2600 Ms. {Miller.} I believe so.

2601 Dr. {Burgess.} We could get a copy of that letter or we  
2602 already have it?

2603 Mr. {Stupak.} We may already have it. It is not in the  
2604 evidence binder.

2605 Dr. {Burgess.} Okay. And then what was the response of  
2606 the state regulators to the actuarial information they were  
2607 provided? That this was outrageous? How dare you?

2608 Ms. {Miller.} By law, the state is supposed to respond  
2609 within 30 days to the filing. We heard nothing from the  
2610 state until actually Christmas Eve, and on Christmas Eve we  
2611 got several questions from the actuary about one of the

2612 products, our Smart Sense product, and the filing for that.  
2613 We responded to those questions, and then we heard nothing  
2614 else from the Department of Insurance until the news broke of  
2615 the rate increases in the LA Times.

2616 Dr. {Burgess.} I see. You know, you had to know this  
2617 was going to be trouble. I mean, a 39 percent rate increase  
2618 in this climate? You know what we have been doing up here  
2619 the last year?

2620 Ms. {Braly.} Yes.

2621 Dr. {Burgess.} You know what is happening at the White  
2622 House tomorrow?

2623 Ms. {Braly.} Yes.

2624 Dr. {Burgess.} You knew this was going to be trouble.

2625 Ms. {Braly.} Yes.

2626 Dr. {Burgess.} You did the report on Christmas Eve.  
2627 You know what else happened on Christmas Eve? They passed a  
2628 bill in the Senate. So you knew the landscape into which you  
2629 were entering, correct?

2630 Ms. {Braly.} Correct.

2631 Dr. {Burgess.} Did you make a judgment as to whether or  
2632 not this was the best time to do this?

2633 Ms. {Braly.} You know, it is always a challenging issue  
2634 to raise rates. And to address the issue that many have  
2635 brought up, you know, our desire is to have more members.

2636 Our goal is to continue to serve members and have more  
2637 members. It is not easy. It is difficult to continue to  
2638 have to raise rates. The process was under way clearly. The  
2639 rates had been filed. We had had this certification also--

2640 Dr. {Burgess.} I don't want to interrupt you, but I am  
2641 going to run out of time. You see how mean he is?

2642 On Tab 18, where we talked about the rate increases, we  
2643 also talked in an email about a cushion to allow for  
2644 negotiation, margin expansion. Kind of sounds like what we  
2645 do with appropriators. We ask for twice what we need, hoping  
2646 they will give us half of what we ask for. So did you file  
2647 this with a cushion, this 39 percent?

2648 Ms. {Braly.} Cindy can speak to that specifically. I  
2649 think it is important to note that when you look at the  
2650 individual products in California, because of our  
2651 participation in the HIPAA and what is called the Mr. Met  
2652 graduate program, a high-risk pool option. We did have in  
2653 2009 a \$68.9 loss when combined with the individuals who buy  
2654 the products in the open market. Our loss was about \$10  
2655 million altogether. So when we price this product for the  
2656 rates for 2010 that were filed with the Department, they  
2657 assumed we would have a margin of about 2.4 percent or an  
2658 after-tax margin of about 1.4 percent.

2659 Mr. {Stupak.} And you feel that even though you knew

2660 you were going to get significant negative publicity because  
2661 of those facts, you would be able to justify what the rates  
2662 were?

2663 Ms. {Braly.} The rates, on average--

2664 Mr. {Stupak.} You can do it. You can add publicity,  
2665 right?

2666 Ms. {Braly.} It is a difficult situation, and even to  
2667 break even, the rates would have been in the 20s in terms of  
2668 overall average, the overall average. And we were concerned  
2669 which is why we also capped the rates at the top and at 39  
2670 percent because we did not want rates for individuals to go  
2671 in excess of that cap.

2672 Dr. {Burgess.} I am going to run out of time, and I  
2673 must ask because it has come up already. Do you have doctors  
2674 who are unconscionably raising their rates in your network?  
2675 My experience with most insurance companies was we took what  
2676 you gave us. We really didn't negotiate. With all respect  
2677 to the Chairman, Medicare sets the rates, you guys come in  
2678 and say we will pay a percentage of Medicare, take it or  
2679 leave it and that is the end of it. That is the so-called  
2680 negotiation that we went through. Is California  
2681 substantially different from Texas?

2682 Ms. {Braly.} No, we can talk about what the trend is  
2683 with the physician trend versus the hospital trend is a much

2684 more significant driver, and the pharmaceutical trend is a  
2685 much more significant driver than that.

2686 Dr. {Burgess.} Thank you. The hospital trend and the  
2687 pharmaceutical trend is a much more significant driver.

2688 Ms. {Braly.} Right.

2689 Dr. {Burgess.} If you took all physician reimbursement  
2690 off the table, you would have a one-time savings of from what  
2691 I read anywhere between 5 and 18 percent. It is not the  
2692 biggest driver in your book of business, I suspect.

2693 Ms. {Braly.} We think the physician trend is around 6  
2694 percent in California.

2695 Dr. {Burgess.} That sounds--

2696 Ms. {Braly.} And so the hospital trend is 10 and the  
2697 pharmacy trend is 13.

2698 Dr. {Burgess.} And of course, all of the expenditures  
2699 do flow through generally through the physician, that is, if  
2700 a physician doesn't write the order, write the script, the  
2701 patient doesn't get the treatment or the prescription.

2702 So although they are a very small part of the actual  
2703 cash outlay, they do control or they tend to be a driver or a  
2704 constrictor of costs. I have always wondered why we try to  
2705 ratchet down physician payments. Doctors are normal people  
2706 that you say we are going to ratchet it down? We try to do  
2707 more to catch up, and therefore we see more patients, order

2708 more tests, write more prescriptions just because our  
2709 throughput has to increase in order to pay our overhead.  
2710 Have you guys ever looked at a corporate level of maybe if we  
2711 pay doctors differently we could actually get control of this  
2712 cost curve?

2713 Ms. {Braly.} Absolutely. We think the partnership with  
2714 doctors is the key to changing the reimbursement system so  
2715 that we are paying for outcomes rather than--

2716 Dr. {Burgess.} Now, you know that there is a  
2717 representative in California named Pete Stark who will not  
2718 allow that sort of interaction to occur, right? That  
2719 partnership between doctors, insurers and hospitals?

2720 Ms. {Braly.} I think that is an important part of the  
2721 future of the reimbursement system, to partner with doctors,  
2722 to look at different ways to reimburse--

2723 Dr. {Burgess.} But we can't. Under Stark laws, we will  
2724 all go to jail. So that is off the table. Is there any  
2725 other way we could do that?

2726 Ms. {Braly.} We think there are elements around medical  
2727 malpractice reform where if doctors understood that they  
2728 would be protected if they followed evidence-based medicine,  
2729 that question that you raised, you know, the most expensive  
2730 thing in healthcare is the pen and the doctor's hand. If we  
2731 can make the doctors, you know, protected and be willing to

2732 and be able to focus on evidence-based medicine, then I think  
2733 we will get at those procedures or those tests or diagnostic  
2734 tools that may be used successfully.

2735 Dr. {Burgess.} Yeah, unfortunately that is one thing  
2736 that is off the table in tomorrow's discussion. We really  
2737 aren't going to talk about tort reform, I don't think, other  
2738 than a very superficial way. We will say caps, they will say  
2739 no way and that will be the end of the discussion. Thank  
2740 you.

2741 Mr. {Stupak.} Thank you, Mr. Burgess. Maybe we can get  
2742 a chance to get another round in. Mr. Chairman, Mr. Waxman.

2743 The {Chairman.} Thank you very much, Mr. Stupak.  
2744 California has a tort reform law. In fact, we have the law  
2745 that the American Medical Association would like to have for  
2746 the rest of the country. Are you saying that that has held  
2747 down costs in California?

2748 Ms. {Braly.} Well, clearly the costs in California  
2749 continue to rise, and we have a number of issues that relate  
2750 to healthcare costs in California. For example, we have  
2751 seen--

2752 The {Chairman.} Well, I don't want to know all the  
2753 issues, but you said if we had a medical malpractice system,  
2754 that would be one way to hold down costs. California has  
2755 one. It hasn't been sufficient to hold down costs to keep

2756 you from raising the premiums, you asked for 25 percent  
2757 increase. In your written statement you said raising our  
2758 premium was not something we wanted to do. So your senior  
2759 executives as WellPoint determined that a rate increase  
2760 averaging approximately 25 percent was necessary, is that  
2761 right?

