



Health Insurance Industry Profits.

Part IV of V: A Perspective from Greater Kansas City's Largest Insurer

At Blue Cross and Blue Shield of Kansas City, we're listening intently to your thoughts and concerns about health care and the proposed reforms now before Congress. In this fourth in a continuing series, we'd like to take the opportunity to address some of the key issues surrounding this complex and rapidly evolving issue.

Are Insurance Company Profits the Reason for the High Cost of Health Care?

Blue Cross and Blue Shield of Kansas City was formed 70 years ago as a not-for-profit health insurance corporation to serve our members and community.

- As a percent of revenue, our profits have averaged 1½% to 3% over this 70-year period — about the same margin as your neighborhood grocery.
- Like so many businesses, we have our good years and bad. Twenty of our last 40 years have resulted in operating losses.
- It's also worth noting that half of our reserves, or \$250 million, is a required set-aside by the State of Missouri to ensure that we have adequate funds to cover a variety of unpredictable circumstances, like an H1N1 epidemic.
- We are not publicly traded or investor-owned, thus, we do not pay dividends. For these reasons, we do not believe that our company profits are unreasonable in amount or purpose.

Wouldn't a Public Option Insurance Program Be More Cost Efficient Than a Private Insurance Company?

- If you do an "apples to apples" comparison between Medicare and Blue Cross and Blue Shield of Kansas City, we stack up very well.
- We spend 13% of the premium dollar for "administration," which includes salaries, information technology and facilities.
- Medicare, which would probably be a model for a public option plan, spends a similar amount, when all relevant components are included.

Is there Adequate Competition in the Insurance Market?

- In the Kansas City area, at least eight insurers compete for individual direct pay members, and more than 10 insurers compete in the small group market.
- In the Medicare Supplement arena, there are more than 50 insurance carriers in the Kansas City market. Nationwide, more than 1,200 insurance carriers compete for business.

We believe better collaboration among private insurances can address many of the concerns expressed in the current health reform debate.

Yours truly,

Tom Bowser

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More information available at www.KCHealthCareReform.org