

Opening Statement
Rep. Bart Stupak, Chairman
Committee on Energy and Commerce
Subcommittee on Oversight and Investigations
“Terminations of Individual Health Policies by Insurance Companies”
June 12, 2009

Every night across America, more than 45 million Americans go to sleep without health insurance coverage. They do so in fear of the nightmare scenario of developing a catastrophic illness and being unable to pay for treatment. It is this fear that causes many hard-working Americans who are not covered by an employer or government-sponsored health care plan to purchase an individual health insurance policy.

But those Americans fortunate enough to afford individual health care coverage are not immune from the nightmare scenario. That’s because of a practice called health insurance rescission.

Here’s what happened to one victim of rescission. Otto Raddatz was a 59-year-old restaurant owner from Illinois who was diagnosed with an aggressive form of non-Hodgkins lymphoma – a cancer of the immune system. He underwent intensive chemotherapy and was told that he had to have a stem cell transplant in order to survive. With coverage provided by his individual insurance policy, he was scheduled to have the procedure performed, but then his insurance company suddenly told him that it was going to cancel his insurance coverage. Otto could not pay for the surgery without his health insurance. The surgery was cancelled.

The insurance company told him that it had found that when he applied for his insurance, he had not told the company about a test that had shown that he might have gallstones and an aneurysm, or weakness of a blood vessel wall. In fact, Otto’s doctor had never told him about these test results, he didn’t have any symptoms, and these conditions didn’t have anything to do with his cancer. But the insurance company was going to rescind his policy – effectively tear up the contract, as if it never happened – and it would not pay for his stem cell transplant.

Otto, made a desperate plea to the Illinois Attorney General’s Office seeking help to get his insurance company to reverse its decision. He told them:

I was diagnosed with non-Hodgkins lymphoma ... It is a matter of extreme urgency that I receive my transplant in three weeks ... This is an urgent matter! Please help me so I can have my transplant as scheduled. Any delay could threaten my life.

The Illinois Attorney General’s Office launched an investigation, confirmed that Otto’s doctor had never even told him about the test findings, and sent two letters to press the insurance company to reinstate his policy. The company relented and Otto received his stem cell transplant. He was able to live three more years before passing away earlier this year.

Otto was one of the lucky ones. This Committee has conducted an investigation into the practice of health insurance rescission, and the results are alarming. Over the past five years, almost 20,000 individual insurance policyholders have had their policies rescinded by the three insurance companies who will testify today: Assurant, UnitedHealth Group, and WellPoint. From a review of case files, the Committee has identified a variety of abuses by insurance companies, including:

- Conducting investigations with an eye toward rescission in *every* case in which a policyholder submits a claim relating to leukemia, breast cancer, or any of a list of 1,400 serious or costly medical conditions;
- Rescinding policies based on an alleged failure to disclose a health condition entirely unrelated to the policyholder's current medical problem;
- Rescinding policies based on policyholders' failure to disclose a medical condition that their doctors never told them about;
- Rescinding policies based on innocent mistakes by policyholders in their applications; and
- Rescinding coverage for all members of a family based on a failure to disclose a medical condition of one family member.

The investigation has also found that at least one insurance company – WellPoint – evaluated employee performance based in part on the amount of money its employees saved the company through retroactive rescissions of health insurance policies. According to documents obtained by the Committee, one WellPoint official was awarded a perfect score of “5” for “exceptional performance” based on having saved the company nearly \$10 million dollars through rescissions.

These practices reveal that when an insurance company receives a claim for an expensive, life-saving treatment, some of them will look for a way, any way, to avoid having to pay for it. This is eerily similar to what we found last year in our investigation of long term care insurance policies where unscrupulous sales people would sell policies to seniors and then change the policies once the enrollee was locked into a plan and making payments.

The companies who engage in these rescission practices argue that they are entirely legal, and to a large extent they are. But that goes against the whole point of insurance. When times are good, the insurance company is happy to sign you up and take your money in the form of premiums. But when times are bad, and you are afflicted with cancer or some other life-threatening disease, it is supposed to honor its commitments and stand by you in your time of need. Instead, some insurance companies use a technicality to justify breaking its promise, at a time when most patients are too weak to fight back.

Today, we will hear from victims of this practice of rescission, as well as three of the leading companies that engage in it. We hope to learn more about this problem so that we in Congress, perhaps through a comprehensive health care reform bill, can curb abuses and put an end to this unconscionable practice once and for all.