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Statement of Rep. Henry A. Waxman Chairman, Committee on Energy and Commerce Premium Increases by Anthem Blue Cross in the Individual Health Insurance Market Subcommittee on Oversight and Investigations February 24, 2009

Chairman Stupak, thank you for convening this important and timely hearing.

On February 4, the *Los Angeles Times* reported that Anthem Blue Cross, a subsidiary of WellPoint, intended to raise its rates as much as 39% for their 800,000 individual policyholders in California.

By any measure, this was a breathtaking increase in health insurance costs.

We are holding today's hearing to find out what is really driving these enormous rate increases.

WellPoint says the rate increases are a result of medical inflation and healthier policyholders dropping coverage. But the thousands of pages of WellPoint documents we have reviewed tell another story.

They tell a story not about costs, but about profits ... not about increasing coverage, but about reducing benefits to policyholders ... not about removing barriers to coverage, but about erecting new ones ... not about covering more people who have illnesses, but about cutting them off and seeking out new customers who are healthier and wealthier.

The documents also tell a story of potential huge, new premium rate increases still to come.

WellPoint says that its rate increases have nothing to do with increasing company profits. But an internal company e-mail says that its rate increase would "return CA to target profit of 7 percent."

WellPoint says that its rate increases are absolutely necessary. But its internal company documents describe a plan to build in “a cushion” to “allow for negotiations.” The company told its board of directors that its average “rate ask” would be 25%, but that its final “rate increase” would be only 20%.

Other documents raise the possibility that WellPoint may have manipulated its actuarial assumptions to keep its medical loss ratio, a key measure reviewed by California regulators, “flat.”

The documents we have reviewed show WellPoint is proposing its highest increases on its more generous plans. At the same time, it is actively developing new products, called “downgrade options,” that reduce benefits for its policyholders.

As we will hear from the witnesses on our first panel, this “purging” process cuts coverage for WellPoint policyholders when they need it most: when they get sick.

And the WellPoint documents point to a future of even higher rate increases. WellPoint told Committee staff that WellPoint voluntarily capped its maximum rate increases at 39%. If WellPoint had not done this, some policyholders could have faced rate increases of over 200%.

Mr. Chairman, we have circulated a memorandum to members describing these documents. At the appropriate time, after all members have had a chance to review the memorandum, I will move to put the documents and the memorandum into the hearing record.

One question we asked is where does all of this money go. We have learned that in 2008, WellPoint paid 39 senior executives over \$1 million each. And the company spent tens of millions of dollars more on expensive corporate retreats. During 2007 and 2008, WellPoint spent \$27 million on 103 executive retreats. One retreat in Scottsdale, Arizona cost over \$3 million.

Corporate executives at WellPoint are thriving, but its policyholders are paying the price.

Ultimately, what this hearing will show is that the current system is absolutely unsustainable. If we fail to pass health reform, insurance rates will skyrocket and health insurance will become so expensive only the most healthy and the most wealthy will be able to afford coverage.

Health insurers like WellPoint may get richer, but our nation’s health will suffer.

We cannot go down this road forever. It is breaking our middle class. And it will bankrupt our nation.

We will learn much from today’s hearing, Mr. Chairman, and I hope we will apply those lessons when we meet at the White House tomorrow and in the days and weeks to come.