

Anthem execs grilled on rates

INCREASES DEFENDED
AT ASSEMBLY HEARING

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Anthem Blue Cross executives, under intense questioning by the state Assembly's Health Committee on Tuesday, defended the company's decision to raise premiums by as much as 39 percent on hundreds of thousands of Californians.

The panel's chair, Assemblyman Dave Jones, D-Sacramento, expressed skepticism during testy questioning that at times provoked awkward silences by the company's president, Leslie Margolin.

"How much profit is enough?" Jones asked. Margolin paused uncomfortably.

After collecting her composure, she said that her company, the state's largest for-profit health insurer, had no interest in profits beyond what she said were slim margins of 2 to 5 percent.

"Have you no shame?" Jones asked soon after - to which Margolin expressed disappointment at the question.

"We work so hard to do the right thing every day," she said.

The rate hikes have become a lightning rod for those looking to recapture the political momentum in the effort to overhaul the country's health care system.

Tuesday's grilling at the state Capitol served as a prelude for congressional hearings today in Washington, where executives for Anthem's parent company, WellPoint, could face a similar barrage of questions because of the contro-

BLUE CROSS | Back page, A16



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LESLIE MARGOLIN,
president of Anthem
Blue Cross

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Blue Cross: Young, healthy drop coverage

FROM PAGE A1
versial rate hikes.

And the increases have become a talking point on the campaign trail. Jones is seeking to become the state’s next insurance commissioner. He is also pushing a bill that would allow the Department of Insurance to review premium hikes, giving it the same approval authority that 1988’s Proposition 103 granted it for car and property insurance.

Meanwhile, the person currently in the commissioner’s job, Steve Poizner, is seeking the Republican nomination for governor. On Monday, Poizner accused Anthem Blue Cross of more than 700 claims-handling violations during the past three years. The violations could lead to fines of more than \$7 million.

Earlier this month, Poizner got Anthem Blue Cross to delay implementation of the premium increases until May 1 to allow a state actuary to determine if the hikes comply with state law. The company said it plans to go through with the hikes at that time.

The Anthem Blue Cross executives said higher premiums were needed to cover the rising cost of doing business, citing escalating costs for medical care and the net loss of 25,000 subscribers last year. Many of those who left were young, healthy people who are less likely to need health services and whose premiums subsidi-



Assemblyman Dave Jones, the Health Committee chair, blasted Anthem Blue Cross President Leslie Margolin Tuesday, asking: “Have you no shame?”

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Associated Press

dize those who more frequently require services.

“Even with this rate action, our premiums are competitive with other health plans in California,” said Jim Oatman, an Anthem Blue Cross vice president. “Clearly, we understand that these increases create a challenge for many of our members.”

Oatman expects about 15 percent of the company’s more than 800,000 individual-policy subscribers to drop their coverage this year because of the premium hikes.

Laurel Kaufer, a self-employed single mother from Woodland Hills who has two sons in college, could see her monthly premium jump from \$823 to \$1,102 – an increase of 34 percent – she told the committee. Her plan has

a \$3,000 deductible and 30 percent co-pays, she said.

“Because of these relentless rate hikes and out-of-pocket costs, I measure the need for each visit to the doctor,” she said.

Margolin, the president of Anthem Blue Cross, sought to broaden the conversation beyond her company.

“This debate, and this inquiry today, cannot and should not be just about Anthem Blue Cross, and it cannot and should not be just about the insurance industry,” she said. “It is about acknowledging our respective responsibilities for the failings of our system, and it’s about talking collective action to address and eliminate those failings.”

The company, however, has had a long combative history

with legislators in California and on Capitol Hill who have pushed unsuccessfully for health care legislation.

In 2007, the company spent \$2 million on an advertising blitz that helped derail Gov. Arnold Schwarzenegger’s campaign to require all Californians to obtain health insurance and force insurers to issue policies to anyone, regardless of health.

On Tuesday, Anthem Blue Cross found some sympathy from Health Committee members.

“Who can withstand this scrutiny?” Assemblyman Anthony Adams, R-Hesperia, noted after the withering questioning from Jones and other Democrats.

“I don’t see a problem with making a profit,” added Assemblyman Ted Gaines, R-Roseville. “I thought that was the American way.”

Marian Mulkey, a senior program officer with the nonpartisan California HealthCare Foundation, provided a historical view of escalating health premiums that showed premiums outpacing the rate of inflation.

Since 2002, the cost of living has risen 23 percent, while health insurance premiums have increased 117 percent, she said. “The question is, how long can this continue?”

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