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5 HEARING ON TERMINATIONS OF HEALTH POLICIES

6 BY INSURANCE COMPANIES: STATE PERSPECTIVES

7 AND LEGISLATIVE SOLUTIONS

8 MONDAY, JULY 27, 2009

9 House of Representatives

10 Committee on Energy and Commerce

11 Subcommittee on Oversight and

12 Investigations

13 Washington, D.C.

14

15

16 The subcommittee met, pursuant to call, at 9:00 a.m., in
17 the Hoosier Room, University Center North Building at Indiana
18 University Southeast Campus, 4201 Grant Line Road, New
19 Albany, Indiana, the Hon. Bart Stupak [chairman of the
20 subcommittee] presiding.

21

22 Member present: Representative Stupak.

23

24 Also present: Representatives Hill and Yarmuth.

This is a preliminary transcript of a Committee Hearing. It has not yet been subject to a review process to ensure that the statements within are appropriately attributed to the witness or member of Congress who made them, to determine whether there are any inconsistencies between the statements within and what was actually said at the proceeding, or to make any other corrections to ensure the accuracy of the record.

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Staff present: Michael Gordon, Chief Investigative
Counsel; Ali Golden, Investigator; Paul Jung, Public Health

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Investigator; and Sean Hayes, Minority Oversight Counsel.

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29 Mr. Stupak. This meeting will come to order.

30 Today we have a hearing entitled "Terminations of Health
31 Policies by Insurance Companies: State Perspectives and
32 Legislative Solutions."

33 Before we begin the hearing, I would like to thank
34 Congressman Hill, a member of the full Energy and Commerce
35 Committee, for housing us today here in Indiana. In
36 addition, I want to welcome Congressman Yarmuth across the
37 river in Kentucky.

38 It is our general practice at subcommittee hearings that
39 non-members of the subcommittee do not make opening statement
40 or question witnesses. I believe it is appropriate that we
41 deviate from this practice today. I ask unanimous consent
42 that Congressmen Hill and Yarmuth be permitted to make
43 opening statement, if they choose, and to question witnesses
44 during today's hearing. Hearing no objection, that will be
45 the order.

46 The chair will now be recognized for a five-minute
47 opening statement. Other members of the subcommittee will be
48 recognized for a three-minute opening statement. I will
49 begin.

50 This hearing of the Subcommittee on Oversight and
51 Investigations has commenced here in Indiana at the request
52 of our friend Congressman Baron Hill. We are pleased to be

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53 here for this hearing on abuses in the health insurance
54 industry. I would like to thank Congressman Hill and his
55 staff for requesting this hearing and housing us here today.

56 Congressman Hill has been a leader on health care, and I
57 can tell you from firsthand experience that he has been
58 working diligently in Congress and on our Energy and Commerce
59 Committee to look out for the people of Indiana. Thank you
60 for having us here today, Baron.

61 I would also like to welcome our friend Congressman John
62 Yarmuth, who is from across the river in Kentucky.

63 Congressman Yarmuth has been a key player in many issues in
64 his position on the Ways and Means Committee, and we are
65 delighted that he is here with us today.

66 Let me also thank Indiana University for hosting us
67 today. It is critical that Congress understand the concerns
68 of local communities as we develop national health care
69 policies, and we do that precisely through field hearings
70 like the one we have here today, where we can go out and hear
71 directly from people on matters of urgent concern.

72 Today's hearing is about a horrendous practice that some
73 insurance companies engage in called "rescission." Here is
74 how it works. When you apply for health insurance, you fill
75 out an application. The forms ask about all of your
76 preexisting conditions and health history, and sometimes they

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77 are extremely complicated. These insurance companies
78 typically require access to all of your health records as
79 well.

80 The problem is that these insurance companies do not
81 review these applications very carefully when you submit
82 them. They wait. They let you pay your premiums, they let
83 you go along and keep paying for years, creating a false
84 sense of security that you will be covered if something
85 terrible ever happens.

86 When something does happen, however, when you develop a
87 deadly disease, when you need expensive medical care, or when
88 you have to go to a hospital for critical treatment, these
89 insurance companies don't honor their agreements. Instead,
90 they mobilize a team of investigators to go back through your
91 original application.

92 They scour years and years of your medical records to
93 find some technicality, some error or omission, some box that
94 wasn't checked when it should have been. And when they find
95 it, they cancel your health insurance. They refuse to pay.
96 And there you are in the hospital left waiting for
97 potentially life-saving medical care that you may never
98 receive.

99 What is outrageous about this practice is that these
100 insurance companies cancel policies even for people who

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101 didn't do anything wrong. The omissions on their
102 applications relate to conditions that their doctors may have
103 never told them about. They relate to conditions that
104 insurance companies' own agents told them not to write down.
105 And many times they relate to conditions that are completely
106 unrelated to the illness or disease they are now seeking
107 treatment for.

108 Our subcommittee has been conducting a year-long
109 investigation into this abusive practice. We have reviewed
110 more than 116,000 pages. We have reviewed more than 116,000
111 pages of documents from three of the largest health insurance
112 companies--Assurant, United Health Group, and WellPoint. And
113 we learned that these three companies retroactively
114 terminated nearly 20,000 policies over the past five years
115 based on omissions on applications that were identified only
116 after people became ill. These rescissions resulted in
117 savings to the companies of more than \$300 million.

118 Last month we held a hearing in Washington, D.C. with
119 these three companies, and I asked their CEOs to stop
120 canceling health insurance for innocent policyholders.
121 Amazingly, they refused. Let me show you a clip from that
122 hearing. It will take a minute to put up there.

123 [Video presentation begins.]

124 Mr. Stupak. Let me ask each of our CEOs this question,

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125 starting with you, Mr. Hamm. Would you commit today that
126 your company will never rescind another policy unless there
127 was intentional fraudulent misrepresentation in the
128 application?

129 Mr. Hamm. I would not commit to that.

130 Mr. Stupak. How about you, Mr. Collins? Would you
131 commit not to rescind any policy unless there is intentional
132 fraudulent misrepresentation?

133 Mr. Collins. No, sir. We follow the State laws and
134 regulations, and we would not stipulate to that. That is not
135 consistent with each State's policies.

136 Mr. Stupak. How about you, Mr. Sassi? Would you commit
137 that your company will never rescind another policy unless
138 there was intentional fraudulent misrepresentation?

139 Mr. Sassi. No, I can't commit to that.

140 Mr. Stupak. Each of these three companies simply
141 refused to stop canceling innocent policyholders' contracts.

142 Now, it is one thing to cancel coverage for someone who
143 commits insurance fraud, but it is another thing to cancel
144 coverage for people in the middle of a health care crisis
145 based on innocent mistakes or technicalities. It is simply
146 not fair for insurance companies to collect record profits
147 and award their executives billions of dollars while they are
148 denying innocent people the health insurance they pay for.

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149 Facing with this damning testimony, we concluded that
150 the only way to stop these insurance companies was to change
151 the law. So our Energy and Commerce Committee has drafted
152 health reform legislation that will prohibit this practice of
153 rescission once and for all.

154 Our bill will protect consumers in a couple of ways.
155 First, we will prohibit insurance companies from rescinding
156 coverage unless there is clear and convincing evidence of
157 fraud during the application process. Second, we guarantee
158 that consumers have an independent and third-party review of
159 any rescission.

160 We have asked the insurance companies back today to see
161 if they have had a change of heart and to find out what they
162 think of our legislation. We have also invited Indiana's
163 Insurance Commissioner, Carol Cutter, to hear if the State of
164 Indiana supports ending this terrible practice, as well as
165 Professor Eleanor Kinney, the co-director of Indiana Law
166 School's Center for Law and Health.

167 I also want to extend a personal thanks to both Peggy
168 Raddatz and Robin Beaton, who traveled here today from
169 Illinois and Texas to tell us their stories about how these
170 insurance companies improperly rescinded their health
171 insurance. I also want to thank Patricia Reilling from
172 Louisville, Kentucky for testifying today about how her

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173 policy was recently terminated by her insurance company.

174 Let me point out that Ms. Beaton's case highlights that
175 this is not a partisan issue. This is not a Democratic or
176 Republican issue. When Ms. Beaton's insurance company
177 canceled her health insurance, she called her local
178 congressman, Joe Barton, who happens to be the ranking
179 Republican member of our committee. To his immense credit,
180 Congressman Barton intervened on Ms. Beaton's behalf, and
181 made sure the insurance committee reinstated her coverage.

182 Ms. Beaton, I know you regard Mr. Barton as a hero for
183 coming to your rescue. I am not sure if you heard what
184 Congressman Barton said at our hearing in Washington about
185 your case, so let me show you, and here is what he said.

186 [Video presentation begins.]

187 Mr. Barton. I think I speak for every member of the
188 committee on both sides of the aisle that if in fact there is
189 a practice of going in after the fact and canceling policies
190 on technicalities, we have got to do whatever is possible to
191 prevent that. If a citizen acts in good faith, we expect the
192 insurance companies who take their money to act in good faith
193 also.

194 Mr. Stupak. I couldn't have said it better myself.

195 That is the end of my opening statement. Let me next
196 turn to Congressman Baron Hill. Thank you again for hosting

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197 us, and you will be recognized for an opening statement,
198 please.

199 Mr. Hill. Thank you, Bart. I want to begin by thanking
200 Congressman Stupak for taking the time to come to the place
201 where God himself was born in Southern Indiana. It is good
202 to have you here in Hoosier State, and we are delighted that
203 you are carrying on these hearings. Hopefully, you will be
204 able to get some results, and people all across our great
205 country will get relief from some of the questionable
206 practices that I have been hearing about.

207 I also would like you to know that Congressman Stupak is
208 from Michigan, and I am going to be spending a lot of time in
209 your great State, Congressman Stupak, because my youngest
210 daughter this Wednesday travels to Ann Arbor to attend
211 medical school at the University of Michigan. So I am
212 looking forward to that as well.

213 I have heard Congressman Stupak talk about this issue of
214 post-claims underwriting or health insurance rescission, what
215 transpired at the hearing held on this issue in Washington,
216 D.C. I am very interested to hear what our witnesses have to
217 say today in light of that hearing, and some of the things
218 that they have said that they would not do as a company in
219 response to Congressman Stupak's questions about whether or
220 not they would change their ways of looking at the claims.

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221 And I would also like to thank all of the witnesses for
222 taking the time to participate in this hearing. This hearing
223 could not be more timely. I hope it sheds light on some of
224 the serious ills of our current health care system.

225 Health care reform is certainly the topic of
226 conversation right now. Today, I am going to be going back
227 to meet with the committee chairman and the White House and
228 other members of the Energy and Commerce Committee who are
229 dealing with this most important issue, so that we can have
230 health care for all Americans.

231 So I am glad we are holding such an important hearing
232 right here in New Albany. This issue of health insurance
233 rescission is, quite honestly, shocking. I can't imagine
234 what I would do if this happened to someone in my family, and
235 I think that is how we need to approach health care reform.

236 Put yourself in other people's shoes. This issue is
237 particularly distressing, because these folks aren't trying
238 to trick the system. They are trying to do the right thing
239 by being covered. And then, to have the rug pulled out from
240 underneath them is not acceptable.

241 This is also a completely bi-partisan issue, as
242 Congressman Stupak has already spoken about. The most vocal
243 critic of this practice is the Republican ranking member of
244 the Energy and Commerce Committee, Congressman Joe Barton.

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245 And I want to repeat what has already been said. In
246 fact, Congressman Barton said this today, this morning, and
247 also said it during the hearing, or not Congressman Barton
248 but Congressman Stupak was quoting Congressman Barton. "I
249 think I speak for every member of the committee on both sides
250 of the aisle that if in fact there is a practice of going in
251 after the fact and canceling policies on technicalities, we
252 have got to do whatever is possible to prevent that."

253 So I thank everybody for coming today, and I look
254 forward to hearing more testimony from our witnesses.
255 Hopefully, we will be able to get some resolution to this
256 very serious problem.

257 Thank you.

258 Mr. Stupak. Thank you.

259 Mr. Yarmuth, your opening statement, please. And it is
260 a pleasure to have you here as a member of the Ways and Means
261 Committee. And now you are an honorary member of the Energy
262 and Commerce Committee.

263 Mr. Yarmuth. Thank you very much, Mr. Chairman, and
264 thank you for extending the courtesies of the subcommittee to
265 me. Thank you for holding this hearing.

266 This hearing is important for a number of reasons. I
267 think the foremost reason it is critical is that as we debate
268 insurance reform and health care reform, we end up talking

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269 about a lot of dollars and a lot of abstract theories and a
270 lot of macroeconomic implications. But at its very core,
271 this is a debate about human beings, and this is a debate
272 about humans and their families and their need and their
273 right to have quality health care coverage that they can
274 afford.

275 So I am very appreciative of the three witnesses--Ms.
276 Beaton, Ms. Raddatz, and Ms. Reilling--for being willing to
277 come here and tell their stories, because unfortunately their
278 stories are not atypical. Their stories are all too common,
279 and we are proud to have them. It is very valuable to have a
280 human face put on the issues that we are discussing today.

281 Secondly, we will hear a lot about coverage and the
282 uninsured today, and what is important to note is--and I
283 think this hearing is important because it will point out a
284 number of the reasons why people end up uninsured. It is not
285 because they don't want to have insurance. It is because
286 they are put in positions where, through no fault of their
287 own, they are cast in a market where they cannot either
288 afford or even buy at any cost the insurance that they need.

289 And we will hear a lot of discussion about profits. I
290 know, for instance, that over the last--well, for seven
291 years, from 2000 to 2007, the profits of the 10 largest
292 insurance companies rose over 400 percent. I don't think

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293 that the cost of health care rose over 400 percent. I know
294 it didn't. I know salaries didn't rise over 400 percent.
295 And when you connect what we have--the subjects we will hear
296 today, the stories we will hear today, to both issues of
297 profitability and to the inability of Americans to afford
298 insurance, it will be very clear.

299 And, finally, I think these hearings are important,
300 because as we discuss the need for a public option in health
301 care reform, a public option that will compete with private
302 insurers, as President Obama says "to keep them honest," I
303 think it will be abundantly clear after these hearings why
304 keeping the insurance companies honest is a mandatory element
305 of what we are trying to do in Congress for the American
306 people right now.

307 So I applaud the subcommittee for holding this hearing,
308 and I am happy to be a part of it.

309 Thank you, Mr. Chairman.

310 Mr. Stupak. Thank you, Mr. Yarmuth.

311 Let us call our first panel of witnesses forward. On
312 our first panel we have Ms. Robin Beaton, who is a
313 policyholder from Waxahachie, Texas. Ms. Beaton, if you want
314 to come forward. Ms. Peggy Raddatz of LaGrange, Illinois,
315 who is a sister of the late policyholder, Otto Raddatz. And
316 Ms. Patricia Reilling, who is a policyholder from Louisville,

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317 Kentucky. If she would come forward, please.

318 Okay. This is a congressional hearing. Our statements,
319 questions, and answers to our questions are recorded and will
320 be part of the official record of the Energy and Commerce
321 Committee. It is the policy of the subcommittee to take all
322 testimony under oath. Please be advised that you have the
323 right under the rules of the House to be advised by counsel
324 during your testimony.

325 Do any of you wish to be advised by counsel? You are
326 all shaking your head in a no manner, so I figure that is no.
327 Okay. Then, I am going to ask you to take the oath.

328 [Witnesses sworn.]

329 Let the record reflect that the witnesses have replied
330 in the affirmative. You are now under oath, beginning with
331 your opening statement. We will have an opening statement.
332 You may submit a longer statement for the record, and it will
333 be included in the official transcript.

334 Ms. Beaton, do you want to start? No. Ms. Raddatz,
335 would you like to start?

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336 STATEMENT OF PEGGY RADDATZ, RELATIVE OF POLICYHOLDER,
337 LAGRANGE, ILLINOIS; PATRICIA REILLING, POLICYHOLDER,
338 LOUISVILLE, KENTUCKY; AND ROBIN BEATON, POLICYHOLDER,
339 WAXAHACHIE, TEXAS

340

341 STATEMENT OF PEGGY RADDATZ

342

343 Ms. Raddatz. I would be happy to, Chairman. Once
344 again, thank you very much for inviting me here today. My
345 name is Peggy Raddatz, and I am appearing here today to
346 testify on behalf of my brother, Otto S. Raddatz. My brother
347 was business owner of a restaurant that he ran with his wife
348 Marie. He purchased a health insurance policy from Fortis
349 Insurance Company in August of 2003, as so many small
350 business owners do in this country.

351 On the application he indicated he had kidney stones and
352 that he smoked. He also listed all physicians who treated
353 him. Otto's health application with Fortis was accepted, and
354 his coverage began in August of 2003.

355 A year later, my brother found himself inexplicably
356 losing weight. His wife, Marie Raddatz, urged him to see a
357 doctor. In September of 2004, my 59 year-old brother was
358 diagnosed with Stage 4 Non-Hodgkins-type lymphoma. The very
359 next day he began an intensive course of chemotherapy

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360 treatments.

361 Due to the very aggressive type of cancer that my
362 brother had, a mantel zone lymphoma, he was given six more
363 rounds of chemotherapy by January of 2005. This was a very
364 difficult time for him. Because he was going through
365 intensive chemotherapy, he found it difficult to work, and as
366 a result difficult to continue to manage his business as a
367 restaurant owner.

368 Otto was referred to a specialist in stem cell
369 transplantation and for high-dose chemotherapy. Otto began
370 more chemotherapy for purposes of preparing him for a stem
371 cell transplant. In the midst of his chemo treatments, Otto
372 received a phone call and letter from Fortis Insurance
373 Company stating his insurance was canceled. He was
374 devastated. I remember the day very well.

375 My very strong brother who was always together, my older
376 brother, was just totally distraught. And he called me, his
377 sister, who happens to be attorney. He was rescinded all the
378 way back to the acceptance date of August 7, 2004, which
379 meant he basically had no health insurance whatsoever. This
380 meant none of his cancer treatments would be covered at all
381 going all the way back to the beginning when he first got
382 cancer.

383 Most importantly, he would not be able to receive the

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384 stem cell transplant that he needed to save his life. My
385 brother only had a very small window of time in which to
386 receive a stem cell transplant. He needed to be scheduled
387 within the next three to four weeks or else he wasn't going
388 to receive it, because there would be no point to receive it.
389 He would simply worsen and die.

390 My brother was told he was canceled during what the
391 Fortis Insurance Company called a "routine review" during
392 which they claimed to discover a material failure to disclose
393 on the part of my brother Otto. Apparently, in 2000, his
394 doctor had--his family doctor had done a CT scan which showed
395 an aneurysm and gall stones. My brother was never told of
396 either one of these conditions, nor was he ever treated for
397 them and he never reported any symptoms whatsoever for these
398 conditions.

399 After months of preparation, both mentally and
400 physically, the stem cell transplant could not be scheduled.

401 My brother's hopes for being a cancer survivor were totally
402 dashed. His prognosis was only a matter of months without
403 the procedure.

404 When I called the hospital to see if, as his sister, an
405 attorney, I could schedule the stem cell transplant for him,
406 I was callously told, "Unless your brother brings in cash, he
407 is not going to get the procedure without his insurance any

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408 longer."

