

Public Policy and Education Fund Analysis
United Healthcare: New York
Customers Lose While the Company Fights Reform

I. Introduction

United Healthcare is a New York subsidiary of UnitedHealth Group (UHG), based in Minnesota. UHG is the second largest health insurance company in the nation, with 2008 revenues of \$75.4 billion (25th on the Fortune 500 list), and over 70,000 employees nationwide. UHG CEO Stephen Helmsley made \$3.2 million in compensation in 2008, but this was a small percentage of his recent earnings; in February of 2009, for example, Helmsley reportedly made nearly \$100 million when he exercised his company stock options.¹

As of 2006, United Healthcare had roughly 100,000 enrollees located throughout New York State.² Given its size, both UHG's and United Healthcare's documented poor customer service record in the state and nationally, as documented below, should be a major concern for New York policymakers and customers alike (see section II).

UHG's poor customer service record is exhibit one as to the need for comprehensive federal health reform legislation that includes a public health insurance option.

II. United Healthcare's Poor Consumer Service Record in New York

United Healthcare has one of the worst consumer service records of any health insurer in the state, based on data compiled by New York State Department of Health (DOH) and the New York State Insurance Department (NYSID), the two state agencies with significant roles in regulating New York insurers.

Chart I on page 3 contains data from a DOH and NYSID guide based on consumer complaint data for all insurers in New York entitled: *2009 New York Consumer Guide to Health Insurers*.³ The complaint rankings (among commercial insurers and for all insurers) are developed from the total number of closed (completed) complaints lodged with NYSID about health insurers from consumers and health care providers like doctors that are upheld by NYSID as valid. The complaints concern such topics as failure to make prompt payment, reimbursement, coverage, benefits, rates and premiums.⁴

¹ Health Care for America Now, *Worst Practices: UnitedHealth Group* (2009). www.uhc.com (company web page); New York Times, *Health Insurer is Told by State Not to Enroll New Customers*, June 9, 2006.

² New York Times, *Health Insurer is Told by State Not to Enroll New Customers*, June 9, 2006.

³ The *New York Consumer Guide* is available at http://www.ins.state.ny.us/consumer/cg_hi2009.pdf. The guide is intended to enable New York consumers to select a suitable health insurance plan from among the competing insurers in their region.

⁴ The rankings are determined by dividing the number of "upheld" complaints by the insurer's total annual premiums. NYSID uses premiums as a measure of the health insurer's size; it would be expected that NYSID would receive more complaints from a large insurer, so dividing by the premium size controls for the number of customers in order to make comparisons between insurers of different sizes fairer.

As indicated in the chart, **United Healthcare has the third worst ranking of any of the 46 health insurers in the state.** In addition to being ranked 44th of the 46 insurers in *all* categories of health insurers (HMOs, non-profit indemnity insurers, and commercial insurers), **United Healthcare has the worst record (29th of 29) for complaints among commercial insurers.**

There were 559 upheld complaints against United Healthcare in 2008. In comparison, Aetna had roughly the same total premiums,⁵ but only 200 upheld complaints in 2008.

United Healthcare also has the worst record (29th of 29) among commercial insurers in the state concerning the important area of prompt pay complaints.⁶ These complaints concern violations of state laws requiring all insurers to pay all undisputed claims within 45 days, and to request any additional information necessary to resolve the complaint within 30 days of receipt of the claim.⁷

The New York State UHG affiliate's poor customer service practices as documented by New York State 2008 customer complaints are long-standing and reflect the company's nationwide practices. In 2006, after years of findings of improper business practices that remained uncorrected, the State Health Department took the rare step of banning United Healthcare's managed care plan from enrolling most types of new customers. The improper practices included wrongly denying payment to hospitals and other providers.⁸ In 2007, United Healthcare agreed to a \$4 million settlement with NYSID that included a three-year improvement plan to eliminate the company's errors in claims processing, the largest settlement ever entered into with a health insurer involving practices that had harmed consumers.⁹ In 2008, New York Attorney General Andrew Cuomo reached a nationwide \$50 million settlement with UHG; the investigation concerned the company's subsidiary, Ingenix, Inc., which UHG and the other largest insurers in the nation relied upon to determine billing rates for out-of-network services. The Attorney General found that Ingenix had intentionally set the billing rates at a lower level than market rates, an obvious conflict of interest because this resulted in UHG (and other insurers) paying providers hundreds of millions less than the market rate for the services rendered. Insurers typically cover up to 80% of the market rate under their contracts with their customers; customers are responsible for the balance of the provider's bill. Therefore, UHG's fraudulent scheme resulted in hundreds of millions of

NYSID only considers "upheld" complaints in the computation of its rankings: failure to comply with obligations on the insurer established either by state statutes or by its contracts with its members or providers.

