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Health Insurers Making Record Profits as Many Postpone Care
By REED ABELSON
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The nation's major health insurers are barreling into a third year of record profits, enriched in recent months by a lingering recessionary mind-set among Americans who are postponing or forgoing medical care.

The UnitedHealth Group, one of the largest commercial insurers, told analysts that so far this year, insured hospital stays actually decreased in some instances. In reporting its earnings last week, Cigna, another insurer, talked about the "low level" of medical use.

Yet the companies continue to press for higher premiums, even though their reserve coffers are flush with profits and shareholders have been rewarded with new dividends. Many defend proposed double-digit increases in the rates they charge, citing a need for protection against any sudden uptick in demand once people have more money to spend on their health, as well as the rising price of care.

Even with a halting economic recovery, doctors and others say many people are still extremely budget-conscious, signaling the possibility of a fundamental change in Americans' appetite for health care.

"I am noticing my patients with insurance are more interested in costs," said Dr. Jim King, a family practice physician in rural Tennessee. "Gas prices are going up, food prices are going up. They are deciding to put some of their health care off." A patient might decide not to drive the 50 miles necessary to see a specialist because of the cost of gas, he said.

But Dr. King said patients were also being more thoughtful about their needs. Fewer are asking for an MRI as soon as they have a bad headache. "People are realizing that this is my money, even if I'm not writing a check," he said.

For someone like Shannon Hardin of California, whose hours at a grocery store have been erratic, there is simply no spare cash to see the doctor when she isn't feeling well or to get the $350 dental crowns she has been putting off since last year. Even with insurance, she said, "I can't afford to use it." Delaying care could keep utilization rates for insurers low through the rest of the year, according to Charles Boorady, an analyst for Credit Suisse. "The big question is whether it is going to stay weak or bounce back," he said. "Nobody knows."

Significant increases in how much people have to pay for their medical care may prevent a solid rebound. In recent years, many employers have sharply reduced benefits, while raising deductibles and co-payments so people have to reach deeper into their pockets.

In 2010, about 10 percent of people covered by their employer had a deductible of at least $2,000, according to the Kaiser Family Foundation, a nonprofit research group, compared with just 5 percent of covered workers in 2008.

Doctors, for one, say patients' attitudes are changing. "Because it's from Dollar 1 to Dollar 2,000, they are being really conscious of how they spend their money," said Dr. James Applegate, a family physician in Grand Rapids, Mich. For example, patients question the need for annual blood work.

High deductibles also can be daunting. David Welch, a nurse in California whose policy has a $4,000 deductible, said he was surprised to realize he had delayed going to the dermatologist, even though he had a history of skin cancer. Mr. Welch, who has been a supporter of the need to overhaul insurance industry practices for the California Nurses Association union, said he hoped his medical training would help him determine when to go to the doctor. "I underestimated how much that cost would affect my behavior," he said.

Dr. Rebecca Jaffe, a family practice doctor in Wilmington, Del., said more patients were asking for the generic alternatives to brand-name medicines, because of hefty co-payments. "Now, all of a sudden, they want the generic, when for years, they said they couldn't take it," she said.

The insurers, which base what they charge in premiums largely on what they expect to pay out in future claims, say they still expect higher demand for care later this year. "I think there's a real concern about a bounce-back, a rebound, in utilization," said Dr. Lonny Reisman, the chief medical officer for Aetna.

Because they say they expect costs to rebound, insurers have not been shy about asking for higher rates. In Oregon, for example, Regence BlueCross BlueShield, a nonprofit insurer that is the state's largest, is asking for a 22 percent increase for policies sold to individuals. In California, regulators have been resisting requests from insurers to raise rates by double digits.

Some observers wonder if the insurers are simply raising premiums in advance of the full force of the health care law in 2014. The insurers' recent prosperity — big insurance companies have reported first-quarter earnings that beat analysts expectations by an average of 30 percent — may make it difficult for anyone, politicians and industry executives alike, to argue that the industry has been hurt by the federal health care law. Insurers were able to raise premiums to cover the cost of the law's early provisions, like insuring adult children up to age 26, and federal and state regulators have largely proved to be accommodating.

But 2014 and 2015 are likely to be far more challenging, as insurers are forced to adjust to the law's greatest changes, like providing coverage to everyone regardless of whether they have an expensive pre-existing condition. "I think they're going to go through a winter," said Paul H. Keckley, executive director of the Deloitte Center for Health Solutions, a research unit of the consulting firm Deloitte.

And while the slowing down of demand is good for insurers, at least in the short term, the concern is that patients may be tempted to skip important tests like colonoscopies or mammograms. The new health care law will eventually prevent most policies from charging patients for certain kinds of preventive care, but some plans still require someone to pay $500 toward a colonoscopy.

In recent times, insurers have prospered by pricing policies above costs, said Robert Laszewski, a former health insurance executive who is now a consultant in Alexandria, Va. The industry goes through underwriting cycles where the companies are better able to predict costs and make room for profits. “They’re benefiting from a very positive underwriting cycle,” he said.

“Maybe managed care is finally working,” he said. “Maybe this is the new normal.”

Still, he emphasized, health care costs, even if they are rising at 6 percent or 7 percent a year, are increasing at a much faster pace than overall inflation. “We haven’t solved the problem,” Mr. Laszewski said.