409 My brother, who was very, very ill, and was given only a
410 few months to live, was accused by the Fortis Insurance
411 Company of falsely stating his health insurance history,
412 despite the fact that he had no knowledge of ever having any
413 gall stones or aneurysms whatsoever.

414 Luckily, I am an attorney and was able to aggressively
415 become involved in solving this life-threatening situation
416 for him. I contacted the Illinois Attorney General's office
417 and received immediate and daily assistance from Dr. Babs
418 Waldman, the Medical Director of their Health Insurance
419 Bureau.

420 During their investigation, they located the doctor who
421 ordered the CT scan. He had no recollection whatsoever of
422 disclosing the information to my brother about an aneurysm
423 and gall stones, or of ever treating him for it. After two
424 appeals by the Illinois Attorney General's office, Fortis
425 Insurance Company overturned their original decision to
426 rescind my brother's coverage, and he was reinstated without
427 any lapse.

428 Without the help of the Illinois Attorney General's
429 office, this would not have been possible whatsoever. What
430 the Fortis Insurance Company did was unethical. To deny a
431 dying person necessary medical treatment, based upon medical

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432 conditions a patient has never had any knowledge of, has
433 never complained about, and has never even been treated for,
434 is cruel.

435 It is our family's hope that this information will
436 benefit other patients who are in need of life-saving medical
437 treatments, and who do not have knowledge or means necessary
438 to fight against the health insurance companies. It is,
439 further, our desire to expose these practices of the Fortis
440 Insurance Company, so that others who are so deathly ill as
441 my brother was do not suffer as the victims of these
442 insurance companies.

443 Thank you very much.

444 [The prepared testimony of Peggy Raddatz follows:]

445 ***** INSERT *****

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446

Mr. Stupak. Thank you, Ms. Raddatz.

447

Ms. Reilling, would you like to testify? You might want

448

to pull that mic up. Thank you, and thank you for coming.

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449 STATEMENT OF PATRICIA REILLING

450

451 Ms. Reilling. Good morning, Mr. Chairman, and members
452 of Congress. My name is Patricia Reilling.

453 I opened an art gallery in 1987, and in 1990 I took out
454 a group health insurance plan with Anthem through the
455 Kentucky Retail Federation. In 1994, my policy was changed
456 to a one-person group, and I have had the same coverage, with
457 slight changes on occasion, until June 30 of this year. I
458 received a letter from Anthem at the beginning of June
459 informing me that my coverage would end on June 30, 2009, and
460 that was the first time I had heard anything about it.

461 To be honest, I hadn't even opened that letter for at
462 least four or five days, because I had also received the
463 information I get from my insurance agent every year around
464 this time telling me about the renewal rates for the coming
465 year. And this time the letter was very positive and said
466 there were no change in the rates, I would have the same
467 rates, and that was just great.

468 And I also received a bill for my July premium, so I had
469 opened those, and so I wasn't really thinking that this
470 letter from Anthem was going to be anything that, you know,
471 was very urgent.

472 So when I opened that, I was just--I was totally

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473 shocked, and it didn't make much sense to me. And I called
474 the agent, and then we started talking about it. But if you
475 don't mind, I would like to back up a little bit and tell you
476 some of the background concerning my health and the reason
477 that it has been so devastating for me.

478 I have always been really healthy. I hadn't been in a
479 hospital since my son was born, which was several years ago.

480 And I could be in a room full of people that had the flu, I
481 mean there could be hundreds, and I wouldn't even get the
482 sniffles. And I did have a bad back. I mean, I have a bad
483 back, and I at one time had some tests, and I see a pain
484 management doctor about three or four times a year, and I am
485 on prescriptions meds for this. That is the only thing in
486 these actually almost 20 years that I have been with Anthem.

487 Other than that, I usually describe myself as being
488 healthy as a horse, which is not really flattering, but it is
489 pretty much true, until March of 2008 when I discovered a
490 lump in my breast. After visiting my primary care physician,
491 I went for a mammogram and ultrasound. And when the
492 technician was finished, she said she had to check with the
493 radiologist to see if she had everything she needed.

494 After a couple of minutes, much to my dismay she was not
495 the one who came back in, but it was the doctor who came in
496 and sat down on the table to explain that they had found

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497 lumps in both breasts, and that he was absolutely certain
498 that they weren't cysts, and that I needed to go to a general
499 surgeon right away for biopsies.

500 So even before the surgeon performed the biopsies, he
501 told me that he was certain that it was cancer, and that he
502 would need to remove both breasts. He did the biopsies, but
503 he had difficulty locating one of the tumors, and he needed
504 to do one of the biopsies again, so he ordered an MRI.

505 Well, I very soon, to my amazement, received a letter
506 from Anthem that denied the MRI with the explanation that
507 nothing--something to this effect, that nothing in my health
508 background or my family history indicated that I would be
509 likely to have cancer. And considering the fact that I don't
510 even know anything about my family history, I thought that
511 was really astonishing.

512 So I ended up having to go through another biopsy, which
513 was really painful, because the doctor ended up having to do
514 a lot of hunting and digging because the point was that he
515 couldn't find it in the first place. So the outcome, of
516 course, was that I did have cancer in both breasts. So
517 April 7, I had the bilateral mastectomies. I made a rather
518 long but full recovery, and on December 2, 2008, I was
519 admitted to Baptist East Hospital again for reconstructive
520 surgery, and I was there for about five days.

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521 And after the last drain was removed at my plastic
522 surgeon's office, and I am probably being a little graphic,
523 but a lot has happened, and if you all don't mind I don't, so
524 it was around January 7 that I returned to her office. And
525 on the 14th--that was when they took the last drain out.

526 On the 14th, when I went back, it was very obvious that
527 I had a very serious abdominal infection, and she wanted to
528 admit me to the hospital right then. I couldn't, because I
529 had had a little breakfast, so the next morning at 5:00 a.m.
530 I was at the hospital and I was admitted for emergency
531 abdominal surgery for a very invasive case of MRSA staph
532 infection, which I had contracted during the reconstructive
533 surgery in December.

534 The incision from my December surgery was reopened, and
535 my abdomen was flushed with antibiotic fluid, and the
536 incision was closed. And then, two days later I had another
537 emergency surgery, and, again, the same thing happened, they
538 flushed my abdomen out. But I was so ill and had gone in so
539 ill that they had to give me blood transfusions and
540 potassium, and I was pretty much at death's door.

541 And this time they actually had to remove the interior
542 part of my navel and sew up my belly button, which this is--I
543 am using really intricate medical terms here, but this is
544 what she--how she described it to me, because this infection

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545 had eaten away all of the interior part of my navel. And I
546 remained in the hospital for seven days, and went home, had
547 to stay with a relative for a week because I couldn't take
548 care of myself.

549 And, basically, I have not regained my strength since
550 that time. It has flared up in a major way about three times
551 since then, every time I go off the antibiotics. Now the
552 area where the abdominal muscles were attached during my
553 reconstruction surgery have all been comprised from this
554 infection, and they no longer support my innards, again using
555 the most sophisticated medical terms. And I really can't
556 stand for more than 15 or 20 minutes. So the infectious
557 disease doctor feels that the infection is deeply embedded in
558 the scar tissue and is going to require surgery in order to
559 clear that up.

560 So because of the MRSA staph infection, I have never
561 been able to complete my surgeries for my cancer. And now
562 even the surgery that I had has been compromised, and that is
563 going to have to be redone. And, obviously, with no
564 insurance, that is impossible. So I can't even get rid of
565 this infection, because I don't have any coverage.

566 I was told that recovery from this reconstructive
567 surgery should be about six weeks. I have been totally out
568 of commission for eight months, have not been able to work,

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569 and I work for myself. That, combined with the recovery time
570 for the mastectomies, that has actually--it has been really
571 devastating.

572 The MRSA was difficult enough to deal with, but when I
573 received notification that my insurance had been canceled
574 with barely a month's notice, the world came crashing down.
575 My medications alone--and this is generic medications--are
576 close to \$2,000 a month.

577 So they said--I had an appointment--just to give you an
578 example, I had an appointment with an infectious disease
579 doctor to see her again, and when I went to see her at her
580 office they told me that it would cost me \$280, because I
581 didn't have insurance. So they made an appointment with her
582 for me at the clinic, because she is with U of L.

583 And my appointment was at 9:00. I didn't see her until
584 well after 11:00. I didn't get out of there until after
585 12:00, and it was not at all the same as when I saw her in
586 her private office.

587 The reason I mention it is because I have always been a
588 very compassionate person, and I have always tried to put
589 myself in someone else's shoes. But I have certainly been
590 getting an in-depth education in the difference between the
591 haves and the have-nots. This has all been a really eye-
592 opening experience.

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593 You can imagine it is not easy to stand up in front of
594 the world and tell some of the most intimate details of your
595 life, but never in my wildest dreams did I imagine that I
596 would find myself in this situation. I started out with a
597 successful career as a copywriter, I ran a manufacturing
598 company in New York, and then I opened my art gallery, and
599 all it took was for me to get sick to have everything come
600 crashing down.

601 If I hadn't gotten the staph infection, things would
602 have been a little tight for a while, but life would have
603 gone on. As it is now, I have gone from driving a Mercedes
604 and traveling around the world and going to New York to get
605 my hair done to spending every waking moment calling agency
606 after agency trying to get assistance from pharmaceutical
607 companies to get my prescriptions, trying to find out who can
608 help me pay my utility bills, and who knew that even food
609 stamps are on plastic these days. I used to sell my clothes
610 in consignment stores; now that is where I buy them.

611 I guess one of the points I would like to make is that
612 it can happen to almost anybody. If you get sick and you
613 lose your insurance, you can be in serious trouble in an
614 amazingly short period of time.

615 I have had this same policy with Anthem for nearly 20
616 years. After having that policy, 15 years of which was

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617 considered--I was considered a one-person group, and I never
618 missed a payment--I really can't understand how I could
619 receive a letter that gave me less than 30 days after they
620 canceled me.

621 So I called my agent who told me that Anthem was no
622 longer going to allow one-person groups, which I thought was
623 a little odd since I have been a one-person group for almost
624 15 years. So I started calling around. I also thought since
625 I was in the middle of cancer treatment, and this MRSA, I
626 couldn't understand how I could be dropped.

627 So I called the insurance company, and I finally reached
628 someone who wouldn't give me an answer, never said anything
629 about their policy of canceling one-person groups, but they
630 said that they had sent me a letter in April and that they
631 had sent me a letter in May, and they told me that I would
632 have been given an opportunity to at least dispute this, but
633 they had not heard anything from me. Consequently, I was
634 canceled.

635 Well, I never got the letter. So I called my agent, and
636 she said, "Oh, yes, I knew about that. But I knew that you
637 wouldn't be able to afford the policy," the conversion
638 policy, which was more than double what I was paying. "So I
639 didn't call you. I didn't let you know about it."

640 Maybe I wouldn't have been able to afford that. I

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641 wouldn't have. But I would have at least had time to try to
642 look for an option. I would have had time to try to get in
643 touch with pharmaceutical companies to get the drugs. And
644 she did forward the letters to me, and they never did send
645 them to me. Those letters were addressed to the agent. They
646 were never addressed to me. They said, "Dear Customer," but
647 the addresses on the letters were both the insurance agent.

648 And, actually, the information in the letters, that
649 never said anything about canceling one-person groups either.

650 Nowhere in any of these conversations did it say anything
651 about that. So it didn't--it just--she had taken good care
652 of me for almost 20 years, but I don't know what happened
653 through all of this. But the fact that the results of an
654 error like this being so monumentally disastrous and without
655 recourse can obviously be acceptable to the insurance
656 companies seems not only unbelievable but, quite honestly,
657 inexcusable to me.

658 In my appeal to the insurance company, all I asked was
659 that they continue my coverage until my treatment could be
660 concluded, and their answer said something about--oh, and
661 this came from the president of the company, the president of
662 Anthem. She said that she hoped that my health would improve
663 and that I would regain my previous lifestyle, and she said
664 that there was nothing they could do about their policies.

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665 How they expected me to return to my good health and
666 lifestyle I don't know, but maybe I should have asked to
667 speak to the psychic who knew that my family's health
668 background had predetermined that I wouldn't have cancer. I
669 don't know.

670 But I just wanted to thank President Obama and all of
671 our Congressmen and their hard-working staff members for
672 their time and efforts to make changes in our system, so that
673 this type of thing will become a bad memory.

674 Just to add a light note. When I was typing this up the
675 night before last, I got a phone call. And I looked at my
676 caller ID and it said Anthem Blue Cross/Blue Shield. Now
677 this is 26 days after I have been dumped by the company. And
678 it is--for a minute this Pollyana that lives inside me is
679 thinking, "Oh my gosh, they are calling me and they are going
680 to reinstate me."

681 Then, the realist in me says, "You are an idiot. That
682 isn't possible." And this lovely recording of this woman's
683 voice comes on and says, "Have you had a mammogram lately?"
684 And I am thinking this is really adding insult to injury.
685 And it goes on and asks about other tests and how it is very
686 important for me to do these preventatively and everything.
687 And I thought, if only you were a real person and I could
688 say, "I would love to have these other tests, but I don't

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689 have insurance."

690 So thank you very much.

691 [The prepared testimony of Patricia Reilling follows:]

692 ***** INSERT *****

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693

Mr. Stupak. Thank you for your testimony.

694

Ms. Beaton, your testimony, please.

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695 STATEMENT OF ROBIN BEATON

696

697 Ms. Beaton. Mr. Chairman, members of the committee--

698 Mr. Stupak. Can you just pull that mic up? It is hard
699 to hear you. I know you have a soft voice.

700 Ms. Beaton. Is that good?

701 Mr. Stupak. That is better. Thank you.

702 Ms. Beaton. Mr. Chairman, members of the committee, I
703 am very honored to be here today to share my story. My name
704 is Robin Beaton. I was registered nurse for 30 years. I had
705 group insurance and was in very good health. I retired from
706 nursing and opened a small antique business. My father
707 always taught our family how very important insurance was.
708 So at my 87 year-old Dad's insistence, I obtained an
709 individual health policy with Blue Cross and Blue Shield in
710 December 2007.

711 In May of 2008, I went to a dermatologist for pimples.
712 A word was written on my chart, which was interpreted
713 incorrectly as meaning precancerous. In June 2008, I was
714 diagnosed with invasive HER-2 genetic breast cancer. This is
715 a very aggressive form of breast cancer. In the beginning, I
716 was told I needed immediate surgery. The doctor said my
717 tumor was two centimeters. Two centimeters is like probably
718 that big. The doctor said that he would perform a

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719 lumpectomy. When you don't have a large tumor, you get to
720 have a lumpectomy. In the beginning, I was going to have a
721 lumpectomy.

722 Blue Cross and Blue Shield precertified me for the
723 surgery and for the hospital stay. The Friday before the
724 Monday I was to have my surgery, Blue Cross and Blue Shield
725 called me on the telephone and they told me that my chart was
726 red-flagged. What does "red-flagged" mean? That means that
727 they are going to investigate you. They were doing it due to
728 the dermatologist's report, due to the pimple report.

729 My dermatologist called Blue Cross directly to report
730 that this was only pimples, it was nothing related to cancer.

731 He asked Blue Cross and Blue Shield to please not hold up my
732 cancer surgery. Blue Cross and Blue Shield the next day
733 stated that they were launching a five-year medical
734 investigation into my medical history. This would take
735 approximately two to three months.

736 I was frantic. I was totally alone as my family lives
737 in Jacksonville, Florida. The hospital wanted a \$30,000
738 deposit, and I knew I could not pay for surgery myself. I
739 had no idea what to do. I had no idea where to turn or
740 exactly what to do to get surgery. I met a lady who told me,
741 she said, "You need to call your congressman, Joe Barton, for
742 help."

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743 I called Joe Barton's office and told him of my
744 situation. Joe Barton's office went to work immediately to
745 help me. The next day I received a letter from Blue Cross
746 and Blue Shield permanently canceling my insurance, stating
747 that my insurance was canceled back to the date that it
748 began.

749 Can you imagine having to walk around for months with
750 cancer growing inside your body and having no insurance? Joe
751 Barton and Christy Townsend worked non-stop every day calling
752 Blue Cross and Blue Shield trying to get my insurance
753 reinstated, so that I could have my cancer surgery. They had
754 no success at this point.

755 I began going everywhere looking for help--county
756 hospitals, agencies, foundations, anywhere that I could go
757 where people would listen to me tell my story and see if I
758 could get help. I was placed on a waiting list. When you
759 have aggressive invasive breast cancer, you don't have time
760 for waiting. My medical records were lost three times at the
761 county hospital. The process was unending, searching for
762 help.

763 The sad thing is Blue Cross and Blue Shield took my high
764 premiums, and the very, very first time that I ever filed a
765 claim with them, the very first time, and was suspected of
766 having cancer, they took action against me, searching high

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767 and low for a reason to cancel my policy, so they would not
768 have to pay for my cancer.

769 A nurse who attends my church, her main job is eight
770 hours a day she reads medical charts, and what she does is
771 she looks for reasons for Blue Cross and Blue Shield to
772 cancel insurance. When she heard about my story, what they
773 had done to me, she came to me and she said, "I am so sorry
774 this happened to you." She said, "I am just so sorry."

775 Blue Cross and Blue Shield has control over life and
776 over death. People have to be able to count on what they pay
777 for. Blue Cross and Blue Shield will do anything to get out
778 of paying for cancer--anything. The sad fact is anyone with
779 a catastrophic illness not part of a group stands a much
780 higher chance of being canceled and left out in the cold
781 without insurance.

782 I go to a cancer support group every week, and have
783 since I very first found out I had cancer. Four of the girls
784 in my group had their insurance canceled. Two of them have
785 had to declare bankruptcy. It is very difficult to speak
786 out, because I live in fear every day that my insurance will
787 be canceled again.

788 I looked everywhere for help, and no one--no one--would
789 help me. No help was found until Joe Barton and Christy
790 Townsend, after working a very, very long time, got my

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791 insurance reinstated. After being diagnosed in June 2008
792 with aggressive invasive breast cancer, I was placed back on
793 the surgeon's waiting list to get my cancer surgery. My
794 tumor grew from two to seven centimeters. Instead of having
795 a small lumpectomy, I had to have a radical double
796 mastectomy, and I had to have all of my lymph nodes taken
797 out, every one of them.

798 Delaying cancer treatment only worsens the condition,
799 costing more to treat, treatment much more intensive, and
800 treatment not being as effective. Also, the outcome is not
801 as good. Once you have cancer, you always have cancer. It
802 is a neverending battle.

803 I go to chemotherapy every three weeks, and I will do
804 this for the next year. Last week I had my second surgery, a
805 two and a half hour surgery, which was very hard, to be cut
806 on again. I had that just last week.

807 Cancer is expensive, and no one wants to pay for it.
808 This is America. People who purchase individual policies and
809 pay their premiums on time, they deserve to receive what they
810 have paid for. I pray with all my heart that no one has go
811 through the sheer agony that I have endured for this last
812 year. I did not deserve to have my insurance canceled. Blue
813 Cross set out to get rid of me. They searched high and they
814 searched low until they found enough to cancel me.

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815 I owe my life to Joe Barton and his staff. I gave up.
816 I completely gave up. But they never gave up. They never
817 gave up on helping me. Only because of them was I able to
818 get help. That was the only reason I got help. If it wasn't
819 for them, I would be dead today.

