Testimony of Ethan Rome

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Before the House Energy & Commerce Committee Subcommittee on Health

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Mr. Chairman and Members of the Committee,

Thank you for giving me the opportunity to testify today on the regulatory impact of the new health law.

Health Care for America Now, the nation's leading grassroots health care advocacy organization, is a strong supporter of the Patient Protection and Affordable Care Act (ACA). The ACA builds on the existing employer-based, private health insurance system and includes many sorely needed market reforms, consumer protections, extended coverage provisions and cost savings that are already benefiting millions of Americans.

While much of the country is still feeling the effects of the economic downturn, health insurance companies continue to set profit records with premiums that are crushing America's families, seniors and businesses. That's why the provisions of the law that hold the health insurance companies accountable, end their worst abuses and curb unreasonable rate hikes are a critical part of the ACA.

Thanks to the law, we now have a minimum percentage of our premiums that insurers must spend on actual medical care instead of wasteful overhead, excessive profits, and bloated executive compensation. This rule, known as the medical-loss ratio, combats the long-term downward trend in insurers' spending on medical care as a percentage of premiums. In 2010, big companies again reported dramatic reductions in their medical-loss ratios, including a decline in spending on patient care of 3.8 percentage points by Cigna and 2.9 percentage points by Aetna. Now MLRs are 80 percent or less, compared to 95 percent in 1993, according to PriceWaterhouseCoopers. The new medical-loss ratio rules are working well, already cutting rates for some consumers, like Aetna subscribers in Connecticut, and promising up to $2 billion in rebates nationwide.

We also have new rate review regulations that will help states end unjustified rate hikes. The increased consumer choice and competition that will come with online insurance exchanges, coupled with disclosures of how insurers manipulate rate requests, will put insurers on notice that unjustified, double-digit premium increases won't be tolerated. For long-term success, state regulators must take full advantage of the rate regulation tools available to them under the new law.

Premiums have risen sharply, increasing 114% over the last 10 years for families with employment-based insurance. This is three times greater than wage growth, showing that health insurance is eating up an increasing portion of expenses for employers and families, strangling other priorities. Insurers blame these increases on the rising cost of medical care, yet premiums have been going up at double the rate of medical inflation as gauged by the Bureau of Labor Statistics. It is clear that insurers have found ways to substantially increase their profits, far beyond what is understood by the public.

The five largest Wall Street-run health insurance companies parlayed the economic meltdown of 2008 and the subsequent fragile recovery into a profitable year in 2010. The insurers made combined profits of $11.7 billion, up from $9.98 billion in 2009 , despite a 3.9% decline in enrollment, by charging more and reducing the share of premium dollars spent on health care. New data indicate they are on pace to break profit records this year as well. Things are so good now that some insurers this year are starting to pay cash dividends to their shareholders.

But reported profits tell only a fraction of the story. As the insurers have pursued excessive profits, they have amassed a capital surplus that vastly exceeds what state regulators demand. State insurance commissioners required them to hold $14.1 billion in risk-based capital to cover unexpected medical claims as of Dec. 31, according to a Citigroup analysis, but the nation's major for-profit and nonprofit health insurance companies held an astonishing $97.3 billion in total risk-based capital – six times more than necessary.

And virtually unnoticed by the media and the public, the for-profit insurers have steadily moved billions of dollars of cash off their balance sheets to buy back their own shares on the New York Stock Exchange. From 2003 through 2010, the five largest companies spent a breathtaking $64.1 billion in company assets on share repurchases.

Buybacks don't improve operations, make the health system run more efficiently or reduce premiums. Their sole purpose is to boost stock prices by reducing the supply of shares, a big benefit to CEOs who hold stakes in their own companies and take bonuses for raising share prices. This is one reason why a handful of CEOs at the 10 largest for-profit health insurance companies pocketed nearly $1 billion in total compensation in the 10 years ending in 2009.

Meanwhile, insurers claim they are one of the least profitable health care industries with an overall margin of only 4.4% -- less than one penny of every dollar spent on all health care in the U.S. But that penny is worth $347 billion over 10 years ending in 2019, enough to pay for more than one-third of the entire cost of health reform.

Insurers tout the 4.4% profit margin in order to shift attention from their impressive return on equity, a measure of profits as a percentage of the amount invested. That scores a robust 16.1% -- fourth highest of 16 health care industries. Health insurers deliver greater return for investors than companies that sell cellphones, beer, mortgages, life insurance, or groceries.

When we hear opponents of the ACA talk about repeal, what they're really trying to do is protect excessive insurer profits and undermine ACA consumer protections that break the industry's stranglehold on our health care. We need Congress to work on behalf of consumers to protect the ACA from efforts to undermine it, such as the proposal to weaken the medical-loss ratio by giving a special break to health insurance brokers and other special interests. That proposal would dramatically reduce the consumer rebates and increase premiums and the burden on taxpayers. Health care utilization and costs have been dropping in the last year, but insurers are not decreasing their premiums accordingly. Insurers will need to lower their premiums or face big rebates, but if the broker commissions are taken out of the law's MLR equation, premium rates will continue to increase even as health care costs drop.