2762 Ms. {Braly.} That is correct.

2763 The {Chairman.} Okay. Now, I would like to ask you  
2764 about a document produced from your internal files at  
2765 WellPoint. On October 24, 2009, Mr. Shane, a Senior  
2766 WellPoint Actuary, emailed Mr. Sassi, the head of WellPoint's  
2767 Individual Market Division, and let me put up that email.

2768 [Slide]

2769 The {Chairman.} Mr. Shane writes that WellPoint  
2770 executive must reach agreement on a filing strategy quickly,  
2771 specifically in the area of do we file with a cushion, allow  
2772 for negotiations, or do we file at a lower level that does  
2773 not allow for negotiations. This email says that you were  
2774 considering filing a rate increase that was padded because  
2775 you expected California to reduce your proposed increase. Is  
2776 that an accurate conclusion to reach?

2777 Ms. {Braly.} I don't believe so, and Cindy described  
2778 these emails--earlier in the process there was a question of  
2779 what the medical trend would be. What we filed did have a

2780 margin of 2.4 percent on an operating margin basis or 1.4  
2781 percent. And it reflected the trend that we were  
2782 experiencing in California. So there was not a cushion in  
2783 the rate that was filed.

2784       The {Chairman.} Well, it is hard to understand these  
2785 words differently because the words say a cushion allowed for  
2786 negotiation. You decided you needed 25 percent, but it  
2787 sounds like you were willing to go to 20 percent. There was  
2788 a presentation prepared for your board of directors. The  
2789 presentation outlined WellPoint's strategic plan for  
2790 individual line of business for 2010, and let me put that  
2791 slide up on the board.

2792       [Slide]

2793       The {Chairman.} This slide is titled, Key Assumption:  
2794 Individual Pricing. It distinguishes between your rate ask  
2795 and the actual rate increase you are assuming for 2010. And  
2796 according to this slide, the 2010 rate ask is listed as 25  
2797 percent to 26 percent, but the assumed 2010 rate increase is  
2798 just 20 percent. This seems to say that you were asking for  
2799 a 25 percent increase but expected to see that lowered to 20  
2800 percent through negotiations. That sounds like padding. How  
2801 do you respond?

2802       Ms. {Miller.} I will respond to that since my team was  
2803 responsible for the rate filings. It is important to note

2804 that this was prepared before the rate filing, before the  
2805 rates were finalized, and it recognized the fact, the  
2806 political reality that departments of insurance have  
2807 political pressures and often will change rates in response  
2808 to those pressures. What turned out to happen is that  
2809 medical costs continue to escalate through the latter part,  
2810 the last three months of 2009, and the 25 percent rate  
2811 increase became necessary to achieve, as Angela said, a  
2812 profit margin of less than 2 percent on an after-tax basis.

2813       The {Chairman.} Well, it sounds like what you are  
2814 saying is you prepared to ask for a rate higher than what you  
2815 needed as a negotiating tool. You could have anticipated  
2816 rates were going to go up, and you had to make a decision.  
2817 You wanted an average increase of 15 percent, but you were  
2818 really looking at an average increase of 20 percent. You can  
2819 see the document says assumes 2-month approval delay,  
2820 lowering rate increase 5 percent. This says exactly the same  
2821 thing as a presentation to your board. It says that you are  
2822 asking for more than you need because you build in a large  
2823 cushion. Here is what I think is going on. You are raising  
2824 your rates far above what is necessary. You are trying to  
2825 squeeze every dollar of profit you can out of policyholders  
2826 in California and across the Nation, and at a time when  
2827 families across the Nation are struggling to pay their bills,

2828 you are trying to charge them inflated rates that pad your  
2829 profits and support the salaries and the trips and the treats  
2830 and everything else.

2831 Ms. {Braly.} Mr. Chairman, we have described in 2009 in  
2832 the individual business in California, our prices were not  
2833 adequate to cover the losses, for example, in guarantee issue  
2834 part of the products that are required to be covered, and we  
2835 had a loss. And our pricing that was filed and certified or  
2836 reviewed and evaluated by other actuaries confirmed that  
2837 the--

2838 The {Chairman.} Other actuaries, meaning the state  
2839 actuaries?

2840 Ms. {Braly.} Milliman came in specifically at our  
2841 request to evaluate--

2842 The {Chairman.} You indicated you were trying to be  
2843 more efficient to hold down these costs. Is the biggest  
2844 deficiency that you produce trying to shift people onto plans  
2845 where they have to come up with more money out of pocket so  
2846 that you don't have to pay that amount?

2847 Ms. {Braly.} No. In fact, we could be making less  
2848 money when those members shift to products that have less  
2849 benefits. Our goal is to make sure that we have product  
2850 offerings for--

2851 The {Chairman.} Well, we heard three witnesses this

2852 morning as did you. You were sitting here. All three of  
2853 them seemed reasonably healthy, but all three of them were  
2854 told they were going to get a 39 percent increase, not the  
2855 average of 20 or 25, 39 percent increase. But they were in  
2856 luck. They could get a plan that would cost less, they just  
2857 have to pay more out of pocket for their drugs because you  
2858 wouldn't cover the brand-name drugs or they would have to  
2859 come up with greater or higher deductibles. Is that  
2860 efficient?

2861 Ms. {Braly.} What we try to do--

2862 The {Chairman.} Is that inefficiency?

2863 Ms. {Braly.} --is we try to make sure that the customer  
2864 can get access to a product that they want and afford and  
2865 provides them the benefits they need. For example, last  
2866 year--

2867 The {Chairman.} Well, they would like to have what they  
2868 have been paying for and not have to have increases every  
2869 year that they have been seeing.

2870 Ms. {Braly.} And as reflected, as the pool of insured  
2871 changes because sometimes healthy younger individuals leave  
2872 and we have people that stay in the pool that are more  
2873 expensive. The cost overall of the pool continues to go up.  
2874 That is the critical--

2875 The {Chairman.} So you would argue that we need a pool

2876 that includes everybody, is that right?

2877 Ms. {Braly.} Correct, that is--

2878 The {Chairman.} Therefore if you are pooling people  
2879 together, then you don't need these individual risk analyses  
2880 because you are spreading the cost. Is that what you are  
2881 telling us?

2882 Ms. {Braly.} We are an advocate for reform that would  
2883 include the elimination of preexisting conditions provided  
2884 that there is a mechanism to keep everyone in the pool so  
2885 that you don't have this phenomenon.

2886 The {Chairman.} That is what the bill does that passed  
2887 the house. That is what the bill does in the Senate. That  
2888 is what the President has been calling for. Let us get  
2889 everybody insured, and let us put them in a pool and then you  
2890 spread the risk. What the individual insurance markets seem  
2891 to be doing, if you have got an illness, you are not even  
2892 going to be considered for consideration. If you are in the  
2893 plan and you have got some illnesses, we are not going to  
2894 drop you but we are going to shift you to another plan where  
2895 you pay more money out of pocket. And you are  
2896 individualizing insurance so that the individual has no  
2897 leverage. They have to pay what you ask or drop down to  
2898 something else.

2899 Ms. {Braly.} The actuary analysis is not based on an

2900 individual's health status. It is based on who is in the  
2901 pool. But to your point about the healthcare reform, I think  
2902 it is important. The concept and the goal was to eliminate  
2903 preexisting and get everyone in the pool. But what happened  
2904 in both of the bills that we have seen is that the  
2905 effectiveness of keeping someone in the pool really fell  
2906 apart as the legislation was moving forward. And the great  
2907 concern is you wouldn't keep everyone in the pool because you  
2908 don't have the right mechanisms in place to keep them in the  
2909 pool and they would opt out.

2910         The {Chairman.} What would you do to keep people in the  
2911 pool?

2912         Ms. {Braly.} We would make sure that there was a  
2913 continuous coverage requirement so if--

2914         The {Chairman.} Somebody says I don't want insurance.  
2915 What would you do? What would you do to that individual or  
2916 family that says, I don't want to pay this. I can't afford  
2917 it. I'm not going to pay it. What do you to do them?

2918         Ms. {Braly.} Right, and then there should be an  
2919 enforceable and effective penalty of some sort that catches  
2920 all individuals and a requirement to have continuous coverage  
2921 because people jump in and out of coverage in Massachusetts  
2922 where there is a mandate. They jump in, consume healthcare,  
2923 dump their policy, jump out, and the costs continue to

2924 escalate because they dealt with coverage and not cost.

2925           The {Chairman.} I think we tried in that House bill to  
2926 cover everybody and require that everybody get coverage,  
2927 spread the costs out, and we didn't get a lot of support from  
2928 the insurance industry for the House bill, let alone the  
2929 Senate bill.