820 I pray that you will listen to my story and help people
821 like me who are powerless against big insurance companies.

822 And I thank you so much for what you all are doing. I
823 just admire you all so much, and I thank you for listening to
824 me.

825 Thank you.

826 [The prepared testimony of Robin Beaton follows:]

827 ***** INSERT *****

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828 Mr. Stupak. Thank you, Ms. Beaton.

829 We are going to go to questions for this panel. Let me
830 begin.

831 Ms. Beaton, when your insurance policy was rescinded,
832 you needed a mastectomy to save your life, is that correct?

833 Ms. Beaton. I needed first a lumpectomy in the very
834 beginning. I forgot to say that. When I went to Washington,
835 truly honestly I was only going to have to have a lumpectomy,
836 which is where they go in and remove the small tumor. But
837 due to the waiting, I had to go from a lumpectomy to a double
838 radical mastectomy and the lymph nodes. So that is how much
839 my cancer spread.

840 Mr. Stupak. So in that delay, you were going for a
841 lumpectomy, you ended up having a double mastectomy.

842 Ms. Beaton. Yes. Everything.

843 Mr. Stupak. What would have happened if Congressman
844 Barton was not able to get your insurance reinstated? What
845 would you have done? Would you have had the surgery?

846 Ms. Beaton. I went to the county hospital, and they
847 placed me on their waiting list to get a mastectomy, to get a
848 lumpectomy at first and then it turned into a mastectomy.
849 But anyway, at the county hospital you have to wait. And to
850 be honest with you, they lost my records three times, and
851 they never called me back. In other words, I kept calling,

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852 and I kept calling.

853 Mr. Stupak. So you don't know how long you would have
854 had to wait for the county hospital--

855 Ms. Beaton. I had to wait--I probably would have waited
856 a long time, a lot longer, to get my--I probably wouldn't
857 have lived.

858 Mr. Stupak. You also stated in your opening statement
859 four of the women in your cancer support group had their
860 insurance canceled because of cancer. Two of the four had to
861 declare bankruptcy.

862 Ms. Beaton. Yes.

863 Mr. Stupak. Without using any names here, can you tell
864 us any details about their specific interactions with their
865 insurance companies?

866 Ms. Beaton. Yes. Both of them had individual policies,
867 and both of them had paid their premiums. One girl had her
868 insurance for almost six years, and the other girl had her
869 insurance for three years. And just the moment that she put
870 in the first claim for cancer, they started doing an
871 investigation. It was almost like repeating my story over.

872 And they did an investigation into her history, and they
873 found a little tiny thing she forgot to write down on her
874 application. And they rescinded her insurance, canceled her,
875 you know. She had to go apply for the Safe Health--both of

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876 them were on Safe Health.

877 So that is the sad thing--when private insurance gets
878 rid of people, eventually they will get help, but the
879 taxpayer is going to have to pay for it. And that is exactly
880 what happened. Both of them were on disability and on I
881 guess you would call it Medicaid or Medicare. And I have to
882 listen to--every week I hear them talking about the terrible
883 time they are having, and they have both lost their house,
884 they have lost their home.

885 Mr. Stupak. To be on Medicaid, if you are under 65, as
886 all of us know up here because we deal with it all the time,
887 you either have to spend down and have very little assets or
888 you have to be at least disabled for two years before you can
889 even qualify for Medicare. If you had to wait two years and
890 become disabled in order to qualify for Medicare to pay for
891 your surgery, you probably wouldn't be here today.

892 Ms. Beaton. No. One of the girls has brain cancer, and
893 the other has breast cancer, which spread to her lungs. So,
894 you know, if I went around the room and told you all the
895 people in my cancer group and the stories, those are just the
896 four most significant ones. But every one of them has had
897 trouble with their insurance companies, getting them to pay
898 for stuff, not wanting to pay for scans, and just the cost of
899 cancer is just overwhelming.

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900 Mr. Stupak. Well, you were a nurse, Ms. Raddatz is an
901 attorney, Ms. Reilling is a professional person, who is
902 obviously quite successful. We have a rather sophisticated
903 panel here, and it seems like each of you had to intervene in
904 a certain way to--probably more acuity or more knowledge on
905 how the system works in order to get your insurance or get
906 some form of coverage.

907 Ms. Raddatz, if you may, that binder right in front of
908 you, the brown one, Tab Number 5, I want to ask you a
909 question about your brother. Tab 5 is a letter your brother
910 sent to the Illinois Attorney General after his health
911 insurance was rescinded, and this was right before he was
912 supposed to have the bone marrow transplant, correct?

913 Ms. Raddatz. That is correct. It was a stem cell
914 transplant, yes.

915 Mr. Stupak. In there he writes, "I have been through
916 chemotherapy, and I am being prepared for a stem cell
917 transplant within three of four weeks. This is an urgent
918 matter. Please help me so I can have my transplant as
919 scheduled. Any delay could threaten my life."

920 So in your brother's case he needed this transplant to
921 save his life, is that correct?

922 Ms. Raddatz. That is correct.

923 Mr. Stupak. And if the rescission stood, in other words

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924 if his policy was not reinstated, would he have been able to
925 get that transplant?

926 Ms. Raddatz. No.

927 Mr. Stupak. So the insurance company's decision was
928 literally a matter of life and death for him?

929 Ms. Raddatz. It absolutely was, because there was a
930 very small window of opportunity for him to have it. And he
931 couldn't just go shopping for another method of having it.
932 At the last hearing, someone brought that up. "Well, how
933 come you didn't try to get some alternative means of
934 treatment?" Well, this is a stem cell transplant. There are
935 only certain doctors that do this, and, first of all, you
936 prepare for this for months with a very specific protocol.
937 It is a very sophisticated procedure. It is a life-saving
938 procedure; thank goodness that it exists and that it is
939 saving people's lives.

940 But you have to do it within that window of opportunity.
941 If you don't do it, he would have died.

942 Mr. Stupak. So, then, you intervened with the Attorney
943 General, and the Attorney General wrote a couple of letters.

944 And finally, after the second or third letter, they
945 reinstated his policy, because he was denied for something he
946 had no knowledge of, correct?

947 Ms. Raddatz. That is absolutely correct.

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948 Mr. Stupak. Okay. And your brother, unfortunately,
949 died. But did the stem cell transplant extend his life?

950 Ms. Raddatz. It certainly did. If he didn't receive
951 the stem cell transplant, after, like I said, he was told he
952 wasn't--I mean, imagine you are told that you are dying, that
953 you only have a few months to live, but there is a doctor who
954 can give you a stem cell transplant and help you, and he is
955 preparing you for it.

956 And so you are somewhat hopeful that your life will be
957 extended, and now all of a sudden, no insurance, no stem cell
958 transplant. Yes, he had the stem cell transplant eventually,
959 and it extended his life approximately three and a half
960 years, which, you know, he did pass away just 12 hours short
961 of his 64th birthday on January 6 of this year.

962 But those three and a half years, to myself and our
963 family, were precious. We spent the last 30 days with him in
964 the hospital every day, and those last 30 days, for anyone
965 who has ever been in that situation, every month--every year,
966 every month, every day, every hour is precious, for your
967 loved one and for your family. And it was successful. And
968 as a matter of fact, he was preparing to have a second stem
969 cell transplant when he did pass away.

970 Mr. Stupak. Thank you.

971 Ms. Reilling, you were with Anthem insurance for 20

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972 years?

973 Ms. Reilling. Yes.

974 Mr. Stupak. And Anthem is really--is our ballpoint
975 insurance company?

976 Ms. Reilling. Yes. I think they were fairly recent
977 with--

978 Mr. Stupak. And of those approximately 20 years, 15 you
979 were in this single-person group policy?

980 Ms. Reilling. Yes.

981 Mr. Stupak. Did they ever tell you this single-person
982 group policy was coming to an end, they were changing their
983 policies on single-person group policies?

984 Ms. Reilling. No. As I said, supposedly, these letters
985 that were supposedly sent to me in April and May, but when I
986 did see those, which were sent to me in June after the fact
987 from my agent, they never said anything about them either.

988 Mr. Stupak. Well, were those letters addressed to your
989 agent or to you?

990 Ms. Reilling. To the agent. They referred to me, but
991 they were never sent to me. And they did not say anything
992 about that either.

993 Mr. Stupak. So you weren't rescinded. They failed to
994 renew your policy.

995 Ms. Reilling. Oh, no, they canceled me.

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996 Mr. Stupak. Right.

997 Ms. Reilling. They said, "You will be canceled as of
998 June 30."

999 Mr. Stupak. And then, they offered you a single,
1000 individual policy, correct?

1001 Ms. Reilling. Well, yes, because we applied for another
1002 policy that was--my agent applied for something that would
1003 have been a reasonable policy, knowing that they were--she
1004 knew that they would not allow me to have that, because I was
1005 going to try to get a State policy, which is like a high-risk
1006 pool.

1007 Mr. Stupak. Sure.

1008 Ms. Reilling. So they--but they didn't allow--they did
1009 deny me that.

1010 Mr. Stupak. So that you--

1011 Ms. Reilling. But they didn't tell me why.

1012 Mr. Stupak. Did you submit an application for an
1013 individual policy?

1014 Ms. Reilling. Yes.

1015 Mr. Stupak. And you were denied?

1016 Ms. Reilling. They said, "We would love to give you
1017 insurance. We are pleased to give you insurance. However,
1018 we will not give you the insurance that you applied for, the
1019 policy that you applied for. However, we would be glad to

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1020 give you this other policy," which is close to \$1,300--well,
1021 one that was close to \$1,200 a month and one that was close
1022 to \$1,300 a month, which is--with a \$2,500 deductible, which
1023 is totally out of my reach.

1024 And the reasons that they gave for denying me the policy
1025 that I applied for make no sense whatsoever, and they
1026 actually didn't tell me.

1027 Mr. Stupak. Do you believe they failed to renew your
1028 policy because they are closing this single-person group
1029 policy status they had, or do you believe it is because you
1030 were sick?

1031 Ms. Reilling. That makes no sense. I had it for almost
1032 15 years. The only thing that--to me, I almost never made
1033 any claims. I mean, the only thing was is I had this ongoing
1034 treatment for my back that, as I said, I only went to the
1035 doctor every three to four months, and that was because I had
1036 to do that to get my medications renewed. And other than
1037 that, I haven't been sick for as long as I can remember.

1038 Mr. Stupak. So you didn't cost them any money until the
1039 last year.

1040 Ms. Reilling. No. And I totaled it up, and I know that
1041 I have spent well over \$200,000 on my premiums. And even
1042 with my surgeries, they are still way ahead.

1043 And I did want to mention something that had to do with

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1044 what Ms. Beaton said. When she was talking about the fact
1045 that if--if the insurance companies would approve some of
1046 these things that are asked for, it would save them money.
1047 There was a test that my oncologist had me go for, and it
1048 actually allowed them--the results of that test allowed me to
1049 not have chemotherapy, which was a wonderful, wonderful thing
1050 for me. It is a new test. It is a relatively new test. It
1051 is expensive. It is \$2,000-something.

1052 However, it saved the company, because had I not had
1053 that test, I was definitely going to have to have
1054 chemotherapy and possibly radiation. They would not--no, it
1055 was close to \$3,000. The insurance company denied payment
1056 for it, and we are still fighting it, and this goes back to
1057 2008. They are still denying it. They paid something like
1058 \$750, and they will not pay any more, and we have had, you
1059 know, time after time we are trying to--

1060 Mr. Stupak. Sure.

1061 Ms. Reilling. --go through that. So when you talked
1062 about the cost effectiveness, somebody is not paying
1063 attention, because, yes, that is an expensive test, but it is
1064 preventing much more expensive treatment. So it doesn't make
1065 any sense.

1066 And the other thing is is the infection that I have now,
1067 that is--I can't see my son, because he is diabetic, and he

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1068 has an insulin pump, which has a needle going into his
1069 stomach. So this staph infection is threatening to him, so I
1070 can't be around my son. I have a grandson, who is so afraid
1071 of the swine flu, that now when he hears about this I can't
1072 see him.

1073 And I can't go on with my life, because I can't treat
1074 this infection. So it is just--it is crazy that you can't go
1075 on with your life if you do not have your insurance. And I
1076 am being--you know, I never--I didn't do anything wrong.

1077 Mr. Stupak. Sure. So it is not just a financial, but
1078 as we have seen from each of you, the emotional toll it takes
1079 on families is tremendous. And each of you brought forth a
1080 form of cancer that your brother had or you had personally.

1081 And in documents obtained by the committee--I said we
1082 have looked at over 116,000 documents, and it shows that
1083 cancer is one of the conditions that automatically triggers
1084 an investigation by these insurance companies, whether it is
1085 Assurant or WellPoint or any of these. In fact, here is a
1086 list of Assurant's. There is about 1,400 different codes
1087 they use. So once you apply for it, it then triggers it in
1088 their computers. Then, they go through and scour and try to
1089 find some reason to deny you, because of an expense. And you
1090 have 1,400 by one company, 2,000 codes by another, so that--

1091 Ms. Reilling. The wording of--

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1092 Mr. Stupak. --pretty much means you have--

1093 Ms. Reilling. The wording of why they denied me this
1094 new policy that I tried to apply for, they said "ongoing
1095 treatment for" and then--

1096 Mr. Stupak. They list it.

1097 Ms. Reilling. --they used--well, no, they wouldn't say
1098 what it was. They mentioned my back, but of course they have
1099 been treating me for that for over 20 years. Then, they
1100 said--I don't remember the word, it is in papers that I gave
1101 you all, but conditions, something like "unnamed conditions."

1102 Well, the only other condition is the MRSA staph, which
1103 I got when I was in the hospital--

1104 Mr. Stupak. Right.

1105 Ms. Reilling. --and cancer. It seems that it is not
1106 right for them to deny me that. And the MRSA, the thing that
1107 is frightening to me, is this has already been eating away at
1108 my insides. I mean, they have done emergency surgeries for
1109 that. You know, so the longer I go not being able to have a
1110 surgery that is supposed to help get rid of that, the longer
1111 I am at risk of it going ahead and just munching its way
1112 through to my insides. And it is very frightening, not to
1113 mention the fact that I can't do anything, and I can't work
1114 and I can't make a living.

1115 So, you know, with just the strike of a pen, they can

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1116 totally ruin people's lives.

1117 Mr. Stupak. Thank you.

1118 Mr. Hill, questions, please.

1119 Mr. Hill. Thank you, Mr. Chairman. And, again, I want
1120 to thank the chairman for coming to Indiana to hold these
1121 hearings to try to get to the bottom of the problems that we
1122 are having in health care.

1123 I am going to have to leave around noon, which is a
1124 little earlier than when the committee is going to have to
1125 adjourn, because I am traveling back to Washington today, as
1126 a member of the Energy and Commerce Committee, to carry on
1127 discussions about what we should be doing with this bill that
1128 is before us.

1129 One of the things that is a given is the fact that when
1130 we pass health care--and I believe that we will, although it
1131 is going to be a struggle to do it. The legislative process
1132 grinds slowly. But one of the things that we will be
1133 addressing is preexisting conditions. So when we pass health
1134 care, we will no longer have to have meetings like we are
1135 having, committee meetings right now, because your situation
1136 will not be relevant anymore, because preexisting conditions
1137 will no longer be an issue.

1138 And that is one of the most important reasons why we
1139 need to pass health care legislation this year. Everybody

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1140 has a story to tell. I have my own story. My youngest
1141 daughter, Libby, has a blood disorder. She is 22 years of
1142 age, and she is heading off to Michigan Medical School. And
1143 she very soon is going to be on her own. She is on our
1144 policy now.

1145 What will happen to her now that she has this
1146 preexisting condition when she has to buy her own insurance
1147 policy? We are all very nervous about it. And so unless we
1148 get a company or somebody that accepts preexisting
1149 conditions, she is going to be out of luck. And so we
1150 all--the three of us here, and the members of Congress,
1151 realize the importance of passing legislation that is going
1152 to correct this inequity.

1153 Now, having said that, I do have a few questions. Ms.
1154 Beaton, you say that you obtained an individual policy with
1155 Blue Cross and Blue Shield in December of 2007. And then, in
1156 May 2008, which is approximately five months later, you were
1157 diagnosed with acne, which was precancerous.

1158 Ms. Beaton. But it wasn't precancerous. It was just a
1159 misinterpretation of a word. But what it did to them is it
1160 red-flagged my chart. In other words, it brought suspicion
1161 on me, because the word. The doctor--he was the nicest man.

1162 He called Blue Cross and Blue Shield directly, and he begged
1163 them, he said, "Please," he said, "this is a

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1164 misunderstanding." He said, "This lady came to see me for
1165 pimples or acne." He said, "She doesn't have anything
1166 related to cancer."

1167 Mr. Hill. And who said that?

1168 Ms. Beaton. Dr. Kent Afergutzen.

1169 Mr. Hill. This is your dermatologist?

1170 Ms. Beaton. Yes, sir.

1171 Mr. Hill. Okay. And then, the insurance company told
1172 you on the Friday before you were to have cancer surgery that
1173 "They were launching a five-year medical investigation into
1174 my medical history, and this would take approximately three
1175 months."

1176 Ms. Beaton. Yes.

1177 Mr. Hill. Did that delay your surgery?

1178 Ms. Beaton. Absolutely. It delayed it from June until
1179 October 2, because what I had to do is I had to provide them
1180 every doctor, every hospital, every pharmacy, anything I had
1181 that was related to my medical history for the last five
1182 years. And can you imagine having to go back in your medical
1183 history for five years? You know, you don't remember things.

1184 Because they said if I forgot one thing, if there was one
1185 thing that I forgot, that I didn't disclose, that I would
1186 automatically be canceled.

1187 So I searched, and, I mean, I went through all of my

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1188 records. It took me like weeks to do that. And I gave them
1189 every pharmacy I had ever been to, because I don't use always
1190 the same pharmacy, I go to different pharmacies. I had to
1191 give them every pharmacy, every doctor, every hospital, every
1192 emergency room I had ever been to. And then, what they do is
1193 they write--they have to get permission from you to get it.
1194 They get your medical records, and they go through with a
1195 fine-tooth comb those medical records.

1196 So, yes, it took from June when I was supposed to have
1197 my surgery, June, July, August, September, October 2 I had my
1198 surgery. And just like I said, the most significant thing
1199 is, if you can look on a picture how big two centimeters is,
1200 how small it is, to know that I was going to have to have a
1201 lumpectomy, and then to have to have both of your breasts
1202 removed and all of the lymph nodes, I will never be able to
1203 do anything with this arm again, like have blood drawn, have
1204 IVs, or anything out of this arm for the rest of my life.
1205 So, yes, it affected me with all of my heart.

1206 My tumor grew, it spread, and, you know, you never know,
1207 but if they could have done my surgery really quickly,
1208 perhaps none of that would have happened.

1209 Mr. Hill. Okay. Who made the decision to delay your
1210 surgery?

1211 Ms. Beaton. Blue Cross and Blue Shield.

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1212 Mr. Hill. Did the hospital not want to, or the doctors
1213 not want to, perform the surgery because it was in doubt
1214 whether or not you had coverage or not?

1215 Ms. Beaton. Yes. They said that I would have to pay a
1216 \$30,000 deposit, and I didn't have that kind of money, and
1217 neither did my mother and father. So they wanted a big
1218 deposit, and I didn't have it.