We also should strengthen elements of the ACA. For instance, we should expand rate review by enacting the Health Insurance Rate Review Act (H.R.416/S.137), sponsored by Representative Schakowsky and Senator Feinstein, to give HHS the power to approve and disapprove excessive premium increases.

America's families and small businesses need relief. With aggressive implementation of the ACA, the days of health insurance company price gouging can end.

Thank you.

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HEALTH CARE FOR AMERICA NOW

HCAN Analysis Shows Health Insurers Pocketed Huge Profits in 2010 Despite Weak Economy

Report Underscores Importance of Blocking Republican Efforts to Repeal Health Law

Washington, DC—The five largest Wall Street-run health insurance companies parlayed the economic meltdown of 2008 and the nation's subsequent fragile recovery into huge profits in 2010, the last year before market reforms in the Affordable Care Act (ACA) take full effect, according to an analysis by Health Care for America Now (HCAN). **The five insurers made combined profits of $11.7 billion by reducing the share of premiums spent on the shrinking membership in private health plans.**

Through the recession and its aftermath from 2008 to 2010, combined profits for UnitedHealth Group Inc., WellPoint Inc., Aetna Inc., Cigna Corp. and Humana Inc. increased a breathtaking 51 percent. Last year alone, the five companies' combined profits grew 17 percent, excluding a one-time $2.2 billion gain from the 2009 sale of a WellPoint subsidiary. On Wall Street, share prices for the five health insurers have risen 15 to 25 percent this year, compared with less than 5 percent for broad market indices.

	Full Year 2008 Profit (in millions)	Full Year 2009 Profit (in millions)	Full Year 2010 Profit (in millions)	2008-2009 Change in Profit	2009-2010 Change in Profit	2008-2010 Change in Profit
UnitedHealth	$2,977	$3,822	$4,634	28%	21%	56%
WellPoint	$2,491	$2,546	$2,887	2%	13%	16%
Humana	$647	$1,040	$1,099	61%	6%	70%
Cigna	$292	$1,302	$1,345	346%	3%	361%
Aetna	$1,384	$1,277	$1,767	(8%)	38%	28%
Totals	**$7,791**	**$9,986**	**$11,732**	**28%**	**17%**	**51%**

NOTE: 2009 profit numbers exclude WellPoint one-time after-tax gain of $2.2 billion for sale of NextRx subsidiary.
Source: Company earnings reports.

"While families are struggling to make ends meet and cope with rising health costs in a tough economy, health insurance companies are continuing to make excessive profits," said **HCAN Executive Director Ethan Rome.** "The companies made their profits by burdening families and businesses with unaffordable premiums and a bigger share of rising medical costs. The insurance companies' financial success is the result of a business model that avoids risk and provides less care. While running television ads claiming they care about their customers' health, the insurers continually devise ways to make more profit by giving inadequate benefits to their shrinking pool of private plan members."

The health insurance industry's profits resulted from the following Wall Street-driven trends:

1. Spending on Medical Care Grew More Slowly Than Premiums

In 2010 the five insurers collected $7.7 billion more in premiums than the year before, but growth in spending on patient care lagged behind. Insurers have been free to spend as big a share of premium revenue as they please on bloated CEO pay, marketing, administration, lobbying and a care-denial bureaucracy. Cigna led the industry in finding ways to avoid covering actual health care by shifting medical costs to working families and employers through skimpier coverage and higher deductibles. As a result, the share of premiums Cigna spent on medical care in 2010 (known in industry parlance as the medical-loss ratio) dropped to 80.1% from 83.9% the year before—a decline worth $709 million, according to a congressional report. Aetna also trimmed its health care costs, spending only 82.3% of premiums on patient care, down from 85.2% the year before, a change worth $708 million. UnitedHealth and WellPoint also reported lower spending on care.

	2009 Consolidated Medical-Loss Ratio	2010 Consolidated Medical-Loss Ratio	2009-2010 Change (in percentage points)
UnitedHealth	82.3%	80.6%	-1.7%
WellPoint	83.6%	83.2%	-0.4%
Humana	82.8%	82.8%	0.0%
Cigna	83.9%	80.1%	-3.8%
Aetna	85.2%	82.3%	-2.9%

Note: Medical-loss ratios as calculated by companies and in some cases restated for prior years. Consolidated medical-loss ratios tend to camouflage low spending on patient care in commercial lines of business.
Source: Company earnings reports.

