COMMITTEE ON FINANCE
NEWS RELEASE

Max Baucus, Chairman
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BAUCUS CALLS ON HEALTH INSURANCE COMPANIES TO LOWER RATES, IMPROVE BENEFITS AFTER POSTING MASSIVE PROFITS

Finance Chairman says strong profits indicate health insurance companies do not need to significantly increase rates in 2011

Washington, DC – Senate Finance Committee Chairman Max Baucus (D-Mont.) today called on health insurance companies to stave off significant or excessive premium increases in 2011 after major insurers posted significant profit growth. Baucus' comments came after Aetna reported today that their profit had increased 42 percent from the same quarter last year and UnitedHealth Group also recently reported profits up 31 percent during that same period. Baucus called the news a reminder of the importance of the new health care reform law, which guarantees customers will get their money's worth for the health insurance premiums they pay. Baucus said such significant insurance industry profits are a clear indicator that insurance companies will not need to significantly or excessively increase rates for 2011.

"Given that insurance company profits have grown so markedly this year, they have a responsibility to keep rates low," said Baucus. **"Health insurance companies should be spending money providing quality health care, but instead we find they are using these dollars to rack up huge profits. Health care reform ends these abuses by requiring insurers to spend more of their revenues on actual health benefits and by shining a spotlight on unjustified premium increases."**

In addition to the profit increases announced today, reports from insurers over the first half of this year have indicated that profits are up and private plan enrollment is down, meaning that companies are making greater profits, but serving fewer customers. Earlier reports showed that even non-profit insurers, like state-based Blue Cross Blue Shield plans, have made almost as much in the first three months of 2010 as they did in all of 2009.

Reports from insurance companies this quarter – including the news from Aetna today – also show that the dollars insurance companies have spent on medical care, in comparison with their total premium revenue, a relationship also known as a medical loss ratio, has been decreasing. The health care reform law, known as the Affordable Care Act, includes a medical loss ratio requirement for all health insurance companies. This provision requires insurance companies to spend at least 80 to 85 percent of the premium dollars they collect on providing health care to customers, as opposed to spending it on administrative costs or executive bonuses. The law requires companies that do not meet that requirement to provide a rebate check for the difference to their customers.

Baucus also said today's news is another reminder that insurance rates must be reviewed closely so consumers are protected. The Affordable Care Act included more than $250 million dollars in grants to allow states to closely review proposed increases in insurance rates. This review is of particular importance, not only because current profits do not indicate a need for significant or excessive rate increases, but also because one major insurance company was recently found to have made significant errors in calculating increases that were later found to be unwarranted. After first calling for more information related to rate increases in February, Baucus, along with Finance Committee Ranking Member Grassley, wrote WellPoint requesting further details and explanation of the causes leading up to the company's plan to increase individual policyholders' rates by as much as 39 percent, including reported miscalculations identified by an independent actuary.

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