1219 Mr. Hill. So the matter got worse, and then you had to
1220 call upon Joe Barton to help you get it fixed and he did.

1221 Ms. Beaton. He did. If you only knew how hard he
1222 worked every day. He went all the way to the president of
1223 Blue Cross and Blue Shield. He called them every day on the
1224 speakerphone and talked to them, and every time they called
1225 he would call me and say, "No luck. We haven't had any luck,
1226 but we are still trying. We are not giving up." They gave
1227 me a report every day, so I wouldn't give up.

1228 To be honest with you, I did give up. I gave up. I
1229 went to the county hospital. I applied to Susan G. Komen
1230 Breast Foundation. I applied at Promise House. I applied
1231 anywhere I could to get help, and their funds are limited
1232 everywhere you go, because there are so many people who have
1233 breast cancer these days. So I was very limited in the help
1234 that I could receive.

1235 Mr. Hill. Okay.

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1236 Ms. Beaton. I was on different waiting lists.

1237 Mr. Hill. Ms. Raddatz, your brother's cancer treatment,
1238 was it delayed at all?

1239 Ms. Raddatz. It was not delayed, no.

1240 Mr. Hill. Okay. But you had to go through several
1241 hoops in order to get--make sure that he was going to have
1242 coverage.

1243 Ms. Raddatz. Oh, yes. I mean, when we got the news
1244 that it was canceled, we were just horrified. I can't even
1245 tell you how upsetting that was, because it was all
1246 scheduled. I mean, it was ready to be scheduled--excuse
1247 me--but he had done all of the protocols, he was ready to go.

1248 And so I literally was not working at my law practice for
1249 weeks. I was at my office, but daily I was working on
1250 solving my brother's health insurance rescission problem.
1251 And I was--I am attorney, and I still didn't know how to
1252 solve it straight up.

1253 Mr. Hill. Right.

1254 Ms. Raddatz. It took me several weeks, and many, many
1255 phone calls to other attorneys, judges, experts, and finally
1256 we made it to our Attorney General's office. And I
1257 understand in Illinois we are very lucky to have the Health
1258 Services Section in our Attorney General's office, Lisa
1259 Madigan's office. There are many states that do not have

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1260 those services available for citizens to go to.

1261 And even if it is available, most people, when they get
1262 that type of news, they don't know what to do. They are
1263 sick. Their spirits are low. A lot of them are not working.
1264 They don't know what to do, and they don't know where to
1265 turn. And many of these people just give up.

1266 Mr. Hill. Okay. Ms. Reilling, in reading through your
1267 testimony and listening to your testimony, I am making the
1268 assumption that Anthem did pay for some of your treatment.

1269 Ms. Reilling. Yes.

1270 Mr. Hill. And that somewhere midway through all of your
1271 treatments they decided to cancel you.

1272 Ms. Reilling. Yes.

1273 Mr. Hill. And the reason that they gave for canceling
1274 you is that the policy was not going to be offered anymore.

1275 Ms. Reilling. Well, to my knowledge, I was not given
1276 any reason, because I never received the letters that they
1277 supposedly sent. So I just suddenly got a letter on around
1278 June 1 that said, "Your policy will be ending--we will be
1279 canceling your policy as of June 30."

1280 Mr. Hill. Okay.

1281 Ms. Reilling. I had no explanation.

1282 Mr. Hill. Do you have insurance now?

1283 Ms. Reilling. No.

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1284 Mr. Hill. None at all.

1285 Ms. Reilling. No.

1286 Mr. Hill. Do all three of you feel like that the
1287 insurance companies were manipulating the reasons as to deny
1288 coverage to you all?

1289 Ms. Beaton. Absolutely.

1290 Mr. Hill. Now, that is an opinion of course.

1291 Ms. Beaton. Absolutely.

1292 Mr. Hill. But you all three feel that way. And, Ms.
1293 Beaton, do you have any insurance coverage now?

1294 Ms. Beaton. I only have insurance because of one
1295 reason.

1296 Mr. Hill. Joe Barton.

1297 Ms. Beaton. That is the only reason.

1298 Mr. Hill. Okay. Thank you.

1299 Ms. Beaton. They didn't want to give me back my
1300 insurance. He told me that--I had never met Mr. Barton. I
1301 met him for the very first time in Washington. He helped me
1302 not even knowing who I was, just because I was a constituent
1303 in his area. And the first time I met him I just broke down
1304 and said, "I could never thank you enough for helping me."
1305 But he went all the way to the top and he told me, he said,
1306 "They did not want to reinstate you." He said, "I really had
1307 to fight them." He told me that.

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1308 Ms. Raddatz. May I respond?

1309 Mr. Hill. Sure, Ms. Raddatz.

1310 Ms. Raddatz. Yes. Not only--we also know after our
1311 last hearing in Washington that now, knowing all of this
1312 information, they still agree that they will continue their
1313 practices of rescinding. So it didn't really matter that we
1314 already--Ms. Beaton and myself told these stories, and many
1315 other stories were told to them in person in Washington, D.C.
1316 last month, they still admitted that they would just continue
1317 those practices.

1318 So, you know, until Congress stops them from doing it,
1319 they are just going to keep going on, because they know it is
1320 legal right now for them to do that. It is legal for them to
1321 rescind people who are dying and take away their insurance
1322 policies after good American citizens have paid their hard-
1323 working dollars. In my brother's case, he was paying \$900 a
1324 month for his policy. And it is okay for them to do that.

1325 And not only have they done it, but they came right out
1326 in Congress and in front of the whole world on C-SPAN and
1327 said, "We are just going to keep doing it." So they are
1328 basically saying, "Look, Congress, either stop us from doing
1329 it or we are just going to keep doing it, because that is
1330 what we do. We make our--that is how we make our living. We
1331 make our livings by rescinding people and making more money."

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1332 Mr. Stupak. That is a good point.

1333 And as Congressman Hill indicated, he is going to have
1334 to leave a little early here, because he has got to go back.

1335 We are trying to do health insurance--or I should say health
1336 coverage for all Americans through our Energy and Commerce
1337 Committee.

1338 Congressman Yarmuth, who is going to be going back, is
1339 going to ask questions next. They already passed it through
1340 Ways and Means Committee, but the Energy and Commerce
1341 Committee is the main policy, health policy for the Congress,
1342 and we have been working on this.

1343 We were actually supposed to do one of these hearings
1344 last week, as you know, Ms. Raddatz, in Chicago. We had to
1345 cancel because of health care meetings. We thought about
1346 canceling this one, but I couldn't do that twice to you, so
1347 we kept this hearing going. I will stay and keep this
1348 hearing going. I know Mr. Hill is going to go back and
1349 protect our interest, and we have a lot of questions.

1350 If my memory serves me correct, it is Section 162 which
1351 would prevent rescissions without an independent third-party
1352 review. But I think after this hearing, and after our next
1353 panel, I think we have to go even further and put a time
1354 limit as to when that review would take place, so many days,
1355 and a few other things. So these hearings not only helps us,

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1356 but, unfortunately, it is a very busy time for all of us with
1357 health care.

1358 And, Congressman Hill, by the end of the year I think
1359 you will see at least enactment of a national health
1360 insurance plan to cover all Americans, where preexisting
1361 injuries would not be a condition to eliminate people's
1362 coverage, and will do something with this rescission.

1363 But with that, let me turn it to Congressman Yarmuth for
1364 questions, please.

1365 Mr. Yarmuth. Thanks, Mr. Chairman. I am just going to
1366 ask a couple of brief questions.

1367 Ms. Beaton, you talked about your cancer support group
1368 and the four women who are with you in that, and two of them
1369 have gone bankrupt and they had had their coverage canceled.

1370 Were the situations similar? Were these all cases of
1371 rescission as far as you know?

1372 Ms. Beaton. Yes, every one of them was.

1373 Mr. Yarmuth. Were they able to--are they currently
1374 insured at all? They are not insured?

1375 Ms. Beaton. Not at all. They all are on state
1376 assistance, every one of them. Every one of--the one girl
1377 lost her house, and now she is living in government-
1378 subsidized housing. She had a nice house, and she lost her
1379 house. She lost everything and has to live in government

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1380 housing now.

1381 Mr. Yarmuth. Did they receive their treatment in any
1382 way, or were they--did they rely on charitable care or
1383 something?

1384 Ms. Beaton. They relied on charitable care, which is
1385 like mine. They didn't get immediate care; they had to wait.

1386 And when you go through a county hospital around Dallas,
1387 there are so many people there, you wouldn't even believe.
1388 Every time you go to a clinic appointment it is the whole
1389 day. You go--no matter if you have an 8:00 appointment, you
1390 wait all day long with a room just like this big just full of
1391 people. You can't even imagine how long you have to wait.

1392 And then, when you get in a room, you finally think you
1393 are going to get to see the doctor, well, guess what, you
1394 wait another couple of hours. So it is an all-day thing.
1395 There is no way you can work. There is no way you can keep a
1396 regular job or do regular things, because your whole time is
1397 going to waiting to see a doctor. It is a very bad
1398 situation.

1399 Mr. Yarmuth. Congressman Barton was able to keep your
1400 coverage in force. Has there been a change in your premium
1401 rates since then?

1402 Ms. Beaton. Yes, they went up quite a bit. They went
1403 up. They said it wasn't anything related to that. They said

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1404 that they were going up on everybody's policy, but they sent
1405 me a letter, and, yes, they went up. Right away they went
1406 up.

1407 Mr. Yarmuth. How much did they go up, do you remember?

1408 Ms. Beaton. It was like \$200 a month. And it was
1409 already a real high premium, because of my age. I am 59.

1410 Mr. Yarmuth. Right.

1411 Ms. Beaton. So to me it was a lot of money. It was all
1412 I could do. And to be honest with you, I never would
1413 have--when Mr. Barton called and told me my insurance was
1414 reinstated, you know what I told him? I said, "I don't
1415 want it. I don't want it back." I said, "I have lost my
1416 trust."

1417 And by that time, I had applied to a state program, and
1418 I had gotten accepted for the state program where they pay
1419 100 percent for women with breast and cervical cancer, and I
1420 told him, I said, "I don't want Blue Cross and Blue Shield
1421 back." I said, "Why should I want them back? What they did
1422 to me, what they cost me." But he told me, he said, "You
1423 will never be able to have insurance again. You will be
1424 uninsurable because of the cancer." He said, "Take it back."

1425 He said, "It is your last chance in your life to get regular
1426 insurance."

1427 So because of his great wisdom, I only took it back

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1428 because of him, because I lost every bit of my trust. I
1429 hated them.

1430 Mr. Yarmuth. Ms. Reilling, we have a copy of a letter
1431 that you received on July 1 of this year, just a few weeks
1432 ago, offering you the alternative individual coverage, and
1433 stipulating the reasons that you were denied coverage and
1434 denied your application, which I assume was to resume your
1435 one-person group insurance coverage, is that right?

1436 Ms. Reilling. No. Actually, my agent, she just kind of
1437 ignored that whole thing and acted like--she is the one who
1438 told me that Anthem was discontinuing one-person groups. I
1439 never heard it--I have never heard it from the company, so
1440 she applied--

1441 Mr. Yarmuth. For an individual policy.

1442 Ms. Reilling. --for an individual policy, but one that
1443 was close to what I was paying, and that was what they
1444 denied.

1445 Mr. Yarmuth. And they denied that.

1446 Ms. Reilling. And they offered me one that was--

1447 Mr. Yarmuth. One that was more expensive and
1448 mentioned--

1449 Ms. Reilling. A whole lot more expensive.

1450 Mr. Yarmuth. --the preexisting conditions and your
1451 treatment for protected health information, it says in the

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1452 letter--

1453 Ms. Reilling. Yes.

1454 Mr. Yarmuth. --under Tab 23. I understand why they
1455 didn't want to put it in the letter, because that--it is your
1456 personal information, even though to you it might have not
1457 been a congressional--

1458 Ms. Reilling. But the only--

1459 Mr. Yarmuth. --so they want to protect you.

1460 Ms. Reilling. --thing it could be, though, is the
1461 cancer and the MRSA.

1462 Mr. Yarmuth. Right.

1463 Ms. Reilling. Because that is the only thing I have
1464 been treated for.

1465 Mr. Yarmuth. Right. Do you know if this offer--the
1466 offer that they made, whether there would be any exclusions
1467 as to coverage?

1468 Ms. Reilling. No, because, as I said, I didn't even--

1469 Mr. Yarmuth. Couldn't afford it anyway.

1470 Ms. Reilling. I didn't know about any of this, and my
1471 agent just turned it down. And, actually, she was only
1472 applying for it as a means to getting me to apply for
1473 Kentucky Access, which required--it wasn't enough for me to
1474 just have been dropped by the insurance company, I had to
1475 have applied and been denied, which is why I have gone so

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1476 long without insurance.

1477 However, when I found out what the rates are for
1478 Kentucky Access, I can't afford those either. It is \$800 a
1479 month, and that is a public--I mean, a State program.

1480 Mr. Yarmuth. Right. Okay. Thank you very much.

1481 Thanks to all of you for telling your stories. They
1482 were, again, very important in putting a face on the types of
1483 situations that we are trying to correct and on efforts to
1484 reform health care delivery and insurance in the country.
1485 Appreciate it.

1486 I yield back. Thanks, Mr. Chairman.

1487 Mr. Stupak. Thanks, Mr. Yarmuth.

1488 We had asked Assurant Health Insurance to come. They
1489 refused. I do not want to use the subpoena power, even
1490 though this committee has it. But, Ms. Raddatz, that was
1491 your brother's health insurance, but I want to ask a question
1492 anyway, if I could.

1493 Your brother's individual health policy was Fortis,
1494 which is really Assurant Health. Is that right?

1495 Ms. Raddatz. Yes, that is correct.

1496 Mr. Stupak. Okay. I would like to play a television ad
1497 that Assurant is running across the country right now and get
1498 your reaction to it. Would you show us that ad, please?

1499 [Video presentation begins.]

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1500 "Female Speaker: My employer doesn't offer medical
1501 insurance. So we needed an affordable health plan that fit
1502 our family's needs.

1503 Female Speaker: When I started my own business, I
1504 didn't think I could afford health insurance. I just wanted
1505 to be able to see my personal doctor once a year.

1506 Male Speaker: When I retired, we were years away from
1507 Medicare.

1508 Female Speaker: But we still needed protection. What
1509 if something serious happened?

1510 Female Speaker: So a friend recommended Assurant
1511 Health. We were able to protect our entire family. They
1512 even have a dental plan.

1513 Female Speaker: I saved hundreds of dollars by only
1514 paying for benefits I want. I even got a 50 percent discount
1515 just for being healthy.

1516 Male Speaker: We have got \$6 million in medical
1517 coverage, and can even see the specialist we choose.

1518 Female Speaker: Without a referral.

1519 Male Speaker: For over 100 years, Assurant Health has
1520 been meeting the needs of individuals like you. Plans start
1521 under \$100 per month.

1522 Male Speaker: Call now and speak with your local agent,
1523 Carl Heath, Jr., for your no obligation quote. Call 1-410-

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1524 288-0772 now."

1525 Mr. Stupak. In this ad, it shows people who might need
1526 insurance, as they say in the ad, "like you," a family, small
1527 business owner, retiree, and they all look relatively
1528 healthy. But what the ad never mentions is that Assurant
1529 will not provide insurance to people with preexisting
1530 conditions, because these people get too expensive and it
1531 would reduce their profits.

1532 So let me ask you, from your experience, does this
1533 company have an interest in keeping sick policyholders on its
1534 rolls? Ms. Raddatz?

1535 Ms. Raddatz. In keeping sick policyholders?

1536 Mr. Stupak. Yes.

1537 Ms. Raddatz. Absolutely not. All they want are healthy
1538 people, so that they can collect insurance premiums and not
1539 have to pay out any claims. They don't want sick people.
1540 When you become sick, they cancel and rescind your policy.
1541 And so as they state in the commercial, how dare they? What
1542 if something serious happens? Something did serious happen
1543 to my brother, and they rescinded him.

1544 Mr. Stupak. Let me show you another clip on another
1545 Assurant TV ad.

1546 [Video presentation begins.]

1547 "Male Speaker: Unlike other health insurance companies

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1548 that focus on corporations and treat everyone the same,
1549 Assurant Health is there for the individual. So if you need
1550 health insurance, call the number on your screen, visit our
1551 website, or contact your local agent.

1552 Male Speaker: Call now to find out"--

1553 Mr. Stupak. They say they are not treating everyone the
1554 same, and they are there for the individual. Were they there
1555 for your brother Otto?

1556 Ms. Raddatz. Absolutely not.

1557 Mr. Stupak. Do you find these ads misleading about how
1558 Assurant covers individuals?

1559 Ms. Raddatz. I would say they are misleading, they are
1560 upsetting. I would say to people, "Run, do not buy insurance
1561 with a company that doesn't stand behind the people that need
1562 them."

1563 Mr. Stupak. And as I said, there is 1,400 reasons or
1564 excuses why they cancel you once you become sick.

1565 Let me ask you, Mr. Baron, Hill, do you have any further
1566 questions?

1567 Ms. Beaton. Can I say something real quick?

1568 Mr. Stupak. One minute.

1569 Mr. Hill, questions?

1570 Mr. Hill. The only question I might have is--maybe this
1571 is for the representatives from the insurance companies, but

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1572 my guess is that once you are denied insurance coverage, it
1573 is almost impossible for another insurance company to pick
1574 you up. I don't know if you have had that experience or not,
1575 Ms. Beaton. I know you--

1576 Ms. Beaton. They never pick you up. Never. Never.

1577 Mr. Hill. There is just like a zero chance for you
1578 being able to get coverage.

1579 Ms. Beaton. Right. Have you ever been refused
1580 insurance? They ask that on the questionnaire. It is one of
1581 the questions they ask you. If you have ever been refused
1582 insurance or canceled, they just kick you right out.

1583 Mr. Hill. Okay.

1584 Ms. Beaton. All I wanted to say is I admire you so much
1585 for getting those commercials. I wish you would have brought
1586 the Texas Blue Skies Blue Cross/Blue Shield commercial that
1587 has been airing every day, about 15 times a day. I want to
1588 just puke every time I hear it. They have you humming a
1589 little tune, you know, about America and blue skies and
1590 everything is wonderful, "We will always be here for you,"
1591 and every time I listen to that commercial on TV, how they
1592 are spending millions of dollars for those commercials, I
1593 just say--I want to say, "You are lying. You are liars."

1594 You know, they are spending all that money on Blue Skies
1595 commercials. Sometime you can get one of those Blue Skies'

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1596 commercials for Blue Cross/Blue Shield and it will make you
1597 sick to your stomach.

1598 Mr. Stupak. Well, there is no doubt the--from 2000 to
1599 2007, according to SEC filings, the profits for insurance
1600 companies has gone from \$2.4 billion to \$12.9 billion. That
1601 is a 428 percent increase during the last seven years. And
1602 we see it on the backs of people like you, and so hopefully
1603 we do get national health care, so we don't have to worry
1604 about that.

1605 Let me, once again, thank this panel for your heartfelt
1606 testimony. Thank you for traveling here at your expense to
1607 be with us.

