US health insurance companies see profits soar while mounting medical bills bankrupt Americans

Alex Johnson
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US insurance companies saw their profit margins soar during the first half of this year while millions of American families are being sent into bankruptcy under the weight of massive medical debts during the coronavirus pandemic.

A Kaiser Family Foundation (KFF) reportreleased last week revealed that the top insurance companies have amassed a substantial growth in wealth due to a sharp increase in marginal gains and lower administrative costs. Despite the coronavirus pandemic wreaking havoc across health care systems and hospitals nationwide, insurers such as UnitedHealthcare, CVSHealth (Aetna), and Cigna have raised their profitability to new heights.

One of the main drivers of the profit bonanza has been the sharp fall in medical claims for major operations and hospital procedures, including elective surgeries and other advanced treatments. The KFF analysis found that gross margins for the most prominent companies increased since the start of the pandemic relative to the first half of 2019.

The underlying cause for the marked drop in health insurance claims was driven by hospitals and health care facilities focusing attention on treating patients infected with COVID-19. The rampage of the virus across the country beginning in late March led to a sweeping suspension of routine and non-emergency medical care and a growing disinclination of the population toward seeking treatment for other health-related issues out of fear of catching the contagion.

In the analysis conducted by KFF researchers, insurance companies with group market plans saw their gross margins increase by 22 percent through the second quarter of 2020, while gross margins for Medicare Advantage plans increased 41 percent through the first six months of 2020 compared to the same time last year. Before the pandemic, such upticks in group plans and Medicare markets had only occurred gradually over years.

Moreover, insurers have seen a decline in their medical loss ratios, meaning that more income is remaining after paying out medical costs which can then be reallocated for administrative costs or pocketed as profits. Loss ratios in the Medicare Advantage market declined by 5 percentage points this year and market loss ratios decreased approximately 3 percentage points.

Although the KFF study acknowledges that estimates on the actual profits of insurance companies cannot be made directly, the analysis indicates that health insurance companies have profited handsomely amidst mass death and suffering in the wider population. Health insurance giant UnitedHealth Group saw its net income during the second quarter grow from $3.4 billion in 2019 to $6.7 billion in 2020 and Anthem Inc.'s net income increased from $1.1 billion to $2.3 billion.

Insurers have utilized their influx of cash and increased revenue streams to enhance the wealth of major investors and shareholders. Like most corporations and banks that have seen their wealth skyrocket due to the stimulus funds packaged under the so-called CARES Act, health insurance giants have used their increased capital reserves for share buybacks. Insurance conglomerate Aflac recently authorized an increase in its share repurchasing program in a bid to return more value to shareholders. The company plans on buying up to an additional 100 million shares in the coming months.

The lucrative gains being reported by health insurance companies are happening in the midst of the worst collapse of the US health care system in history. While the Trump administration and the Democratic Party have continued their haggling charade over the distribution of even meager federal assistance to unemployed workers, discussion over the health care crisis facing millions has received little to no attention.

President Trump announced last month the adoption of a “terrific” new health care plan that will serve as the replacement of the Obama administration’s Affordable Care Act (ACA). The details of such a plan have yet to be produced, while Democratic presidential nominee Joe Biden has suggested that a Biden presidency would “build” on what little is left of the ACA.

Meanwhile, the situation facing the working class and poor is becoming increasingly dire. Medical debt in the United States is piling up to untold heights as tens of millions of unemployed Americans are finding it extraordinarily difficult to pay for medical care. In August, consumer finance company Credit Karma found that nearly 20 million Americans have a total of $45 billion in medical debt. This averages out to about $2,200 of debt per person.

Medical debt rose 7 percent from the end of last year before the pandemic, and then another 3 percent after the pandemic erupted. These percentages are understatements, however, since there is a 180-day lag before unpaid medical debts will show up on consumers’ credit reports, according to Credit Karma. Colleen McCreary, chief people officer at Credit Karma, told *USA Today*, “This is a lot of money when you consider nearly half of Americans don’t have $400 saved in case of an emergency.”

Experts are predicting a substantial rise in medical debt in the coming months, especially due to a rise in permanent layoffs and unprecedented numbers of weekly unemployment claims. In September, an estimated 26 million people received unemployment insurance and real unemployment now stands at just around 26 percent.

Many workers are finding unforeseen medical expenses as a tremendous burden on their financial stability that is also fueling the debt crisis. A survey from debt.com conducted between June 17 to July 6 showed that 56 percent of US adults had medical debt sent to collections and nearly two-thirds owe under $5,000, while 5 percent owe more than $50,000. The study found that hospitalizations accounted for a quarter of the debt, followed by X-rays, MRIs and lab fees (22 percent), emergency room visits (19 percent) and doctor visits (15 percent).

The historic rise in unemployment combined with the ending of the $600 federal unemployment supplement approved through the CARES Act have forced millions of working-class and middle-class people to drain their savings to pay their bills. A joint study involving West Health group and Gallup found that half of all US adults are concerned that a major health event in their household could lead to bankruptcy, compared to 45 percent a year ago. More than a quarter of respondents indicated they would need to borrow money if they received a medical bill of more than $500.