2. High Premiums Blocked Consumers from Buying Coverage

In 2010, the companies reduced their private health plan rolls by 839,000 people after shedding 2.7 million in 2009. **In two years of economic crisis, the five companies' private health plans contracted by 3.9 percent, or 3.5 million people, at a time when 50.7 million people already were uninsured.** The poor economy, significant job losses and unaffordable health insurance premiums left millions of families to fend for themselves and seek government help or charity from providers to get needed care.

	Private Health Enrollment Dec. 31, 2008 (in thousands of members)	Private Health Enrollment Dec. 31, 2009 (in thousands of members)	Private Health Enrollment Dec. 31, 2010 (in thousands of members)	Change in Private Health Enrollment 2009-2010 (in thousands of members)	Change in Private Health Enrollment 2008-2010 (in thousands of members)	Percentage Change in Private Enrollment 2009-2010	Percentage Change in Private Enrollment 2008-2010
UnitedHealth	26,345	24,625	24,810	185	(1,535)	0.8%	-5.8%
WellPoint	31,753	30,722	30,308	(414)	(1,445)	-1.3%	-4.6%
Humana	3,601	3,381	3,078	(303)	(523)	-9.0%	-14.5%
Cigna	11,644	10,988	11,292	304	(352)	2.8%	-3.0%
Aetna	16,488	17,435	16,824	(611)	336	-3.5%	2.0%
Totals	**89,831**	**87,151**	**86,312**	**(839)**	**(3,519)**	**-1.0%**	**-3.9%**

Note: All enrollment figures include only medical care plans and exclude vision, dental, specialty, Medicare supplemental, and Medicare stand-alone prescription drug plans.
Source: Company earnings reports.

3. Insurers Turned to Medicare, Medicaid Programs for Enrollment Growth

In contrast to the downward private membership trend, since 2008 the five companies enrolled 2.1 million people in privately managed Medicare, Medicaid and military plans—a 15.9 percent increase to 15.6 million.

	Public Health Enrollment Dec. 31, 2008 (in thousands of members)	Public Health Enrollment Dec. 31, 2009 (in thousands of members)	Public Health Enrollment Dec. 31, 2010 (in thousands of members)	Change in Public Health Enrollment 2009-2010 (in thousands of members)	Change in Public Health Enrollment 2008-2010 (in thousands of members)	Percentage Change in Public Enrollment 2009-2010	Percentage Change in Public Enrollment 2008-2010
UnitedHealth	4,010	4,690	5,390	700	1,380	14.9%	34.4%
WellPoint	3,296	2,948	3,015	67	(281)	2.3%	(8.5%)
Humana	4,872	4,945	5,360	415	488	8.4%	10.0%
Cigna	35	52	145	93	110	179%	314%
Aetna	1,213	1,479	1,644	165	431	11.2%	35.5%
Totals	**13,426**	**14,114**	**15,554**	**1,440**	**2,128**	**9.3%**	**15.9%**

Note: Public enrollment figures include only Medicare Advantage, Medicaid and military medical care plans and exclude vision, dental, specialty, Medicare supplemental, and Medicare stand-alone prescription drug plans.
Source: Company earnings reports.

4. Health Insurance CEOs Pocketed Mammoth Paychecks

For their work rewarding Wall Street in the last decade, the CEOs at the 10 largest for-profit health insurance companies pocketed nearly $1 billion in compensation in the 10 years ending in 2009. As a group they received a 167 percent pay raise in 2009 while average American workers saw wages grow about 2 percent. Compensation figures for 2010 will be reported in the coming weeks.

5. Buybacks Magnified Profits for Insiders, Wall Street Investors

Investors and financial analysts were surprised by how well these strategies and tactics have worked. Things were so good that the insurers used $8.8 billion from soaring customer premiums in 2010 to buy back their own stock, according to the companies. The purpose of share buybacks is to push stock prices up by reducing the supply of shares, a big benefit to insurance company leaders and board members with stakes in their own enterprise. Buybacks do nothing to improve a company's operations, make the health system run more efficiently or reduce premiums. **From 2003 through 2010, the five companies spent $64.1 billion buying back their own shares and lining the pockets of their senior executives while imposing ever-bigger premium increases on America's families and businesses.**

	2008 Share Buybacks (in millions)	2009 Share Buybacks (in millions)	2010 Share Buybacks (in millions)	2010 Revenue (in millions)	2010 Share Buybacks as Percentage of Revenue
UnitedHealth	$2,684	$1,801	$2,500	$94,155	2.7%
WellPoint	$3,276	$2,638	$4,360	$58,802	7.4%
Humana	$106	$23	$100	$33,868	0.3%
Cigna	$378	-	$200	$21,253	0.9%
Aetna	$1,788	$773	$1,606	$34,019	4.7%
Totals	**$8,232**	**$5,235**	**$8,766**	**$242,097**	**3.6%**

Source: Company earnings reports.

