

United States Senate

COMMITTEE ON COMMERCE, SCIENCE,
AND TRANSPORTATION

WASHINGTON, DC 20510-6125

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August 21, 2009

Stephen J. Hemsley
President and Chief Executive Officer
UnitedHealth Group
9900 Bren Road East
Minnetonka, MN 55343

Dear Mr. Hemsley:

I am writing to request information about how your company spends the health insurance premiums it collects from consumers and businesses. I am particularly interested in determining the percentage of policyholders' premium dollars that your company uses to pay actual healthcare claims as compared to administrative costs and profits. I am also requesting information about how your company discloses its financial practices to your current and potential customers.

Over the last six months, the Senate Committee on Commerce, Science, and Transportation has been investigating the business practices of the health insurance industry and the impact these practices have on consumers. As part of this investigation, the Committee has held a series of hearings examining the many obstacles consumers face when they attempt to make informed purchasing decisions in the health insurance market. These hearings have shown that one of the greatest difficulties American consumers face today is getting clear, accurate information about health insurance products. At one of the hearings, a prominent consumer advocate summarized this problem by stating, "consumers have no idea how health insurance works" and that "insurance companies know this and take advantage of it in how they design and market their plans."¹

As consumers and businesses face ever increasing healthcare premiums, it is particularly important for them to be able to compare all aspects of the healthcare plans available to them. Yet, in most states, consumers and businesses cannot easily access a simple, but important piece of information: the amount of premium dollars that insurance companies receive compared to the amount they pay out in healthcare claims (known as the "medical loss ratio"). This ratio varies widely by company and type of plan and is a key piece of information for consumers and businesses when they are seeking to compare insurance plans. However, insurance companies do not appear to readily disclose this information to consumers and businesses.

¹ Senate Committee on Commerce, Science and Transportation, *Hearing on Consumer Choices and Transparency in the Health Insurance Industry*, 111th Cong. (June 24, 2009), Testimony of Nancy Metcalf, Senior Program Editor, Consumer Reports.

To assist the Committee in understanding the variation among medical loss ratios for health insurance products, the administrative costs and other expenses that contribute to lower medical loss ratios, the profits that correspond to various medical loss ratios, and what information about actual and relative medical loss ratios is available to consumers and businesses seeking to purchase insurance, I request that you answer the following questions and provide the following information:

1. With respect to all major medical insurance policies offered by your company, please provide information detailing the dollar amounts of premiums your company received and healthcare claims it paid for each of the past five years in each state in which your company offers health insurance.² For each such state, please provide separate information for each of the following:
 - a. The individual health insurance market;
 - b. The small group health insurance market; and
 - c. The large group health insurance market.
2. With respect to all major medical insurance policies offered by your company, please provide information detailing your company's profits, administrative expenses, and other costs not specifically tied to healthcare claims for each of the past five years in each state in which your company offers health insurance. For each such state, please provide separate information for each of the following:
 - a. The individual health insurance market;
 - b. The small group health insurance market; and
 - c. The large group health insurance market.
3. Identify and describe each state law that requires your company to maintain a minimum medical loss ratio for any segment of the health insurance market, and describe any instances, in the last five years, in which your company has had to pay refunds to purchasers of health insurance because of its failure to meet minimum medical loss ratio requirements. Your description should include the annual amounts of any such refunds.
4. For each of the last five years, please provide information about the number of covered lives in each state in which your company offers major medical insurance. For each such state, please provide separate information for each of the following:
 - a. The individual health insurance market;
 - b. The small group health insurance market; and

² As used throughout this letter, "state" means each of the 50 States, the District of Columbia, and Puerto Rico.

- c. The large group health insurance market.
5. Provide your company's nationwide medical loss ratio for the major medical insurance products it offers for each of the last ten years in:
 - a. The individual health insurance market;
 - b. The small group health insurance market; and
 - c. The large group health insurance market.
6. If your company offers products that involve the payment of healthcare claims, but are not treated by your company as individual, small group or large group major medical insurance, please provide information that identifies and describes each such product your company offers. This request does not seek information about any Medicare, Medicare Advantage, Medicaid or other publicly funded healthcare program. Your description should include:
 - a. The name of each such product;
 - b. A description of each such product, including an explanation of why it does not constitute individual, small group, or large group insurance;
 - c. For each of the last five years information about the amounts paid by purchasers for each such product, claims paid, and profits made by your company in each state in which each such product is offered.
7. To the extent that the information you have provided in response to the first six questions in this letter is inconsistent with any information provided by your company in any filings with the National Association of Insurance Commissioners, any state regulator, or the Securities and Exchange Commission or with any information provided by your company in communications with industry analysts, please describe and explain the inconsistencies.
8. Does your company make information about medical loss ratios available to consumers and businesses shopping for major medical insurance? If not, why not? If so, please describe how it does so. Are there other ways that consumers or businesses shopping for health insurance can learn of your company's medical loss ratios for the products for which they are shopping? If so, how can they do so?

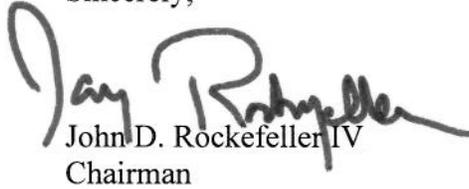
Please provide your responses to the Committee by Tuesday, September 8, 2009.

The Committee is conducting this investigation under the authority of Senate Rules XXV and XXVI. Enclosed with this letter is a document providing additional information about how

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to respond to this document request. If you have any questions about this request, please contact Lisa Hone or John Williams of the Committee staff at 202-224-1300.

Sincerely,


John D. Rockefeller IV
Chairman

Enclosure

Cc: Kay Bailey Hutchison
Ranking Member