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HUFF POST BUSINESS

The Greed Olympics: Banks and Insurers Battle for the Gold

This week all eyes are on the winter Olympic games in Vancouver, but in the U.S. another competition -- the Greed Olympics -- is underway, with the Banking Lobby and the Insurance Industry vying for the most gold medals. The individual events include outrageous executive pay, despicable consumer abuse, shocking political influence-peddling, and obscene profit-mongering.

The Insurance Team last week took the gold medal in the Most Ill-Timed Price Hike competition. Anthem Blue Cross -- a subsidiary of Indianapolis-based WellPoint, the nation's second largest health insurance corporation -- announced double-digit rate hikes on its California customers. The increase, which would affect about 700,000 customers, averaged 25%, but some consumers will get hikes as high as 39%. The premium increases are as much as 10 times higher than the percentage increase in national health care costs.

Health and Human Services Secretary Kathleen Sebelius, said "it remains difficult to understand" how premium increases of that size can be justified when WellPoint reported a $2.7 billion profit last quarter. It isn't difficult to understand, though, if you realize that the industry's greed knows no limits. Senate Majority leader Harry Reid (D-Nevada) got it right. He attacked "greedy insurance companies that care more about profits than people. They get rich while people who already can barely afford their coverage lose their coverage altogether." Wall Street, however, took it all in stride. WellPoint's stock actually increased the day after the announcement.

The news media pounced on WellPoint, providing examples of families who would be victimized by the company's huge rate hikes. The Obama administration and Democratic members of Congress used the hike as an example of why the nation needs long-delayed insurance reform. (Republicans were conspicuously silent).

"If we don't act, this is just a preview of coming attractions," Obama said at a White House briefing, using the Anthem miscue as an opportunity to push Congress to put a health care reform on his desk. "Premiums will continue to rise for folks with insurance, millions more will lose their coverage altogether, our deficits will continue to grow larger. And we have an obligation -- both parties -- to tackle this issue in a serious way."

Several members of Congress scheduled a Feb. 24 hearing before the House Energy and Commerce Committee to investigate the rate hike and asked WellPoint's $9.8 million-a-year CEO, Angela Braly, to testify. Faced with the furor, Anthem announced this week that it would postpone the increase from March 1 until May 1.

Although WellPoint sprinted out in front of the pack, the Insurance Lobby is still working as a team when it comes to profit-making, consumer abuse, and political maneuvering.

Last year the five largest health insurance companies racked up record profits of $12.2 billion - an increase of $4.4 billion (56%) over 2008 figures. The numbers, compiled by Health Care for America Now (HCAN), a coalition of reform groups, come from the financial reports filed with the Securities and Exchange Commission.

HCAN examined the profits of WellPoint, United Health Group, Cigna, Aetna and Humana. According to HCAN, the five insurance giants increased their profits while providing coverage to 2.7 million fewer people than the year before. HCAN also found that three of the five companies slashed the amount of each premium dollar they spent on medical care for their customers, diverting more to salaries, administrative expenses and profits.

The five biggest insurance companies captured $232 billion of the roughly $809 billion Americans spent for private health insurance in 2009. As they've gobbled up other companies through mergers and acquisitions, the Big Five's share of the pie has steadily increased.

While the insurance industry was making record profits, it was also spending tens of millions of dollars trying to defeat comprehensive health reform legislation in Congress. Since 2008, the insurance industry has spent at least $77 million in campaign contributions and lobbying to kill reform, according to data provided by the Center for Responsive Politics.

"Increasing your profits, while dropping people, is a specific corporate strategy," said HCAN's Richard Kirsch. "What the big health insurance companies do to please Wall Street denies affordable health insurance to millions of Americans every year."

Not to be outdone, the banking industry has been preparing for these Greed Olympics for two decades -- ever since they got Congress to deregulate financial services companies, allowing the industry to ride roughshod over consumers, engage in predatory practices, and put American workers, and the entire economy, at risk.

While millions of Americans are losing their homes, jobs, and health insurance, the banking industry has been handing out huge salaries and bonuses to its top executives. What's even more outrageous than the big paydays is the fact that the banking industry's profits are due in large part to the $700 billion bank bail-out program made possible by taxpayer dollars. For over a year, many of the nation's largest financial corporations were on a government-funded respirator. Just to show that they have no shame, Citigroup last year planned to purchase a $50 million 12-seat luxury jet, despite having received $45 billion in federal bail out funds.

Last year, the banking industry paid out a record $145 billion in executive bonuses -- a year when more than four million Americans lost their jobs, caused by the irresponsible practices of greedy banks.

The *New York Times* recently reported that Wells Fargo, the San Francisco-based banking giant, paid CEO John G. Stumpf $18.7 million in cash and stock in 2009 -- up 64 percent from 2007, before the financial crisis exploded. JP Morgan handed its CEO Jamie Dimon, $17.6 million last year, while paying its chief investment officer, Ina R. Drew, about $13 million. Lloyd C. Blankfein, the CEO at Goldman Sachs, hauled in $9.7 million last year.

Bank of America awarded Gregory L. Curl, whom the *Times* describes as "the chief architect of its ill-fated acquisition of Merrill Lynch," more than $9.2 million in stock. The BofA's CEO, Brian T. Moynihan, hauled in about $6.1 million.

President Obama recently blasted Wall Street, calling the big paydays "shameful," and urged Congress to tax the largest banks to guarantee that taxpayers don't lose a penny from the federal bailout.

