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HUFF POST POLITICS

Meet UnitedHealth CEO Stephen Hemsley: Rich, Powerful, Not Yet Famous

Stephen J. Hemsley is one of the most powerful people you've never heard of. But Health Care for America Now (HCAN) hopes to change that.

Hemsley is the CEO of UnitedHealth Group, the nation's largest insurance company in terms of revenue. Last year it made $75 billion in revenues and $4.6 billion in profits. It ranked No. 21 on *Fortune*'s list of largest corporations. About 70 million Americans get their health insurance from UnitedHealth, headquartered in a Minneapolis suburb.

In 2007, the company paid Hemsley $13.2 million in 2007. Last year, he had to get by on only $3.2 million. Fortunately for Hemsley, he has his own rainy-day fund; he owns $744 million in unexercised stock options. Despite the pay cut, Hemsley's job comes with quite a few perks. He travels on UnitedHealth's corporate jet, a Gulfstream Aerospace, which cost $37.5 million. And he lives in a lakeside mansion in suburban Wayzata, Minnesota, valued at $6.6 million by the Hennepin County Assessor.

Last Thursday, fifty protesters, holding umbrellas and candles, stood outside Helmsley's mansion in the rain and screened a video that contrasted his exorbitant income and lifestyle, and UnitedHealth's huge profits, with the millions of Americans who go without insurance or bankrupt themselves with medical bills.

HCAN has tried to buy time to broadcast the video on CNN, but the network refuses to air it. And no reporters or TV cameras showed up Thursday at the vigil outside Hemsley's house.

So yesterday, HCAN -- a coalition of community organizations, religious groups, consumer advocates, senior citizen groups, unions, and medical professionals -- tried again. Around 10 am, about 100 people in two yellow school buses pulled up in front of UnitedHealth's headquarters in suburban Minnetonka.

The protesters held up signs with the names of victims of insurance industry neglect and described how the industry's profits-over-people priorities caused emotional, financial, and physical havoc on their families.

"We know that if the insurance companies win, we lose," said Rev. Grant Stevenson of St. Matthew's Lutheran Church in St. Paul and president of Isaiah, an activist group affiliated with HCAN. "There's a choice to be made and Congress needs to be on our side. Congress needs to stand with you and with me and with the people that we care about. The insurance companies cannot continue to direct the way that health care is delivered and paid for in this country. It's wrong."

Six of the protesters locked arms, sat down on the sidewalk , and blocked the entrance to the building. The police soon arrived, handcuffed them, and took them to the Hennepin County Jail. They did not resist arrest and were cited for trespassing. (See a video of the protest). The protest is one of about 60 demonstrations sponsored by HCAN at insurance company offices around the country this week.

"We're here today at UnitedHealth group to stop business as usual," said Tee McClenty, an emergency room technician at St. John's Hospital in Maplewood.

Business as usual for Hemsley and UnitedHealth is a chronic pattern of abuse and neglect of its policy-holders, along with a powerful political influence-peddling operation that involves costly campaign contributions and lobbying expenses, designed to protect its profits and thwart Congress from passing reform legislation.

UnitedHealth Group is one of the insurance industry giants leading the charge against President Barack Obama's plan to create a "public option" -- essentially an expansion of Medicare for working families -- to create more competition and give consumers more choices.

Ironically, UnitedHealth Group is one of a handful of insurance companies that have a virtual iron grip on the insurance market in almost every state. The American Medical Association reports that 94 percent of insurance markets in more than 300 metropolitan areas are now highly concentrated. UnitedHealth Group is one of the two largest insurers in 12 states, including Maryland, North Carolina, Missouri, Louisiana, George, Nebraska, Arizona, Colordo, Iowa, Arkansas, Wyoming and Rhole Island.

Where one or two companies dominate the market, insurance corporations like UnitedHealth can drive up premiums, restrict coverage, and take advantage of consumers. Nationwide, health insurance premiums have been rising much faster than family incomes. No wonder UnitedHealth wants to quash potential competition from a public option.

To thwart such competition, and to limit government regulation of its practices, UnitedHealth has utilized its warchest -- dollars it gets from the families and businesses paying sky-high premiums -- to wield political influence.

According to the non-partisan Public Campaign, UnitedHealth Group employees and associates have contributed over $1 million to federal political campaigns over the past two and a half years. The corporation has spent $11.2 million lobbying Washington over the same time period. Just during the first half of this year, according to *Business Week*, United Health spent more than $3.4 million on in-house and outside lobbying.

Not surprisingly, these legal bribes aren't given out randomly. They include donations to key members of the Senate and House with influence over health care policy.