2930           I have certainly gone way beyond my time. Thank you,  
2931 Mr. Chairman.

2932           Mr. {Stupak.} Ms. Schakowsky for questions, please.

2933           Ms. {Schakowsky.} First, Mr. Chairman, on behalf of  
2934 Representative Eshoo, I would like to add to the record a  
2935 letter that she wrote February 11, to Ms. Angela Braly.  
2936 Could I have unanimous consent?

2937           Mr. {Stupak.} Without objection--let us see it first.

2938           Ms. {Schakowsky.} Okay. I will hand it to you.

2939           [The information follows:]

2940 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
2941 Ms. {Schakowsky.} In the letter that representative  
2942 Eshoo wrote, she quotes from your Anthem Blue Cross unit in  
2943 an email message urging your employees to oppose healthcare  
2944 reform, and it is reported to have said that reform proposals  
2945 would ``cause tens of millions of Americans to lose their  
2946 private coverage. And she makes the point that the 39  
2947 percent rate increase flies in the face of this concern for  
2948 those who would supposedly lose coverage. I wonder if you  
2949 could respond to that.

2950 Ms. {Braly.} I would be happy to. We are very  
2951 concerned with the legislation that was being proposed  
2952 because we didn't feel like it addressed that concept of  
2953 addressing, getting everyone in the pool, and as a result,  
2954 that, with combined with some other changes that were  
2955 proposed, including changing the age rating. Our actuarial  
2956 analysis, which we shared publicly and have available on our  
2957 website--

2958 Ms. {Schakowsky.} What is the age rating you use?

2959 Ms. {Braly.} It varies by state, and Cindy could  
2960 probably give the details around California, but constricting  
2961 the age restrictions, we found that individuals, young  
2962 individuals, in California would see in excess of 106 percent  
2963 rate increase and that was before trend. So that would be in

2964 addition to the rising healthcare costs that we saw as well.

2965 Ms. {Schakowsky.} You began by talking about how happy  
2966 you were to be here to talk about rate increases. I want to  
2967 remind you the name of this hearing. It is Premium Increases  
2968 by Anthem Blue Cross and the Individual Health Insurance  
2969 Market. And what I actually expected was not for you to come  
2970 and lecture us about what we should put in our bill but  
2971 actually to explain to us, and a good start would have been  
2972 to answer some of the concerns. I don't know if you were  
2973 here for the testimony of Jeremy Arnold who talked about a  
2974 whopping 74 percent increase that he has experienced or Julie  
2975 Henriksen who I just calculated pays \$24,504 a year. And if  
2976 I am correct, if I heard you correctly, you never even met  
2977 the deductible. So you paid this amount, but you really  
2978 didn't get any benefit from the health insurance because you  
2979 didn't meet the deductible, or respond, and it would be nice  
2980 if you would because she wrote you letters talking about how  
2981 she realized for months she had been paying for a costly,  
2982 unnecessary benefit, switch plans, and finally did get a  
2983 letter that her premiums were going to be raised 38 percent,  
2984 although she could change to a lesser coverage and pay only  
2985 16 percent. Isn't that fabulous?

2986 I do have a couple of questions, but I want to tell you  
2987 something, that I think that a 39 percent rate increase at a

2988 time when people, Americans, are losing their jobs, losing  
2989 their healthcare, is so incredibly audacious, so  
2990 irresponsible. You know, we see these lavish retreat places.  
2991 I would be interested to know what your salary is as the CEO,  
2992 the incredible CEO salaries. I don't know how many people it  
2993 was said that make over \$1 million a year at your company.  
2994 How much money do you make?

2995 Ms. {Braly.} My salary is \$1.1 million. I receive  
2996 stock compensation. I received stock compensation with the  
2997 value of 8.5 million, and last year an annual incentive  
2998 payment of \$73,00.

2999 Ms. {Schakowsky.} Well, of course, it makes sense then  
3000 that you would need a big rate increase now that you told us  
3001 that. You said in your written testimony that Anthem Blue  
3002 Cross profit margin is in line with and below that of many of  
3003 your competitors. Can you name any California competitors  
3004 who have raised their rates up to 39 percent?

3005 Ms. {Braly.} Yes, we believe that a number of our  
3006 competitors have raise rates. In fact, in the individual  
3007 market, there are products that are available. Our products  
3008 are competitively priced and in many cases lower priced than  
3009 many of our competitors, both for-profit and not-for-profit--

3010 Ms. {Schakowsky.} They got approved by the commission  
3011 for more than--

3012 Ms. {Braly.} They are outstanding and available now.

3013 Ms. {Schakowsky.} --39 percent?

3014 Ms. {Braly.} We are a very efficient company on a  
3015 relative basis, and our administrative costs continue to go  
3016 down. And so we do have very competitive rates in the  
3017 marketplace. Many times they are less expensive than other  
3018 products that are currently available. And there are a  
3019 number of competitors in California, and our rates are quite  
3020 competitive in the marketplace.

3021 If I could address your earlier question--

3022 Ms. {Schakowsky.} No. I have another question. Has  
3023 your company met the legal requirement to use 70 percent of  
3024 premiums collected in the individual market for the payment  
3025 of medical claims?

3026 Ms. {Braly.} Yes, we have submitted those filings and  
3027 believe they are compliant with the requirement. You have to  
3028 keep in mind that product is the product sold in a commercial  
3029 market, that the losses that are incurred in the HIPAA and  
3030 the Mistermet graduate program are borne in that marketplace  
3031 as well. So in the end, the individual marketplace lost  
3032 money in 2009, and would produce an after-tax return of 1.4  
3033 percent--

3034 Ms. {Schakowsky.} So when you figure your profits, you  
3035 don't figure it across the company? You look just at the

3036 profits made or lost in the individual market?

3037 Ms. {Braly.} Yes, and there are some very important  
3038 reasons actuarially to make sure you price the product for  
3039 the costs that are being incurred in those products. Cindy,  
3040 you might talk about the potential--

3041 Ms. {Schakowsky.} No, I don't want to hear about it.

3042 Ms. {Braly.} --adverse--

3043 Ms. {Schakowsky.} I don't want to hear because it seems  
3044 to me that when you have a company that is providing not  
3045 widgets and not some luxury item but healthcare, that it  
3046 might make sense to look across the whole company to see what  
3047 kind of profits because people who are in the individual  
3048 market are often least able to be able to come up with these  
3049 very high rates.

3050 What would you think about an 80 or 85 percent medical  
3051 loss ratio?

3052 Ms. {Braly.} You know, our medical loss ratio as an  
3053 enterprise is 82.6 for 2009. And you know, one thing that is  
3054 really important about the individual market, we in some  
3055 states, where there has been regulation that really tries to  
3056 restrict the ability to raise rates, all the competition has  
3057 left. We are Blue Cross/Blue Shield. If you look at Maine,  
3058 in 1993 there were 11 carriers in Maine offering products in  
3059 the individual market. Now there is us and another company

3060 that is not a major national competitor because we are Blue  
3061 Cross and we have geography licensure, and we don't want to  
3062 leave the individual market. And so we need to make sure  
3063 that it is a viable marketplace for our customers so we can  
3064 continue to cover their costs. So as they incur healthcare  
3065 costs, we are there to provide and pay for those costs.

3066 Ms. {Schakowsky.} I yield back.

3067 Mr. {Stupak.} Nothing to yield. Let me go to Mr. Welch  
3068 of Vermont for questioning.

3069 Mr. {Welch.} Thank you very much, Mr. Chairman. Ms.  
3070 Braly, on our last panel we did hear from some Anthem  
3071 policyholders who have had very high rate increases. Two of  
3072 the policyholders had premiums that were being raised 38  
3073 percent. The third had a rate notification increase to 30  
3074 percent. All of those were markedly higher than the average  
3075 increase that WellPoint has reported publicly. And the  
3076 current rate increases put the policyholder in a tough  
3077 position. They can drop insurance altogether or try to get a  
3078 much less comprehensive policy. And I would like to show you  
3079 and Ms. Miller a document that suggests that these rate  
3080 increases in fact could be much higher in the future. You  
3081 can find this chart at Tab o7 of the document binder. And  
3082 this, as you know, is a WellPoint internal analysis of the  
3083 potential rate increases which was included as part of the

3084 individual leadership pricing memo, a document providing  
3085 recommendations and analysis about the individual market in  
3086 California. And I would like to put this document on the  
3087 screen. Do we have that document up?

3088 [Slide]

3089 Mr. {Welch.} Okay. Thank you. Ms. Miller, as  
3090 WellPoint's Chief Actuary, I want to make certain I  
3091 understand the three scenarios proposed by WellPoint  
3092 officials in this document. Scenario one, and I don't think  
3093 this is on the screen, appears to propose that WellPoint make  
3094 no change in SAFs or rate increase caps, right?

