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UnitedHealth to exit individual insurance market in California

The move by UnitedHealth, the nation's largest health insurer, will force about 8,000 customers with individual policies to find new coverage.

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UnitedHealth plans to focus on large and small employers in California. Above, UnitedHealth representatives speak with customers at a New York store. (Michael Nagle, Bloomberg / January 14, 2013)

By Chad Terhune
July 2, 2013

The nation's largest health insurer, UnitedHealth Group Inc., is leaving California's individual health insurance market, the second major company to exit in advance of major changes under the Affordable Care Act.

UnitedHealth said it had notified state regulators that it would leave the state's individual market at year-end and force about 8,000 customers to find new coverage. Last month, Aetna Inc., the nation's third-largest health insurer, made a similar move affecting about 50,000 existing policyholders.

Both companies will keep a major presence in California, focusing instead on large and small employers.

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The moves illustrate how different companies are responding to a major overhaul of the health insurance market for millions of consumers. Starting Jan. 1, the federal healthcare law forces insurers to accept all individual applicants regardless of their medical history and provide a comprehensive set of benefits with limits on patients' out-of-pocket spending.

Healthcare experts said some national insurers aren't interested in playing by those new rules in

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states where their presence in the individual market is relatively small and more profits can be made by tending to the employer market.

"The business model of health insurance is fundamentally changing and some companies are willing and able to adapt," said Sabrina Corlette, a research professor at Georgetown University's Center on Health Insurance Reforms. "Given the limited market share those carriers had, UnitedHealth and Aetna have made the calculation that it required too much of an investment to change their strategy in California."

A spokeswoman for UnitedHealth said "our individual business in California has always been relatively small ... [and] over the years, it has become more difficult to administer these plans in a cost-effective way for our members."

The departure of another big-name insurer raised concerns about the effect of reduced competition on California consumers.

"I don't think this is a good result for consumers," said California Insurance Commissioner Dave Jones. "It means less choice, less competition and even more consolidation of the individual market with three big carriers."

Anthem Blue Cross, Kaiser Permanente and Blue Shield of California dominate the state's individual health market with a collective 87% market share, according to Citigroup data from 2011. UnitedHealth was a small player among individual policyholders with a 2% share. Aetna was slightly larger with a 5% market share.

Anthem is a unit of WellPoint Inc., the nation's second-largest health insurer.

UnitedHealth and Aetna cannot reenter California's individual market for five years after they leave, according to regulators.

This year, both companies opted against selling individual policies in Covered California, the state-run insurance market opening in January. In May, the state selected 13 other health plans and announced proposed rates that were lower than expected.

Outside California, UnitedHealth said it expects to participate in about a dozen exchanges across the country for individuals or small-business customers.

"We continue to evaluate opportunities and make decisions regarding exchanges on a state-by-state basis," said company spokeswoman Cheryl Randolph.

California has been more aggressive than other states in forcing insurers in the exchange to compete more directly on price by establishing uniform deductibles and benefits across four main product categories. In response, many insurers have squeezed hospitals and physician groups for better rates and formed smaller networks of medical providers to hold down premiums.

In March, UnitedHealth proposed a 9% rate increase for about 2,000 California policyholders with student health insurance policies that was scheduled to take effect Aug. 1. That filing with the state insurance department was later withdrawn, records show.

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The Libertarian at 3:16 PM July 07, 2013

I seem to recall Obama promising everyone wouyld continue to have the same health insurance.
Huh.


G. W. Bush, the Decider at 7:02 PM July 06, 2013

You know that private heath sellers don't care about healing you when they use the flimsiest excuse to pull out of a market when their death panels can't kill off enough people.

ihatenpr at 9:42 AM July 04, 2013

I keep a residence in PA and my premiums are 250 bucks a month cheaper than CA. \$500 buck deductable and 90 /10 if I go to an in network provider. CA is efcked up because of the state when it comes to health coverage.

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