In 2007, United Health hired Judah Sommer, who had run Goldman Sachs' lobbying operation, to head its influence-peddling effort. One of his first hires was Cory Alexander, former chief of staff for House Majority Leader Steny Hoyer (D-Md.), a moderate. Sommer oversees a staff of about 50 people in UnitedHealth's Washington, D.C. office on Pennsylvania Avenue, "equidistant between the Capitol and White House," observed *Business Week* in a recent article on the industry's political clout. Sommer also retained Tom Daschle, the former Democratic Senate Leader and now a lobbyist, who has advised UnitedHealth , off and on, since 2007 . Tom Strickland recently shifted jobs from UnitedHealth's executive vice president and chief legal officer to chief of staff for Obama's Secretary of the Interior Ken Salazar.

According to *Business Week*:

UnitedHealth's relationship with Democratic Senator Mark R. Warner of Virginia illustrates the industry's subtle role. Elected last fall, Warner, a former governor of his state and a wealthy ex-businessman, received a choice assignment as the Senate Democrats' liaison to business. The rookie senator landed in the center of a high-visibility political drama--and in a position to earn the gratitude of a health insurance industry that has donated more than $19 million to federal candidates since 2007, 56% of which has gone to Democrats.

UnitedHealth has periodically served as a valuable extension of Warner's office, providing research and analysis to support his initiatives. Corporations and trade groups play this role in all kinds of contexts, but few do it with the effectiveness of the insurers. In June, Warner introduced legislation expanding government-backed Medicare and Medicaid coverage for hospice stays for the terminally ill and other treatment in life's final stages. The issue isn't a top UnitedHealth priority. But the corporation wanted to help Warner with his argument that in the long run, better hospice coverage would save money. UnitedHealth prepared a report for lawmakers finding that 27% of Medicare's budget is now spent during the last year of older patients' lives, often on questionable hospital tests and procedures. Expanded hospice coverage and other services could save $18 billion over 10 years, UnitedHealth asserted.

When Warner went to the Senate floor on June 15 to offer his bill, he cited those exact figures. He thanked the company for its support and put a letter from UnitedHealth applauding him in the Congressional Record.

UnitedHealth is dead set against Congress passing a public option. To help make its case, UnitedHealth owns a consulting firm called the Lewin Group, based in Falls Church, Virginia. Many Senators, including Republicans Orin Hatch and Charles Grassley, and Representatives, including House Republican Whip Eric Cantor of Virginia, frequently cite a statistic provided by John Sheils, claiming that 88 million people, or 56% of those with employer-provided coverage, would desert private insurance for a government-run program. Shells works for the Lewin Group, a fact that Grassley, Hatch and others conveniently overlook. (The nonpartisan Congressional Budget Office says that Shells' figures are much too high) .

CEO Hemsley is an accountant by training. Before joining UnitedHealth he worked at Arthur Andersen, the giant accounting firm, where he was Managing Partner and Chief Financial Officer. He joined United Health in 1997 and worked his way up to CEO by 2006.

Upon moving into the UnitedHealth CEO office, Hemsley had a lot of accounting to do. The *Wall Street Journal* reported that UnitedHealth's corporate management backdated hundreds of millions of stock options with the approval of the board of directors. The reports and investigations forced then-CEO William W. McGuire to resign and give up hundreds of millions of dollars in stock options. Despite the scandal, McGuire's "golden parachute " from UnitedHealth was reported to be around $1.1 billion, the largest in corporate American history.

Hemsley, too, was caught in the controversy, and had to surrender $190 million in stock options himself, but held onto his job. Last year, in fact, the *Minneapolis Star-Tribune* reported that "Hemsley was more involved in the handling of backdated stock options than previously revealed, according to new documents filed in a shareholder lawsuit that is moving toward a fall trial." A review conducted by a firm hired by UnitedHealth cleared Hemsley of any wrongdoing. But the lawsuit, filed by the California Public Employees Retirement System (CalPERS), states that, "Hemsley personally offered backdated options to new hires, was required to approve all grants in excess of 5,000 shares [and] approved backdated mass grants."

Last year, UnitedHealth was caught in another scandal. One of its subsidiaries, Ingenix, determines the "customary" rates for medical care for health insurance companies -- a likely conflict-of-interest right there . Health insurance plans maintain the right to deny coverage if the cost for medical care is too high -- that is, not customary. Because of this practice, critics have accused Ingenix of using the system to deny coverage. New York Attorney General Andrew M. Cuomo conducted an investigation of the company and discovered that Ingenix had set its rates 28% lower than the typical cost of medical expenses. According to the Washington Post, Cuomo's report said that Ingenix had an incentive to produce benchmarks that low-balled usual and customary rates and shifted costs from insurers to their customers. This allowed insurance companies to inappropriately deny coverage. UnitedHealth settled a $350 million class action lawsuit brought by the American Medical Association, UnitedHealth members and others.