1608 Ms. Beaton, have a safe trip back to Texas; Ms. Raddatz,
1609 back to Illinois; and, Ms. Reilling, back to Kentucky. Thank
1610 you very much for being here.

1611 Ms. Raddatz. Thank you all for caring enough to do
1612 this. Thank you so much.

1613 Mr. Stupak. Thank you. We will dismiss this panel.

1614 Ms. Reilling. Thank you.

1615 Ms. Beaton. Thank you.

1616 Mr. Stupak. I would now like to call our second panel
1617 of witnesses. On our second panel we have Mr. Richard
1618 Collins, who is the Chief Executive Officer at Golden Rule
1619 Insurance Company, which is owned by UnitedHealth Group; Mr.

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1620 Brian Sassi, who is Chief Executive Officer for Consumer
1621 Business at WellPoint, Incorporated; Ms. Carol Cutter, who is
1622 the Commissioner of the Indiana Department of Insurance;
1623 Professor Eleanor Kinney, who is a Professor of Law at
1624 Indiana University in Indianapolis.

1625 Thank each and every one of you for coming and for
1626 adding to today's hearing. As I told the last panel, it is
1627 the policy of this Committee to take all testimony under
1628 oath. Please be advised you have the right under the rules
1629 of the House to be advised by counsel during your testimony.

1630 If you wish to be represented by counsel?

1631 [Witness responses.]

1632 Mr. Stupak. Let the record reflect each indicated they
1633 did not wish to be represented by counsel at this time. If
1634 at any time during your testimony you wish to consult with
1635 counsel, you can. Counsel cannot testify, but you can
1636 consult with them before answering a question.

1637 Since you are all standing, please raise your right hand
1638 and take the oath.

1639 [Witnesses sworn.]

1640 Mr. Stupak. Let the record reflect that the witnesses
1641 replied in the affirmative. You are now under oath. We will
1642 now hear your 5-minute opening statement. You may submit a
1643 longer statement, extra documents, for inclusion in the

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1644 official hearing record.

1645 Mr. Collins, if you don't mind, we will start with you,
1646 go from my left to right.

1647 Mr. Collins. Yes, sir. Thank you, sir.

1648 Mr. Stupak. Thank you.

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1649 STATEMENTS OF RICHARD COLLINS, CHIEF EXECUTIVE OFFICER,
1650 GOLDEN RULE INSURANCE COMPANY, UNITEDHEALTH GROUP; BRIAN A.
1651 SASSI, PRESIDENT AND CHIEF EXECUTIVE OFFICER, CONSUMER
1652 BUSINESS, WELLPOINT, INC.; CAROL CUTTER, COMMISSIONER,
1653 INDIANA DEPARTMENT OF INSURANCE; AND ELEANOR KINNEY,
1654 CO-DIRECTOR, WILLIAM S. AND CHRISTINE S. HALL CENTER FOR LAW
1655 AND HEALTH, INDIANA UNIVERSITY SCHOOL OF LAW

1656

1657 STATEMENT OF RICHARD COLLINS

1658

1659 Mr. Collins. Chairman Stupak, Congressman Hill,
1660 Congressman Yarmuth, and members of the Subcommittee, thank
1661 you for inviting me today as we continue our dialogue on
1662 individual health insurance.

1663 My name is Richard Collins. And I am the CEO of Golden
1664 Rule Insurance Company, a UnitedHealth Group business that
1665 provides health insurance policies to individuals and their
1666 families. Golden Rule is headquartered in Indianapolis and
1667 employs 750 individuals in the State of Indiana. It has been
1668 offering this important coverage option for more than 60
1669 years.

1670 As part of our continuing commitment to the outstanding
1671 workforce of the State of Indiana, we recently completed the
1672 initial phase of a new 24,000-square foot, state-of-the-art

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1673 customer care center in Vincennes. The center currently
1674 employs 90 individuals with the capacity for 300 additional
1675 full or part-time jobs.

1676 Our company mission is to improve the health and
1677 well-being of all Americans. In the individual insurance
1678 market, we accomplish this by offering innovative and
1679 affordable products that meet the diverse health care and
1680 financial needs of our customers.

1681 We also have a responsibility to treat all of our
1682 customers fairly, and I can assure you we take this
1683 responsibility very seriously. In our current system of
1684 health care delivery, the individual insurance market
1685 operates primarily for families who do not have access to
1686 group coverage or to government health benefit plans, such as
1687 Medicare.

1688 Unfortunately and for a variety of reasons, some
1689 individuals choose not to purchase private health insurance
1690 until they have a significant health event. This decision
1691 not only has an enormous physical and financial impact on
1692 these individuals and their families but raises the cost of
1693 health care for everyone.

1694 We have long advocated that this country needs
1695 comprehensive health insurance reform that includes
1696 modernizing the delivery system, tackling the fundamental

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1697 drivers of health care cost growth, strengthening
1698 employer-based coverage, and providing well-targeted support
1699 for low and middle-income families.

1700 To be effective, we believe modernization of the
1701 individual insurance market needs to contain all of the
1702 following elements. First, individuals must be required to
1703 obtain and maintain health insurance coverage so that
1704 everyone participates in both the benefits and the costs of
1705 the system.

1706 Second, insurers should be able to set rates within the
1707 limited parameters of age, geography, family size, and
1708 benefit design just as they do in the group insurance market.

1709 However, let me emphasize this point. Rates should not vary
1710 based on health status, and coverage should be guaranteed,
1711 regardless of preexisting conditions for those that maintain
1712 continuous coverage.

1713 Third, low and middle-income families should receive
1714 some form of subsidy to ensure that they have access to the
1715 same care as all Americans.

1716 Fourth, insurers should be able to offer a wide spectrum
1717 of plan designs to allow American families the flexibility to
1718 choose a plan that fits their budget. And, lastly, the tax
1719 treatment for individual insurance premiums should be on par
1720 with employer-sponsored coverage.

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1721 Until comprehensive reform is achieved, we believe that
1722 the medical underwriting of individual insurance policies
1723 will continue to be necessary. If these changes are
1724 instituted, most of the reasons for individual medical
1725 underwriting of individual health insurance as well as most
1726 of the reasons that individual policies are rescinded or
1727 terminated would cease to exist.

1728 As you know, the practice of rescission has been
1729 recognized by the laws of virtually every state. Rescission
1730 is an unfortunate but necessary recourse in the event of a
1731 material and at times intentional or fraudulent misstatement
1732 or omission on an insurance application.

1733 Our use of rescission is rare. Less than one-half of 1
1734 percent of all of individual insurance contracts in 2008 were
1735 terminated or rescinded. And in each case the affected
1736 customer was afforded the right to appeal. Our practice is
1737 to rescind coverage only in the event an applicant made a
1738 knowing material misrepresentation or omission on the
1739 application for insurance.

1740 In the event that we determine it is necessary to
1741 rescind coverage after a thorough investigation of the facts
1742 and in compliance with existing stare laws and regulations,
1743 we follow practices and procedures designed to ensure a fair
1744 and transparent process for the individual.

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1745 Under our current system, failure to act on these cases
1746 would be fundamentally unfair to individuals and working
1747 families that play by the rules, and it would further limit
1748 our ability to provide quality and affordable health care for
1749 every American. And affordability is by far the biggest
1750 barrier to access.

1751 We look forward to working with the Subcommittee and the
1752 Congress and state and federal regulators on ways to continue
1753 to expand access to affordable health insurance coverage in
1754 the individual market. Thank you.

1755 [The prepared statement of Richard Collins follows:]

1756 *****INSERT*****

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1757

Mr. Stupak. Thank you.

1758

Mr. Sassi, your opening statement, please, sir?

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1759 STATEMENT OF BRIAN SASSI

1760

1761 Mr. Sassi. Thank you Chairman Stupak and members of
1762 the Committee for inviting me to testify before you today. I
1763 am Brian Sassi. And I am President and CEO of the Consumer
1764 Division of WellPoint.

1765 There seems to be a lot of confusion about why an
1766 insurance company might rescind a policy. Some have said
1767 that insurers rescind policies because they don't feel like
1768 paying when someone gets sick. This is simply not true. The
1769 decision is about controlling corporate fraud and material
1770 misrepresentations that contribute to spiraling health care
1771 costs.

1772 At WellPoint, we do not rescind a policy coverage just
1773 because someone on the policy gets sick. My company employs
1774 over 42,000 people nationwide: 4,500 here in Indiana and
1775 1,300 across the river in Kentucky. For anyone to suggest
1776 that I or my fellow associates, each of us with our own
1777 personal experiences with illness, would rescind a person's
1778 coverage just because he or she got sick is an unfair
1779 accusation. I hope, Mr. Chairman, that as you complete your
1780 inquiry, you will be able to help correct this misperception.

1781 We take contract rescissions very seriously because we
1782 understand the impact these decisions can have on families

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1783 and individuals. We have put in place a thorough process
1784 with multiple steps to ensure that we are as fair and as
1785 accurate as we can be in making these difficult decisions.
1786 And to be clear, we do not rescind policies based on a
1787 condition for which the policyholder was unaware at the time
1788 that he or she had applied for coverage.

1789 I want to emphasize that rescission is about controlling
1790 fraud and material misrepresentations that contribute to
1791 spiraling health care costs. By some estimates, health care
1792 fraud in the U.S. exceeds \$100 billion per year, an amount
1793 large enough to pay for covering nearly half of the 47
1794 million uninsured in this country.

1795 Rescission is one tool employed by WellPoint and other
1796 health insurers to protect the vast majority of policyholders
1797 who provide accurate and complete information from
1798 subsidizing the costs for those who do not. The bottom line
1799 is that rescission is about combating costs driven by these
1800 issues.

1801 If we fail to address fraud and material
1802 misrepresentation, the cost of coverage would increase,
1803 making coverage less affordable for existing and future
1804 individual policyholders. I would like to put this issue in
1805 context.

1806 While most people in this country who are under the age

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1807 of 65 receive coverage through their employers, 15 million
1808 Americans purchase coverage in the voluntary individual
1809 market. In a market where individuals can choose to purchase
1810 insurance at any time, health insurers must medically
1811 underwrite applicants for current health risk.

1812 If an individual buys health coverage only when he or
1813 she needs health care services, the system cannot be
1814 sustained. While we understand and appreciate that this is a
1815 critical personal issue, individual market rescission impacts
1816 an extremely small share of the individual market membership.

1817 In our experience, we believe that more than 99 percent
1818 of all applicants for individual coverage provide accurate
1819 and complete information. In fact, as a percentage of new
1820 individual market enrollment during 2008, we rescinded only
1821 one-tenth of 1 percent of the policies that year.

1822 Here in Indiana, the issue of rescission in health
1823 insurance also affects an extremely small number of
1824 individuals. In 2008, we enrolled over 66,000 new individual
1825 market members but rescinded only 116 individuals.

1826 Rescission is a longstanding insurance contract remedy
1827 in America. The concerns regarding rescission surfaced in
1828 the California media in 2006, generating the public concern
1829 which we are discussing here today. Our main point today is
1830 the same as it was then. A voluntary insurance market for

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1831 health insurance requires that we protect our members from
1832 costs associated with fraud and material misrepresentations.
1833 Otherwise the market cannot be sustained.

1834 In response to the public concern over the practice of
1835 rescissions, WellPoint in 2006 undertook a thorough review of
1836 our policies and procedures. Following that review,
1837 WellPoint was the first insurer to announce the establishment
1838 of a variety of robust consumer protections that ensure
1839 rescissions are handled as accurately and as appropriately as
1840 possible.

1841 These protections include: creating an application
1842 review committee, which includes a physician that makes
1843 rescission decisions; two, establishing a single point of
1844 contact for members undergoing a rescission investigation;
1845 and, three, establishing an appeal process for applicants who
1846 disagree with our original determination which includes a
1847 review by an application review committee not involved in the
1848 initial decision. And in 2008, WellPoint was the first in
1849 the industry to offer a binding, external, independent third
1850 party review process for rescissions. We have put all of
1851 these protections in place with multiple steps because we
1852 cover millions of Americans and want to be as fair and as
1853 accurate as we can be.

1854 In response to policy-maker interest in enacting

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1855 consumer protections related to rescission, WellPoint is
1856 proposing a set of rescission regulations with new consumer
1857 protections. I have outlined these in my written testimony.

1858 In addition, the health insurance industry has proposed
1859 a set of comprehensive and interrelated reforms to the
1860 individual health insurance market as a whole. The
1861 centerpiece of this proposal is the elimination of medical
1862 underwriting combined with an effective and enforceable
1863 personal coverage requirement. This would render the
1864 practice of rescission unnecessary.

1865 We appreciate that the health care reform bills under
1866 consideration in the House envision such a system. However,
1867 unless Congress creates a strong and effective personal
1868 coverage requirement and allows younger individuals to
1869 receive sufficient discounts, many only buy coverage when
1870 they need services, which will dramatically drive up the
1871 costs for everyone.

1872 As currently written, the health care legislation under
1873 consideration in the House does not accomplish this. We
1874 would welcome the opportunity to work with you to find common
1875 ground on this issue make certain that these insurance market
1876 reforms achieve the object so that we can make quality,
1877 affordable health coverage available for all Americans.

1878 Thank you for the opportunity to discuss this issue and

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1879 these proposals with you. I look forward to your questions.

1880 [The prepared statement of Brian Sassi follows:]

1881 *****INSERT*****

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1882

Mr. Stupak. Thank you, Mr. Sassi.

1883

Ms. Cutter, your opening statement, please?

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1884 STATEMENT OF CAROL CUTTER

1885

1886 Ms. Cutter. Thank you, Mr. Chairman.

1887 Chairman Stupak, Representative Hill, Representative

1888 Yarmuth, thank you for the opportunity for the Indiana

1889 Department of Insurance to make comments today in terms of

1890 procedures we follow that are set up according to State

1891 legislature rules and law, also through our HIPAA process

1892 that was passed by the federal government back in 1996.

1893 As you know, individual health policies are legal

1894 contracts that contain certain provisions. And all insurers

1895 who write policies in Indiana must include those particular

1896 provisions in their form filings and are submitted to our

1897 department for review before that contract or policy is

1898 allowed to be sold or offered to any consumer residing in

1899 Indiana.

1900 These provisions have been adopted over the years by our

1901 State legislature and tend to be fairly consistent among the

1902 50 states. The National Association of Insurance

1903 Commissioners, which is a trade association for insurance

1904 commissioners throughout the State, also helps state

1905 departments of insurance develop language for statutes and

1906 regulations or models for the language that may be used for

1907 guidance as well.

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1908 There are thirteen provisions currently in Indiana code.
1909 They are the entire contract, time limit on certain defenses
1910 or incontestability, grace period, reinstatement, notice of
1911 claim, claim forms, proofs of loss, time of payment of
1912 claims, the actual payment of claims, physical examinations
1913 and autopsy, legal actions, change of beneficiary, and
1914 guaranteed renewability provisions.

1915 Of these provisions, the second one, which is that time
1916 limit on certain defenses or incontestability, is the
1917 provision that prohibits an insurer from denying a claim or
1918 voiding coverage once the policy has been in effect for 2
1919 years or more from the date of issue, unless fraud has
1920 occurred.

1921 Thus, an insurer is allowed to rescind coverage only
1922 within the 2-year window following issuance of that policy
1923 for any misstatement or preexisting condition that wasn't
1924 indicated on the application for coverage.

1925 HIPAA supports this very same action within the
1926 "guaranteed renewability of individual health coverage"
1927 wherein it states that an insurer may non-renew or
1928 discontinue coverage due to nonpayment of premium, fraud or
1929 intentional misrepresentation of material fact, or withdrawal
1930 of the insurer from the marketplace, if the insured moves
1931 outside the service network, or there is a termination of

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1932 membership in the association that offered the insurance. So
1933 in Indiana, we follow not only the laws under the State
1934 legislature that have been given to us but also under the
1935 federal HIPAA law.

1936 There are no provisions in Indiana code which disallow
1937 the rescission or specify the procedures under which that
1938 event is to function. However, Indiana does have two
1939 alternatives that allow insurers to offer individual policies
1940 that do contain exclusions for specific conditions, called
1941 waivers, if the applicant chooses to accept it. This allows
1942 people who would normally be declined for coverage or refuse
1943 coverage the ability to pick a policy that may have a waiver
1944 for a health condition that that applicant does not believe
1945 would be recurring in the future.

1946 A second safety net that Indiana offers is the Indiana
1947 Comprehensive Health Insurance Association, which is our
1948 State risk pool, which does open its doors to anyone who is
1949 refused coverage by an insurer in the State of Indiana or
1950 have a condition that is considered uninsurable by an
1951 individual carrier.

1952 Our policy analysts within the department also review
1953 the language contained in any applications that are used by
1954 insurers to issue health policies to make certain that there
1955 are no all-inclusive, have you ever, or other questions using

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1956 medical terminology too complex for the average consumer to
1957 understand. No insurer may use an application without our
1958 stamped approval of that form.

1959 Indiana's statutes do not require insurers to report the
1960 number of policies rescinded as part of their annual
1961 statements. So our involvement with rescissions begins when
1962 the insured files a complaint with our Consumer Protection
1963 Area.

1964 We then investigate the actions surrounding the
1965 rescission to see if there has been any inappropriate
1966 behavior on the part of the insurer. Last year in Indiana,
1967 of the 6,000 complaints we investigated, 14 of those
1968 complaints were for rescission of individual health policies.

1969 Of those 14 rescissions, 2 of them were for a medical
1970 condition for which the claim that had occurred was not
1971 related to that particular angle mentioned.

1972 And so alternative arrangements were made for the
1973 insurer to provide coverage for that person, instead of
1974 actually rescinding the coverage. Generally, the rescission
1975 complaints we have reviewed over the last few years were most
1976 always based upon the same medical condition for which the
1977 insured had submitted a claim but, for some reason, had not
1978 revealed that information on the application of coverage.

1979 As noted in prior testimony before this Subcommittee,

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1980 insurers have established outside review procedures when a
1981 rescission occurs, which does give the policyholder the
1982 opportunity to question those actions and retain coverage or
1983 receive a waiver rider for that condition. The department's
1984 Consumer Protection Unit is specifically described and used
1985 for a safety net for consumers who fall into these sorts of
1986 categories.

1987 Another concept, which Mr. Collins just referred to and
1988 I believe the Subcommittee is considering, would be the
1989 change on an individual health contract to a guarantee issue
1990 basis, with an accompanying coverage, mandate for coverage,
1991 which would eliminate the need for medical histories for
1992 applicants under any circumstances.

1993 We believe that the insurers currently have the legal
1994 ability to perform medical reviews within that 2-year
1995 contestability period to protect the other policyholders from
1996 fraudulent claims payments or higher premiums. We are always
1997 open to discussions for any improvements that could be made
1998 in the rescission process itself.

1999 Thank you for your time.

2000 [The prepared statement of Carol Cutter follows:]

2001 *****INSERT*****

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2002

Mr. Stupak. Thank you.

2003

And, Professor Kinney, your statement, please.

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2004 STATEMENT OF ELEANOR KINNEY

2005

2006 Ms. Kinney. Thank you. Thank you, Chairman Stupak, Mr.
2007 Hill, Mr. Yarmuth. It is an honor for me to be here to
2008 testify today. And I will try to be a little bit briefer
2009 than my statement, which has already been submitted for the
2010 record.