3095 Ms. {Miller.} That is correct.

3096 Mr. {Welch.} And then scenario two appears to propose a  
3097 reduction in the rate caps by 2 percent after accounting for  
3098 age. So am I reading that correctly?

3099 Ms. {Miller.} Yes.

3100 Mr. {Welch.} And then scenario three which is the focus  
3101 of attention here, that is the chart that caught my  
3102 attention. It appears to consider the possibility of  
3103 removing rate increase caps altogether, and the document  
3104 states, and I quote, ``Remove SAFs completely.'' And then  
3105 below that header is a chart that shows that if WellPoint in  
3106 fact implemented this program, taking away the rate caps,  
3107 removing them entirely for certain plans, over 27,000

3108 policyholders would be subject to a 228.4 percent increase in  
3109 their monthly premiums. Is that right?

3110 Ms. {Miller.} I don't see the number of policyholders  
3111 that you are referencing on the one that is in our book. But  
3112 I do see the 228 percent.

3113 Mr. {Welch.} Okay. So if we took the caps off, under  
3114 your internal analysis, if I were a WellPoint policyholder  
3115 subject to this situation, I could be receiving a 228 percent  
3116 increase in my premium cost?

3117 Ms. {Miller.} Yes, I would like to point out that these  
3118 are labeled scenarios, not proposals. When we do our  
3119 actuarial work, you start by looking at the rate increases  
3120 that are necessary for--

3121 Mr. {Welch.} The scenario--

3122 Ms. {Miller.} It could have been the starting point,  
3123 and it is meant to illustrate that if we didn't cap, these  
3124 would be the increases. We did in fact cap the rates. This  
3125 was not a proposal. It was just in order to illustrate, you  
3126 know, how dramatic some of the increases would be if we had  
3127 to do that.

3128 Mr. {Welch.} I get that. You are saying that if you  
3129 had caps off, by your analysis, you might actually in order  
3130 to maintain using Ms. Braly language, a viable marketplace  
3131 would require you to raise my premium by 228 percent. That

3132 is where we are headed. I mean, this is the problem. That's  
3133 where we are headed.

3134 Do you consider, Ms. Braly, that it is a viable  
3135 marketplace if a machine tool company who has got 15 workers  
3136 that they have been loyal to and the workers have been loyal  
3137 to them, and they are trying to hang onto the jobs and they  
3138 are trying to hang onto health benefits, they get a notice in  
3139 the mail saying that they are going to get a 228 percent  
3140 premium increase. Is that sustainable?

3141 Ms. {Braly.} Absolutely not, which is why we need to  
3142 focus on the rising health care costs, and we think we are an  
3143 important part of that mechanism in healthcare.

3144 Mr. {Welch.} Well, you know, that is pretty self-  
3145 serving. I mean, if your medical loss ratio is you said  
3146 about 82 percent, you know, just years ago the medical loss  
3147 ratio was in the range of 95 percent. So there a business  
3148 model that is working for you as an insurer so that you can  
3149 pay your salaries, maintain your bottom line, but it is  
3150 coming at great expense to other people.

3151 Ms. {Braly.} Our administrative expense, you know,  
3152 really does go to focus on disease management. We have 2500  
3153 nurses who work with our customers to make sure they are  
3154 getting the benefits--

3155 Mr. {Welch.} You know, Ms. Braly, I don't mean to

3156 interrupt. We have got a situation here that your own  
3157 internal analysis suggest the obvious conclusion. It is not  
3158 sustainable. I mean, if left to strict marketplace  
3159 interpretation of what is ``market viability'', that being as  
3160 I understand it, what you would have to charge in order to  
3161 maintain the financial solvency of your business. If that  
3162 requires charging that machine tool company 228 percent, that  
3163 is not a market that is viable to anybody who is on the  
3164 receiving end of that premium rate increase. So it suggests  
3165 that the market model that we have is fundamentally broken.

3166 Ms. {Braly.} We agree that we need a sustainable  
3167 solution to this difficult problem, particularly in the  
3168 individual market where we see these issues extremely in  
3169 terms of the rate increases which is why we are an advocate--

3170 Mr. {Welch.} So basically you are in agreement with the  
3171 proposition that I just made, that the current insurance  
3172 model is fundamentally broken where the premiums are going up  
3173 potentially 228 percent?

3174 Ms. {Braly.} I think we need to continue to create an  
3175 opportunity for both consumers to be better purchasers of  
3176 healthcare and understand the dynamics which we are doing  
3177 through investment, as well as continue to innovate around  
3178 how we fundamentally change the--

3179 Mr. {Welch.} When you say the consumer can be a better

3180 purchaser of healthcare, when you send out your premium  
3181 notice, whether it is 40 percent or potentially 228 percent,  
3182 and when someone calls, do you negotiate the rate for them?

3183         Ms. {Braly.} We have a mechanism where we do work with  
3184 our customers to make sure that they can get another product  
3185 potentially that they can afford or that has benefits that  
3186 they want or need or not the benefits that they don't want--

3187         Mr. {Welch.} How can you--literally, I mean, again, I  
3188 am not--

3189         Mr. {Stupak.} Go ahead, finish it up, and then that is  
3190 going to be it.

3191         Mr. {Welch.} Well, I think the point has been made  
3192 here. Thank you, Mr. Chairman.

3193         Mr. {Stupak.} Thank you, Mr. Welch. Ms. Capps for  
3194 questions, please? Thank you for being here today, too.

3195         Mrs. {Capps.} Thank you, Mr. Chairman, it is an honor  
3196 to be with your Subcommittee. I see a couple of the members  
3197 of the previous panel. Before I address the current panel, I  
3198 just want to say thank you for being such wonderful  
3199 witnesses. You spoke for a lot of my constituents. I  
3200 represent a district on the central coast of California, and  
3201 their stories are so similar to yours, and they were very  
3202 eloquent. I had to leave, and so I wasn't able to say that  
3203 to you and allow you to expound even more.

3204 But to this panel, listening to a couple of my  
3205 colleagues and your responses too them just makes the case  
3206 for me as one member of Congress that we really do need a lot  
3207 more competition within the health insurance market.

3208 Here is a story from one of my constituents, in a quote.  
3209 ``We as many others have received a notice from Anthem that  
3210 our health insurance premium will increase by 30 percent  
3211 starting March 1. My husband and I are both self-employed.  
3212 We currently afford a PPO with a 5 deductible. And now  
3213 Anthem, being so understanding, is offering a \$7,500  
3214 deductible. If anything serious happens to our health, we  
3215 lose everything to pay our medical bills, even though we  
3216 technically have insurance.'' Here is another constituent.  
3217 ``I am a 61-year-old male with individual health insurance  
3218 from Anthem Blue Cross. I just received a notice of a rate  
3219 increase from \$616 a month to \$881 a month.'' Another says  
3220 this. ``The premium on my Anthem Blue Cross health insurance  
3221 policy is going up from \$545 per month to \$712 as of March 1.  
3222 I want you to be aware,'' she writes to me, ``of this 30  
3223 percent hike in insurance rates.

3224 Ms. Braly, these are hardworking people, I know, who  
3225 have no choice but to purchase health insurance on the  
3226 individual market. Yet it doesn't seem like they get much  
3227 for it. You claim you must raise prices in order to make up

3228 for healthy people who drop out of the system. But isn't it  
3229 true that you have long engaged in the practice of  
3230 rescission? I am well aware that Anthem has been fined for  
3231 doing that in years past. And knowing that it may well drop  
3232 me as a consumer who, in the even that I would become sick,  
3233 is certainly not an attractive enticement for me to help as a  
3234 healthy customer to join forces so that you can help to keep  
3235 your costs down. You don't market yourselves very well. At  
3236 a time when your company is bringing in record profits, but  
3237 when the rest of our economy is suffering, I want to know  
3238 what steps you are going to take now to make quality health  
3239 insurance products affordable to the people like my  
3240 constituents who want to be responsible and want to purchase  
3241 health insurance but just can't do that. Do you want to  
3242 respond quickly? I have another--

3243 Ms. {Braly.} I would. Thank you. Thank you for the  
3244 opportunity to talk about what we are doing to try to make  
3245 healthcare premiums more affordable. For example, when we  
3246 negotiate with hospitals in California, our goal is to have  
3247 zero increases. Often those hospitals come to us requesting  
3248 a 40-percent increase, and if there is not competition among  
3249 hospitals, the regulators have said that it is inappropriate  
3250 for us to terminate those hospitals from our network because  
3251 then we would have an access problem. So as a result, we

3252 don't have the ability to, you know, not agree to those very  
3253 high rate increases from the hospitals. So we are going to  
3254 continue to fight on behalf of our customers to make sure  
3255 that the healthcare they are receiving is affordable and high  
3256 quality. And it is a difficult fight. It is one that we  
3257 keep doing. It is why we sold our pharmacy benefit  
3258 management company so we could get access to lower cost drugs  
3259 because those costs are driving the overall increase in--

3260 Mrs. {Capps.} So you are shifting the blame to the  
3261 hospitals pretty much. Just summarizing.

3262 Ms. {Braly.} We are working together to make sure we  
3263 can address that.

3264 Mrs. {Capps.} There is nothing within your own system  
3265 that you can find any flaws with.

3266 Ms. {Braly.} We continue to work on our efficiency. In  
3267 fact, if you look at our administrative efficiency ratio, we  
3268 continue to improve our efficiency as an organization, while  
3269 we provide more services in terms of getting to that  
3270 underlying healthcare cost. We will continue to do that.