Last month, Consumer Watchdog, a non-profit, non-partisan group that advocates for taxpayer and consumer interests, accused UnitedHealth and WellPoint, the nation's two largest health insurers, of pressuring employees to lobby against healthcare reform in Congress in violation of a California law against coerced political activity. Consumer Watchdog asked California Atty. Gen. Jerry Brown to investigate its claim that UnitedHealth Group and WellPoint Inc. pushed workers to write their elected officials, attend town hall meetings and enlist family and friends to ensure an overhaul that matches their interests. According to one report, UnitedHealth Group encouraged its employees to attend an anti-health care reform rally, sponsored by right-wing "tea party" activists, outside the office of Rep. Zack Space (D-OH).

Testifying before Congress, Hemsley assured legislators that: "Our mission at UnitedHealth Group is to help people live healthier lives." But a number of United Health's members have publicly criticized the company for abuse and neglect. One of them is Froma Harrop, a syndicated columnist for the *Providence (R.I.) Journal* . Earlier this year, she wrote about the battle her husband fought with both liver cancer and UnitedHealth. He lost his battle with both.

"Death panels? I'll tell you about death panels. My husband faced one some years ago, and it didn't involve any government bureaucrat. It was run by our private insurer." Their doctor recommended treatment provided by Deaconess Hospital in Boston, but UnitedHealth denied to pay for it.

"We naively tried to go through UnitedHealthcare's appeals process. We would call the number and speak to a handler who said our case would be reconsidered. Days later, a one-sentence letter would arrive by slow mail saying that we were being denied, but call this number to challenge the verdict...Around and around we went. We could never speak to anyone making the decisions. No one would even talk to our doctor, who at one point whispered to us, 'Mortgage the house.' I became convinced that the insurance company was trying to run out the clock on my husband's life. Had it issued an outright 'no,' we would have gone to Deaconess, paid for the care ourselves and fought the insurer later. But it always pretended that a possible 'yes' could be around the corner."
Harrop's husband was a former Marine who she described as "a tough customer." Toward the end of his battle he told her "You know, fighting the insurance company was worse than fighting the cancer." Harrop concluded, "Believe me, 'death panels' already exist, and they have nothing to do with the government."

A new six-minute video by Brave New Films documents other UnitedHealth members who were victimized by the giant insurer.

In addition to Hemsley, UnitedHealth's board of directors includes **Douglas W. Leatherdale** , former CEO of The St. Paul Companies (currently known as Travelers Companies, Inc.), a property casualty insurance company, and a director of Xcel Energy ; **Glenn M. Renwick**, CEO of The Progressive Corporation, another casualty insurance corporation and a director of Fiserv, Inc. (a business software company); **Gail R. Wilensky** ,who served as the Deputy Assistant to President George H. W. Bush for policy development and as the Administrator of the Health Care Financing Administration, who is now a director of Cephalon (a drug company), Quest Diagnostics (medical lab and research), SRA International (technology information) ,and Gentiva Health Services, Inc.

Also on the UnitedHealth board are **Kenneth Shine**, executive vice chancellor for health affairs of the University of Texas System ; and **Michele J. Hooper** , former CEO of Stadtlander Drug Company, Inc., and currently a director of PPG Industries, AstraZenca (a British-based drug manufacturer) and the Warner Music Group Corporation.

Richard T. Burke , Chair of UnitedHealth's board, is also a director of Texas-based First Cash Financial Services, and Arizona-based Meritage Home Corporation. **Richard Darretta**, another board member, is retired chief financial officer of Johnson & Johnson, the health care products company , and a trustee for Putnam mutual funds. Another director, **William C. Ballard** , formerly Of Counsel to Greenebaum Doll & McDonald (a law firm), was also chief financial officer of Humana , another large health insurance corporation.

In the small world of big insurance companies, Stephen Hemsley is a major power-broker. HCAN hopes that the more people know about Hemsley, his lifestyle, and his influence-peddling, the more they will ask their Senators and Congressmembers: Which side are you on?

Peter Dreier is Professor of Politics, and director of the Urban & Environmental Policy program, at Occidental College. He is also chair of the Horizon institute, an LA-based think tank.

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