The latest trend among the five companies is to depart from industry practice and provide substantial dividends to their shareholders. **WellPoint announced that it plans to pay $400 million in dividends this year, while UnitedHealth plans a dividend of $449 million and Aetna expects to pay $230 million.**

Affordable Care Act Provides New Consumer Protections

In the past, insurance companies have freely used premium revenue to pay for many things other than actual medical care, including excessive CEO pay, lobbying, underwriting (weeding out applicants or charging them higher rates because of their medical history) and administration. **Fortunately for middle-class families and employers, 2010 was the last year in which insurance companies will be free to take as much as they please from customer premiums.** The Affordable Care Act has new rules requiring insurers to spend on medical services at least 80% of premiums from people who buy coverage on the open market or through small employers. The minimum share for large-business customers is 85% of premiums. Companies that fall short of the minimums must rebate the money to consumers. The Health and Human Services Department estimates that insurers will owe up to 9 million customers as much as $1.4 billion in 2011 rebates payable next year. The law also has new rate-review rules that have already encouraged a growing number of state insurance regulators to resist the kind of double-digit premium hikes that have become common in recent years.

Industry-Backed Republicans Pushing for Repeal

The health insurance industry and other special interests are working with Republican members of Congress and GOP officeholders in the states to roll back the Affordable Care Act and its consumer protections and help health insurance companies preserve their profits. Meanwhile, private groups such as the National Federation of Independent Business have teamed up with Republican governors and attorneys general to pursue litigation challenging the constitutionality of the new health care law.

The Republican Party and its corporate allies are determined to repeal the law and take away dozens of benefits and important consumer protections that are making a real difference in people's lives right now. They want to take away people's newly won freedom from fear of insurers denying their care, dropping them when they're sick and imposing gratuitous double-digit premium hikes. The GOP wants to boot young adults off their parents' health plans, tell seniors to pay back the $250 donut hole checks they received last year to help buy prescription medications and end the 50% discount on brand-name drugs this year. If the Affordable Care Act is undermined, it will force nearly 900,000 American families a year into bankruptcy because of medical bills and take job-creating tax credits away from small businesses.

"The attacks on the health care law are attacks on America's working families, seniors and small businesses," Rome said. "The Republicans want to give our health care back to the insurance companies and put profits over patients. The new health care law eliminates the insurance company's worst abuses, like denying people care and jacking up their rates at will."

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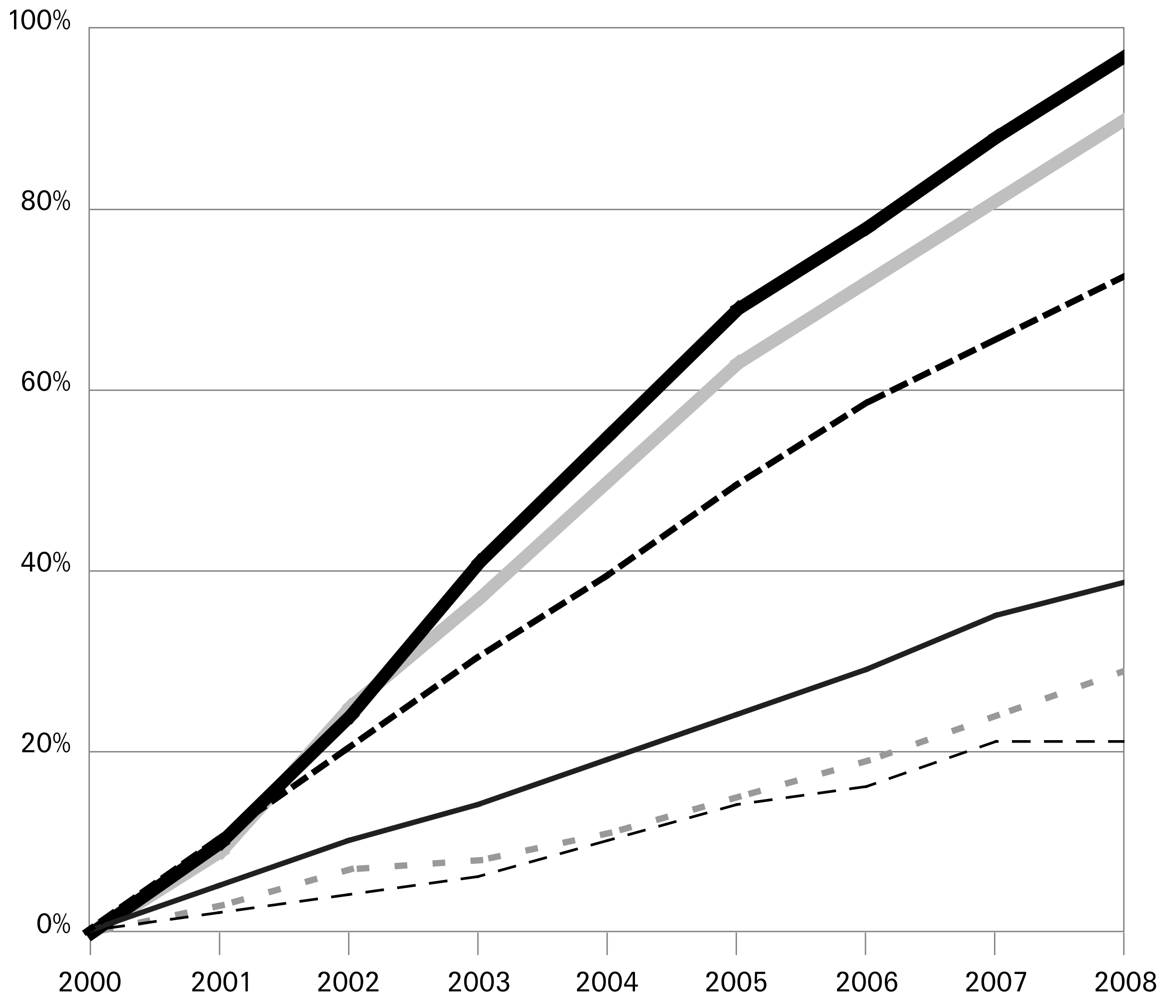
Health Care for America Now *is a national grassroots coalition of more than 1,000 organizations in 46 states representing 30 million people. HCAN led the fight over the past two years to win passage of health reform and to keep Congress from being steamrolled by corporate special interests.*

