

Health Insurers to Stop Canceling Policies Ahead of U.S. Reform Requirement

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WellPoint Inc. and other health insurers will start implementing the provision in the new U.S. health reform law that prohibits health insurers from rescinding an individual's policy after they get sick.

Starting Sept. 23, insurers are banned from canceling policies, except in cases such as fraud or misrepresentation.

WellPoint Inc. (NYSE: WLP) said it would put in place by May 1 the federal legislation on rescissions in the individual health insurance market. UnitedHealthcare spokesman Tyler Mason said the company ended the practice April 1.

Blue Shield of California said it also would implement the new rescission standard, starting in May.

"There have been a lot of misrepresentations and inaccuracies in recent days that have caused confusion among our members and among the public generally about our policies in this area," said Angela Braly, WellPoint's chief executive officer, in a statement.

The companies' announcements came as senior House Democrats sent a letter the same day to Braly and other industry CEOs, urging them to end the practice immediately. Receiving letters were the CEOs of Aetna Inc. (NYSE: AET), Assurant Health, the Blue Cross Blue Shield Association, Humana Inc. (NYSE: HUM), Kaiser Permanente and UnitedHealth Group (NYSE: UNH).

"These rescissions hurt patients who need coverage the most, such as women diagnosed with breast cancer," the letter said.

Jill Becher, a WellPoint spokeswoman, said a recent Reuters story alleging the company employs a targeted rescission policy for members with breast cancer was inaccurate. "We do not single out members with breast cancer," she said.

The Democrats also asked the companies to "immediately institute" a policy of independent, external third-party review.

Matt Wiggin, a spokesman for Aetna, said the company will "work with all parties involved to ensure that our process fully conforms to the law" and is implemented before the dates outlined in it. In 2008, Aetna implemented an independent review program, Wiggin said.

WellPoint, the Blue Cross or Blue Cross and Blue Shield company in 14 states, said it began in 2008 to offer a binding, external, independent third-party review process for rescissions.

Assurant Health spokesman Peter Duckler said the company plans to comply with the requests in the letter related to rescission and that a third-party review process already is in place.

Humana said its business practices already comply with reforms required on Sept. 23 and offered binding, third-party review since 2008. United Healthcare said it's in discussions to oversee an independent, external review process.

In 2005, the California Department of Managed Health Care started investigating companies that sell individual policies allegedly with the intent of engaging in "post-claims underwriting," or rescinding policies without proving that applicants misrepresented their status on an application.

Anthem Blue Cross, a unit of WellPoint, along with Blue Shield of California, agreed to pay millions in fines and offer new coverage to consumers whose policies were canceled, under two separate agreements with the DMHC (BestWire, July 18, 2008).

(By Fran Matso Lysiak, senior associate editor, BestWeek: fran.lysiak@ambest.com)

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