As California moves forward with significant changes in its health care system, CAHP wants to ensure we bring you the focal points of the conversation and help to advance the discussion. The Missed the Mark series exposes misleading or misrepresented pieces of information in an attempt to correct the record and advance the ongoing California health care dialogue.

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“Once again, (insurance companies) are blaming everything from hospital costs, expensive new technology and even Obamacare for practices they began long before the law.

“In America, businesses are entitled to make reasonable profits. When they thrive, we all benefit in one way or another. But there is a difference between thriving and gouging.”

Health care spending has risen much faster than inflation as the Baby Boomers have aged and obesity and the medical complications associated with it skyrocket. California’s adult obesity rate grew by 78% over the past 15 years, costing us, on average, $1,429 more per person per year than a person with normal weight. About 40% of adult Californians live with at least one chronic condition, and chronic conditions consume 75 cents out of every $1 spent on medical care. Each Californian living with a chronic condition costs us an additional $5,550 annually for their health care.

Those costs consume, on average, 89 cents out of every $1 in premiums for California’s commercial health plans.

Contrary to the writer’s claims of exorbitant profits, California’s commercial health plans had an average net profit margin of 3.6 percent in 2011. By comparison, drug manufacturers reported a 16.7 percent net profit margin. Federal and state laws mandate that 80 to 85 cents out of every $1 in premiums must be spent on medical care. If insurers don’t meet these requirements, they are required to pay a rebate.

With narrow profit margins and growing medical expenses, there’s really no room for premiums to absorb the increasing costs of care. It is imperative that everyone – insurers, patients, doctors, hospitals and government – work together to lower costs and ensure coverage is affordable.

Read more here: http://www.sacbee.com/2013/03/24/5285812/just-say-no-to-rate-hikes.html#storylink=misearch#storylink=cpy

California Association of Health Plans

CAHP is a statewide trade association representing 39 full-service health plans. Through legislative advocacy, education and collaboration with other member organizations, CAHP works to sustain a strong environment in which our member plans can provide access to products that offer choice and flexibility to the more than 24 million members they serve. For more information, please visit www.calhealthplans.org or call (916) 552-2910.