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Anthem Blue Cross reduces rate increases

Anthem Blue Cross plans to raise rates for more than 500,000 individual policyholders in California 9.1% on July 1, down from 16.4%, state officials say. In addition, 80,000 members would see rate cuts.

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By Duke Helfand, Los Angeles Times
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California health insurer Anthem Blue Cross, scaling back rate increases for the second time in less than a year, has agreed to cut nearly in half average increases for more than 500,000 individual policyholders.

State officials said California's largest for-profit health insurer would reduce average July 1 increases to 9.1% from 16.4%. Anthem said it also would put on hold until January plans to hike policyholders' deductibles and co-pays for medical services at the same time.

Anthem in January had postponed its insurance rate increase for 60 days while California Insurance Commissioner Dave Jones examined its filings. Its new rates announced Monday would save customers an estimated $40 million in premiums this year. Last year, Anthem cut its rate increases nearly in half after a planned 39% hike set off a national uproar over the cost of health insurance.

Jones said he was pleased with Anthem's decision, but he said that fast-rising rates remain a huge problem for Californians struggling to afford health insurance. And he renewed his call for a state law to give his office the authority to reject excessive rate hikes. "Health insurers still hold all the cards when it comes to rate increases," he said. "Consumers are at their mercy."

Anthem said its decision Monday would reduce rate increases for more than 500,000 members, while 80,000 members who have basic hospital plans would see rate decreases. The company said the delay in implementing its plans and lower-than-expected revenues from its individual policies would come on top of about $110 million in losses last year in California's individual insurance market.

"We are the largest health plan in the state of California, and our mission is to ensure quality healthcare for residents of the state at the most affordable price," Anthem President Pam Kehaly said. "We are pleased with the resolution of this matter, but feel all stakeholders in the healthcare market in the state must do more to control the unrelenting rise of underlying healthcare costs. We plan to be an active participant in helping forge that dialogue and bringing together the major healthcare players to find the best solutions for California consumers."

Jones and Anthem, a unit of insurance giant WellPoint Inc. of Indianapolis, disagreed over the extent of the reduction in rates. Anthem said its average increase before Monday's action was 9.8%. Jones

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put the figure at 16.4%. He questioned Anthem's math, saying the company should have factored in the costs to policyholders of higher deductibles and co-pays. Adding them into the equation, along with the costs of the delay itself, produced the higher figure.

Jones said that actuaries from the Insurance Department and Anthem had agreed on the 16.4% figure, but an Anthem spokeswoman stood by the company's original figure.

Jones also criticized Anthem for seeking to raise deductibles midyear, calling the plan an "extraordinary challenge" to consumers trying to manage their healthcare costs.

On Monday, an Anthem policyholder filed a lawsuit against the company, saying the company's plan to raise his annual deductibles for medical care and prescription drugs as well as his co-pay in the middle of the year would violate its agreements with him.

The policyholder, Eric Taub of Westlake Village, said he paid for an Anthem PPO 1500 plan and expected the annual deductible of $1,500 to remain in effect at least a year. Instead, he was notified last month that the deductible would rise to $1,750 even as his premium would increase 21%.

"How can you call a plan a 1500 plan and then have another deductible?" he asked. "What does the 1500 mean — a cute combination of digits that make it sound good?"

Anthem had no response Monday to the lawsuit, filed in Los Angeles County Superior Court. A spokeswoman said the company could not respond because it had not seen the lawsuit.

Anthem's decision to reduce its rate increases came a week after one of its competitors, Blue Shield of California, canceled an average 6.5% increase for nearly 200,000 individual policyholders amid pressure from Jones and its customers. The May 1 rate hike would have been the third in seven months, driving up some policyholders rates as much as 86.5%.

In January, Jones asked Anthem and Blue Shield — as well Aetna Inc. and PacifiCare — to put their increases on hold for 60 days while he examined their filings. Jones said that the Anthem and Blue Shield evaluations are finished but that he is still working on the other two. He did not say when they would be complete.

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