⁵ Aetna had \$1.2 billion in premiums in 2008, and United Health had \$1.3 billion in premiums.

⁶ Prompt pay complaints are calculated in the same manner as complaints in general: upheld complaints divided by premiums.

⁷ Claims must also be denied within 30 days.

⁸ New York Times, *Health Insurer is Told by State Not to Enroll New Customers*, June 9, 2006.

⁹ New York State Insurance Department, 2007 Annual Report of the Superintendent, at 14.

dollars of consumer overcharges.¹⁰ Other states have found violations by UHG subsidiaries for such varied practices as wrongfully denied or mishandled complaints (California) and late payment of claims (Georgia).¹¹

It is obvious that United Healthcare’s large number of complaints as well as its long history of poor customer service demands corrective action by the company.

Chart 1: Complaint Record of United Healthcare Compared to Other New York Insurers					
	Ranking, Commercial Insurers	Explanation	# of Complaints Upheld vs. # of Complaints	Ranking, All Insurers	Explanation
Overall Complaint Record	29 of 29	Ranking is the number of upheld complaints, relative to the company’s size, for the 29 commercial insurers	559 of 1,170	44 of 46	Ranking is the number of upheld complaints, relative to company’s size, for the 46 insurers: HMOs, commercial insurers, and non-profit indemnity insurers
Prompt Pay Complaints	29 of 29	Ranking is the number of "prompt pay" complaints, relative to the company’s size, for the 29 commercial insurers	412 of 850	This statistic not compiled	Not applicable

III. UHG’s Work in Opposition to Health Care Reform

Instead of working to adequately address its poor customer service record, UHG seems to be focusing on heading off strong health care reform legislation that would subject it and other major insurance companies to greater governmental oversight and to effective competition, including from a public insurance option.

The insurance industry nationally is spending \$641,000 a day lobbying against health care reform, according to Health Care for America Now, the largest health care reform in the nation. UNG is an active participant in the anti-reform effort. UHG spent \$7.3 million on federal lobbyists since 2008; presumably, much of it to oppose federal

¹⁰ New York Attorney General Andrew Cuomo Press Release, *Attorney General Cuomo Announces Historic Nationwide Health Insurance Reform: Ends Practice of Manipulating Rates to Overcharge Patients by Hundreds of Millions of Dollars*, January 13, 2009.

¹¹ Health Care for America Now, *Worst Practices: UnitedHealth Group* (2009).

health care reform.¹² **Even worse -- at least some of those appearing at the well-publicized town halls and who contacted Congress this summer in opposition to health insurer reform were insurance company employees, a portion of which were influenced and even intimidated into taking action by their employer.** Several media outlets have reported that UHG sent a letter to its employees on company stationary asking them to attend town hall meetings and write letters and make phone calls to Congress, using anti-reform talking points furnished by the company. It is clear that the company's "Astroturf" public relations efforts were highly coordinated and sophisticated. The letter offers to have employees be automatically connected to the offices of members of Congress, apparently through a system operated by the company or its representatives.¹³

Not surprisingly, one of the major targets of the company's lobbying efforts is the public health insurance option. On May 29th, 2009, Stephen Helmsley, the UHG CEO, said that a "public plan ... [would be] profoundly disruptive to the delivery system and ... wouldn't be a sustainable proposition at all."¹⁴

Not only is the company's use of company funding and its employees to defeat health care reform objectionable, but this conduct may be illegal, at least in one state. On September 2nd, the Consumer Watchdog advocacy organization sent a letter to California Attorney General Jerry Brown arguing that United Healthcare's actions violated a provision of California law prohibiting companies from controlling or directing the "political activities of employees." The organization argues that UHG's contacting of its employees during company time to "ask" them to engage in political activity is in violation of the law.¹⁵ At a minimum, the company's activities are a highly unethical use of customer dollars and unfair to its employees.

