

# The New York Times

## Health Insurers Push Premiums Sharply Higher

By REED ABELSON and NINA BERNSTEIN

Major [health insurance](#) companies have been charging sharply higher premiums this year, outstripping any growth in workers' wages and creating more uncertainty for the Obama administration and employers who are struggling to drive down an unrelenting rise in medical costs.

A [study](#) released on Tuesday by the [Kaiser Family Foundation](#), a research group, showed that the average annual premium for family coverage through an employer reached \$15,073 in 2011 — 9 percent higher than in the previous year. And even higher premiums could be on the way, particularly in New York, where some companies are asking for double-digit increases for about 1.3 million New Yorkers in individual or small-group plans, setting up a battle with state regulators.

The higher premiums are particularly unwelcome at a time when the economy is sputtering and unemployment is hovering at about 9 percent. Many businesses cite the cost of coverage as a factor in their decision not to hire, and health insurance has become increasingly unaffordable for more Americans. The cost of family coverage has about doubled since 2001, compared with a 34 percent gain in wages.

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How much the new federal health care legislation pushed by President Obama is affecting rates remains a point of debate, with some consumer advocates and others suggesting that insurers have raised prices in anticipation of new rules that would, in 2012, require them to justify any increase of more than 10 percent. Kaiser pointed out that the increase this year could be an anomaly, after several years of 3 percent to 5 percent increases during the [recession](#).

Kaiser estimates that one to two percentage points of the increase this year is related to provisions of the law already in effect, like coverage for children up to 26 years old and for prevention services like [mammograms](#).

New York, along with states including California, Connecticut and North Carolina, has been exercising its regulatory muscle to try to tamp down some of the increases. The Obama administration this month funneled a total of \$109 million to many states, in part to help fight against "unreasonable" increases.

The [increases now under consideration](#) in New York would affect 1.3 million of the 3 million residents in individual and small-group plans; the amounts vary considerably depending on the type of policy. The increases requested by [Aetna](#), for example, range from 8.9 percent to 53.6 percent, while those from [United Health Group/Oxford](#) range from 13 percent to 34 percent, according to the State Insurance Department.

The state's power to deny increases does not extend to rates for large employers; the Kaiser survey included large and small company policies, which cover about 60 percent of working-age Americans with insurance. Employers, on average, pay the bulk of premiums and absorb some of the increase each year while passing the rest onto workers.

The increase in premiums was striking because in a poor economy, many people put off going to doctors, to avoid co-payments and higher deductibles. Despite a decrease in the use of medical services, companies have defended higher premiums — and their high profits — reasoning that their costs would rebound once the economy recovered.

Insurers also say that the use and price of medical services have continued to rise in individual and small-group plans, in part because those policies tend to have a higher proportion of people with serious illnesses. If the [health care law](#) survives legal challenges and goes into full effect in 2014, increased competition will make it tougher for companies to charge those customers more, the administration says.

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Consumer advocates contend that the latest requests exceed any documented rise in costs, with some companies enjoying three years of record profits and paying millions of dollars in dividends and [executive compensation](#).

“We’re at a watershed moment,” said Elisabeth Benjamin, who represents [Health Care for All New York](#), a group of 100 organizations advocating affordable care. “The Cuomo administration has to decide, will the Department of Insurance stand up for the little guy, John Q. Public, or let the insurance companies get away with this nonsense?”

Since last year, the [Insurance Department](#) has posted more than 4,000 policyholder [objections](#) online. In one typical letter, a small businessman, citing six years of annual increases of more than 15 percent, raged, “There are no words to express how utterly greedy and unconscionable another double-digit increase in health care costs are to the world of small companies and those employed by them.”

Such messages are not lost on [Benjamin M. Lawsky](#), the state’s superintendent of financial services, who oversees the department. “We get it,” he said. “These increases are often hitting people who just can’t afford it.”

“At the same time,” he added, “we have to make sure these companies stay healthy. What keeps us up at night is the need to strike a responsible balance.”

Decisions are expected in October. In the first round of reviews late last year, on premiums that took effect Jan. 1, the department approved a 10 percent increase, on the average, reduced from requests averaging 14 percent. Mr. Lawsky said the result showed the system was working.

But to Leslie Moran, senior vice president of the [New York Health Plan Association](#), an industry group, the result confirms that under the new law, the process bows to political pressure, not actuarial reality.

“There was an effort to somewhat artificially suppress premiums to prove that the prior approval system was working,” she said, noting that New York requires at least 82 percent of premium revenue be spent on paying medical claims. (Nationwide, under the new health care law, the minimum is 80 percent.)

One company, [MVP Health Care](#) — asked about its highest rate increase requests: 40 percent, 55 percent and 56.8 percent in three plans in Rochester — said the requests had been made in error and were

withdrawn last week. Gary Hughes, a company spokesman, said the plans had 805 policyholders and MVP intended to drop them at the end of the year. It was not clear what those customers would do.

Such changes can leave regulators with little recourse. Allan Evans, a musicologist who was undergoing [chemotherapy](#) for lymphoma last year, was notified that his [Emblem Health](#) premium would increase 270 percent, to \$2,293 a month for his family's \$5,000-deductible policy, provided through his wife's business, a small Italian language school in Greenwich Village. Emblem had eliminated his family's category and offered a more expensive plan. That kind of increase is not reviewable by the state.

"We were in shock," Mr. Evans, 55, said. What saved him, he said, was a change in his part-time contract at the New School that made him eligible for coverage.

Ilene Margolin, a spokeswoman for Emblem, said she could not comment on an individual case, but added: "We lost tens of millions on some of those products. For some people, we reviewed if they were in the right risk pool. I'm not saying this is pretty, but there were actuarially sound reasons."

Although demand for care nationwide appears to be growing relatively slowly, insurers and benefit consultants also say prices for medical care continue to climb as drug makers and hospitals charge more. "If they're a popular brand or anchor hospital, they're going to negotiate a significant increase if they can," said Edward A. Kaplan, a benefits expert with the [Segal Company](#), which recently surveyed insurers about costs.

Some analysts and companies are already questioning the high increase found through Kaiser's survey, saying costs are slowing down and increases in premiums would probably be more moderate in 2012.

Some small business say they expect their premiums not to rise as sharply, only because younger, healthier employees are keeping claims low. "Up until last year, we saw very hefty increases — double digits," said Heather Gombos, an executive for R. M. Jones & Co. and affiliated businesses in New Britain, Conn., which insures about 50 of 80 employees.

Family coverage is now running \$12,000 a year, Ms. Gombos said, and she is waiting to see what increases are proposed for the coming year. "What it comes down to is good luck," she said.