3271 Mrs. {Capps.} I am going to just again address the  
3272 topic that has come up. I saw slides shown of the places  
3273 where you hold your retreats. This is a sticking point. It  
3274 is not the whole story, but it is one that because it is so  
3275 visible, it is pretty galling for people who have had to

3276 sacrifice their vacations now for the past two or three years  
3277 because of the economy and what it is doing to their personal  
3278 lives. And yet--and I am going to finish and then I am going  
3279 to give you the rest of the time to respond. You have  
3280 continued to make these retreats a part of your working  
3281 relationship and offering these to your employees. Consumers  
3282 are making sacrifices in order to hold onto their health  
3283 insurance as the premiums go up and then as they face being  
3284 denied. These retreats hold more sway with your company than  
3285 the health and well-being of your subscribers, and I will  
3286 allow you any seconds I have left to--

3287 Ms. {Braly.} Yeah, those meetings have been  
3288 characterized as retreats for our associates, and that is  
3289 incorrect. Those meetings that were described are meetings  
3290 that we have with our customers, meetings--

3291 Mrs. {Capps.} Which customers?

3292 Ms. {Braly.} Often I meet quarterly with  
3293 representatives for our customers, our customer advisory  
3294 groups and--

3295 Mrs. {Capps.} Who are those people?

3296 Ms. {Braly.} They are representatives from our  
3297 customers, so business people who buy the benefits on behalf  
3298 of group customers--

3299 Mrs. {Capps.} So you are selling your benefits at those

3300 lavish resorts?

3301 Ms. {Braly.} We are meeting with--brokers and agents.

3302 You heard one of the panelists say she was going to work with  
3303 her agent to understand what her options are.

3304 Mrs. {Capps.} Well, that is where her agent was when  
3305 she was trying to get a hold of her.

3306 Ms. {Braly.} We make sure that our agents and brokers  
3307 consultants and customers know what our benefits are, know  
3308 what plans and services we can provide to them. We do some--

3309 Mrs. {Capps.} And you justified that cost as you are  
3310 raising the premiums?

3311 Ms. {Braly.} No, we continue to focus on making sure we  
3312 are more efficient. We do need to meet with people that are  
3313 agents, brokers and customers. We find that they provide  
3314 input to us in terms of how we improve the services and  
3315 benefits that we provide to--in the case of--

3316 Mrs. {Capps.} Do you ever meet with your premium  
3317 holders? Do you ever talk with them?

3318 Ms. {Braly.} I do, and I am delighted to, and I  
3319 appreciate the opportunity when I get. And yes, I--

3320 Mrs. {Capps.} Did you hear their stories in addition to  
3321 the stories you heard this morning?

3322 Ms. {Braly.} It is a challenge, believe me. We are on  
3323 their side. We want to--

3324 Mrs. {Capps.} They don't feel like it.

3325 Ms. {Braly.} And we want them to understand there is so  
3326 much misinformation about what is driving these premium  
3327 increases. And I think it is important for people to  
3328 understand the margins that are available to pharmaceutical  
3329 companies and in hospitals and where we stand on a relative  
3330 basis because we are fighting every day to make sure we can  
3331 make their health benefits more afford able.

3332 Mrs. {Capps.} Thank you, Mr. Chairman.

3333 Mr. {Stupak.} Thank you. There was a request earlier  
3334 that a letter dated February 11, 2010, from Anna Eshoo,  
3335 member of this Committee and Member of Congress, to Ms. Braly  
3336 be entered in record. Without objection, it will be entered.

3337 Second round of questions, Mr. Waxman?

3338 The {Chairman.} Thank you, Mr. Chairman. You have said  
3339 a couple of times, you want to make healthcare services for  
3340 your beneficiaries. You want to provide more services for  
3341 them. You want to provide more efficient services for them.  
3342 You want to provide good services for them. Is that what you  
3343 have been saying?

3344 Ms. {Braly.} Yes.

3345 The {Chairman.} You see that as your role?

3346 Ms. {Braly.} We see it as a critical role, for us to  
3347 get them access to affordable quality healthcare. And we, by

3348 providing services that we do, we think that creates real  
3349 value for the customer.

3350       The {Chairman.} Well, some of these documents paint a  
3351 different picture. There is a document that is titled  
3352 WellPoint individual 2010 plan. Opportunities not reflected  
3353 in the forecast. It is a business plan, and under this  
3354 business plan there is a section called risk management, and  
3355 it says, our medical loss ratios should improve as we  
3356 eliminate subsidies and other risk management initiatives.  
3357 And then you have a number of initiatives. One of the issues  
3358 is to take preexisting waiting periods and adjust them to be  
3359 either 12 months or the legal maximum if less. So you want  
3360 to make sure--they have to wait, if they wait they have a  
3361 preexisting condition, to wait as long as the maximum will  
3362 allow. Secondly, reinstatements will only be allowed for a  
3363 period of 60 days after termination and will require  
3364 underwriting and payment of back premiums. So that is going  
3365 to make it more difficult for people to get back into getting  
3366 access to this good quality care.

3367       Does WellPoint have initiatives to reduce the amount of  
3368 premium dollars that are used to pay for medical claims?

3369       Ms. {Braly.} We have a number of initiatives to try to  
3370 reduce medical costs, period. And then--

3371       The {Chairman.} Well, how about reduce, not just

3372 medical costs, but medical services?

3373 Ms. {Braly.} We want to make sure that our members get  
3374 access to the quality care they need at the right setting at  
3375 the right time. So if we are avoiding a fraudulent expense  
3376 or an unnecessary expense, yes, we want to--

3377 The {Chairman.} Well, not fraudulent or unnecessary.  
3378 You are saying that people have preexisting conditions. You  
3379 are going to make them wait as long as possible before they  
3380 can get care and--

3381 Ms. {Braly.} No, I was talking--

3382 The {Chairman.} --there is another document, let me put  
3383 it up on the screen. It is Tab 14.

3384 [Slide]

3385 The {Chairman.} In this document, WellPoint executives  
3386 identified key issues confronting the individual market, and  
3387 they stated, lack of attention to risk management, decreased  
3388 ability to use preexisting claim denials and rescind policies  
3389 and maternity policy have led to our first-year loss ratios  
3390 climbing from less than 50 percent 5 years ago to over 65  
3391 percent. So these documents seem to indicate that senior  
3392 executives are actively considering steps to reduce the  
3393 amount of premium benefits that are used to pay for medical  
3394 claims. If you are going to reduce payment for claims, you  
3395 are reducing payment for claims for legitimate medical

3396 services.

3397 Ms. {Miller.} We are trying to make sure that the pool  
3398 of members that we have is not disadvantaged in the  
3399 marketplace. One of the reasons that our rates are going up  
3400 so much in 2010 is that healthy people are making a choice  
3401 when faced with the hardship of the premium increases they  
3402 are seeing. We recognize that there are hardships--

3403 The {Chairman.} What does a medical loss ratio mean?

3404 Ms. {Miller.} What is medical loss ratio?

3405 The {Chairman.} Yeah, what does that mean?

3406 Ms. {Miller.} It is the claims, the medical claims  
3407 paid, divided by the premium.

3408 The {Chairman.} So you are trying to reduce the amount  
3409 of claims you will pay for people in order to make sure that  
3410 you are still within the medical loss ratio but you can  
3411 reduce the claims for people, isn't that right?

3412 Ms. {Miller.} No, you can't reduce claims without  
3413 changing your medical loss ratio. That is not possible.

3414 The {Chairman.} Okay. Well, if you are looking for  
3415 ways in a business strategy to manage the risks, they all  
3416 sound very nice, managing the risk. And then the ways you do  
3417 that is to deny people access to care so you don't have to  
3418 pay for that care for a longer period of time. That sounds  
3419 like you want to make sure that you have got less money going

3420 into paying for care.

