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BAUCUS, ROCKEFELLER DEMAND TRANSPARENCY FROM INSURANCE COMPANIES ON PREMIUM INCREASES

*Finance, Commerce Chairs tell insurance companies false statements,
unjustified premium increases will not be tolerated*

Washington, DC – Senate Finance Committee Chairman Max Baucus (D-Mont.) and Senate Commerce Committee Chairman John D. (Jay) Rockefeller IV (D-West Va.) sent a letter today to insurance companies with the five largest enrollments in the country demanding more transparency in calculations of premium increases. The Chairmen said today that they planned close oversight of the companies' assertions about why premium increases might be necessary. The Senate leaders also made clear they would not tolerate false statements about the effects of the new health care law on premiums, especially since non-partisan, independent experts have concluded the Affordable Care Act will not result in large health insurance premium increases.

“The era of egregious insurance company abuses is over,” said Baucus. **“The Affordable Care Act shines a bright spotlight on insurance companies and gives us the tools to put an end to unjustified rate increases and consumer exploitations. We simply will not tolerate deliberate misrepresentations and misinformation about the new health care law. The truth is that the health care law increases the value people receive from their insurance, lowers out of pocket costs and provides consumers with free preventive care. Independent experts have concluded that the law does not cause large premium increases, the American people deserve to know that and we’ll keep working to make sure they do.”**

“It is unfathomable to me that while health care companies continue to post record profits they would think to raise premiums for American consumers, all the while blaming rate hikes on a law that improves our health care system, and will lead to a better life for families everywhere,” said Rockefeller. **“It’s wrong and shameful. I want health insurance companies to be transparent and honest when increasing premiums – and health care reform is simply not to blame. I will continue to do everything in my power to see that consumers are treated fairly, that they are put first, and receive decent, affordable care – always.”**

The letter was sent to executives at WellPoint, United, Aetna, Health Care Services Corporation, and CIGNA. The full text of the letter follows here.

Dear [Insurance Executive]:

We write to you concerned about unnecessary premium increases in 2011 and reports that insurance carriers are attempting to blame these premium increases on the enactment of the Patient Protection and Affordable Care Act (Affordable Care Act). Your company has one of the five largest enrollments, which is why we are writing to you.

Unjustified premium increases from the health insurance industry are nothing new. While the economy has struggled, and individuals and families across the country experience what are often record premium

increases, the health insurance industry has prospered. We have consistently called attention to reports that some major insurers have radically increased profits and reserves from the 2009 calendar year – many over 25 percent. These increases were clear indicators that insurance companies would not have to significantly increase rates for the next year.

Rather than look to throw consumers a life line, early reports indicate that some carriers are looking to raise rates even further in 2011, while blaming the patient protections in the Affordable Care Act for these cost increases. This is irresponsible and unacceptable but is not, unfortunately, surprising – there were reports of health insurers immediately blaming double-digit premium increases for 2010 on the Affordable Care Act when the premium increases were filed with state regulators months before the legislation was even enacted.

Many patient protections included in the Affordable Care Act take effect for plan or policy years beginning on or after September 23, 2010. These provisions will not only increase coverage but will also end some of the insurance companies' most egregious abuses. For example, insurance companies will no longer be allowed to arbitrarily drop coverage, impose lifetime or restrictive annual limits on benefits, or deny coverage to children with pre-existing conditions. Also, young adults will be able to stay on their parents' plan until the age of 26 under all plans, and preventive services, like cancer screenings and vaccinations, will be covered at no cost under all new plans.

All told, it is estimated that the increased value of insurance coverage and the new consumer protections created under the Affordable Care Act taking effect this year will increase health insurance premiums by only 1 to 2 percent. And, to balance this very modest increase, consumers can expect lower out-of-pocket costs for important services like preventive care and greater protection from financial ruin.

Health insurers should be transparent about the assumptions they use to arrive at their premium increases. It is important for insurers to account for the difference between their calculations of premium increases attributed to provisions in the Affordable Care Act and those calculated by the Department of Health and Human Services (HHS) as well as many industry and academic experts. Insurers should also account for the reasons why record industry profits and reserve levels have not resulted in lower premium increases.

If an insurer thinks it can blame the enactment of the Affordable Care Act for its rising premiums, it is surely mistaken. This level of misinformation is not acceptable. As Chairmen of the Senate Finance Committee and the Senate Commerce Committee, we are committed to ensuring that consumers are treated fairly and will closely examine any potentially misleading communications to consumers.

And if an insurer thinks it can continue to impose double-digit premium increases, while providing fewer health benefits and enjoying record surpluses, it is again mistaken. There have been too many reports of insurance companies imposing insurance premium increases at will with little oversight or public accountability. We are committed to ensuring that premium increases are fair and justified.

The Affordable Care Act promotes greater insurer accountability. Recently, HHS announced grants to states to bolster their review of proposed premium increases and a number of states have already enacted new laws to ensure fair and accurate premiums for consumers. In 2011, the Affordable Care Act requires insurance companies to publicly justify premium increases that are deemed unreasonable and requires insurance companies to spend at least 80 percent of premium dollars on health care instead of administrative costs and overhead. And, in 2014, the Affordable Care Act gives states and HHS the power to deny participation in insurance market exchanges to plans with a track record of unreasonable premium increases.

We have and will continue to strongly encourage states and HHS to use their existing authority as well as the authority created under the Affordable Care Act to its fullest to ensure that premium increases across the country are justified and communications are honest. We will continue to work toward ensuring that the federal and state governments have the necessary resources and authority to review potentially unjustified premium increases and to hold insurance companies accountable.

Insurers are an integral part of the success of The Affordable Care Act and we must work together to ensure that all Americans have access to quality, affordable health insurance.

Sincerely,

Max Baucus
Chairman
Committee on Finance

John D. Rockefeller IV
Chairman
Committee on Commerce

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