

Top 10 Reasons for Getting Insurance Companies Out of Health Care

1. The cost of insurance is skyrocketing. Employers' payments for family health insurance went up 80% between 2000 and 2006. Workers' share of family health insurance costs went up 86%.¹ In a survey of people who tried to buy individual insurance, more than half said it was very difficult or impossible to find a plan they could afford.²

2. Too many people are uninsured because of the high cost. One in five Californians has no health insurance—2/3 are in working families.³ In 2000, 69% of US employers offered health insurance. Now it's down to 60%—and many employees aren't covered because they can't afford their share of the cost.⁴

3. Even when you have insurance, out-of-pocket costs are too high. The average family's out-of-pocket medical expenses have gone up about \$1,500 since 2001.⁵ For example, "a man insured through his employer . . . suffered a broken leg and torn knee ligaments. He incurred \$13,000 in out-of-pocket costs for copayments, deductibles, and uncovered services—much of it for physical therapy."⁶

Half of all US bankruptcies are because of medical costs. 3/4 of those people had insurance.⁷

4. Too many people lose their health insurance when they get sick. People whose insurance depends on their jobs lose their insurance when they're too sick to work: "A teacher who suffered a heart attack was unable to return to work for many months (so) her coverage lapsed. A hospital wrote off her debt, but she was . . . bankrupted by doctors' bills and . . . medications."⁸ And recent California lawsuits have revealed that insurance companies find excuses to cancel people's insurance if they have a costly illness:

- An arbitration judge fined HealthNet \$9 million for canceling a 52-year-old woman's policy after she was diagnosed with breast cancer. The trial also revealed that HealthNet paid bonuses to employees who found ways to cancel people's policies after they got sick.⁹
- A district appeals court in Santa Ana ruled that Blue Shield was wrong to cancel an Orange County man's insurance after he was seriously injured in a car accident—the cancellation led to delays in treatment that caused permanent loss of kidney function. Blue Shield cancelled the policy because his application had misstated his weight and not mentioned that he had been treated for headaches and hypertension.
- The state Department of Managed Health Care has been investigating the cancellations of thousands of policies—in May, Kaiser and HealthNet agreed to reinstate nearly 1,200 patients.¹⁰

*Insurance companies are not in business to provide health care.
They are in business to make profits for shareholders.*

¹ Families USA, "Premiums vs. Paychecks, A Growing Burden for California's Workers," Nov 2006

² Commonwealth Fund 2001 Health Insurance Survey

³ Families USA, op. cit.

⁴ Families USA, op. cit.

⁵ Kaiser Family Foundation, Employer Health Benefits Survey 2007

⁶ Himmelstein, Warren, Thorne & Woolhandler, "Illness and Injury as Contributors to Bankruptcy," Health Affairs Web Exclusive, February 2, 2005

⁷ Himmelstein et al., op. cit.

⁸ Himmelstein et al. op. cit.

⁹ Lisa Girion, Los Angeles Times, Nov. 9, 2007 and Feb. 23, 2008

¹⁰ Lisa Girion, Los Angeles Times, May 16, 2008

5. Your health care is their “medical loss.” That’s the insurance industry term for the percentage of their income they pay in claims. Their obligation to their shareholders is to keep this number low—and profits high. In 2004-05, for example, Blue Cross of California paid 79% of its income in claims. Blue Shield of California paid 83%, Health Net paid 86%.¹¹ In contrast, Medicare spends 97% of its revenue on health care.

6. Insurance companies refuse to pay for too many services. According to the health insurance industry, 1 in 7 claims are rejected.¹² All policies limit coverage—often excluding needed services.

7. Too many people can’t get health insurance because of “pre-existing conditions.” People who need care the most can’t get insurance. And insurance companies turn down many people who don’t have serious diseases. A 2007 CSB report featured a 41-year-old man saying, "PacifiCare rejected me because I'm an expectant father. Blue Shield rejected me because I got a spider bite. And then this one rejected me because of asthma"—which he has successfully managed for 20 years.¹³

31 cents of every US health care dollar goes to administration and overhead.¹⁴

8. Insurance companies spend almost four times as much per person on overhead as Medicare, wasting billions of dollars a year¹⁵ on:

- **Profits:** For example Wellpoint, parent company of Anthem Blue Cross, made \$3.3 billion in profit in 2007, up 8.8% from 2006.¹⁶
- **Outrageous executive salaries:** For example, in 2007, the CEO’s compensation was \$13.2 million at UnitedHealth Group (PacifiCare parent company), \$9.1 million at Wellpoint (Anthem Blue Cross parent company), and \$3.7 million at Health Net.¹⁷
- **Marketing, underwriting, and other business expenses:** \$32 billion in 2003.¹⁸
- **People whose job is to keep down “medical loss.”**

9. Doctors, hospitals, and employers waste billions on unnecessary paperwork to deal with thousands of different health plans. US doctors and hospitals spend more than 3 times as much on administration as doctors and hospitals in Canada. Employers in the US spend more than 7 times as much as Canadian employers on managing employees’ health benefits.¹⁹

10. Health care should be a right—something everyone can get when they need it.

There is a better way: SB 840, the California Universal Health Care Act

◇ Publicly funded with full choice of doctor ◇ Comprehensive coverage ◇ Fair, affordable financing

More info: Sen. Sheila Kuehl: <http://dist23.casen.govoffice.com> ◇ One Care Now: www.onecarenow.org

◇ California Universal Health Care Organizing Project, www.singlepayernow.net

This info sheet produced by the Wellstone Democratic Renewal Club Health Care Committee, www.wellstoneclub.org June 2008

¹¹ California Medical Association, Knox-Keene Health Plan Expenditures Summary, FY 2004-05

¹² Health Insurance Association of America, Results from an HIAA Survey on Claims Payment Processes, March 2003

¹³ CBS News, May 23, 2007

¹⁴ Woolhandler, S. & Himmelstein, D., “Costs of Health Administration in the U.S. and Canada,” New England Journal of Medicine, Sept. 21, 2003

¹⁵ *ibid.*

¹⁶ Lazarus, David Los Angeles Times, April 30, 2008

¹⁷ Securities and Exchange Commission form def 14A

¹⁸ McKinsey & Co., *Accounting for the Cost of Health Care in the US*, January 2007

¹⁹ Himmelstein et al. *op. cit.*