Cumulative Growth Rate of Health Insurance Premiums Dramatically Outstrips Inflation, Wages and Cost of Private Insurance Benefits, 2000–2008



- Family Premiums[1] (Average Annual Family Coverage, Employer-Sponsored Health Plans)
- Single Premiums[2] (Average Annual Single Coverage, Employer-Sponsored Health Plans)
- Spending on Health Benefits by Private Insurers[3]
- Medical Component of Consumer Price Index[4]
- Wages[5] (Non-Farm, Seasonally Adjusted)
- Overall Inflation[6] (Consumer Price Index, US City Average Annual Inflation)

[1]The Kaiser Family Foundation, "Average Annual Premiums for Single and Family Coverage, 1999-2009," Sept. 15, 2009. Accessed at http://ehbs.kff.org/?page=charts&id=2&sn=16&ch=1023.

[2]The Kaiser Family Foundation, "Average Annual Premiums for Single and Family Coverage, 1999-2009," Sept. 15, 2009. Accessed at http://ehbs.kff.org/?page=charts&id=2&sn=16&ch=1023.

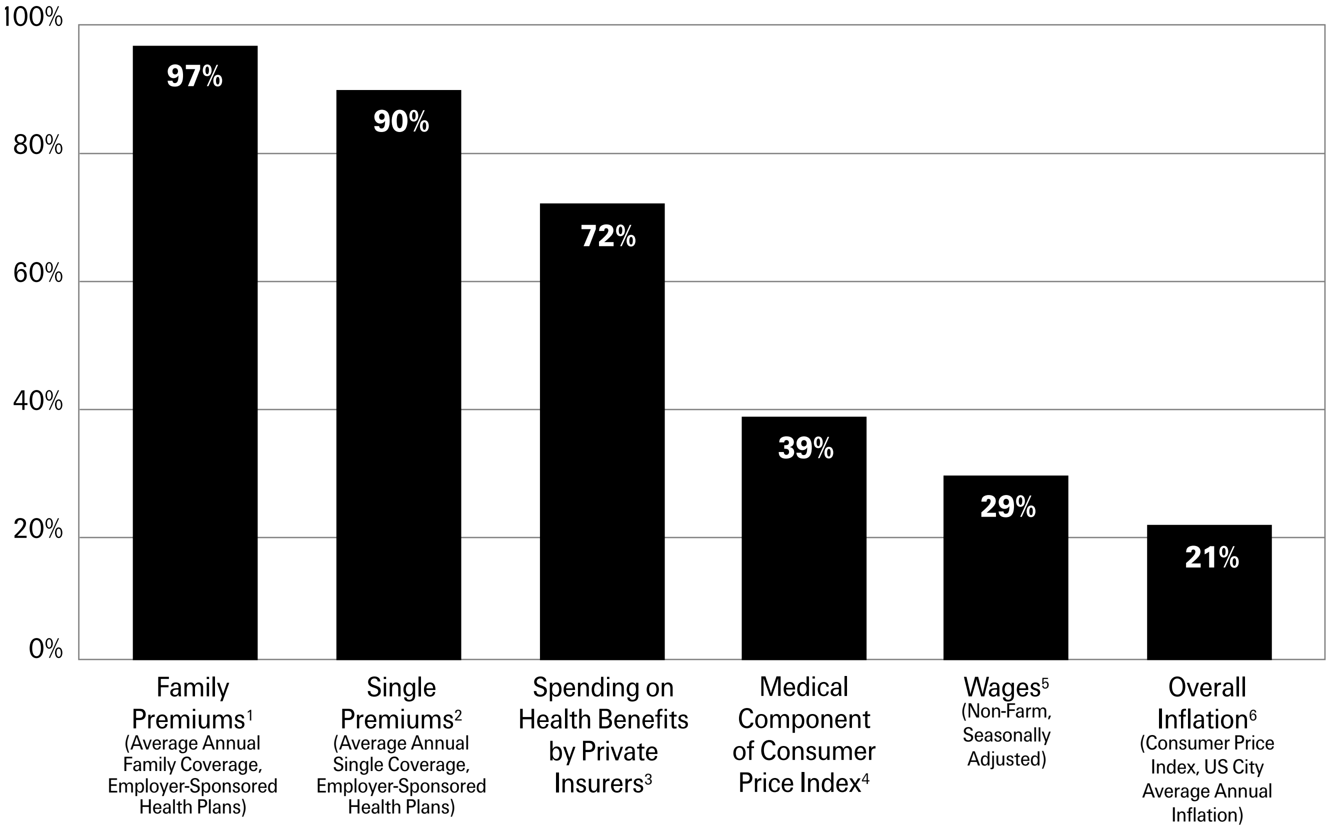
[3]U.S. Department of Health and Human Services, "Personal Health Care Expenditures Aggregate, Per Capita Amounts, and Percent Distribution, by Source of Funds: Selected Calendar Years 1960–2008." Accessed at http://www.cms.hhs.gov/NationalHealthExpendData/downloads/tables.pdf; The State Health Access Data Assistance Center, "Health Insurance Coverage Estimates, CPS (SHADAC-enhanced), 0-64 Years, All Poverty Levels, United States: Calendar Year 2000," 2000-2009. Accessed at http://www.shadac.org/datacenter/tables/tables/id/aedee76f-1b1f-405f-b0eb-ecdb2c7d4336.

