

## CT Attorney General

### Connecticut Attorney General's Office

#### Press Release

##### Attorney General Notifies Feds Of Antitrust Investigation Into Health Insurance Industry

March 8, 2010

Attorney General Richard Blumenthal notified the U.S. Secretary of Health & Human Services today that an ongoing antitrust investigation has revealed a potentially anticompetitive practice that threatens to raise health care costs and lower competition in the health insurance industry.

Blumenthal urged an investigation of these practices at the national level.

In a letter to Health & Human Services Secretary Kathleen Sebelius, Blumenthal said his office has been conducting an extensive and in-depth antitrust investigation focusing on practices by Anthem Blue Cross and Blue Shield (Anthem) of Connecticut, which is owned by WellPoint, Inc. -- one of the nation's largest for-profit health insurance companies.

Blumenthal's investigation has uncovered contractual Anthem clauses -- commonly referred to as Most Favored Nations (MFN) clauses -- requiring that hospitals and other providers allow Anthem to pay the lowest reimbursement rates in the industry.

In other words, Anthem is always guaranteed to pay the lowest rates to hospitals -- at least as low as any other competitor in the market.

Despite apparently having the best reimbursement deals, Anthem appears to refuse to pass on its savings to policyholders, Blumenthal said. Instead, the company has sought and received sky-high premium increases on Connecticut health insurance consumers, and possibly elsewhere in the country, of at least 13 to 20 percent.

"Our investigation into the health insurance industry has revealed potentially anticompetitive practices that may drive up health care costs and drown out competition," Blumenthal said. "Our investigation remains ongoing, but federal officials deserve immediate warning about these practices -- potentially having national implications and warranting federal investigation.

"Small businesses, individuals -- and our entire economy -- have a direct and immediate stake in practices that straitjacket hospitals and raise health care costs. WellPoint and Anthem -- among the most powerful players in the health insurance industry -- may be exploiting its strength to force hospitals into giving them the best deal in the market. As a result of Anthem's practices, competitors are forced to pay more, hospitals are forced to accept less from Anthem -- and consumers are the ones paying.

"Anthem has been cooperating with our ongoing investigation, and recently agreed to waive its potentially anticompetitive clauses for Charter Oak -- a Connecticut health plan for the

uninsured. As our investigation continues vigorously, we offer any assistance necessary to federal officials.”

Less than a year ago, Anthem received approval for premium increases between 13 and 20 percent on individual health insurance policies in Connecticut. These increases have been sought, even as the company acknowledged paying at least 39 executives a minimum of \$1 million each.

A report, *Insurance Companies Prosper, Families Suffer: Our Broken Health Insurance System*, recently released by the Department of Health and Human Services highlighted the high cost of health insurance generally and specifically used Connecticut as an example of a state where health insurers have been requesting unjustified and unwarranted premium hikes.

Indeed, the cost of group health insurance in Connecticut is the fifth highest in the country. In 2009, group health insurance rates increased 13 percent, while individual health insurance premium rates increased by over 20 percent. Such high premium increases have not resulted in better insurance coverage because our State Office of the Health Care Advocate reports that complaints about coverage denials doubled in 2009.

Blumenthal urged Sebelius to continue her call on health insurance companies to justify increasing premiums they seek to impose on their customers.

[View the entire letter to Health & Human Services Secretary](#) - (PDF-221KB)

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