



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

<http://finance.senate.gov>

For Immediate Release

Wednesday, March 3, 2004

Grassley Exposes Growing Problem of Fake Health Insurance

WASHINGTON – Sen. Chuck Grassley, chairman of the Committee on Finance, today convened a hearing to examine the growing problem of fake health insurance plans and pledged to fight their abuse.

“These con artists are promising health insurance to desperate people, charging them for it, and sticking them with huge, unpaid medical bills,” Grassley said. “I haven’t seen much that’s lower or crueler than this. I wonder how someone selling a fake insurance policy to a family would feel if he were on the other end. What if his wife had cancer or if he needed a transplant to survive? Are some people so desperate to make a buck that human decency flies out the window?”

Grassley said many Americans are susceptible to the con artists’ pitches. “If you’re a small business owner or an individual, you probably have no reason to think a health insurance plan might be fake. All you know is you need insurance, and some reasonable-sounding people are selling it. These con artists are really good at what they do, and everyone else has to be one step ahead. Be skeptical and check out any deal that doesn’t come through a company you know and trust. In other words, verify before you buy.

“Each scam-related crime can have victims at all levels. First is the person paying the scam artist. Next are family members covered by the bogus policy. Third are the hospitals and the doctors who get no payment and try to collect from the policyholder. Just for trying to get health insurance, a person can find himself being denied necessary health treatment or bankrupt from medical bills through no fault of his own. Either one is a horrible, scary prospect”.

Grassley said the insurance industry, the federal government, and state governments have to work together to stop and prevent these scams. “These scams have to stop before more innocent people fall victim to amoral con artists who play on their worst fears and rip them off without a second thought,” Grassley said.

Following are Chairman Grassley’s opening and closing statements from today’s hearing and consumer tips to avoid unauthorized health insurance plans.

Opening Statement of Sen. Chuck Grassley
Hearing, "Health Insurance Challenges: Buyer Beware"
Wednesday, March 3, 2004

Good morning. I thank everybody for coming. This hearing has three purposes: (1) Expose the significant and growing problem of unauthorized and bogus health plans and their damaging effects; (2) Educate people, including employers, about unauthorized and bogus health plans – what they look like; (3) Empower people with information – how not to fall prey to one and if you've already been scammed, what to do next. There is much to be done at the state level, at the federal level, and by the insurance industry among others. Good faith efforts have been made, and I commend the efforts made by DOL, NAIC and the states. But, at the same time, we can and must do much more to protect everyday people from becoming victims. In other words, we need to stop bogus health insurance scams. The problem is growing. The GAO reports that from 2000 through 2002, more than 200,000 policyholders were taken by bogus health insurance scams.

An unauthorized health insurance and a bogus health insurance plan are entities that sell health insurance to individuals, unions, associations and others with the intent not to pay claims. This is not a new phenomenon but a continuously growing one. Here's what I'm talking about. This is a pamphlet that was distributed by one of these phony health insurance plans. It's shiny and glossy and paints a pretty picture. In addition, my staff recently received this piece of literature advertising health insurance at an extremely low cost. This plan is even advertising that it will accept people with all pre-existing conditions. This came across a committee fax machine last week. To the average person these look like fabulous opportunities to get lots of health coverage and other benefits at low prices. Unfortunately, these items are from phony insurance companies.

The proliferation of the Internet, the increasing number of the uninsured and the ever-increasing costs of healthcare make the perfect breeding ground for these scams to be born and grow. This hearing is a wake-up call to America, and a reminder that there are unscrupulous individuals who intentionally inflict emotional and financial harm upon businesses and individuals. We must focus on awareness, education and aggressive oversight to prevent bogus plans from taking people's hard-earned money. Today, 43 million Americans are desperate for affordable health insurance coverage. In addition, the number of people covered by government health insurance programs is on the rise. With more and more people being taken by these bogus health plans, the system is being pressured. More and more people will become uninsured and end up on federal assistance programs.

Let us not forget that there are also tax and other health policy implications. The predators are defrauding the IRS, the victims are taking deductions and when all is said and done, some victims may very well join the ranks of Medicaid. We also need to target the scam artists, who do a disservice to all the good insurance companies out there.

On a personal note, I want to point out that no insurance company is safe from bogus health plans. Employers Mutual LLC, a scoundrel that scammed thousands of people, took its name from a reputable Iowa insurer, Employers Mutual Casualty Company, that has been in business for more than 90 years. The real Employers Mutual has received more than 75 complaints from people

confusing it with Employers Mutual the scam. By using the name of a reputable company, bogus plans aim to confuse consumers, take their money and run.

Any person taken by a bogus plan is one victim too many. It is easy to forget that there are human lives and untold stories behind the statistics. That is why we will hear this morning from a panel of everyday Americans, dealing with the horrible consequences of bogus health plans. They will tell us very troubling and all too common stories. Each has come before this Committee to remind us that no one is safe from the wrath an unauthorized health plan can leave behind.

