US health insurers reap record profits in 2009

Kate Randall
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The five largest US health insurance companies set new profit records in 2009, while the greatest economic downturn since the Great Depression sent millions of Americans onto the unemployment line and into poverty.

The five firms reported $12.2 billion in profits last year, an increase of $4.4 billion, or 56 percent, over 2008. At the same time, 2.7 million Americans who had been enrolled in private health plans the year before lost their coverage.

The profit figures were released last week by Health Care for America Now (HCAN), a coalition of health advocacy and labor groups pushing for passage of the Obama administration's health care plan. The Obama administration has cynically seized on the data in an effort to push for the legislation at a televised bipartisan health care summit set for February 25.

In reality, the White House-backed plan—even the versions that were passed by Democrats in the House and Senate before being stalled by the victory of the Republicans in the recent Massachusetts Senate race—would do nothing to rein in insurance company profits. From the beginning, Obama has pledged not to challenge the for-profit health care system. Rather, his "reform" has been based on massive cuts to the government-run Medicare program and rationing health care for millions of ordinary Americans, all in the name of slashing the federal deficit.

The insurance giants' profits reported by HCAN are indeed breathtaking. The study provides data on the top five for-profit health insurers: UnitedHealth Group Inc., WellPoint Inc., Aetna Inc., Humana Inc., and Cigna Corp. Four of the five saw earnings increase in 2009, with CIGNA's profits jumping by a stunning 346 percent.

While the insurers raked in massive profits in 2009, four of the five companies insured fewer people through private coverage. At the same time, all but one of the five insurers increased the number of people they covered through public insurance programs, including Medicaid, Children's Health Insurance Plans (CHIP), and Medicare. This is part of a long-term plan by insurers to shift responsibility for covering millions of sick, older, or lower-income customers to taxpayer-funded government health programs. These programs have, in turn, been increasingly hiring the big insurers to manage their care.

While their profits have soared, the proportion of dollars earned through premiums that is spent on health care expenses went down at three of the five firms, with ever-larger relative sums being funneled to administrative expenses and CEO and shareholder profits. The medical loss ratio (MLR)—the share of premiums used to pay health care providers—decreased or remained flat at most insurers.

The top five insurers continue, as well, to manipulate their capital resources carefully to benefit their Wall Street investors and corporate executives. The majority of companies report waiting six to eight weeks after receiving claims to pay doctors, hospitals, and patients, utilizing the cash to build up company reserves and boost their balance sheets.

Most of the companies also participate in what is known as share repurchase programs. Since 2003, the five insurers have bought $55.4 billion of their own stock on the open market, thus increasing earnings per share by reducing the number of outstanding shares, which raises the company's stock price. CEOs compensated with stock options benefit handsomely as share prices are pushed higher.

The following are some of the details provided by HCAN on the five insurers, which are based on new filings with the US Securities and Exchange Commission and other sources:

Indianapolis, Indiana-based **WellPoint**, which operates Blue Cross franchises in 14 states, increased

its profits by $2.3 billion, or 91 percent, in 2009 over the previous year. This set a new record of $4.75 billion for annual net income. Total enrollment at the insurer fell by 1.4 million or 3.9 percent.

UnitedHealth Group, based in Minnetonka, Minnesota, increased its profits in 2009 by $845 million, or 28 percent, over 2008, reaching $3.8 billion. Private enrollment fell by 1.7 million (6.5 percent), while public enrollment rose by 680,000 (17 percent). Since 2003, United Health has spent $21 billion on share repurchases to boost its profits.

Profits at Philadelphia-based **Cigna** rose by a staggering 346 percent in 2009, increasing by $1 billion over 2008. The company set a new record, with an annual net income of $1.3 billion. But while profits soared, total enrollment dropped by 639,000, or 5.5 percent. Cigna spent $1.6 million last year on lobbying in Congress for the health care industry. Since 2007, the insurer's political action committee and employees have given $544,000 in political contributions to advance the company's interests.

At **Humana**, based in Louisville, Kentucky, profits increased by 61 percent in 2009, $393 million over 2008, reaching $1 billion. The company holds onto claims payments by providers and members by an average of 55 days, the longest of the five companies. Humana purchased $23 million of its shares last year, and has bought back a total of $296 million in shares since 2003.

Aetna of Hartford, Connecticut, was the only insurer of the five to record a loss in 2009, with profits declining $108 million, or 8 percent, from the previous year. Total enrollment at Aetna increased by 1.2 million, or 6.9 percent, showing in the negative how increased coverage can impact an insurer's bottom line.

Many of the 2.7 million Americans losing their health benefits since 2007 lost them along with their jobs as the recession took hold. Many others, the HCAN report notes, "were victims of an industry practice called purging, in which sharply higher premiums push individuals with health problems or employers with sicker of older workforces away from continuing coverage."

When it comes time to renew coverage, individuals or employers are presented with double-digit premium increases, forcing them to drop their coverage or to look for cheaper, inferior plans.

Los Angeles Times reported earlier this month that California's biggest insurer, the Anthem Blue Cross subsidiary of WellPoint, was proposing a 30 to 39 percent hike in its premiums for many of its 800,000 customers who purchase their coverage individually.

One married Los Angeles couple, insured with Blue Cross for 30 years, received notice that effective March 1 their annual insurance rate would rise to $27,336 from an already astronomical $20,184. Anthem Blue Cross has temporarily postponed the rate hike, reserving the right to reintroduce the increases.

Other states have seen similar requests for rate hikes by WellPoint subsidiaries. Anthem of Connecticut requested a 24 percent increase last year, which was rejected by the state. In Maine, a request for an 18.5 percent premium increase was rejected by the state last year as being "excessive and unfairly discriminatory." The insurer has come back this year asking for a 23 percent hike.

In recession-ravaged Michigan, Blue Cross/Blue Shield last year requested approval for a premium increase of 56 percent for its plans sold to individuals and families.

The insurance conglomerates have consistently defended purging its ranks of unprofitable customers, either through such rate hikes or by dropping coverage outright. In 2003, Humana CEO Michael McCallister commented, "If we have to choose between achieving our membership goals and achieving profitability goals, profits will win every time." And WellPoint CEO Angela Braly remarked in 2008, "We will not sacrifice profitability for membership."

The full text of the Health Care for America report can be found here.