3421 Ms. {Miller.} No, specifically in the individual market  
3422 in California, there is a minimum loss ratio requirement that  
3423 we comply with. In fact, in the HIPAA guarantee issue  
3424 products that we described, the medical loss ratios or  
3425 medical cost ratios exceed by far the premium increases that  
3426 we can--

3427 The {Chairman.} The reason that you have a medical loss  
3428 ratio is we want to guarantee that insurance companies are  
3429 using premium dollars to pay for medical care for the  
3430 customers and not for overhead, corporate expenses, and  
3431 profits.

3432 Ms. {Miller.} Which is why our--

3433 The {Chairman.} You have to balance that out. But it  
3434 sounds like your people were looking at business strategies  
3435 to reduce the amount of payment of the premium dollars for  
3436 the medical care for the customers.

3437 Ms. {Braly.} Actually, if we take some of those risk  
3438 management ideas, we can potentially reduce the cost for the  
3439 overall pool and therefore not have such significant--

3440 The {Chairman.} But for the individual involved, that  
3441 individual is not going to have access to more efficient  
3442 care. They are not going to have access to good services,  
3443 they are not going to have access at all because you are

3444 going to hold down the cost for the overall pool. But that  
3445 individual is going to have to go without or pay for the  
3446 services that you wouldn't otherwise pay for.

3447 Ms. {Braly.} And that is one of the critical elements  
3448 about our reform. If an individual doesn't buy his or her  
3449 policy when they are well and there is an underwritten  
3450 market, then if we allow them, like we do in some markets  
3451 where we have guarantee issue, like New York and Maine, to  
3452 wait until they are sick to buy the policy, then they won't  
3453 buy the policy--

3454 The {Chairman.} Nobody wants to do that--

3455 Ms. {Braly.} --until they are sick.

3456 The {Chairman.} --but you have got people covered, and  
3457 your business--and you can't drop them because the law won't  
3458 let you drop them.

3459 Ms. {Braly.} That is correct, and we don't want to.

3460 The {Chairman.} So you have got people covered, and  
3461 then you want to shift more costs onto them and use more of  
3462 the premiums for overhead instead of for services. What I  
3463 think we need is meaningful health reform to guarantee that  
3464 the insurance companies are using premium dollars to pay for  
3465 medical care for the customers and not for the overhead,  
3466 corporate expenses and profits. What is the bill, what do we  
3467 have? We have 80 percent requirement that the money

3468 collected by premiums be used to pay for health insurance  
3469 claims.

3470 Ms. {Braly.} Right.

3471 The {Chairman.} You are at 85 percent. You don't do  
3472 that now, do you?

3473 Ms. {Braly.} We are at 82.6 percent. I want to address  
3474 that question, though, too. You know, every administrative  
3475 dollar that we spend, we want to produce a lower cost of care  
3476 as a result of that. So we make investments in things like--

3477 The {Chairman.} You don't produce a lower cost of care,  
3478 you produce a certain amount of--to meet the ratio, a certain  
3479 amount to make sure that you are meeting your expenses and  
3480 your profits. But people are being denied care, and that is  
3481 why I think health insurance reform is so necessary, and I  
3482 dispute your statement, although I don't have time to go into  
3483 it, that this bill does not bring more people into the pool.  
3484 And individual has no power to deal with you, but if they are  
3485 pooled together with others, then those people have the  
3486 opportunity under healthcare legislation to say we want to  
3487 make sure that 85 percent of the money that you collect from  
3488 us pays our healthcare claims, not more money going to  
3489 retreats and expenses and salaries. We want it for that  
3490 purpose, and then you can spread the costs out. Thank you,  
3491 Mr. Chairman.

3492 Mr. {Stupak.} Mr. Burgess for questions, please.

3493 Dr. {Burgess.} Thank you. Let me just clarify. On the  
3494 AMA, American Medical Association site last night, and of  
3495 course they are not your biggest ally or fan, but they  
3496 reported a medical loss ratio for WellPoint at 84.8 percent  
3497 which is right at that 85 percent figure that was mandated in  
3498 the bill. Is that for the whole company and it is different  
3499 in California?

3500 Ms. {Braly.} They may be looking at statutory financial  
3501 statements versus gap. The gap statements show for year-end.  
3502 We were at 82.6 which is enterprise-wide. So I am not sure  
3503 exactly where they are at 84.8, but there are many products  
3504 in which--

3505 Dr. {Burgess.} They Tweeted it, so I know it is right.

3506 Ms. {Braly.} Right.

3507 Dr. {Burgess.} Let me ask you a question. I thought  
3508 Blue Cross was non-profit. We have all this discussion of  
3509 profits today, I always thought when I was in practice that  
3510 Blue Cross was a non-profit.

3511 Ms. {Braly.} There are many companies who have Blue  
3512 Cross licenses. We are a for-profit company, but as we have  
3513 described, the not-for-profit companies continue to have  
3514 margins sometimes in excess of ours because we have come  
3515 together as former Blue Cross independent states, and we have

3516 created a lot of efficiency and scale at WellPoint. So we  
3517 are a more efficient Blue Cross plan but we are for-profit  
3518 Blue Cross plan.

3519 Dr. {Burgess.} One of the areas, and I am sorry Mr.  
3520 Waxman is gone, but one of the areas where I disagree with  
3521 Mr. Waxman but you agree with him is that we need a mandate,  
3522 an enforceable mandate, a rigid mandate in this healthcare  
3523 bill. Mandates are an anathema in a free society, and my  
3524 submission is that they do not work. We have a tremendous  
3525 mandate right now with the IRS. Everybody knows you have got  
3526 to pay your income taxes, and if you don't, you may not be  
3527 exactly sure of the penalties but you know it is bad and you  
3528 don't want to find out. And our compliance with the IRS is  
3529 about 85 percent. Well, we have 15 percent of the people  
3530 uninsured in a voluntary system in this country, so I don't  
3531 know how much more compliance we get by going to a mandate,  
3532 and yet we ask honest people to give up significant freedoms.  
3533 When we did the Medicare Part D program several years ago,  
3534 and part of my job as a member of Congress was to go out and  
3535 talk to people about the changes coming to Medicare, and I  
3536 can't tell you the number of people who would tell me that  
3537 you can't make me take that prescription drug benefit. No,  
3538 ma'am, I am not here to make you take it, it is there for you  
3539 if you want it. Well, you can't make me take it. I said,

3540 no, that is right. You can do what you are doing right now,  
3541 and that is okay. You can't make me take it. Well, what are  
3542 you doing right now? Well, I don't have drug coverage. You  
3543 can keep it. You can keep that non-coverage as long as you  
3544 want. Now, there was a penalty involved, and we got a lot of  
3545 criticism for that, that if you didn't sign up in the open  
3546 enrollment period which at that point was six months after  
3547 the initiation, that people would pay a 10-percent premium  
3548 for coming into the system if you will after they got sick  
3549 because we were trying to make the benefit look more like  
3550 insurance and less like an entitlement. And you know, the  
3551 story with Medicare Part D, although it is not perfect is  
3552 that it has provided a benefit now to 92 or 93 percent of  
3553 seniors have a credible prescription drug coverage of some  
3554 sort and 92 or 93 percent are satisfied or very satisfied.  
3555 So that is a pretty good track record. Now, we did that  
3556 without a mandate, and the model that we should follow, in my  
3557 opinion, is that model which is to create programs people  
3558 want. If you get a mandate, which is a program you want, but  
3559 if you get a mandate, then there is not reason for you to try  
3560 to compete for any of these subscribers' business. And yet,  
3561 how much better would it be if you said, well, we are going  
3562 to create programs that people want and will want to stay  
3563 with us over time. I wish I could have a longitudinal

3564 relationship with my health insurance company. I have with  
3565 my car insurance company since I was 18 years old, but health  
3566 insurance, you shop around every year to get the best deal  
3567 when you are in small business or your employer shops around  
3568 for the best deal, and as a consequence, you don't get to  
3569 keep your insurer over time. One of the reasons I went with  
3570 a high deductible policy so I could have a longitudinal  
3571 relationship with my insurance company. We are far better  
3572 off if we construct programs that people want, rather than  
3573 telling them what they have to have.