"The very same firms reaping billions of dollars in profits, and reportedly handing out more money in bonuses and compensation than ever before in history, are now pleading poverty," Obama said in a recent radio address. "We're not going to let Wall Street take the money and run. We're going to pass this fee into law."

The proposed 0.15 percent tax would last at least 10 years and generate about $90 billion over the decade, according to administration estimates. It would apply to about 50 of the biggest banks, those with more than $50 billion in assets.

Americans for Financial Reform, a coalition of consumer, senior, community and labor groups, applauded Obama's proposal, but called on the White House to take a further step and enact a "speculation tax" on trades of stocks, options and swaps, while exempting the middle class who hold securities for longer term investment.

"A modest tax of 0.25 percent at time of purchase would provide a permanent reliable revenue stream of approximately $100 billion a year for job creation and other social purposes," AFR wrote in a letter to Obama, supporting legislation sponsored by Rep. Peter DeFazio (D-Oregon) and Sen. Tom Harkin (D-Iowa).

Obama recently criticized the "army of industry lobbyists from Wall Street descending on Capitol Hill to try and block basic and common-sense rules of the road that would protect our economy and the American people."

Last year alone the financial sector -- including commercial banks, finance and credit companies, securities and investment firms -- spent over $311 million in lobbying expenditures. In addition, the industry has donated more than $250 million to politicians since 2008.

The donors include individual corporations as well as lobby groups, such as the American Banking Association, the U.S. Chamber of Commerce, and the American Financial Services Association (the business lobby for mortgage lenders and credit-card companies). They are using this warchest to try to kill banking reform legislation, including an important plan to create a Consumer Financial Protection Agency and a law to regulate hedge funds and derivatives.

Last month, the National Journal revealed that six of the largest insurance companies were quietly pumping big money to the U.S. Chamber of Commerce to pay for TV ads aimed at thwarting health care reform bills moving through Congress. Between $10 million and $20 million came from Aetna, Cigna, Humana, Kaiser Foundation Health Plans, UnitedHealth Group and WellPoint. The money was solicited by America's Health Insurance Plans, the industry lobby group. The Chamber set up a front group, Employers for a Healthy Economy, that included other business lobby associations, including the National Association of Manufacturers, the National Retail Federation, and the National Association of Wholesaler-Distributors.

As the *National Journal* investigation suggests, although both the insurance and banking industries field their own teams in the Greed Olympics, they are deeply interwined with each other and with other corporate sectors to make sure that the playing field is tilted to favor big business.

WellPoint director Jackie M. Ward sits on the board of the Bank of America, while fellow WellPoint director George A. Schaefer Jr. retired last year as chairman of the board of Directors of Fifth Third Bancorp, based Cincinnati, Ohio. WellPoint director William Ryan is CEO of Banknorth, a Massachusetts-based financial services company,and another WellPoint director, Victor S. Liss, serves on the board of BNC Financial Group.

Aetna CEO Ronald Williams sits on the board of the American Express Company. Richard T. Burke, chair of UnitedHealth's board, is also a director of Texas-based First Cash Financial Services. Humana CEO Michael McCallister sits on the boards of the Business Roundtable, the influential corporate lobby group, and National City Corporation, a huge banking conglomerate that was recently purchased by PNC Financial Services. John Partridge, a director of Cigna, is President of VISA, the huge credit card corporation. Isaiah Harris, Cigna's Vice Chair, is also a trustee of Wells Fargo Advantage Funds.

Who is the favorite to win the most gold medals?

As one of the judges in the Greed Olympics, President Obama has his work cut out for him, as the two industries compete to abuse consumers, damage the economy, and enrich their top executives.

In his State of the Union address last month, Obama explained that health reform was needed to "protect every American from the worst practices of the insurance industry." The industry industry, he said, stifles competition. As a result, "the price of insurance goes up and quality goes down. And it makes it easier for insurance companies to treat their customers badly -- by cherry-picking the healthiest individuals and trying to drop the sickest, by overcharging small businesses who have no leverage, and by jacking up rates." Obama observed that "Insurance executives don't do this because they're bad people; they do it because it's profitable."

Speaking of the banking industry, Obama recently said that he doesn't "begrudge" the huge bonuses awarded to Dimon, Blankfein, and their ilk. Their wealth, Obama said in an interview with *Business Week*, "is part of the free-market system." It looked like Wall Street might have to settle for the silver rather than the gold standard.

But Obama confused the handicappers when he observed, at a White House event two weeks ago: "If these folks want a fight, it's a fight I'm ready to have. And my resolve is only strengthened when I see a return to old practices at some of the very firms fighting reform, and when I see soaring profits and obscene bonuses at some of the very firms claiming that they can't lend more to small businesses, they can't keep credit card rates low, they can't pay a fee to refund taxpayers for the bailout without passing on the cost to shareholders or customers -- and that's the claims they're making."

As the Greed Olympics heats up, it is time for Americans to stop being spectators. The President and Congress shouldn't be the only ones judging the competition and handing out the medals. Activist groups like Health Care for America Now and Americans for Financial Reform are urging people to get off the sidelines, contact their Congressmembers, participate in protests, and help change the rules so that in the fight for health care and financial reform, American consumers and workers will soon feel the thrill of victory, and both the insurance and banking industry will experience the agony of defeat.