

'The House Always Wins': Insurers' Record Profits Clash with Hospitals' Hardship

By Jakob Emerson, Becker's Healthcare

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With most healthcare organizations having now released their third quarter earnings, the gap between provider and payer profits continues to widen.

The nation's largest insurers, UnitedHealth Group and Elevance Health, reported profits that were 28 percent and 7 percent higher than the same period last year, respectively. UnitedHealth raked in \$5.3 billion, while Elevance took in \$1.6 billion.

In contrast, some of the nation's largest health systems, HCA and Tenet, saw their profits fall dramatically compared to the third quarter of 2021. HCA reported \$1.13 billion in profits, a decrease of 50 percent. Tenet took in \$131 million, which is down 70 percent since last year.

"When I see Humana report another great quarter of profits and CVS Health/Aetna have a great quarter, and at the same time huge health systems report huge billion dollar plus losses, I'm reminded of the old adage — The house always wins," Scott Becker, publisher of Becker's Healthcare and partner with McGuireWoods, wrote Nov. 2 on LinkedIn

Third-quarter payer profits:

- UnitedHealth Groups \$5.3 billion, up over 28 percent
- Cigna: \$2.8 billion, up over 70 percent
- Elevance Health: \$1.6 billion, up over 7 percent
- Humana: \$1.2 billion, down 20 percent
- Centene: \$738 million, up over 26 percent
- Molina: \$230 million, up over 60 percent
- CVS Health: \$3.4 billion in losses, attributable to legal settlement

Third-quarter provider profits:

- HCA Healthcare: \$1.13 billion, down over 50 percent
- Universal Health Services: \$182.8 million, down over 16 percent
- Tenet Healthcare \$131 million, down over 70 percent
- Encompass Health Corporation: \$45.4 million, down over 54 percent
- Community Health Systems: \$42 million in losses, down over 137 percent

With the evidence piling up, health economists have classified 2022 as the worst financial year for hospitals in decades — so what happens next?

Payment rates will eventually rise to meet costs, but that process will be slow and uneven across systems. Annually adjusted Medicare rates will continue to undercut hospital costs, and the gap between costs and payments will therefore worsen — leaving commercial payers to make up the difference.

In the meantime, the negotiations to make up those differences aren't going well. An AHA survey published Nov. 2 found that among 772 hospitals, over 75 percent are seeing their relationships with payers get worse. In addition, 84 percent are spending more to comply with new insurance policies and 95 percent are dedicating more staff resources to prior authorization requests.

On the ground, the deteriorating relationships couldn't be more clear. For most of 2022, the largest payer and the largest hospital in Mississippi, BCBS and University of Mississippi Medical Center, were out of network because of a disagreement over reimbursement rates. Jackson-based UMMC is the state's only children's hospital, organ transplant center and singular provider of many other services.

Around the country, it's a similar story: In Illinois, Springfield Clinic and BCBS have had no contract since late 2021, leaving at least 55,000 patients out of network. Most recently, a standoff between CareFirst BCBS and Johns Hopkins Medicine in Baltimore was resolved after Gov. Larry Hogan and several state lawmakers became publicly outspoken about negotiations.

But a resolution is never guaranteed, and it's likely that only the largest systems with the biggest market share will see speedy and adequate negotiations with payers moving forward, leaving smaller hospitals at a disadvantage.

"It's good to be the house," Mr. Becker said.

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