

## FACT CHECK: Health insurers' profits 35th of 53

By CALVIN WOODWARD, Associated Press Writer Mon Oct 26, 10:06 am ET

WASHINGTON – In the health care debate, Democrats and their allies have gone after insurance companies as rapacious profiteers making "immoral" and "obscene" returns while "the bodies pile up."

But in pillorying insurers over profits, the critics are on shaky ground. Ledgers tell a different reality.

Health insurance profit margins typically run about 6 percent, give or take a point or two. That's anemic compared with other forms of insurance and a broad array of industries, even some beleaguered ones.

Profits barely exceeded 2 percent of revenues in the latest annual measure. This partly explains why the credit ratings of some of the largest insurers were downgraded to negative from stable heading into this year, as investors were warned of a stagnant if not shrinking market for private plans.

Insurers are an expedient target for leaders who want a government-run plan in the marketplace. Such a public option would force private insurers to trim profits and restrain premiums to compete, the argument goes. This would "keep insurance companies honest," says President Barack Obama.

The debate is loaded with intimations that insurers are less than straight, when they are not flatly accused of malfeasance.

The insurers may not have helped their case by commissioning a report that looked primarily at the elements of health care legislation that might drive consumer costs up while ignoring elements aimed at bringing costs down. Few in the debate seem interested in a true balance sheet.

A look at some claims, and the numbers:

### THE CLAIMS

\_"I'm very pleased that (Democratic leaders) will be talking, too, about the immoral profits being made by the insurance industry and how those profits have increased in the Bush years." House Speaker Nancy Pelosi, D-Calif., who also welcomed the attention being drawn to insurers' "obscene profits."

\_"Keeping the status quo may be what the insurance industry wants. Their premiums have more than doubled in the last decade and their profits have skyrocketed." Maryland Rep. Chris Van Hollen, member of the Democratic leadership.

\_"Health insurance companies are willing to let the bodies pile up as long as their profits are safe." A [MoveOn.org](#) ad.

## THE NUMBERS:

Health insurers posted a 2.2 percent profit margin last year, placing them 35th of 53 industries on the Fortune 500 list. As is typical, other health sectors did much better — drugs and medical products and services were both in the top 10.

The railroads brought in a 12.6 percent profit margin. Leading the list: network and other communications equipment, at 20.4 percent.

HealthSpring, the best performer in the health insurance industry, posted 5.4 percent. That's a less profitable margin than was achieved by the makers of Tupperware, Clorox bleach and Molson and Coors beers.

The star among the health insurance companies did, however, nose out Jack in the Box restaurants, which only achieved a 4 percent margin.

UnitedHealth Group, reporting third quarter results last week, saw fortunes improve. It managed a 5 percent profit margin on an 8 percent growth in revenue.

Van Hollen is right that premiums have more than doubled in a decade, according to a Kaiser Family Foundation study that found a 131 percent increase.

But were the Bush years golden ones for health insurers?

Not judging by profit margins, profit growth or returns to shareholders. The industry's overall profits grew only 8.8 percent from 2003 to 2008, and its margins year to year, from 2005 forward, never cracked 8 percent.

The latest annual profit margins of a selection of products, services and industries: Tupperware Brands, 7.5 percent; Yahoo, 5.9 percent; Hershey, 6.1 percent; Clorox, 8.7 percent; Molson Coors Brewing, 8.1 percent; construction and farm machinery, 5 percent; Yum Brands (think KFC, Pizza Hut, Taco Bell), 8.5 percent.

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Associated Press writer Tom Murphy in Indianapolis contributed to this report.