[4]U.S. Bureau of Labor Statistics, EconStates, "CPI (SA) Yearly Data." Accessed at http://www.econstats.com/bls/blsnea9.htm.

[5]Bureau of Labor Statistics, The National Compensation Survey, July 31, 2009. Accessed at ftp://ftp.bls.gov/pub/suppl/empsit.comphes.txt.

[6]U.S. Bureau of Labor Statistics, EconStates, "CPI (SA) Yearly Data." Accessed at http://www.econstats.com/bls/blsnea9.htm.

Cumulative Growth Rates of Health Insurance Premiums Compared with Inflation, Wages and Private Insurers' Spending on Benefits, 2000–2008



[1]The Kaiser Family Foundation, "Average Annual Premiums for Single and Family Coverage, 1999-2009," Sept. 15, 2009. Accessed at http://ehbs.kff.org/?page=charts&id=2&sn=16&ch=1023.

[2]The Kaiser Family Foundation, "Average Annual Premiums for Single and Family Coverage, 1999-2009," Sept. 15, 2009. Accessed at http://ehbs.kff.org/?page=charts&id=2&sn=16&ch=1023.

[3]U.S. Department of Health and Human Services, "Personal Health Care Expenditures Aggregate, Per Capita Amounts, and Percent Distribution, by Source of Funds: Selected Calendar Years 1960–2008." Accessed at http://www.cms.hhs.gov/NationalHealthExpendData/downloads/tables.pdf; The State Health Access Data Assistance Center, "Health Insurance Coverage Estimates, CPS (SHADAC-enhanced), 0-64 Years, All Poverty Levels, United States: Calendar Year 2000," 2000-2009. Accessed at http://www.shadac.org/datacenter/tables/tables/id/aedee76f-1b1f-405f-b0eb-ecdb2c7d4336.

[4]U.S. Bureau of Labor Statistics, EconStates, "CPI (SA) Yearly Data." Accessed at http://www.econstats.com/bls/blsnea9.htm.

[5]Bureau of Labor Statistics, The National Compensation Survey, July 31, 2009. Accessed at ftp://ftp.bls.gov/pub/suppl/empsit.comphes.txt.

[6]U.S. Bureau of Labor Statistics, EconStates, "CPI (SA) Yearly Data." Accessed at http://www.econstats.com/bls/blsnea9.htm.

