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'Ruined' health industry is making massive profits

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The Kansas City Star

Who would you figure to be America's highest-paid CEO?

Someone from the tech industry, maybe. Or bioscience. Or petroleum. And to be sure, some sweet compensation packages and bonuses are to be had in those fields.

But according to Forbes, America's highest paid chief executive officer hails from the industry that President Barack Obama and Congressional Democrats are roundly accused of trying to destroy — health insurance.

Meet Stephen J. Hemsley, CEO of UnitedHealth Group. He is 58 years old with a one-year compensation package of almost $102 million, Forbes reports. And he has $111 million in company stock.

And life keeps getting better. Hemsley's company reported last month that its first-quarter profits this year had exceeded those of the same period the previous year by 13 percent. Stock prices of UnitedHealth and the other major insurers soared. In recent weeks, Aetna, Humana, Coventry, WellPoint and Cigna also announced hefty profits.

What gives? If the Affordable Care Act, aka "Obamacare," is the road to ruin for private health insurers, as many of its critics contend, then the companies are enjoying a fruitful detour.

The insurers have put forth some dubious explanations, including something about customers not visiting the doctor in the early months of this year because of unusually inclement weather. Fewer doctor's visits means fewer claims.

Wendell Potter, a former insurance industry executive turned critic and watchdog, provides a more plausible rationale in a published analysis:

"To make this kind of money, insurance companies have to spend far less paying their policyholders' medical claims than anyone thought possible," he wrote.

"They've been able to do that so far this year, despite the new health care reform law, by shifting many policyholders into plans that force them to spend more from their own pockets before coverage kicks in. Insurance firms also fatten their bottom lines by denying more claims."

There it is. Check your co-pays and deductibles. If, that is, you're fortunate enough to have insurance coverage at all.

A recent survey by the Commonwealth Fund, a private foundation that advocates for health care reform, found that nearly three of five adults who lost their jobs in the recent recession also lost their medical coverage. Only a quarter of those were able to obtain insurance on a spouse's plan.

The report's authors summed up the problem:

"Adults who sought coverage on the individual insurance market over the past three years struggled to find plans they could afford and many were charged higher premiums, had a health condition excluded from their coverage, or were denied coverage altogether because of a pre-existing condition.

"Meanwhile, Americans with health insurance had higher deductibles and consequently greater exposure to medical costs."

So, in a nutshell, less care and higher costs for consumers means bigger profits for insurers.

But somehow, the voices of the families going broke over medical costs get drowned out by the sound of politicians fretting about whether insurers will be able to meet the provision in the Affordable Care Act requiring them to spend 80 to 85 percent of their premium dollars on medical care, as opposed to administrative costs.

Based on the latest earnings reports, I think they'll manage.

In 2014, if Washington doesn't derail health care reform, caps on out-of-pocket medical expenses will kick in, along with rules barring insurers from turning customers away or charging higher premiums to people with health problems.

Those essential consumer protections could foul up the insurance industry's game plan, but don't cue the violins just yet. Implementation of the Affordable Care Act would mean millions more customers for insurance firms, many of them young and healthy. And, as we're seeing, the insurers always find a way.

Meanwhile, let's not begrudge Hemsley his chart-topping compensation package. Surely, running a health insurance conglomerate in these unsettled times produces its share of headaches. We'll assume the CEO has no problem paying his deductible.

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