

# HHS Sparring With Insurers Over Rate Hikes

BY MARY ELLEN SCHNEIDER

The Obama administration has picked a high-profile fight with health insurers, calling the companies to task for proposing double-digit rate hikes while taking in massive profits.

In a report released Feb. 18, the Department of Health and Human Services detailed some of the largest proposed rate increases in the individual insurance market. Some of the increases have gone into effect, while others have been rejected by state health insurance commissioners.

For example, Anthem Blue Cross of California announced that it would raise premiums by as much as 39% for those in the individual market. However, follow-

ing questions raised by HHS and the California insurance commission, the company delayed those plans for 2 months.

The HHS report also cites significant rate increases in Michigan and Oregon. In 2009, Blue Cross Blue Shield of Michigan requested premium increases of 56% for its plans. In Washington state, premiums for individual health plans were going up by 40% until the state approved tighter regulations on increases, according to the HHS report.

These rate increases highlight the need to focus on comprehensive health reform to address the foundering economy, HHS Secretary Kathleen Sebelius said during a press conference.

The health reform proposals pending in Congress would give additional au-

thority to HHS to oversee insurance companies across the country, including proposed rate increases and their justifications. Current proposals also include medical-loss ratios, requiring insurers to spend most of their revenues on paying medical benefits, rather than spending those dollars on advertising, overhead, or CEO salaries, Ms. Sebelius said.

The HHS report also criticizes the insurance industry for raising rates at the same time that it takes in significant profits. In 2009, the five largest insurers in the United States took in more than \$12 billion in profits, according to HHS.

According to America's Health Insurance Plans (AHIP), an industry trade group, the increases being seen in the individual insurance market are the result

of the growth in underlying medical costs and the fact that younger, healthier people are dropping their coverage in the poor economy. That leaves insurers with a pool of older, sicker customers.

AHIP also noted that average profits in the health plan industry are about 2.2%, putting the industry at number 35 on the Fortune 500 list of profits by industry. That margin is lower than other sectors in the health care industry, AHIP said.

The trade group also accused the government of playing politics. "It's time to stop the politics of vilification and focus on what American need most: real health care reform that addresses the serious and urgent problems facing our nation," Karen Ignagni, president and CEO of AHIP, said in a statement. ■

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