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CASE STUDIES: Examples of Health Insurance Companies Rescinding Individual Policies

Committee on Energy and Commerce

As part of a year-long investigation into business practices in the individual health insurance market, the Committee examined more than 116,000 pages of documents from three of the country's largest health insurance carriers, Assurant Health, WellPoint Inc., and UnitedHealth Group. The investigation revealed that these companies retroactively terminated, or "rescinded," nearly 20,000 policies over the past five years based on omissions in applications that the companies identified only after the policyholders became ill. These rescissions resulted in savings to the companies of more than $300 million.

The documents revealed numerous cases in which the companies rescinded policies for omissions that were based on health conditions completely unknown to the policyholders, unrelated to the illnesses being treated, unintentional, or caused by others, including the insurance companies' own agents. In some cases, companies rescinded not only individual policyholders, but their family members as well.

Examples of rescissions include the following:

- **Cancer Patient Cancelled for not Disclosing Diagnosis He Never Received (Indiana):** A WellPoint subsidiary in Indiana rescinded a policyholder's coverage in 2006 after he developed neck cancer related to a history of smoking. The company based the rescission on the policyholder's failure to disclose a history of Chronic Obstructive Pulmonary Disease (COPD), a disease the policyholder never knew he had. The policyholder's doctor informed WellPoint that he had never informed the patient of a COPD diagnosis. After the policyholder hired an attorney and threatened legal action against the company, WellPoint reinstated the policy in January 2007.

- **Policyholder Rescinded for Not Disclosing Undiagnosed Diabetes (Indiana):** In June, 2007, a WellPoint subsidiary rescinded an Indiana man's policy because he allegedly failed to disclose that he had "diabetes or hypoglycemia." The company launched an investigation after the policyholder sought nutritional counseling. The company reinstated the policy only after the policyholder appealed the rescission, explaining that he was first diagnosed with diabetes in March 2007, several months after he obtained coverage.

- **Agent Entered Applicant's Weight Incorrectly (Virginia):** In April 2007, a WellPoint subsidiary in Virginia rescinded coverage for a patient whose insurance agent entered his weight incorrectly on his application and failed to return it to him for

review. The company's Associate General Counsel warned that the agent's actions were "not acceptable" and recommended against rescission, but she was overruled and the company rescinded the policyholder's insurance.

- **Agent Advised Applicant Not to Disclose Hypertension/Diabetes (Texas):** A WellPoint subsidiary in Texas rescinded a woman's insurance after she was diagnosed with breast cancer. An insurance agent had advised her not to disclose a history of diabetes or hypertension because she wasn't being treated or taking medication for those conditions at the time she applied. The company's underwriter recommended honoring the policy, writing: "Recommend no retroaction [rescission]. Unable to prove intent of member. No response from agent to verify if this information was told to her." The underwriter was overruled, however, and the company rescinded the policy in April 2007.

- **Otto Raddatz Rescinded for Not Disclosing Conditions He Never Knew About (Illinois):** In 2004, Fortis Health, now known as Assurant, rescinded coverage for Otto Raddatz, a policyholder in Illinois. The company launched an investigation of Mr. Raddatz after he contracted lymphoma, and it terminated his coverage days before he was scheduled for a life-saving stem cell transplant. In the course of its investigation, the company located a CT scan taken five years earlier that identified silent gall stones and an asymptomatic abdominal aortic aneurysm. Mr. Raddatz's doctor never informed him of these conditions, and he never had symptoms or required treatment. The Illinois Attorney General's office intervened on Mr. Raddatz's behalf, repeatedly pressing the company to reinstate Mr. Raddatz's policy. Only after the persistent efforts of the Attorney General's office did the company reverse its decision.

