

Wellpoint Shareholder Meeting Question
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I'm David Hogberg, policy analyst at the National Center for Public Policy Research. Today, I am representing my colleague at the National Center, David Ridenour, who is a Wellpoint shareholder.

Mr. Swedish, Wellpoint was the first health insurer to submit predicted rate proposals for 2015. Ken Goulet, executive vice president for WellPoint's commercial and specialty business, stated that "all of them will probably be in double-digit plus."¹ Yet, according to an analysis published in Forbes, "a closer analysis of the rate filing shows that Wellpoint is assuming in its proposed rates that its ObamaCare-compliant health plans will be very unprofitable for 2014, except for the anticipated recoveries from the reinsurance fund. Wellpoint's projections for non-grandfathered plans includes expected reinsurance recoveries of 10.8% of premium."²

It seems that these less-than-rosy forecasts may mean the company could qualify for a taxpayer bailout through the Affordable Care Act's risk corridor provisions.

These risk corridor provisions require companies that make a profit on the exchanges to use some of those profits to help insurers who take a loss on the exchanges. However, if there are more insurers who are losers on the exchange than there are ones who make a profit, the taxpayers then step in to help the insurers who have incurred losses. Thus far the Congressional Budget Office predicts that the risk corridors won't cost taxpayers any money, but the CBO has been wrong in its predictions before.

In March, the Obama Administration proposed changes to the ACA that may increase this potential bailout for insurers in 2015 by ballooning the amount that taxpayers may have to pay insurers for company losses.³

If the situation arises in which Wellpoint qualifies for taxpayer money through the risk corridor, can we get your promise that you will reject it?

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¹ <http://www.businessweek.com/news/2014-03-25/obamacare-insurer-wellpoint-sees-double-digit-rate-rise-in-2015>

² <http://www.forbes.com/sites/scottgottlieb/2014/01/31/new-data-obamacare-plans-are-unprofitable-without-reinsurance/>

³ <http://blog.independent.org/2014/03/20/obamacares-risk-corridor-bailout-just-got-bigger-much-bigger/>