Insurance Market Concentration: Ranked List

Rank	State	Health Insurer with Largest Market Share	Market Share %	Health Insurer with No. 2 Market Share	Market Share %	Combined Market Share % of Top Two Insurers
1	Hawaii	Blue Cross Blue Shield HI	78	Kaiser Permanente	20	98
2	Rhode Island	Blue Cross Blue Shield RI	79	UnitedHealth Group Inc.	16	95
3	Alaska	Premera Blue Cross	60	Aetna Inc.	35	95
4	Vermont	Blue Cross Blue Shield VT	77	CIGNA Corp.	13	90
5	Alabama	Blue Cross Blue Shield AL	83	Health Choice	5	88
6	Maine	WellPoint Inc. (BCBS)	78	Aetna Inc.	10	88
7	Montana	Blue Cross Blue Shield MT	75	New West Health Services	10	85
8	Wyoming	Blue Cross Blue Shield WY	70	UnitedHealth Group Inc.	15	85
9	Arkansas	Blue Cross Blue Shield AR	75	UnitedHealth Group Inc.	6	81
10	Iowa	Wellmark BC and BS	71	UnitedHealth Group Inc.	9	80
11	Missouri	WellPoint Inc. (BCBS)	68	UnitedHealth Group Inc.	11	79
12	Minnesota	Blue Cross Blue Shield MN	50	Medica	26	76
13	South Carolina	Blue Cross Blue Shield SC	66	CIGNA Corp.	9	75
14	Indiana	WellPoint Inc. (BCBS)	60	M*Plan (HealthCare Group)	15	75
15	New Hampshire	WellPoint Inc. (BCBS)	51	CIGNA Corp.	24	75
16	Idaho	Blue Cross of ID	46	Regence BS of Idaho	29	75
17	Louisiana	Blue Cross Blue Shield LA	61	UnitedHealth Group Inc.	13	74
18	Michigan	Blue Cross Blue Shield MI	65	Henry Ford Health System	8	73
19	North Carolina	Blue Cross Blue Shield NC	53	UnitedHealth Group Inc.	20	73
20	Maryland	CareFirst Blue Cross Blue Shield	52	UnitedHealth Group Inc.	19	71
21	Oklahoma	BCBS OK	45	CommunityCare	26	71
22	Georgia	WellPoint Inc. (BCBS)	61	UnitedHealth Group Inc.	8	69
23	Kentucky	WellPoint Inc. (BCBS)	59	Health Partners	10	69
24	Illinois	HCSC (Blue Cross Blue Shield)	47	WellPoint Inc. (BCBS)	22	69
25	Nebraska	Blue Cross Blue Shield NE	44	UnitedHealth Group Inc.	25	69
26	Utah	Regence Blue Cross Blue Shield	47	Intermountain Healthcare	21	68
27	Massachusetts	Blue Cross Blue Shield MA	50	Tufts Health Plan	17	67
28	Connecticut	WellPoint Inc. (BCBS)	55	Health Net Inc.	11	66
29	Arizona	Blue Cross Blue Shield AZ	43	UnitedHealth Group Inc.	22	65
30	Delaware	CareFirst Blue Cross Blue Shield	42	Coventry Health Care Inc.	23	65
31	New Mexico	HCSC (Blue Cross Blue Shield)	35	Presbyterian Hlth	30	65
32	Tennessee	Blue Cross Blue Shield TN	50	Total Choice	12	62
33	Virginia	WellPoint Inc. (BCBS)	50	Aetna Inc.	11	61
34	Washington	Premera Blue Cross	38	Regence Blue Shield	23	61
35	Texas	HCSC (Blue Cross Blue Shield)	39	Aetna Inc.	20	59
36	New Jersey	Horizon Blue Cross Blue Shield	34	Aetna Inc.	25	59
37	Ohio	WellPoint Inc. (BCBS)	41	Medical Mutual of Ohio	17	58
38	Nevada	Sierra Health	29	WellPoint Inc. (BCBS)	28	57
39	Colorado	WellPoint Inc. (BCBS)	29	UnitedHealth Group Inc.	24	53
40	Oregon	Providence Health & Services	25	Regence Blue Cross Blue Shield	23	48
41	New York	GHI	26	WellPoint Inc. (Empire BCBS)	21	47
42	Florida	Blue Cross Blue Shield FL	30	Aetna Inc.	15	45
43	California	Kaiser Permanente	24	WellPoint Inc. (Blue Cross)	20	44

Source: American Medical Association, "Competition in health insurance: A comprehensive study of U.S. Markets: 2007 Update."
Some states are not presented because available data does not reliably capture a sufficient portion of the insured population.

CEO Total Compensation and Exercise of Stock Options at the Largest For-Profit Health Insurers, 2000–2009[1]