- **Wittney Horton Rescinded for Failure to Disclose a Condition She Never Had (California):** A WellPoint subsidiary in California rescinded Wittney Horton's policy after a routine doctor's visit because she did not disclose having polycystic ovarian syndrome (PCOS). While reviewing the policyholder's medical records, the insurance company discovered doctors' notes that mentioned this condition. Despite letters from Ms. Horton's doctors confirming that they never diagnosed her with PCOS or informed her of this condition, WellPoint rescinded her policy in June 2005.

- **Company Refused Coverage for Lump in Breast Because of Osteoporosis (Texas):** A WellPoint subsidiary in Texas launched an investigation into the medical history of a policyholder who was diagnosed with a lump in her breast in November 2006. The company rescinded her policy and refused to pay for her medical treatment after concluding that she failed to disclose that she had been diagnosed previously with an unrelated condition of osteoporosis and bone density loss.

- **Company Refused Coverage for Depression Because of Skin Problems (Virginia):** In April 2007, a Virginia patient with a policy from WellPoint received treatment for

depression. After launching an investigation into the policyholder's medical history, the company concluded that the patient had failed to disclose a history of hemorrhoids and psoriasis (skin rash) and gave an inaccurate body weight. In May 2007, the company rescinded the policy and refused to pay for the patient's treatment for an unrelated condition of depression.

- **Heidi Bleazard Denied Coverage Because of Husband's Back Problem (Utah):** After Heidi Bleazard was in a serious accident in August of 2005, Regence Blue Cross Blue Shield of Utah rescinded her entire family's health insurance. According to the company, the rescission was based on the alleged failure of Mrs. Bleazard's husband, Keith, to disclose a prior diagnosis of a herniated disk and back surgery. The Bleazards had fully informed the insurance agent about Mr. Bleazard's back problems when they applied for coverage, and the company paid claims for his medications and physician visits.

- **Entire Family Cancelled When Husband Failed to Disclose Conditions (Michigan):** When a UnitedHealth subsidiary determined in 2007 that a policyholder in Michigan failed to disclose an abnormal blood count and other conditions, the company rescinded coverage not only for him, but also for his spouse and two children. According to internal company documents, when his spouse called to find out why coverage was canceled for the whole family, a company official "[c]alled her back told her coverage was voided to medical history not on app."

- **Entire Family Cancelled When Husband Failed to Disclose Conditions (Michigan):** A Michigan policyholder obtained health insurance for himself and three dependents in November 2007 through the Golden Rule Insurance Company, a subsidiary of UnitedHealth. After filing a claim, the company launched an investigation that identified physician visits for hypertension and alcohol abuse that were not disclosed on the policyholder's initial application. The company rescinded coverage for the entire family in May 2008.

- **Robin Beaton Denied Surgery for Breast Cancer (Texas):** Less than a week before Robin Beaton was scheduled to have a mastectomy to treat breast cancer, her insurance company, Blue Cross and Blue Shield of Texas, rescinded her policy after an investigation that was triggered by a doctor's visit for acne. The company then concluded that she had failed to disclose a rapid heart beat that was resolved years before she applied. Only after Rep. Joe Barton intervened on her behalf did the company reinstate her insurance. By that time, however, her tumor had grown nearly five centimeters, and she was forced to undergo a double mastectomy and the removal of lymph nodes in one arm.

- **Dawn Hutchins Rescinded for Failing to Disclose Esophagus Condition (Illinois):** In July 2005, Fortis, now known as Assurant, rescinded coverage for Dawn Hutchins, asserting that she incorrectly answered a question about whether she had received treatment for "stomach or ulcer or ulcer symptoms." Although Ms. Hutchins had been treated for a condition known as Barrett's Esophagus, she

correctly answered the question "no" because this condition does not involve the stomach and is unrelated to ulcer disease. After repeated intervention by the Illinois Attorney General's Office, the company reinstated Ms. Hutchins's health insurance.

For more detailed information on these cases and the Committee's investigation, see http://energycommerce.house.gov/Press_111/20090616/rescission_supplemental.pdf.