2011 I was asked by Mr. Gordon to kind of look at Indiana and
2012 the situation generally. In Indiana, the task force at
2013 Indiana University while the Indiana University Health Reform
2014 Faculty Study Group did do an in-depth study of the situation
2015 in Indiana with respect to health coverage.

2016 I fear that the situation with requiring people to rely
2017 on the private market is increasingly--specifically, I think
2018 there are situations where we are losing health insurance
2019 coverage through employment. And, in particular, we have
2020 witnessed a fairly precipitous drop of insurer-sponsored
2021 coverage over the years. And we find that employers compared
2022 to other states offer less insurance.

2023 Also, with the economic times, people are losing jobs in
2024 Indiana, like other states. And, thus, they have to rely on
2025 the private individual insurance market for their health
2026 insurance. And this puts people with serious conditions or
2027 health problems in a difficult position when it comes to

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2028 getting adequate health insurance coverage. And I think it
2029 is one reason why we need comprehensive health reform, which
2030 I think all of us uniformly believe is the case.

2031 One would say, "Well, somebody with a health problem
2032 creating an existing condition can go to the Indiana
2033 Comprehensive Health Insurance Association." And, indeed,
2034 they can, but on page 3 of my testimony, I have put together
2035 a chart of what that would cost for somebody in Marion
2036 County, which is Indianapolis; and Venderburgh County, which
2037 is down in Evansville on the coast.

2038 I don't know about your all's financial circumstances,
2039 but I would find that having to pay some of these premiums
2040 prohibitively expensive. And then if you look at the
2041 information on the plans which were available on the website,
2042 you get health insurance coverage that is pretty skimpy in
2043 terms of the co-insurance involved. In other words, there is
2044 lots of money that would have to be paid out of pocket before
2045 benefits chip in. So it is questionable in my judgment
2046 whether this is really a sufficient answer to the problem of
2047 people with serious health insurance problems.

2048 We have also done work in the Center for Law and Health
2049 in the past that shows that these kinds of practices with
2050 insurance companies have occurred and people with serious
2051 illness have experienced cancellation of insurance policies.

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2052 And I have got that research on page 4 of my testimony.

2053 It is clear that HIPAA, which I think, in part, was
2054 designed to address the problem of non-renewal and
2055 cancellation, really hasn't done the job when it comes for
2056 revision.

2057 I think that strategies for reform, which I was also
2058 asked to address, must address the unfair aspects of the
2059 process of rescission and post-claims underwriting.

2060 In review, in getting ready to come here today, I looked
2061 at the National Association of Insurance Commissioners'
2062 principles on health reform. And one of their principles on
2063 health reform quoted on page 6 of my testimony is addressing
2064 adverse selection. And I think it is very important to
2065 appreciate that adverse selection is an important problem in
2066 the private health insurance market. And it is not realistic
2067 for us to assume that that is not an important problem for
2068 insurers. It will be addressed if we have comprehensive
2069 health insurance with individual mandate.

2070 And, finally, I would commend the Committee, not only
2071 for H.R. 3600 and the provisions in that bill intended to
2072 address rescission practices and post-claim underwriting, but
2073 for the tremendous job in laying out issues associated with
2074 this very, very difficult condition.

2075 I think that you have done a good job with increasing

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2076 the evidentiary standard that would be applied in making a
2077 rescission decision as well as require external review. I am
2078 interested to see that insurers that have testified here
2079 today have also talked about external review.

2080 Another provision you might want to think about that I
2081 see has been bantered around in the NAIC model of long-term
2082 care, health insurance regulations of long-term care,
2083 insurance regulations, is a prohibition against post-claims
2084 underwriting. It seems to me that if an insurance company
2085 has the chart for a specific period of time, it might be
2086 closer than a shorter period of 2 years, then they ought to
2087 be able to look at the chart, see if they want to provide a
2088 policy and let the policyholder know that they are not going
2089 to be able to be there for them in the event of another
2090 serious illness.

2091 Thank you. I will take your questions.

2092 [The prepared statement of Eleanor Kinney follows:]

2093 *****INSERT*****

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2094 Mr. Stupak. Well, thank you, Professor.

2095 And before I turn to my two colleagues, let me just ask
2096 one quick question. Mr. Collins, on behalf of Golden Rule
2097 Insurance Company and UnitedHealth Group, would you commit
2098 today that your company will never rescind another policy
2099 unless there is a potential fraud misrepresentation in the
2100 application?

2101 Mr. Collins. We would commit that we will not rescind a
2102 policy if there is a knowing and material misrepresentation
2103 or omission on a health insurance policy.

2104 Mr. Stupak. So, in other words, your answer is no?

2105 Mr. Collins. No, sir. There is quite a bit of overlap
2106 in those two standards between knowing and intending. The
2107 standard that we follow is a knowing material omission,
2108 misstatement or--

2109 Mr. Stupak. So if I just forget to check a box, I can
2110 be rescinded, right?

2111 Mr. Collins. Well, our--

2112 Mr. Stupak. That is an omission.

2113 Mr. Collins. Well, sir, our applications are designed
2114 to elicit relevant information needed to underwrite a policy
2115 form.

2116 Mr. Stupak. Anyone who went through applications in
2117 Washington could explain it, the terms.

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2118 Mr. Collins. Sir, I can explain the terms of ours. I
2119 believe you are referring to somebody else who testified.

2120 Mr. Stupak. So to my question of intentional fraud,
2121 unless there is intentional fraud, you reserve the right to
2122 rescind an application for whatever reason your policy
2123 states?

2124 Mr. Collins. We follow state laws.

2125 Mr. Stupak. Every state is a little different.

2126 Mr. Collins. And we have obligation to our
2127 policyholders to honestly fill out the application, to fill
2128 out the application completely. Our people made it up. We
2129 have a condition excluded from coverage or some who are even
2130 designed to treat them the same as people who did not fill
2131 out an application completely or remain during this
2132 representation in the application.

2133 Mr. Stupak. My concern is that your definition of
2134 knowing is you assume you know everything in your medical
2135 records for the last 5 years. Lay people really don't.

2136 So let me go to Mr. Sassi. Are you willing to commit
2137 that WellPoint today that your company will never rescind
2138 another policy unless there is intentional fraud,
2139 misrepresentation in the application?

2140 Mr. Sassi. Like Mr. Collins, WellPoint follows state
2141 law. In the vast majority of states in this country--

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2142 Mr. Stupak. It is a very simple--

2143 Mr. Sassi. No, it isn't, sir.

2144 Mr. Stupak. --"Yes" or "No" answer.

2145 Mr. Sassi. Well, it is not a simple question because
2146 with the misrepresentations of the law. And so in most
2147 states, it is a no-win standard. And if someone knowingly
2148 misrepresents their health status and it is material to
2149 whether we could offer a policy, then we will rescind that
2150 but only if it is material in the interim and it is not
2151 just--

2152 Mr. Stupak. Even if it is unintentional, just because
2153 they knowingly missed something, you could rescind them,
2154 right?

2155 Mr. Sassi. If it is material, then it would have not
2156 already covered--

2157 Mr. Stupak. Sure. If they knowingly--

2158 Mr. Sassi. If someone has been unaware of their medical
2159 condition,--

2160 Mr. Stupak. Sure.

2161 Mr. Sassi. --then we would not rescind.

2162 Mr. Stupak. You have 1,400 codes to trip up people,
2163 right? These are your codes. Don't you have 1,400 codes
2164 which trigger a review of an application post-underwriting,
2165 as the professor said?

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2166 Mr. Sassi. I would contend that we do not participate
2167 in post-claim underwriting.

2168 Mr. Stupak. You have 1,400 codes that trigger a review
2169 of policies, right? You have 1,400 and Assured has 2,000
2170 different codes. Once you trigger one of those codes, there
2171 is an automatic review to try to get out and rescind that
2172 policy?

2173 Mr. Sassi. Not necessarily, only if it is--

2174 Mr. Stupak. But there are 1,400 codes, right? Can you
2175 say "Yes" or "No" to that?

2176 Mr. Sassi. Yes. And there are--

2177 Mr. Stupak. Okay.

2178 Mr. Sassi. --tens of thousands of medical conditions.

2179 Mr. Stupak. Mr. Hill for a question, please?

2180 Mr. Hill. Thank you, Mr. Chairman. I have got a few
2181 questions for you particularly, Mr. Sassi, but I also have a
2182 general question I want to ask.

2183 Do either one of you offer incentives to your employees
2184 when they are able to find some reason they need to file this
2185 rescission?

2186 Mr. Collins. Absolutely not, Congressman.

2187 Mr. Sassi. WellPoint does not have a policy to offer
2188 incentives or a pay/borrow system to employees.

2189 Mr. Hill. How would you respond to the one woman who

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2190 said that she had a friend of hers in church whose job it was
2191 to find reasons we cancel policies? Any explanation of that?
2192 She gave her testimony under oath. So it has to be an
2193 accurate statement.

2194 Mr. Collins. Well, sir, I really can't explain Ms.
2195 Beaton's testimony about the practices of Health Care
2196 Services Corporation, which is a Chicago-based Blue
2197 Cross/Blue Shield parent company with Blue Cross in Texas.

2198 Mr. Hill. You don't have anybody on staff to look at
2199 this kind of thing, do you?

2200 Mr. Collins. Well, sir, we have processes, as all
2201 insurance companies do, including group insurance companies,
2202 to monitor for preexisting conditions that may or may not be
2203 covered under our policies.

2204 Mr. Hill. Well, let me ask the question a different
2205 way, then. That person sends in a claim, whatever it might
2206 be, heart surgery, cancer, whatever it is. When they send in
2207 that claim, is there a person in your company that begins a
2208 review of that person's medical records before they pay that
2209 claim?

2210 Mr. Collins. There is not a person that starts an
2211 investigation based on a single item that comes into the
2212 company. No, sir.

2213 Mr. Hill. Mr. Sassi?

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2214 Mr. Sassi. We do have people that look for fraud and
2215 situations that--

2216 Mr. Hill. After a claim is filed?

2217 Mr. Sassi. Well, we do not have departments of people
2218 that just review claims to determine fraud. In the
2219 individual market, we do exclude coverage for certain
2220 preexisting conditions if those conditions exist. So we do
2221 have checks and balances.

2222 Mr. Hill. I think your answer is yes, you do do an
2223 investigation of that person's medical records after a claim
2224 is filed?

2225 Mr. Sassi. Yes. An investigation does not turn into a
2226 rescission in the individual market. Over 92 percent of
2227 rescission investigations are closed with no action.

2228 Mr. Hill. And, Mr. Collins, that is not your policy?
2229 Is that what you are saying?

2230 Mr. Collins. Well, my point was, sir, that based on a
2231 single data point, we are not doing investigations. We
2232 clearly will review claims for applicability to the policy,
2233 whether they are covered in the policy.

2234 There are extensive computerized claim reviews that
2235 happen. Throughout the industry, whether it is group
2236 insurance, whether it is individual insurance, there
2237 are--every claim goes through a computerized system that

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2238 reviews the appropriateness of the claim and whether the
2239 claim is eligible, whether the person is eligible, the
2240 provider is eligible who is submitting the claim.

2241 Mr. Hill. Let me ask the question in a third way. Does
2242 a claim trigger an investigation?

2243 Mr. Collins. There are many ways that rescission
2244 investigations could start. Sometimes rescissions are
2245 started with a call from a provider, a precertification call.
2246 Sometimes it is because a claim is submitted, but there are
2247 multiple ways, multiple routes in which we get intelligence
2248 that there is a claim that may have been preexisting, which
2249 may or may not have been disclosed on an application.

2250 Mr. Hill. And is a claim one of those triggers?

2251 Mr. Collins. There are multiple aspects that we look
2252 at, but a claim--

2253 Mr. Hill. Is a claim one of them?

2254 Mr. Collins. Yes, sir.

2255 Mr. Hill. Mr. Sassi, you are the CEO of WellPoint's
2256 consumer business. And your company has provided the
2257 Committee with thousands of pages of documents relating to
2258 policies you rescinded. I would like to ask about several
2259 policies you rescinded here in Indiana.

2260 In the case you identified as case number 59-71-7,
2261 WellPoint rescinded an Indiana resident's health insurance

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2262 because he failed to disclose a condition called chronic
2263 obstructive pulmonary disease, or COPD. Are you aware of
2264 this claim?

2265 Mr. Sassi. I am not aware of the specific case.

2266 Mr. Hill. Mr. Sassi, these are documents you provided
2267 to the Committee. These are from your own files. Our staff
2268 has been going back and forth with your team about this case
2269 for weeks. Are you now saying you don't know anything about
2270 it?

2271 Mr. Sassi. I am aware that WellPoint has provided the
2272 requested documents to the Committee. I have personally not
2273 reviewed those documents. I am aware that there is a high
2274 level of--

2275 Mr. Hill. Let me ask you this. The doctor in this case
2276 proved that WellPoint made a mistake. Why did the
2277 policyholder have to go out and hire a lawyer to convince you
2278 to reinstate the policy? Why didn't you believe the doctor?

2279 Mr. Sassi. Again, I know nothing about the details of
2280 the case.

2281 Mr. Hill. Okay. Well, you know, I wish I could stay
2282 and ask questions. It is obvious that the claims procedure
2283 does trigger investigations. And you had people that are
2284 going through the very small details of a person's medical
2285 history in order to find a way of denying that claim. I

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2286 think it is rather obvious.

2287 Mr. Chairman, let me thank you for coming to Indiana to
2288 hold this hearing. It is very important that we get to the
2289 root of a lot of reasons that have been offered here as to
2290 why claims are denied.

2291 We appreciate your leadership in this particular issue.
2292 Again, we appreciate you coming here to Indiana.

2293 Mr. Stupak. Thank you, Congressman. And we look
2294 forward to seeing you back later today.

2295 Mr. Yarmuth?

2296 Mr. Yarmuth. Thank you, Chairman Stupak.

2297 Let's just ask. Chairman Stupak showed you and you
2298 acknowledged it, that there are 1,400 diagnostic codes that
2299 would prompt a retroactive review of the insured. And you
2300 said there were 20,000 diagnostic codes?

2301 Mr. Sassi. There are thousands.

2302 Mr. Yarmuth. Thousands more than the 1,400. What would
2303 distinguish the 1,400 codes that prompt a review from the
2304 rest of them? Is there a common distinction?

2305 Mr. Sassi. I would say they are codes. And this is
2306 particularly in the individual insurance market, where we
2307 receive information after a policy is issued. And our claims
2308 system would if a claim was received--it could be a pharmacy
2309 claim, a \$20 pharmacy claim--that pertained to either a

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2310 chronic condition that a member might have or some type of
2311 ongoing condition that would prompt us to investigate whether
2312 it was a preexisting condition or not and whether that was
2313 disclosed to us or not on the application.

2314 Mr. Yarmuth. Would it be fair to say--and if not, would
2315 you correct me?--that the distinction would be that these are
2316 diagnoses that would require relatively expensive and
2317 long-term payments?

2318 Mr. Sassi. I would say not in all cases because many
2319 pharmacy claims that come in for meds are for--

2320 Mr. Yarmuth. I'm talking about the condition itself,
2321 not the actual individual claim. What we were talking about
2322 here--and Jim Stupak has a list. I have a list of Blue Cross
2323 in California, for instance. And it is individual plans,
2324 table of diagnoses, subject to retroaction review.

2325 And it is not a list of 1,400. It is a list of two
2326 pages long. I am sure there is a third, three pages long.
2327 And it is things like diabetes, neoplasms, or cancers,
2328 schizophrenic disorders, asthma, rheumatoid arthritis,
2329 emphysema, chronic renal failure, not anything like chicken
2330 pox. These are things reading across this list that would
2331 require lengthy, expensive treatment.

2332 Would you say that is true? I mean, would a diagnosis
2333 in a child of chicken pox prompt a retroactive view of the

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2334 claim or the medical history?

2335 Mr. Sassi. Most likely not, but from looking at that
2336 list, I would say not every condition is necessarily a
2337 expensive condition. Many people have these conditions and
2338 for very little cost.

2339 Mr. Yarmuth. I am not sure it has been said at this
2340 hearing, but I know that it came out at a hearing in
2341 Washington that over the past 5 years, there have been
2342 approximately 20,000 rescission cases that saved according to
2343 insurance company data \$300 million. That averages out. My
2344 math is \$15 a case.

2345 If you were to have a situation like some of the ones we
2346 heard here today--we had two cases of breast cancer on the
2347 panel before us, before you. Sir, could you give us an
2348 estimate, either one, Mr. Collins, Mr. Sassi, of what the
2349 average expenditure for treatment of the cases that you heard
2350 today might be?

2351 Mr. Collins. Not off the top of my head, Congressman.
2352 No, sir.

2353 Mr. Yarmuth. Could you give me a range?

2354 Mr. Collins. The range, sir, is like--I really
2355 couldn't, sir, give you a reasonable estimate.

2356 Mr. Yarmuth. Would you think that \$15,000 is probably
2357 as little as in the case of breast cancer the cost of a

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2358 double mastectomy and the ensuring chemotherapy and in some
2359 cases reconstructive surgery? Would you say that those
2360 situations would cost substantially more than \$15,000?

2361 Mr. Collins. For all of those conditions together, yes,
2362 sir.

2363 Mr. Yarmuth. So the odds are that if there were 20,000
2364 rescission cases over the last 5 years, the actual savings to
2365 the insurance companies, even though they might not be able
2366 to calculate it because a lot of it is perspective, could be
2367 substantially more than \$300 million. In fact, it could be
2368 in the billions of dollars.

2369 I will ask it another way. Is it unusual for a cancer
2370 regimen, a treatment regimen, to be in the hundreds of
2371 thousands of dollars?

2372 Mr. Collins. No, sir.

2373 Mr. Yarmuth. Right. I think the problem that a lot of
2374 us have is we look at the insurance company profits over the
2375 last few years in light of the rest of the indicators in the
2376 economy, we see WellPoint's profits having increased in 7
2377 years by something like 1,300 percent from 200 and some
2378 million to 3. something billion and United HealthCare's
2379 profits increasing over 500 percent in the same period of
2380 time. And we hear cases of rescission in which we know that
2381 literally hundreds of dollars per case could have been saved.

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2382 And we question whether this is a policy that is being
2383 implemented, Mr. Sassi, as you said, to be shared to those
2384 people who don't knowingly misrepresent the policies and
2385 whether it is strictly a financial consideration.

2386 And, I mean, we know that the premium increases of 100
2387 percent in the individual market over that same period of
2388 time do not particularly relate to costs in the economy.
2389 They don't relate to salary increases.

2390 So I would say that we are trying to decide what to do.
2391 You know, I am very pleased to see that we have a pretty
2392 good consensus of the fact that we need to do many of the
2393 things that we are talking about doing in Congress.

2394 I would basically say, to what can we attribute these
2395 incredible profit margins when we are trying to deal with
2396 making sure that individuals such as the ones we saw here are
2397 given the care that they need and that they contracted for?

2398 Mr. Sassi. Well, I can't speak to the numbers because I
2399 haven't seen the numbers, but going back 7 years, I think the
2400 large increase in profit numbers is not comparing necessarily
2401 apples to apples.

2402 Seven years ago, WellPoint was a much, much smaller
2403 company. The last 7 years, we have merged with several other
2404 companies. And so I think that would account for much of
2405 which you--in fact, the last 7 years, our profit margins have

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2406 not been going that well.