3574 Now, you have got, and I think it has already come up,  
3575 that increases in the California individual market can be as  
3576 much as 106 percent under the confines of the House-passed  
3577 bill, and that is a pretty significant figure. Now, Mr.  
3578 Stupak is correct, none of the benefits start for 4 years, so  
3579 it might not happen to you right away but at some point, the  
3580 cost of those benefits is going to go up, and the truth is,  
3581 no one really knows because we do these budget scores but no  
3582 one really knows. Look how far off the mark we were when we  
3583 passed Medicare in 1965 with what it costs us today. And Mr.  
3584 Waxman talks about your medical loss ratio, look at our  
3585 unfunded liability in Medicare and Medicaid. I mean, that is  
3586 what is staring people in the face. Yeah, we got a lot of  
3587 problems here we need to fix. They are complex problems that

3588 are really hard to do. We need to do them. We have got a  
3589 much bigger problem staring us in the face which is the  
3590 unfunded obligation that we have with our existing public  
3591 options if you will that those bills are going to come due  
3592 before any of us really had planned. That is really where we  
3593 need to be focusing right now. We are not doing our part  
3594 very well right now with Medicare and Medicaid. Before 50  
3595 percent of the market that we pay for right now, we are  
3596 asking to go to 75 percent at the federal level. That is a  
3597 big ask for the American people. That is why we are getting  
3598 so much pushback on this bill. They don't think we are doing  
3599 a good job with what we have got now, and they don't want to  
3600 give us another 25 percent of that market.

3601 Thank you, Mr. Chairman. I will yield back.

3602 Mr. {Stupak.} Thank you, Mr. Burgess. Let me just sort  
3603 of wrap up a couple questions if I may. Ms. Braly, you  
3604 indicated that the drivers for this increase, the 39 percent  
3605 increase you are seeking, doctors were 6 percent, hospital  
3606 was 4 percent I think you said, and pharmaceutical, 13  
3607 percent, right?

3608 Ms. {Braly.} No, hospital trend is about 10 percent,  
3609 the physician trend is 6 and the pharmaceutical trend is  
3610 about 13 for California for the 2010 rates.

3611 Mr. {Stupak.} Okay, so that is about 29 percent. So

3612 does that leave 10 percent then for administrative costs?

3613 Ms. {Braly.} No, Cindy can take you through the  
3614 different elements that went into the price increases.

3615 Mr. {Stupak.} No, I am just trying to keep this simple  
3616 so average lay people like me can understand how you come up  
3617 with 39 percent if your projected, and these are all  
3618 projected, right, Doctor, 6 percent you said, hospital 10  
3619 percent, pharmaceutical 13. What is the other driver then?

3620 Ms. {Braly.} The trend, I am describing the trend in  
3621 each of those elements.

3622 Mr. {Stupak.} Okay. So your 39 percent, you are  
3623 looking for sort of a guesstimation what you are going to  
3624 need?

3625 Ms. {Braly.} No, Cindy can give you more detail in  
3626 terms of exactly how we got to the 39 percent because you  
3627 have rising healthcare costs. You also have what we call  
3628 adverse selection--

3629 Mr. {Stupak.} Well, wait a minute.

3630 Ms. {Braly.} --due to the fact that a lot of the--

3631 Mr. {Stupak.} Ms. Miller has submitted for the record,  
3632 but what is the driver then, doctor, pharmaceutical,  
3633 hospital. What else?

3634 Ms. {Braly.} Correct. We are also having adverse  
3635 selection meaning the healthy people and their premium is

3636 going away.

3637 Mr. {Stupak.} How many healthy people did you have last  
3638 year in your individual policies?

3639 Ms. {Braly.} You know, we look at the whole pool--

3640 Mr. {Stupak.} No, just how many people did you have?

3641 Ms. {Braly.} We had 800,000 members.

3642 Mr. {Stupak.} How many did you have this year in your  
3643 individual?

3644 Ms. {Braly.} You know, we were expecting 25,000 on the  
3645 aggregate basis between the two regulated companies less that  
3646 we will have about 25,000.

3647 Mr. {Stupak.} Okay, but the individual policy, how many  
3648 less are you going to have?

3649 Ms. {Braly.} About 25,000 less we think, we are  
3650 projecting.

3651 Mr. {Stupak.} Okay.

3652 Ms. {Braly.} What happens in the individual product--

3653 Mr. {Stupak.} No, I understand.

3654 Ms. {Braly.} --people are likely to come in and out  
3655 because they go into group policies.

3656 Mr. {Stupak.} And because they can't afford it.

3657 Ms. {Braly.} Pardon?

3658 Mr. {Stupak.} And because they can't afford it. A lot  
3659 of people in this country every year go bare because they

3660 just can't afford it--

3661 Ms. {Braly.} Which is a loss--

3662 Mr. {Stupak.} --whether they are in a group, they get  
3663 unemployed or whatever it might be.

3664 Ms. {Braly.} We want to have that customer and we want  
3665 that customer to have coverage.

3666 Mr. {Stupak.} Okay. You indicated earlier for 2009  
3667 your corporate profits were 2.3, almost 2.4 billion because  
3668 you sold a management company, right?

3669 Ms. {Braly.} Well, we sold a PBM, and we had operating  
3670 earnings as well.

3671 Mr. {Stupak.} Okay. What was your company profit then  
3672 in 2008?

3673 Ms. {Braly.} Our profit margin was 4.8 percent on a  
3674 relatively similar base. So actually, you know, the margin  
3675 was--well, 4.6 in '08, 4.8 is our overall margin in 2009.

3676 Mr. {Stupak.} So that is about the same as 2009 then?  
3677 So what would that be in dollar signs then in 2008?

3678 Ms. {Braly.} I am not sure exactly what. We probably  
3679 had \$62 billion worth of revenue total. So not a dissimilar  
3680 number.

3681 Mr. {Stupak.} So under 2.4?

3682 Ms. {Braly.} We can get you the exact--

3683 Mr. {Stupak.} So 2010 then, you anticipate again you

3684 are going to be around \$15 billion?

3685 Ms. {Braly.} \$15 billion? I'm sorry.

3686 Mr. {Stupak.} Yes, isn't that what you said?

3687 Ms. {Braly.} No.

3688 Mr. {Stupak.} Okay. Go ahead.

3689 Ms. {Braly.} No, in 2010--

3690 Mr. {Stupak.} 2010, where do you think you are going to  
3691 be profit wise?

3692 Ms. {Braly.} We are actually going to have lower  
3693 operating earnings in 2010. It is a reflection of the  
3694 economy and the loss of our membership primarily in-

3695 Mr. {Stupak.} But your profit will probably be what,  
3696 4.8 percent?

3697 Ms. {Braly.} We expect it to be in the same range  
3698 potentially, yes.

3699 Mr. {Stupak.} So you are already expecting at least for  
3700 the last 3 years, your profit will be the same?

3701 Ms. {Braly.} It has been pretty steady in that range,  
3702 4.6, 4.8 would be appropriate, which on a relative basis, the  
3703 other parts of healthcare and many other industries is very  
3704 modest.

3705 Mr. {Stupak.} Well, you may think it is modest, but if  
3706 you are looking at a 39 percent increase or in Michigan when  
3707 they proposed 56 percent increase, that is not very modest to

3708 folks.

3709 Ms. {Braly.} Yeah, we are not Blue Cross/Blue Shield of  
3710 Michigan.

3711 Mr. {Stupak.} I know you are not. I know you are not,  
3712 but Michigan Blue Cross/Blue Shield is a non-profit, you are  
3713 a non-profit.

3714 Ms. {Braly.} No, we are for-profit.

3715 Mr. {Stupak.} You are a for-profit. I am sorry. You  
3716 are in Maine, though, right, you said? And they have had  
3717 double-digit increase. You mentioned earlier about Maine  
3718 being one of the dominant players.

3719 Ms. {Braly.} Maine is one of the places where we are  
3720 one of the few players left in the individual market because  
3721 others have left the market.

3722 Mr. {Stupak.} Right, and less players in the market,  
3723 the easier to manipulate that market just because--

3724 Ms. {Braly.} No, in fact--

3725 Mr. {Stupak.} --of your sheer size.

3726 Ms. {Braly.} No, in fact what has happened is because  
3727 the regulatory environment in Maine and particularly in the  
3728 individual market was regulated the way it was, everyone left  
3729 except for us. We are a Blue Cross. We are not going to  
3730 leave. We are going to stay in our geography and continue to  
3731 serve our members.

3732 Mr. {Stupak.} Well, you know, is expected to be 23  
3733 percent this year, right?

3734 Ms. {Braly.} We filed for a rate increase in Maine.  
3735 The Maine regulator has denied that, and we are in litigation  
3736 with the Main regulators about the ability, as provided in  
3737 the statute, to have an appropriate margin.

