

## Shareholder group wants WellPoint to become not-for-profit

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Saying WellPoint Inc. has failed to live up to its commitment to provide “the best healthcare value” for customers, three shareholders of the Indianapolis-based health insurance giant want it to convert to a not-for-profit organization.

They have proposed that the company study the feasibility of such a conversion. The proposal will be voted on at WellPoint’s annual meeting of shareholders in Indianapolis on May 18.

The proposal was disclosed Friday in WellPoint’s proxy statement. The three shareholders—Rob and Karen Stone of Bloomington and Julia Vaughn of Indianapolis—will stage a press conference about the proposal Wednesday morning in front of WellPoint’s Monument Circle headquarters.

“WellPoint has had a heap of (well-deserved) bad publicity lately about their corporate culture of greed,” Rob Stone, an emergency physician at Bloomington Hospital, wrote in an e-mail. He referred to recent controversy over WellPoint’s premium hikes in California, Indiana and other states, and to Friday’s report that its executives enjoyed boosts in compensation last year ranging from 50 percent to 75 percent.

WellPoint’s board of directors urged shareholders to vote the proposal down.

“The proponent of this proposal has not presented any factual information to support the view that converting to nonprofit status would benefit us or our shareholders, employees, customers and members,” the board members wrote in a statement in WellPoint’s proxy filing. They said a feasibility study of the issue “would be costly and would distract management and the Board from overseeing our operations.”

Board members added that as a not-for-profit organization, the company would have poorer access to capital and, by not being able to pay executives with stock, would have a harder time attracting top-level managers.

WellPoint’s predecessor company, Anthem Inc., was a mutual insurance company until its initial public offering in 2001. It was, however, always a for-profit entity. Many of the companies acquired by Anthem or other WellPoint predecessors did convert from not-for-profit to for-profit status before being acquired.

The Stones and Vaughn would like to see the United States adopt a single-payer health insurance system, where the U.S. government would act as insurer for all Americans. Their proposal claims that WellPoint spends as much as 19 percent of its premium dollars on administration and profit, compared with about 3 percent spent on overhead by the federal Medicare insurance program for seniors.

“Although this is good for WellPoint’s profitability and share price, it supports the argument that for-profit health insurance is a major reason for the discrepancy in overhead expenses between the U.S. and other countries,” the shareholder proposal reads. “Nations with universal systems spend about half what we spend on a per-capita basis and have better health outcomes.”

During last year’s annual shareholder meeting, Rob Stone called informally for WellPoint’s board to re-mutualize the company.

<http://www.ibj.com/shareholders-want-wellpoint-to-become-notforprofit/PARAMS/article/19125>