2407 Mr. Yarmuth. Mr. Collins, would you like to comment on
2408 that as well?

2409 Mr. Collins. Yes, sir. UnitedHealth Group has grown
2410 via acquisition, much as WellPoint has. And I think that the
2411 point that Mr. Sassi made around the comparability of numbers
2412 over time is one of those things.

2413 UnitedHealth Group is one of the largest health care
2414 organizations in the United States. We touch 70 million
2415 American consumers. And we grow value to the system. And
2416 people pay us for the value that we add to the system.

2417 We help pull down costs. We help organize the care, the
2418 delivery of care. We are involved in just about every aspect
2419 of delivery. And most of the innovation that has come
2420 forward in the past 30 or 40 years around health care
2421 delivery has been financed by and facilitated by the health
2422 insurance industry.

2423 So I think that as one of America's largest businesses,
2424 we are entitled to a healthy profit margin. And we have been
2425 very prudent about our investments through this financial
2426 turmoil that we have had. And the company has got a good,
2427 sound balance sheet. It is in good shape to take care of the
2428 customers that meet its commitments. And we don't apologize
2429 for that.

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2430 Mr. Yarmuth. Let me just ask two quick questions, Mr.
2431 Chairman. And then I will yield back my time.

2432 In light of what you have said, you indicated that there
2433 has been a fairly substantial concentration going on in the
2434 insurance market over the last decade. Is that a fair
2435 characterization of what you said?

2436 So that when opponents of what we are trying to do in
2437 Congress say, "Well, there is already substantial competition
2438 out there in the market," what you are saying is that
2439 competition has diminished over the last decade. Is that
2440 true?

2441 Mr. Sassi. I would say that there has been a fair
2442 amount of consolation within the health insurance industry,
2443 but, as the Nation's largest health insurer, insurance
2444 company, we still have on average only 30 percent market
2445 share. In the vast majority of our markets, there is healthy
2446 competition amongst literally tens, sometimes hundreds of--

2447 Mr. Yarmuth. You have 30 percent of the market share in
2448 the country. And UnitedHealth has how much?

2449 Mr. Collins. I don't know off the top of my head.

2450 Mr. Yarmuth. A substantial amount, right? And this
2451 represents substantial competition in your minds? I think
2452 your company in Kentucky controls 59 percent of the market.
2453 Do you consider that a healthy, competitive environment or

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2454 are you just good at it?

2455 Mr. Collins. One of our toughest competitors is located
2456 right here in Louisville: Humana.

2457 Mr. Yarmuth. Thank you for that shout-out, yes.

2458 Mr. Collins. On the front lines, sir, I mean, there is
2459 quite a bit of competition. In fact, there has been a large
2460 number of new entrants into the individual health insurance
2461 market.

2462 And I would urge the members of the Committee if they
2463 had a moment just to go to ehealthinsurance.com and put in
2464 your Zip code and see what pops up. You will find that there
2465 is a wide variety of carriers. There is great transparency
2466 in the individual market in terms of price and product. And
2467 there is a lot of competition in this marketplace. We have
2468 had a lot of new entrants.

2469 Mr. Yarmuth. I would be interested, and I will do that.

2470 One final question. When you have somebody who has been
2471 in your individual market for 10 years and they have been
2472 paying premiums for 10 years and they end up like one of our
2473 former panelists and they have a serious illness and their
2474 policy ends up being subject to rescission, how is that
2475 handled? How do you handle all the premiums they have been
2476 paying you for all of those years?

2477 Mr. Sassi. WellPoint would not rescind the policy after

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2478 2 years. So if someone had been paying a premium for 10
2479 years, we would not look at that, irregardless of--

2480 Mr. Yarmuth. They were not the subject of rescission.
2481 Okay. What if they fell within the 2-year period, if they
2482 have been paying for 2 years? What would you do with their
2483 premiums?

2484 Mr. Sassi. Well, as I outlined in my testimony, we have
2485 a very thorough process where we review. We reach out to the
2486 members to see if there is any additional information the
2487 member could provide. We share the information that we have.

2488 It goes to a committee that is established with the doctor
2489 that makes the decision and multiple appeal processes,
2490 including binding third party appeal and a third party
2491 review.

2492 Mr. Yarmuth. That is all wonderful. What I am saying
2493 is if you decide to rescind their policy, they have been
2494 paying for 20 months and then you rescind their policy, what
2495 happens to the premiums they have been paying?

2496 Mr. Sassi. The premiums would be refunded less any
2497 claims that were paid.

2498 Mr. Yarmuth. Okay. Is that the same policy you would
2499 have, Mr. Collins?

2500 Mr. Collins. We refund 100 percent of the premiums on
2501 the policy.

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2502 Mr. Yarmuth. Okay. That is all I had, Mr. Chairman.
2503 Thank you.

2504 Mr. Stupak. Thank you, Mr. Yarmuth. Thanks again for
2505 joining us. Thanks.

2506 Well, let me ask this question just on competition. You
2507 say there is so much competition between you, between the
2508 insurance companies. Isn't it true that the insurance
2509 companies are not subject to antitrust laws?

2510 Mr. Collins. I am not prepared to answer that question,
2511 sir.

2512 Mr. Stupak. Maybe Mr. Sassi?

2513 Mr. Sassi. I am not an attorney.

2514 Mr. Stupak. So when the Energy and Commerce Committee
2515 does the markup of H.R. 3200, the national health care bill,
2516 when I offer my amendment to take away the antitrust
2517 exemption for insurance companies, you have no objection to
2518 that?

2519 Mr. Collins. Sir, my testimony was I am not prepared to
2520 testify on that. And I am really not an expert in antitrust
2521 matters in any way, shape, or form.

2522 Mr. Stupak. It is only the insurance industry and Major
2523 League Baseball that are not subject to antitrust laws.
2524 Therefore, you can set the profits wherever you want. And we
2525 would have no recourse.

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2526 Competition. The average health insurance premium for
2527 Indiana employers and employees went from \$6,628 in 2000 to
2528 over \$12,153 in 2007. In that group, 116 percent were
2529 individuals and 75 percent for employers. Doesn't that
2530 account for the huge profits you had?

2531 Mr. Sassi. I think that probably accounts for an
2532 increase in health care costs.

2533 Mr. Stupak. Well, accounting for the increase in health
2534 care costs has been why would your profits according to SEC
2535 go from 2.4 billion to 12.9 billion?

2536 And if you take WellPoint, Mr. Sassi, your profits
2537 increased from 226 million in 2000 to 3.45 billion? To me,
2538 that is a 1,380 percent increase. So it can't be health care
2539 costs. It has got to be the record premiums you are charging
2540 people.

2541 Mr. Sassi. Well, as I have previously testified,
2542 looking back at the starting points, WellPoint was a much
2543 different company. And we have grown dramatically through
2544 acquisitions of other companies.

2545 Mr. Stupak. Sure.

2546 Mr. Sassi. So I don't think it is an apples to apples
2547 comparison.

2548 Mr. Stupak. Sure, but you said that the reason why
2549 premiums went up is because health care costs so much

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2550 nowadays, costs so much to deliver health care. Then if that
2551 is the case, you would be paying out more money, and your
2552 profits would be less. You wouldn't be having a 1,380
2553 percent increase.

2554 Mr. Sassi. Chairman, the point that I was trying to
2555 make is that 7 years ago, we were a company of a million
2556 members. And now we are a company that insures over 35
2557 million members--

2558 Mr. Stupak. Sure.

2559 Mr. Sassi. --with a combination of many companies.

2560 Mr. Stupak. Sure. But you said the reason why you had
2561 to charge, you went from \$6,600 to \$12,000, was because
2562 health care costs went up. But, of course, corresponding is
2563 the fact that your profits also went up 1,380 percent when
2564 the cost of health care basically went up 116 percent. There
2565 is quite a disparity there, no matter how many people you
2566 cover. If you cover more people, you would have more costs.

2567 Let me ask you this question. The American Insurance
2568 Plans wrote us a letter. Are you both a member of AHIP,
2569 America's Health Insurance Plan?

2570 Mr. Collins. Yes.

2571 Mr. Sassi. Yes.

2572 Mr. Stupak. I want to ask a question about no longer
2573 doing rescissions without intentional fraud. You know, I

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2574 know today you sort of danced around it. After I asked a
2575 question in Washington, the AHIP wrote a letter, said, "Well,
2576 the companies focused their responses on specific legal
2577 standard referenced in the question. They will not rescind
2578 an individual's coverage on the basis of a preexisting
2579 medical condition which the policyholder was unaware of at
2580 the time he or she applied for coverage."

2581 So will you commit today that you will not rescind an
2582 individual's coverage on the basis of a preexisting medical
2583 condition which the policyholder was unaware of? Will you
2584 commit to that today, Mr. Sassi?

2585 Mr. Sassi. Yes. I previously testified to that this
2586 morning.

2587 Mr. Stupak. You, too, Mr. Collins?

2588 Mr. Collins. Yes, sir. That is the knowing standard I
2589 was testifying to earlier.

2590 Mr. Stupak. Okay. Then it goes on to say, "And are you
2591 committing that you will only rescind the policy to the
2592 policyholder as materially misrepresenting their knowledge,
2593 health status or history?"; so a material misrepresentation.

2594 Is that correct? You do that?

2595 Mr. Collins. Yes, sir, material misrepresentation or
2596 omission on the application.

2597 Mr. Stupak. Is that your standard, too?

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2598 Mr. Sassi. Yes, that is our standard.

2599 Mr. Stupak. Okay. So we are making some progress. Let
2600 me ask you this. Mr. Sassi, Mr. Hill asked you a number of
2601 questions about victims of rescission here in Indiana.

2602 And our Committee also asked you questions and asked for
2603 your cooperation so we could contact them. In fact, last
2604 week we sent you a letter listing four cases here in Indiana.

2605 And they were case number 59-717-60, number 65-86, number
2606 67-20, and number 65-83. And we asked you to send these
2607 people a letter and ask them to contact the Committee. And
2608 you refused, saying that you could not do that.

2609 Why did you refuse to contact these policyholders?

2610 Mr. Sassi. It is our understanding that the request
2611 being asked of us would have violated HIPAA.

2612 Mr. Stupak. How would it violate HIPAA when the
2613 insurance company is contacting their policyholder?

2614 Mr. Sassi. Again, I am not an attorney. And I believe
2615 that our attorneys were working closely with the Committee
2616 staff to determine if and how we could comply with your
2617 request.

2618 Mr. Stupak. Well, we checked with CRS and everyone else
2619 that under privacy laws, your company, WellPoint, clearly
2620 falls within the definition of a covered entity. And you are
2621 permitted to use or disclose an individual's protected health

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2622 information to the individual. It was up to the individual
2623 to contact us.

2624 So would you contact those folks and have them contact
2625 our Committee?

2626 Mr. Sassi. I will take that under advisement and speak
2627 with our legal team.

2628 Mr. Stupak. Okay. Maybe we will have to use our--let
2629 me ask you this, then. The Reilling case, Ms. Reilling who
2630 was here, why did you cancel her out? Do you still offer
2631 these one-group policies, these one-person group policies?

2632 Mr. Sassi. Chairman, Ms. Reilling's case, here today
2633 was the first that I had heard of that case. While she was
2634 testifying, we did do some research. And Ms. Reilling was
2635 covered under an employee policy issued by Kentucky Retail
2636 Federation.

2637 Mr. Stupak. Correct.

2638 Mr. Sassi. So it was an employer plan. And apparently
2639 the eligibility rules of that employer plan indicate that
2640 groups must have two members. And so it is my understanding
2641 that the association, Kentucky Retail Federation, does not
2642 insure groups of one.

2643 Mr. Stupak. Are you saying Kentucky Retail Federation
2644 told you to cancel Ms. Reilling's?

2645 Mr. Sassi. They are the policyholder.

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2646 Mr. Stupak. Really? So for the last 15 years when you
2647 allowed Ms. Reilling to have this policy, did Kentucky Retail
2648 Federation pay that premium?

2649 Mr. Sassi. Chairman, again, this is the first I am
2650 hearing about this. We would have happy to investigate the
2651 situation--

2652 Mr. Stupak. Mr. Sassi.

2653 Mr. Sassi. --and provide something for the record.

2654 Mr. Stupak. You are under oath.

2655 Mr. Sassi. Yes.

2656 Mr. Stupak. You are not here telling us that Kentucky
2657 Retail Federation was responsible for providing Ms. Reilling
2658 a policy. You were. You didn't go through Kentucky Retail
2659 Federation to provide a policy or even to contact Ms.
2660 Reilling on her policy.

2661 Everything, every document you have had, everything you
2662 have seen--and if you did your due diligence, everything is
2663 between your insurance company and Ms. Reilling or your
2664 insurance company and Ms. Reilling's agent. There is no
2665 Kentucky Federation.

2666 Mr. Sassi. Chairman, again, based on my limited
2667 understanding of the situation, my understanding is that Ms.
2668 Reilling was covered under a policy issued--

2669 Mr. Stupak. Do you still write single-person group

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2670 policies?

2671 Mr. Sassi. I believe other associations. Associations
2672 do have that option.

2673 Mr. Stupak. So you still write single-person policy
2674 coverage?

2675 Mr. Sassi. I can't definitively say. Again, I would be
2676 happy to research the matter and provide a response for the
2677 record.

2678 Mr. Stupak. Well, you did for her for 15 years. So why
2679 was she canceled? Was it because she was sick in the last
2680 year?

2681 Mr. Sassi. Chairman, unfortunately, you have exhausted
2682 my knowledge of the situation. Again, I would be happy to
2683 research it and provide a response for the record.

2684 Mr. Stupak. Okay. You said federal privacy laws
2685 prevented you from contacting your own policyholders to
2686 contact our Committee if they so choose. Under Ms.
2687 Reilling's case, federal law, HIPAA, prevents you from
2688 canceling a contract that is in effect. You can't go back
2689 and cancel it under HIPAA law.

2690 So why did you cancel it? It seems like to rely on
2691 federal law when it is in your best interest, but when it is
2692 not in your interest, you don't follow federal law.

2693 Mr. Sassi. Again, my understanding is that Ms. Reilling

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2694 was covered under an employer contract.

2695 Mr. Stupak. For 15 years.

2696 Mr. Sassi. It has eligibility requirements. And,
2697 again, I would be happy to research it. I don't know if--

2698 Mr. Stupak. So, Professor, under HIPAA, could they
2699 cancel Ms. Reilling's policy?

2700 Ms. Kinney. I would be reluctant to answer without all
2701 of the facts, but the purpose of HIPAA is to enable people to
2702 maintain their policy.

2703 Mr. Stupak. And then HIPAA says you can't cancel unless
2704 you have--

2705 Ms. Kinney. Unless you have the statutory standard that
2706 is included in your excellent supplemental report and
2707 basically intentional misrepresentation or failure to pay the
2708 premium.

2709 Mr. Stupak. Right. And she was able to. In fact, they
2710 even sent Ms. Reilling a renewal. They sent her a renewal,
2711 and then they sent her a rescission, all in the same month.
2712 But HIPAA prohibits insurance companies from rescinding or
2713 otherwise discontinuing individual insurance coverage unless
2714 there's been a fraud or intentional misrepresentation of a
2715 material fact by the applicant.

2716 Ms. Kinney. The problem with HIPAA is that I think it
2717 doesn't go far enough. It does not address rescissions. A

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2718 rescission is when you have the contract that existed in the
2719 first place.

2720 Mr. Stupak. Sure.

2721 Ms. Kinney. It is like an annulment versus a divorce.

2722 Mr. Stupak. She wasn't rescinded. She was just failed
2723 to renew. And HIPAA goes on to state that "A health
2724 insurance issuer that provides individual health insurance
2725 coverage to an individual shall"--it is mandatory--

2726 Ms. Kinney. Right, but HIPAA--

2727 Mr. Stupak. --"renew or continue in force such coverage
2728 at the option of the individual," Ms. Reilling.

2729 Ms. Kinney. Right.

2730 Mr. Stupak. So under HIPAA, the failure to renew here
2731 since they did it for 15 years straight puts you in violation
2732 of law.

2733 Ms. Kinney. It would be my view that they are in
2734 violation of the law having seen what is before us before.

2735 Mr. Stupak. Let me ask you this, Professor, if I may.
2736 In your chart, page 3,--

2737 Ms. Kinney. Yes.

2738 Mr. Stupak. --it is interesting when I was looking at
2739 it. It looks like basically from a child until age 60, the
2740 premiums for women are always higher until you hit 60. Then
2741 finally the men have a higher premium. Now, I understand

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2742 there are child-bearing years in there, but is there any
2743 reason for that or is that just coincidence?

2744 Ms. Kinney. I would really have to give that to
2745 underwriting and actuarial science, which always is a
2746 mysterious process. And I think that these are determined
2747 based on the experiences that the insurance industry
2748 generally has with people in this age, sex, and so forth.

2749 Mr. Stupak. You agree with me, though, these four plans
2750 laid out until age 60, women pay higher premiums than men?

2751 Ms. Kinney. Right. I saw that, too. I mean, I was
2752 putting this together basically Thursday, Friday. And I was
2753 kind of struck by that observation, too.

2754 Mr. Stupak. Well, let me go back to Mr. Collins and Mr.
2755 Sassi since our first panel was all women. I am not trying
2756 to come to conclusions here, but do you charge women more?
2757 Do they have greater health risks than men as a general rule,
2758 Mr. Collins?

2759 Mr. Collins. In Golden Rule's actuarial duties, the
2760 individual policies that we sell, if you stacked up the
2761 policyholders through age 65, men would pay slightly more
2762 than women over the course of a lifetime if you took 1
2763 policyholder for each age and laid them out.

2764 Mr. Stupak. Right. But of the 60, women pay higher
2765 according to the professor's chart. Is there a reason for

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2766 that?

2767 Mr. Collins. Well, that is the Indiana high-risk pool
2768 that you are looking at. I don't think it--

2769 Ms. Cutter. Yes.

2770 Mr. Stupak. Yes, you are right.

2771 Ms. Cutter. Mr. Chairman, if I may?

2772 Mr. Stupak. Sure.

2773 Ms. Cutter. That is from the Indiana Comprehensive
2774 Health Insurance Association. Those actuarial bases are
2775 established by a national firm called Millimen.

2776 Mr. Stupak. Right.

2777 Ms. Cutter. And they use data from multiple areas to
2778 determine what the prices should be for individual contracts
2779 in Indiana based on geography, age, gender, that sort of
2780 thing.

2781 Mr. Stupak. Surely. Didn't it strike you as funny as
2782 the Insurance Commissioner that up to age 60, women pay more
2783 than men?

2784 Ms. Cutter. Women generally pay more for health
2785 insurance during those child-bearing years from about 20 up
2786 until about 50. And then it starts to more even out, as you
2787 have noticed, that by age 60, then, the men are tending to
2788 catch up.

2789 The other thing that--

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2790 Mr. Stupak. Well, I guess I would agree with that up to
2791 maybe 19 to 40-45, but even as a child, it seems like it is
2792 the boys who are jumping off roofs. It is not young girls.
2793 Why would they pay more or why between 50 and 60, they would
2794 pay more?