Company	2009 Total CEO Compensation (excluding stock option exercises)	2008 Total CEO Compensation (excluding stock option exercises)	2007 Total CEO Compensation (excluding stock option exercises)	2006 Total CEO Compensation (excluding stock option exercises)	2005 Total CEO Compensation (excluding stock option exercises)	2004 Total CEO Compensation (excluding stock option exercises)	2003 Total CEO Compensation (excluding stock option exercises)	2002 Total CEO Compensation (excluding stock option exercises)	2001 Total CEO Compensation (excluding stock option exercises)	2000 Total CEO Compensation (excluding stock option exercises)	Total CEO Compensation (excluding stock option exercises)
Aetna	$ 18,157,779	$24,399,349	$ 23,145,451	$ 44,969,500	$ 7,905,537	$ 4,010,815	$10,638,223	$ 8,927,005	$ 3,544,242	$ 4,028,919	$149,726,820
Amerigroup	$ 5,232,249	$ 5,292,546	$ 3,247,083	$ 3,198,382	$ 655,348	$ 2,009,837	$ 1,838,495	$ 1,911,083	$ 1,395,566	$ 1,261,561	$ 26,042,150
Centene	$ 6,077,900	$ 8,774,483	$ 8,750,751	$ 8,046,309	$ 2,082,493	$ 26,921,194	$ 1,742,943	$ 1,264,542	$ 595,331	$ 465,481	$ 64,721,427
CIGNA[2]	$136,344,388	$12,236,740	$ 25,839,777	$ 21,014,423	$12,373,300	$ 11,618,700	$ 8,676,200	$ 14,191,000	$10,482,900	$ 9,223,700	$ 262,001,128
Coventry Health Care	$ 25,653,780	$ 9,047,469	$ 14,869,823	$ 12,937,001	$ 6,355,139	$ 1,653,428	$ 10,081,451	$10,322,364	$ 5,822,386	$ 2,232,127	$ 98,974,968
Health Net	$ 3,643,342	$ 4,425,355	$ 3,686,230	$ 6,066,913	$ 1,787,682	$ 1,030,876	$ 4,096,037	$ 1,526,819	$ 757,487	$ 665,517	$ 27,686,258
Humana	$ 6,509,452	$ 4,764,309	$ 10,312,557	$ 5,798,613	$ 2,552,774	$ 2,374,406	$ 5,764,377	$ 1,648,972	$ 1,622,606	$ 2,727,004	$ 44,075,070
UnitedHealth Group	$ 8,901,916	$ 3,241,042	$ 13,164,529	$ 15,549,028	$ 10,697,442	$10,220,859	$ 10,001,499	$ 9,457,403	$ 7,666,999	$ 9,323,297	$ 98,224,014
Universal American Group	$ 4,514,670	$ 3,503,701	$ 1,564,293	$ 2,182,294	$ 1,572,063	$ 2,041,222	$ 2,054,750	$ 1,767,440	$ 1,543,160	$ 987,400	$ 21,730,993
WellPoint	$ 13,108,198	$ 9,844,212	$ 18,705,773	$ 23,886,169	$ 8,523,139	$ 5,599,779	$ 46,212,719	$ 6,857,839	$ 15,703,827	$ 2,517,142	$ 150,958,797
Total	**$ 228,143,674**	**$85,529,206**	**$123,286,267**	**$143,648,632**	**$54,504,917**	**$ 67,481,116**	**$101,106,694**	**$57,874,467**	**$ 49,134,504**	**$ 33,432,148**	**$ 944,141,625**
											Total Exercised Stock Options[3]
Value of Exercised Stock Options[4]	**$114,067,203**	**$13,510,405**	**$114,500,571**	**$244,647,767**	**$80,466,714**	**$51,634,429**	**$113,171,571**	**$16,568,418**	**$43,757,464**	**$50,543,446**	**$842,867,988**

[1]Compensation totals for each year include: base salary, bonuses, non-equity incentive plan compensation, stock awards, option awards, restricted stock grants and other reported compensation.
[2]CIGNA 2009 numbers represent total compensation for Edward Hanway, including $110.9 million in retirement pay, plus total compensation for successor CEO David Cordani.
[3]An unknown fraction of the value of the exercised stock options was reported by the companies in summary compensation reports in previous years. The precise fraction cannot be determined without research that goes beyond the scope of this survey. Thus, total CEO compensation cannot be simply added to the value of the exercised stock options to produce a definitive total figure.
[4]Includes exercised stock options reported on annual proxy statements. Excludes exercised stock options taken by former CEOs no longer required to report insider transactions.

Source: U.S. Securities and Exchange Commission filings.

Rates of Return on Equity

By Sector

Sectors	Return on Equity %
Health care	17.35
Basic Materials	15.23
Technology	14.98
Consumer Goods	14.67
Industrial Goods	14.24
Services	14.13
Conglomerates	12.90
Utilities	8.04
Financial	7.49

Sources:
Yahoo Finance as of May 27, 2011
http://biz.yahoo.com/p/s_ttmd.html
http://biz.yahoo.com/p/5ttmd.html

By Health Care Industry

Health Care Industry	Return on Equity %
Hospitals	177
Specialized Health Services	18.1
Drug Related Products	16.9
Drug Manufacturers—Major	16.8
Health Care Plans	16.1
Medical Instruments & Supplies	13.8
Medical Appliances & Equipment	13.7
Drug Manufacturers—Other	13.7
Home Health Care	13.4
Medical Practitioners	11.3
Biotechnology	9.3
Drugs—Generic	6.1
Diagnostic Substances	5.6
Long-Term Care Facilities	4.6
Medical Laboratories & Research	2.2
Drug Delivery	0