3738 Mr. {Stupak.} Well, how about in Maine, is your doctor  
3739 costs there 6 percent or is it less in Maine?

3740 Ms. {Braly.} In Maine, the doctor costs are very high,  
3741 and on a relative basis compared to other parts of the  
3742 country, it is one of the most highly--

3743 Mr. {Stupak.} Yeah, but is it 6 percent like  
3744 California? I'm looking for your drivers in Maine.

3745 Ms. {Braly.} No, in fact we have a--

3746 Mr. {Stupak.} You have your drivers in California which  
3747 you said was doctors was 6 percent, hospital, 10 percent--

3748 Ms. {Miller.} The driver--

3749 Mr. {Stupak.} --pharmaceutical 13--

3750 Ms. {Miller.} I can take that question, Mr. Chairman.

3751 Mr. {Stupak.} --that is 29.

3752 Ms. {Miller.} The driver--

3753 Mr. {Stupak.} And so in Maine, what is it there?

3754 Ms. {Miller.} Off the top of my head, I don't know the  
3755 exact trends in Maine. The driver in Maine is that it is

3756 guaranteed issue, and there is no requirement for people--

3757 Mr. {Stupak.} Well, guaranteed issue--

3758 Ms. {Miller.} The people wait until they are sick to  
3759 purchase coverage, and it drives up the cost of care. Maine  
3760 has one of the highest healthcare costs in the country.

3761 Mr. {Stupak.} Guaranteed issue is you are guaranteed to  
3762 present the policy and then it is up to the consumer whether  
3763 or not they can afford it. We call it purging in the  
3764 business world--

3765 Ms. {Miller.} Absolutely, and what happens then--

3766 Mr. {Stupak.} --and in the individual market it is  
3767 rescission.

3768 Ms. {Miller.} Only people who know they are going to  
3769 incur healthcare costs more than the premium buy the policy,  
3770 and that is not a sustainable business model. And that is  
3771 why all the other insurers left the state because they were  
3772 forced to lose money in that business.

3773 Mr. {Stupak.} That is not what the last panel said.  
3774 They don't take insurance because they expect to gain more  
3775 than what they paid. In fact, our last--

3776 Ms. {Miller.} No--

3777 Mr. {Stupak.} --panel, they basically pay and never  
3778 really access it because you have such high deductibles and  
3779 co-pays and everything else.

3780 Ms. {Miller.} Well, obviously there are people who are  
3781 using the coverage because otherwise, our medical loss ratio  
3782 would be zero. I mean, that is insurance. You buy it when  
3783 you don't need it so that it will be there when you do need  
3784 it, and if everybody waits until they need it to buy it, we  
3785 result in the situation that we have today in the individual  
3786 marketplace where we have escalating insurance costs, which  
3787 is again why we have talked about the fact that we need  
3788 sustainable healthcare reform. We need to address not just  
3789 the insurance market reforms which we agree need to occur,  
3790 but you also have to address the underlying cost of care. We  
3791 are only charging the costs that come through to us.

3792 Mr. {Stupak.} Well, I still don't see how you justify  
3793 39 percent. I got up to 29 percent in your drivers and your  
3794 trend--

3795 Ms. {Miller.} Thirty-nine percent was the high. The  
3796 average was 25.

3797 Mr. {Stupak.} Right.

3798 Ms. {Braly.} And Cindy, do you want to talk about each  
3799 element--

3800 Mr. {Stupak.} It is amazing. We had three witnesses  
3801 say they are all at 39 percent. But you are saying the  
3802 average--

3803 Ms. {Miller.} I don't know how the panelists were

3804 selected, and again, we don't like raising our rates that  
3805 much. We know it is a hardship on these people, but at the  
3806 end of the day, if you--

3807 Mr. {Stupak.} Do you believe that you can actually  
3808 raise your rates where no one is going to want to take your  
3809 policy anymore?

3810 Ms. {Miller.} Pardon?

3811 Mr. {Stupak.} Do you think you are going to finally get  
3812 to the point where basically you are killing the goose that  
3813 laid the golden egg? No one is going to be able to afford  
3814 you?

3815 Ms. {Braly.} You know it is really an issue that we  
3816 have got to get to the underlying costs of care because we  
3817 want access to healthcare. There are wonderful advances,  
3818 wonderful technologies, and we want to make sure that we  
3819 continue to have access and our customers continue to have  
3820 access, and it needs to be affordable. And so we have to  
3821 think about how--

3822 Mr. {Stupak.} Do you believe there is going to be a  
3823 point where we can no longer afford it, individually?

3824 Ms. {Braly.} I think we as human beings greatly value  
3825 our access to healthcare which is why we continue.

3826 Mr. {Stupak.} I agree, and every family has to make a  
3827 value judgment. Can I afford it today or not? So when my

3828 rates go up 39 percent, as our first panel said, we look at  
3829 it and pretty soon it is going to be, can I afford it anymore  
3830 or do I just drop it and hope I don't get sick?

3831 Ms. {Braly.} Which is why we are in the market saying  
3832 we have to get to reducing healthcare costs, making sure  
3833 people aren't getting unnecessary procedures or redundant  
3834 procedures. We play that important role in healthcare. To  
3835 eliminate us from the process eliminates the opportunity to  
3836 get to that value equation. Without us--

3837 Mr. {Stupak.} I don't disagree with you, but for the  
3838 average family, when they are sitting there and they are  
3839 saying my rates just went up 39 percent or if you want to use  
3840 your words, the average in your case, 25 percent, and man, I  
3841 can't afford it anymore, it is as much as my house payment as  
3842 the first panel said, and then I look at the end of the year  
3843 and darn it, you made \$2.358 billion and the salaries are in  
3844 millions of dollars for the executives, how can I sustain  
3845 that because I am the one who paid it, not them. And you are  
3846 getting to the point where no one can afford it.

3847 Ms. {Braly.} And we are serving 34 million Americans  
3848 across the country, and our goal and desire is to try to get  
3849 for them affordable health benefits that they can continue to  
3850 access, the quality care, the drugs that they need and want--

3851 Mr. {Stupak.} And it is not working when I came to

3852 Congress, like our first panel, small businesspeople, 64  
3853 percent of people had health insurance, would buy it. Now we  
3854 are down to about 34 percent. That is why we have to do  
3855 something on healthcare in this country because the cost is  
3856 killing us.

3857 Ms. {Braly.} And that is why we--

3858 Mr. {Stupak.} And we are just going way over and  
3859 arguing and probably getting outside the scope of this  
3860 hearing.

3861 Dr. {Burgess.} Mr. Chairman, may I ask one last  
3862 question of our witness?

3863 Mr. {Stupak.} Sure.

3864 Dr. {Burgess.} We have a vote in a few minutes on  
3865 repeal of McCarren-Ferguson. Do you have an opinion as to  
3866 whether or not that is going to bring down healthcare costs?

3867 Ms. {Braly.} You know, belief is it is not going to  
3868 affect healthcare costs one way or another.

3869 Dr. {Burgess.} Is it going to affect your business? Is  
3870 there any good reason not to do it?

3871 Ms. {Braly.} The unintended consequence that we worry  
3872 about for the McCarren-Ferguson repeal is that there are  
3873 initiatives to share data, with the evolution of health IT in  
3874 particular. If we can address some of the quality  
3875 opportunities through the sharing of data, we hate for those

3876 to be eliminated as part of this process.

3877 Dr. {Burgess.} But that would be true in anything,  
3878 infection control ideas. Identifying and aggregating data is  
3879 going to be critical in that.

3880 Ms. {Braly.} Exactly, and that is why as health IT  
3881 advances and we are investing in that to make sure we can use  
3882 that data as meaningful information, we would hate for that  
3883 to be eliminated as an unintended consequence of that repeal.

3884 Dr. {Burgess.} What about professional baseball? Would  
3885 there be any unintended consequences to--

3886 Ms. {Braly.} No consequence to us.

3887 Mr. {Stupak.} That is the Curt Flood case. You don't  
3888 even want to go there. With that, let me conclude this panel  
3889 and thank you both for being here and thank you for your  
3890 testimony today.

3891 Ms. {Braly.} Thank you.

3892 Ms. {Miller.} Thank you.

3893 Mr. {Stupak.} That concludes all questioning. I want  
3894 to thank all of our witnesses for coming today and for their  
3895 testimony. The Committee rules provide that members have 10  
3896 days to submit additional questions for the record. I ask  
3897 unanimous consent that the contents of our document binder be  
3898 entered in the record, provided the Committee staff may  
3899 redact any information that is business proprietary, relates

3900 to privacy concerns, or is law enforcement sensitive.  
3901 Without objection, our document binder will be entered into  
3902 the record.

3903         Also, I ask unanimous consent, the letter from Mr.  
3904 Dingell to the National Association of Insurance  
3905 Commissioners and their response dated February 17, 2007, be  
3906 submitted as part of the record. Without objection,  
3907 documents will be entered in the record for Mr. Dingell.

3908         [The information follows:]

3909 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
3910           Mr. {Stupak.} That concludes our hearing. This meeting  
3911 of the Subcommittee is adjourned. Thank you all again.  
3912           [Whereupon, at 2:12 p.m., the Subcommittee was  
3913 adjourned.]