



## **Costco to sell health insurance**

### **America's largest warehouse store has partnered with Aetna to offer insurance online**

**By Mark Chalon Smith**

**April 27, 2012**

Costco sells everything from toilet tissue in bulk to diamond engagement rings to caskets, and now individual health insurance plans are being added to the inventory.

Aetna is partnering with Costco -- known for selling 1 billion rolls of toilet tissue a year, enough to wrap around the world 1,200 times, according to CNBC -- to offer health insurance for individuals.

The Costco Personal Health Insurance program features five Aetna health plans with major medical benefits and dental coverage. The program is available in:

- Arizona.
- Connecticut.
- Georgia.
- Illinois.
- Michigan.
- Nevada.
- Pennsylvania.
- Texas.
- Virginia.

It will be offered in more states later this year, says Barbara DeMaio, head of individual business for Aetna.

#### **A click away**

DeMaio says you won't be able to sign up for Costco Personal Health Insurance in the warehouses -- you'll have to go online for that. (More information on the plans can be found [here](#).) But Costco's in-store employees do have brochures providing details.

Costco-Aetna plans will cost less than Aetna's standard individual health plans, says DeMaio. It's difficult to specify how much customers can save because individual plans differ and each person has his or her own medical needs, she says. However, DeMaio did say that most financial transactions for the plan are done online, which helps cut costs for Aetna and Costco. In turn, they pass the savings on to members.

Those who enroll will qualify for lower co-pays when they buy medications at Costco pharmacies, DeMaio says. Other benefits include "a personal health advocate to guide participants to better lifestyle choices," and wellness programs that focus on key trouble areas, like smoking and obesity, she says.

"We're looking to offer doctor and hospital services while providing simple steps for healthier lives," DeMaio says. "We want to reach the customers right where they are and give them choices. We see it as a way to build long relationships with Costco members."

This isn't Costco's first move into the insurance marketplace. Members can already purchase homeowners and car insurance through its partnership with Ameriprise.

### **Trend alert**

Devon Herrick, a senior fellow and health economist for the National Center for Policy Analysis, a conservative think tank in Dallas, says Aetna may charge a lower premium for Costco shoppers because they comprise a low-risk demographic.

"I think the Costco customer is probably a fairly easy segment of the population to underwrite," Herrick says. "They're probably fairly affluent and, I'd imagine, in overall good physical shape, which is attractive to a medical insurer."

He also thinks the Aetna-Costco partnership is a good idea, if only because it provides more opportunities for the consumer, especially as key provisions of [the Patient Protection and Affordable Care Act](#) (.pdf file) are scheduled to take effect in 2014. The act mandates that individuals, with some exceptions -- such as those with religious objections, those who receive a hardship waiver, and Indian tribe members -- must [buy health insurance plans](#) or pay a penalty of \$95 in 2014, \$350 in 2015 and \$750 in 2016.

"It may be that Aetna and Costco will benefit a year and a half from now," says Herrick. "Also, there's really nothing to prevent other retailers from doing the same thing. It is, and will be, a competitive landscape for health insurance. Really, though, any time insurers go out of their way to reach consumers and make it easier (to have medical support), you have to see it as a good thing."