2795 Ms. Cutter. I would have to look at the actuarial data
2796 that Millimen has collected in order to generate those
2797 pricings. But most of the time, women tend to be more
2798 careful about their health than men tend to be until they get
2799 into those upper ages, when, unfortunately, our bodies just
2800 don't work as well as they had 20 or 30 years previously.
2801 And I think that is the point at which men's health starts to
2802 catch up in terms of cost with women's health.

2803 We would be glad to get that information from Millimen,
2804 Mr. Chairman, if you would like to have that.

2805 Mr. Stupak. Let me ask you this question, if I may. I
2806 want to make sure I understood this right. So if I write an
2807 insurance policy in Indiana, an individual policy, after 2
2808 years, I can't rescind it, no matter what?

2809 Ms. Cutter. That is correct. The incontestability
2810 clause only addresses the first 2 years of a policy. I
2811 believe Mr. Sassi made a comment earlier in his testimony
2812 where you asked him if somebody had paid a premium for 10
2813 years and, all of a sudden, you found out there was something

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2814 wrong with the policy, you couldn't cancel it. His answer to
2815 that was no.

2816 Mr. Stupak. Okay. So there is no rescission after 2
2817 years. Have you investigated rescission practices here in
2818 Indiana?

2819 Ms. Cutter. We have. We have had 14 of those
2820 investigated for the year 2008.

2821 Mr. Stupak. So 14. And what were those reasons for
2822 rescinding those 14?

2823 Ms. Cutter. There are multiple reasons. Generally
2824 speaking, as I said earlier, they were for a claim that was
2825 related to a critical condition that had not been revealed on
2826 the application by the applicant.

2827 Mr. Stupak. So intentionally not renewed or
2828 unintentionally? It made no difference?

2829 Ms. Cutter. There were about three or four of those
2830 cases where we concluded similar circumstances to Ms.
2831 Raddatz's testimony, where there was information that the
2832 doctor had indicated in medical records that the patient was
2833 completely unaware of. And, therefore, in those
2834 circumstances, rescission was withdrawn or other terms are
2835 transforming with that at the 10-4 coverage with the weight
2836 for a particular provision.

2837 Mr. Stupak. Let me ask you this. In your testimony,

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2838 you said, "Our policy analysts also review the language
2839 contained in any applications used for individual health
2840 policies to make certain that there are no all-inclusive or
2841 have you ever or questions using medical terminology too
2842 complex for the average consumer to understand. No insurer
2843 may use an application without our stamped approval on that
2844 form." Is that correct?

2845 Ms. Cutter. Yes, sir, it is.

2846 Mr. Stupak. The binder right there, the red book right
2847 there, would you take a look at it in tab number 18? That is
2848 actually tab number 18 is actually AMBIEN's individual
2849 application kit. And if you go to page--I believe it is
2850 page--let me find it here--page 8, start with question, it
2851 looks like, 16 there on that form. It says, "In the last 5
2852 years, have you had an illness, physical injury persisting or
2853 new physical and/or health problems not mentioned elsewhere
2854 in this application that you have not been evaluated for that
2855 you plan to have evaluated by a licensed health
2856 practitioner?"

2857 It sounds like this sort of question is sort of an
2858 all-inclusive, "Have you ever?" type question.

2859 Ms. Cutter. Well, it is limited to a time element of 5
2860 years looking back.

2861 Mr. Stupak. Okay. So it is everything you had in 5

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2862 years.

2863 Ms. Cutter. Exactly. We don't like questions that say,
2864 "Have you ever?" just as you had stated.

2865 Mr. Stupak. Okay. So you don't like that question, but
2866 they do have that in there, right?

2867 Ms. Cutter. Well, giving a time limit that we will
2868 allow them to say, "In the last 5 years, has anything else
2869 happened to you that hasn't been previously asked?"

2870 Mr. Stupak. So if you ever had a common cold, you
2871 should put that down, too, in the last 5 years? I am not
2872 trying to be flippant, but--

2873 Ms. Cutter. No. I totally understand.

2874 Mr. Stupak. Okay. Well, then, another question--and
2875 here is where I am on page 16 because you have got to help me
2876 out with this one.

2877 Ms. Cutter. On page 16?

2878 Mr. Stupak. I am sorry. Question 16 on page 8.

2879 Ms. Cutter. All right.

2880 Mr. Stupak. "Within 5 years, have you ever been
2881 diagnosed with or treated for any of the following?" and
2882 "Kelosi's enditis, Oucher's disease, pneumocystic carinii
2883 pneumonia, and sploridia"? What are those?

2884 Ms. Cutter. Those are diseases that if you had had a
2885 diagnosis for, you were going to know that disease.

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2886 Mr. Stupak. Sure. Can you tell me what they are? I
2887 mean, I might have it and no one ever told me.

2888 Ms. Cutter. I can tell you what several of them are. I
2889 can't tell you what every single one of them is.

2890 Mr. Stupak. Well, what is Kelosi's enditis?

2891 Ms. Cutter. You would ask the one that I don't know.

2892 Mr. Stupak. Well, you don't even know what the common
2893 name of it is? Is it like tendinitis? I don't know.

2894 Ms. Cutter. No. I think--

2895 Mr. Stupak. Do we know what--

2896 Ms. Cutter. I think it is much more serious than--

2897 Mr. Stupak. Okay. How about Oucher's disease? What is
2898 that?

2899 Ms. Cutter. I don't know that one either. Hemophilia I
2900 know, muscular dystrophy, multiple sclerosis.

2901 Mr. Stupak. Oh, yes. Yes. I think we all know those.

2902 Ms. Cutter. Right, right.

2903 Mr. Stupak. But there are about six terms there I have
2904 no idea. But isn't your job to weed these out to make sure
2905 it is a common understanding so we don't make a
2906 misrepresentation on the application forms, we don't get
2907 behind?

2908 Ms. Cutter. Absolutely it is our job and my--

2909 Mr. Stupak. Can you go back and look at this

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2910 application and see if there is something we should do to
2911 improve upon it?

2912 Ms. Cutter. My point would be that those specific
2913 conditions that are listed are so unusual that you are not
2914 going to have one of those without a doctor having made a
2915 diagnosis about that particular condition because they are
2916 relatively serious conditions.

2917 Mr. Stupak. Sure. So you are saying because one of
2918 those words is on there, someone might have said that to me,
2919 I should know it, right? And I should know what the illness
2920 is?

2921 Ms. Cutter. I would say if you have been given a
2922 diagnosis by a physician for one of those conditions, you
2923 would be well-aware of that condition.

2924 Mr. Stupak. I see. Okay. Do you support on rescission
2925 the Connecticut approach, which basically prohibits
2926 post-claims, underwriting? Companies must do their
2927 underwriting up front. Do you support that idea?

2928 Ms. Cutter. I would certainly entertain that idea. Our
2929 concern would be what kind of time line that would involve
2930 because I have to tell you very honestly that most
2931 physicians' offices--and not that I blame them for
2932 this--insurance papers are the last thing that they will deal
2933 with in a physician office.

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2934 Mr. Stupak. Well, do you think it is fair you would be
2935 accepting, insurance companies accept, your premiums while
2936 they don't know if they are going to accept it or not?
2937 Shouldn't they have all of the information up front?

2938 Ms. Cutter. I think that there probably is a deeper
2939 level of information that could be collected up front. I
2940 would agree absolutely with that.

2941 Mr. Stupak. How about the fact that in Connecticut, the
2942 State insurance commissioner reviews all rescissions and
2943 makes a decision within 15 days? State Insurance Commission
2944 and the party have to made a decision within 15 days. Do you
2945 think that is fair?

2946 Ms. Cutter. We would be actually open to that sort of
2947 consideration.

2948 Mr. Stupak. Okay. Is there an appeal process in
2949 Indiana? If I get rescinded, who do I appeal to?

2950 Ms. Cutter. The Department of Insurance. And we
2951 investigate the rescission circumstances and have the ability
2952 to work with the insurers to either overturn that rescission
2953 or make other arrangements for the policyholder to have
2954 coverage.

2955 Mr. Stupak. Mr. Sassi, you said that WellPoint has an
2956 appeal process, right?

2957 Mr. Sassi. Yes.

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2958 Mr. Stupak. How come Ms. Reilling wasn't given an
2959 appeal process when you canceled her insurance?

2960 Mr. Sassi. We do have an appeal process. Again, I am
2961 unfamiliar with the details in Ms. Reilling's case. Everyone
2962 covered under insurance has an appeal process and
2963 particularly for rescissions in the individual market. As I
2964 detailed in my testimony,--

2965 Mr. Stupak. Right.

2966 Mr. Sassi. --we have multiple levels of appeal process.

2967 Mr. Stupak. That is why I am confused. You canceled
2968 Ms. Reilling without any appeal process. The letter just
2969 says: You are out of luck. We will offer you something
2970 else, but we are not going to offer you that.

2971 Mr. Sassi. Again, my understanding is Ms. Reilling was
2972 not covered under an individual insurance policy. She was
2973 covered under an employer group policy.

2974 Mr. Stupak. So if you are covered underneath a group
2975 policy, you don't get an appeal process?

2976 Mr. Sassi. No. We do. All of our policyholders do
2977 have an appeal process, grievance and appeal.

2978 Mr. Stupak. Then she should have an appeal process,
2979 right?

2980 Mr. Sassi. Absolutely.

2981 Mr. Stupak. Well, take a look at the binder there,

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2982 number 23 right there. I don't see anywhere it says she has
2983 an appeal process. It says, "Thank you for considering us.
2984 We have been around for over 60 years. We have helped people
2985 in the community get coverage. We are writing to your
2986 application. We deny you. We will offer you something
2987 else."

2988 Mr. Sassi. Well, I think--

2989 Mr. Stupak. "And if you have life insurance, you are
2990 denied also." But I don't see anywhere it says any kind of
2991 appeal process or anything.

2992 Mr. Sassi. Well, I think this letter does not pertain
2993 to her losing eligibility in her group insurance policy. She
2994 would have an appeal process with her group policy. It looks
2995 like--and, again, this is the first time I am looking at
2996 this--that this is the declamation for individual insurance.

2997 Mr. Stupak. So you are saying that she would have
2998 gotten a letter that describes an appeal process when you
2999 denied her her coverage? Somewhere it would have said she
3000 would have gotten an appeal, "You have a right to an appeal"?

3001 Mr. Sassi. Well, if she was covered under the
3002 association plan,--

3003 Mr. Stupak. Right.

3004 Mr. Sassi. --as I understand,--

3005 Mr. Stupak. Right.

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3006 Mr. Sassi. --the employer, I believe, was responsible
3007 for providing the appeal rights.

3008 Mr. Stupak. The Kentucky Federation of Business had to
3009 provide her her appeal rights. Why wouldn't you? You are
3010 the insurance company.

3011 Mr. Sassi. Well, it is an employer plan. And appeal
3012 rights are covered in all of our member--

3013 Mr. Stupak. She is her own employer. She was an
3014 employer. So how would she tell herself to appeal?

3015 Mr. Sassi. Again, she was a member of a larger group.

3016 Mr. Stupak. Kentucky Retail Federation and Better
3017 Business. So the federation had to tell her her appeal
3018 rights? How would they know your appeal rights? Wouldn't
3019 you know your appeal rights? Wouldn't your company know?
3020 You are expecting--

3021 Mr. Sassi. All members have access to appeal rights.
3022 It is in the member certificates that we issue to members.

3023 Mr. Stupak. Let me ask you this, then. I mentioned
3024 section 162. That is the section in the pertinent part of
3025 the health care bill we are marking up in committee. When I
3026 say "marking up," we are amending it and altering it and
3027 maybe change it as it goes to the full floor of the U.S.
3028 House of Representatives for a vote.

3029 Basically what the bill says is a health insurance

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3030 insurer may rescind health insurance coverage only upon clear
3031 and convincing evidence of fraud. So would you agree with
3032 that, Mr. Sassi, that they can only rescind based on clear
3033 and convincing evidence of fraud?

3034 Mr. Sassi. Well, when looking at the House bill--

3035 Mr. Stupak. Right.

3036 Mr. Sassi. --that is before you today, looking at
3037 rescission in the context of eliminating medical
3038 underwriting, having a guarantee issue in the individual
3039 market, coupled with effective and enforceable personal
3040 coverage requirement, we do agree with the rescission
3041 statements that are in the bill.

3042 On a stand-alone basis, that is taking pieces out of
3043 context, but we do agree with the premise. Coupled with
3044 elimination of that preliminary thing in a enforceable
3045 personal coverage requirement, yes, we would agree with what
3046 is in the bill.

3047 Mr. Stupak. Mr. Collins, do you agree with what is in
3048 the bill?

3049 Mr. Collins. Well, sir, we would certainly agree in the
3050 context of health care reform agenda that the House is
3051 pursuing that includes enforceable mandate, subsidies for
3052 low-income people. It is important that the pool of people
3053 who are outside of coverage be as small as possible and that

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3054 we get as many people covered as we can in order to make this
3055 work effectively because affordability is the primary barrier
3056 to access.

3057 Mr. Stupak. Right, but I am not asking about
3058 affordability. I am asking about health insurance insurers
3059 may rescind health insurance coverage only upon clear and
3060 convincing evidence of fraud. Would you agree with that?

3061 Mr. Collins. Well, sir, I would agree with the overall
3062 context of health care reform, that that is a workable
3063 standard, yes, sir.

3064 Mr. Stupak. Okay. Well, then the legislation has
3065 another provision that requires insurance companies to
3066 provide "the individual with notice of such proposed
3067 rescission and an opportunity for review by an independent
3068 external third party." Do you agree with that?

3069 Mr. Collins. Well, sir, there is a host of--most states
3070 have some sort of external third party review requirements in
3071 place today for claim review, for claims that are denied,
3072 and--

3073 Mr. Stupak. Well, this is for rescission. So would you
3074 agree that there should be--

3075 Mr. Collins. Well, I am drawing an analogy, sir.

3076 Mr. Stupak. Okay.

3077 Mr. Collins. I think that those processes work fairly

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3078 well for us.

3079 Mr. Stupak. So you have no problem with that, then?

3080 Mr. Collins. Certainly in the context of reform, it
3081 would be a valuable service to the public, sir.

3082 Mr. Stupak. Mr. Sassi, do you agree it should be an
3083 independent third party review?

3084 Mr. Sassi. In 2008, WellPoint already implemented an
3085 independent third party review. So we have no issue with
3086 this.

3087 Mr. Stupak. Why didn't Ms. Reilling get an independent
3088 third party review, then, if you had it in there as a company
3089 policy since 2008? She was denied here in this month, June.

3090 Mr. Sassi. Again, Ms. Reilling was not covered under an
3091 individual insurance policy.

3092 Mr. Stupak. So only individuals have third party
3093 review. If I am a part of a group, don't I get third party
3094 review?

3095 Mr. Sassi. Currently. That was a change we made to our
3096 rescission practices in the individual market.

3097 Mr. Stupak. So if you are a group, you are out of luck?

3098 Mr. Sassi. You have other appeal rights.

3099 Mr. Stupak. Okay. I have to go through my employer to
3100 find out what they are or does your company tell us what they
3101 are?

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3102 Mr. Sassi. We issue certificates of coverage that
3103 detail the benefits in each of our plans. And each of those
3104 certificates of coverage has appeal rights.

3105 Mr. Stupak. Professor, it sounds like we are playing
3106 semantics here. Are we in a way?

3107 Ms. Kinney. Well, I mean, different classifications do
3108 have meanings, but it does seem that the witness earlier that
3109 Ms. Reilling had appeal rights. They ought to have been
3110 fairly clearly expressed to her and accessible.

3111 Mr. Stupak. One of the things I have asked the
3112 Committee to do is have an amendment ready that not only do
3113 you have only rescission based on an intentional fraud and
3114 proven by clear and convincing evidence but also have an
3115 independent third party review but give it 30 days. Is that
3116 reasonable? Connecticut has 15 days.

3117 I guess I am trying to stop this post writing after 30
3118 days and also have an independent review done within 30 days
3119 because if you are waiting for your bone marrow transplant,
3120 you don't have a lot of time.

3121 Ms. Kinney. Well, you might have an expedited process
3122 for that kind of a review. For example, with Medicare
3123 appeals processes, they have an expedited process for
3124 appealing coverage decisions that are life-threatening
3125 ostensibly.

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3126 But here I think that the insurance industry should be
3127 able to investigate a policy, but they need to do it in my
3128 judgment in a shorter period of time and not be permitted for
3129 2 years to engage in what is basically post-claim
3130 underwriting.

3131 Now, I think what gets to us and however you address it
3132 but what seems offensive to many is the ability to go back
3133 and review a chart and review statements looking for some
3134 kind of factor that would give rise to a conclusion that
3135 there had been a known misrepresentation.

3136 I think that that is the practice that we really need to
3137 go after and to clarify what is knowing. And also I thought
3138 maybe coming over this morning that you might put in some
3139 kind of requirement that a decision based on a review of
3140 medical record--if the insurance company has the medical
3141 record, they have it for 3 months, then they need to look at
3142 the medical record in that period of time and make a decision
3143 about whether that complies with the policy up front before
3144 even any claims were submitted.

3145 Mr. Stupak. Yes. It seemed like before they take your
3146 premium, they should give you some determination based upon
3147 the records, correct?

3148 Ms. Kinney. Right. I suppose that the rationale would
3149 be that if you then--you know, once you take a premium, you

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3150 do have insurance and that that speeds up the process of
3151 getting insurance. And you might have a situation where you
3152 have a delay in coverage if you have too many requirements up
3153 front.

3154 But, as I understand it, another aspect of the insurance
3155 industry, you can issue riders and temporary insurance to
3156 cover that time. It seems to me a problem that does have a
3157 solution.

3158 Mr. Stupak. Is it fair to say that at your Center for
3159 Law and Health or Health and Law, if you have a health
3160 insurance policy and you are terminated, is it fair to say it
3161 is very, very difficult to get insurance coverage?

3162 Ms. Kinney. I think that the testimony and the
3163 information that has been garnered in these hearings suggest
3164 that is the case. And certainly in our research we did years
3165 ago, which it is probably a little dated, but once you have
3166 been canceled, it is hard to get insurance.

3167 Mr. Stupak. All right. Let me just take a look at one
3168 more thing here. Mr. Sassi, you said that the first time you
3169 heard about Ms. Reilling's case was today. Will you commit
3170 that you will have the company take a look at that and make
3171 sure that Ms. Reilling's rights were protected before you
3172 terminated that policy?

3173 Mr. Sassi. Yes, sir.

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3174 Mr. Stupak. Okay. Well, I want to thank you all for
3175 coming. That is going to conclude our questioning today. I
3176 want to thank all of the witnesses for coming today and your
3177 testimony.

3178 The Committee rules provide that members have 10 days to
3179 submit additional questions for the record. I will ask
3180 unanimous consent that contents of the document binder will
3181 be entered into the record provided the Committee staff may
3182 redact any information that has business propriety or relates
3183 to privacy concerns or is law enforcement-sensitive. Without
3184 objection, the documents will be entered into the record.

3185 [The binder documents follow:]

3186 *****INSERT*****

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3187 Mr. Stupak. That concludes the hearing of the
3188 Subcommittee. Thank you all for coming. Thank you for
3189 participating. And thank you for being good hosts here in
3190 Indiana.

3191 [Whereupon, at 1:00 p.m., the foregoing matter was
3192 concluded.]

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