At my request, along with the requests of Senators Bond and Snowe, the General Accounting Office has issued a “fact” report assessing the effects of unauthorized health plans. I welcome Ms. Kathryn Allen who will testify about the latest GAO report. The GAO report is a fact report. It is the first step at looking at this complex problem. Also, GAO’s Office of Special Investigations will discuss its investigation of Employers Mutual LLC’s operations. DOL Assistant Secretary Ann Combs is with us, too. DOL’s responsibility of enforcing the federal requirements for insurance and group health plans found in ERISA and implementing initiatives to combat this growing problem is of paramount importance. We welcome testimony from the National Association of Insurance Commissioners. Also, the Texas Department of Insurance will discuss efforts to educate consumers and aggressively pursue bogus plans. Finally, we will hear testimony from Mila Kofman about her work in this very important area.

Now, I would like to say what this hearing is not about. This hearing is not about “association health plans,” as some have asked me and members of my staff. Legislation creating these types of plans is not before this committee, and we have no jurisdiction over their implementation. Instead, this hearing is about predators – predators who are feeding on everyday citizens across the nation. I want to close by saying that it is extremely important and valuable to maintain a dialogue among the insurance industry, regulatory agencies, Congress and consumers about the problems that persist. I hope this hearing will help continue and expand that dialogue and provide a road map for what still needs to be done. We need to “stop the bleeding” now.

Closing Statement of Sen. Chuck Grassley
“Health Insurance Challenges: Buyer Beware”
Wednesday, March 3, 2004

That brings us to the end of our hearing today. First of all, I thank all of the witnesses for taking the time out of your busy schedules to come and help us do this important work here today. We owe a special word of thanks to Ms. Almond and Ms. Piantadosi, who were willing to share the tragedy they are still living. Once again I think it is important, first and foremost, to make sure that there is a continued and sustained federal and state effort to follow through and address the problems we have heard about today. It is time to stop being reactive. We must be more proactive at shutting down these bogus plans before more citizens are financially and emotionally harmed.

Coming out of this hearing, I see that we have the federal government, the states and the NAIC working together cooperatively and in good faith to attack this behemoth. At the same time, I see that: (1) not everyone who should be active is; (2) those working together do not share the

same overall authority; and (3) there is no consistent, national comprehensive strategy for a systemic nationwide problem. So here is what I propose: At the conclusion of this hearing, I intend to contact the American Medical Association and the American Hospital Association, which are also on the front lines of the damages that bogus health insurance scams can cause. They, too, with the small business community, including the National Federation of Independent Business and Women Impacting Public Policy, can get the word out and help identify a problem early and equip their membership with the tools to avoid the problem or the payer avenues to take if they've been victimized.

I am also going to formally request that the GAO evaluate the effectiveness of current coordination efforts among and between the states, NAIC and the federal government. Also, I am going to ask that the GAO assess the effectiveness of DOL oversight of employer-sponsored health benefits in general, or problematic/scam plans in particular, including the consistency and effectiveness of efforts across DOL regions. In addition and perhaps most importantly because there is "no silver bullet" to this problem, I am directing my staff to work with DOL and other relevant committee staff to see if we can tighten up ERISA and to examine the civil, criminal and administrative remedies available to the DOL to see if some improvements can be made to address this problem once and for all.

Early detection, aggressive oversight and effective communication are the keys to success in addressing bogus health insurance scams. Getting valuable information to the citizens across this nation, along with continued communication between state and federal governments, can only lead to the downfall of more and more of these scam artists, and that is my goal.

Senator Grassley's Seven Tips to Avoid Being a Victim of a Health Insurance Scam

1. **Before You Buy, Verify.** Contact your state insurance department and the Department of Labor to verify that the plan is licensed in your state and if it has a complaint history. Don't forget to find out if the agent is licensed. Ask your agent to check out the insurance, too.
2. **Compare, Compare, Compare.** When looking for health insurance, do your homework, get the facts and compare plans. If two plans are similar or identical in benefits but differ a lot in price, it's time to start asking questions. Don't sign on the dotted line.
3. **Be Alert.** Many bogus plans are posting fliers on telephone poles, sending materials across faxes, and advertising on the Internet. If you are looking at enrolling in one of these plans, make sure you ask plenty of questions and get the facts. If it looks too good to be true, it probably is.
4. **Pre-Existing Conditions.** Many insurance companies will not write a policy for a person with a pre-existing condition. If your health plan will and the rate is not substantially higher, start asking questions and researching.
5. **It's All In A Name.** Many bogus plans are using names similar to those of well-known and

reputable insurance companies. Check and make sure the plan you think you are enrolling in is, in fact, that plan.

6. No One Is Safe. Don't think that it can't happen to you – hundreds of thousands of people like you have fallen victim to bogus plans.

7. Act FAST. Typically, phony health plans will not pay medical bills or may only pay small ones. If you find that your health insurance is not paying your medical bills in a timely fashion, call your state insurance department and the Department of Labor through its toll-free number at 1-866-444-3272 or at www.askebsa.dol.gov. You need to call FAST and report what is happening to you. Remember, it is better to be safe than sorry.