IV. How Health Care Reform With a Public Health Insurance Option Will Provide a Check on Private Insurers Like UHG

Comprehensive health insurance reform legislation, including a public health insurance option is absolutely essential to protecting consumers from companies like UHG that have exhibited a callous disregard for the needs of their customers. First, all versions of the health care legislation now before the Congress would ban egregious insurer practices like pre-existing condition limitations and rescissions: the outrageous practice of canceling consumer health care contracts months and even years into the contract based on even minor and unintended misstatements made by the customer upon enrollment. UHG has refused to commit itself to voluntarily limiting rescission to

¹² *Id.*

¹³ Bestwire; *Consumer Group Accuses Wellpoint and UnitedHealth Group of 'Illegal Coercion'*, September 9, 2009; Letter from Judy Dugan, Research Director, Consumer Watchdog to Hon. Jerry Brown, California Attorney General, September 2, 2009; Transcript, The Rachel Maddow Show (MSNBC-TV), September 4, 2009.

¹⁴ Health Care for America Now, *Worst Practices: UnitedHealth Group* (2009).

¹⁵ Letter from Judy Dugan, Research Director, Consumer Watchdog to Hon. Jerry Brown, California Attorney General, September 2, 2009.

those cases where the consumer deliberately lied or committed fraud, simply because rescission is in the company's direct economic interests, as it allows them to avoid paying legitimate claims. The U.S. House Subcommittee on Oversight and Investigations found that UHG and WellPoint, Inc., the nation's largest insurer, had rescinded the coverage of more than 20,000 people, allowing the two companies to avoid paying more than \$300 million in claims over a 5-year period.¹⁶ Only federal legislation will end these practices.

Secondly, strong legislation -- and that means with a public option -- will not only limit health care costs, but, coupled with strict regulation, is the only means to significantly improve the quality of care consumers receive. The American Medical Association has estimated in 94% of the metropolitan areas across the nation, only one or two companies dominate the market. In these markets, dominant private insurers have little or no incentive to improve services or keep health care costs down. The experience of Medicare indicates that public plans have greater incentives to innovate, and to emphasize programs like primary care that improve patient outcomes.¹⁷

V. Conclusion

This short report on the practices of one of the nation's largest insurers calls for strong remedial action by UHG and its New York subsidiary, United Healthcare. The consumer complaints to NYSID establish that United Healthcare has one of the worst customer service records of any insurer in the state. The company's customer complaint record in the state in 2008 is, as already noted, consistent with UHG's history of ignoring the needs of its customers. One simple action that the company could take to address this lack of consumer confidence is to develop a plan which would be released by the end of the year to improve company practices that will radically reduce the number of upheld complaints at the New York State Insurance Department. In addition, United Healthcare should terminate any policy or incentive that rewards employees financially or otherwise for denying care or rejecting claims.

Finally, the company's use of company funding and tens of thousands of employees -- paid ultimately by customer premiums -- to defeat legislation to expand health care coverage for tens of millions of Americans and reign outrageous practices like rescissions that the company itself engages in is simply unacceptable. Executives and employees of UHG, of course, have the right under the First Amendment to express their views on legislation that affects their industry. However, it is unacceptable for the company to use ratepayer dollars for this purpose, or to explicitly or implicitly coerce employees to contact Congress about federal health care legislation on work time. We therefore urge the company not to use any resources -- including funds, employees, and facilities -- to oppose the health reform proposals supported by President Obama and being considered by members of the United States Congress.

¹⁶ Health Care for America Now, *Worst Practices: UnitedHealth Group* (2009).

¹⁷ See Institute for America's Future, *Public Plan Choice in Congressional Health Plans: The Good, the Not-So-Good, and the Ugly* (August 20, 2009), at 3-4, 10-11. Even a strong public health insurance option is not enough -- the final legislation must preserve strong enforcement mechanisms, including on the state level, to address the egregious insurer practices documented in this report.