

ONE HUNDRED ELEVENTH CONGRESS  
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**House of Representatives**  
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**MEMORANDUM**

**October 12, 2010**

**To: Members of the Committee on Energy and Commerce**

**From: Chairmen Henry A. Waxman and Bart Stupak**

**Re: Maternity Coverage in the Individual Health Insurance Market**

Since March 2010, the Committee has been investigating maternity coverage in the individual health insurance market. This memorandum summarizes what we have learned in the investigation. We have found that (1) pregnant women, expectant fathers, and families in the process of adoption are unable to obtain health insurance in the individual market; (2) many health insurance plans in the individual market do not provide insurance coverage for medical costs related to pregnancy; and (3) health insurance companies have business plans to reduce the coverage of maternity expenses.

The maternity coverage practices described in this memorandum are those that exist in today's market. In all likelihood, they would have continued in the future absent the passage of health reform legislation. One important benefit of the Affordable Care Act, which was signed into law on March 23, 2010, is the fundamental reform of maternity coverage.

Key findings in our investigation are:

- **Women who are pregnant, expectant fathers, and families attempting to adopt children are generally unable to obtain health insurance in the individual market.** The four largest for-profit health insurance companies, Aetna, Humana, UnitedHealth Group, and WellPoint, have each listed pregnancy as a medical condition that would result in an automatic denial of individual health insurance coverage. Health insurance companies also sometimes exclude from coverage expectant fathers, candidates for surrogacy whether they are the surrogate or recipient, and those in the process of adoption.
- **Health insurance companies often exclude maternity care from coverage in the individual market.** Not only do the insurance companies deny coverage to expectant parents, they often exclude maternity coverage from the plans they offer individuals who

are not expecting at the time they subscribe. One company did not offer any policies in the individual market that covered maternity expenses in 2009 or 2010, except as mandated by law in one state. In California, 9 of the 14 plans another company offered provided no benefits for pregnancy-related medical claims. One company's largest subsidiary in the individual market does not offer benefits for routine pregnancies in half their plans in the individual market. One health insurance company offers maternity coverage as required by law in Pennsylvania, Kansas, and Maryland, but otherwise has no individual policies that provide maternity coverage.

- **Insurance companies severely limit the benefits they provide under maternity riders.** Women who cannot obtain maternity coverage under their standard insurance policies can sometimes purchase riders to provide some coverage. However, these riders are expensive and offer limited benefits with high deductibles. After paying maternity rider premiums to one health insurance company for four years, an insured woman will receive no more than \$6,000 from the company, even if her pregnancy and related medical claims cost much more. Senior executives in a different health insurance company considered adopting a maternity rider that did not cover medical expenses related to pregnancy during the first 12 months of enrollment. These executives stated: "Management [is] uncomfortable with the maternity rider option due to adverse selection and costs of premature births."
- **Health insurance company executives have developed business plans designed to reduce coverage of maternity expenses.** Corporate executives identified maternity coverage as one of the ten issues that resulted "in higher prices, lower margins and loss of market share." During a quarterly meeting in January 2008, executives for a different health insurance company decided that "optional maternity coverage has a very unfavorable impact on our bottom line" and that "[t]his coverage option will be eliminated in stages." The Chief Operating Officer for one company's individual insurance division stated: "we have analyzed the economics of our maternity rider and will stop offering except where required by state statutes. The rider itself covers the maternity costs and is a loser." One financial analyst for a different company stated: "Competitively, it seems like we need to offer some kind of rider. But, actuarially we don't want to make it too attractive."

The health care reform legislation signed into law by President Obama will halt the practice of denying coverage to expectant parents. Under the Affordable Care Act, individual health insurance policies will be required to cover maternity expenses in the individual health insurance market. Beginning in 2014, health insurance companies will no longer be able to deny coverage to women because they are pregnant or exclude maternity-related claims.

## **I. PURPOSE AND METHODOLOGY OF THE INVESTIGATION**

While most Americans receive health insurance coverage through group plans sponsored by their employers, millions of people have no alternative other than seeking health insurance through the individual market. In 2008, the latest year for which data is available, approximately 15.7

million adults under 65 received their health care coverage through individual health insurance policies.<sup>1</sup>

In early 2010, before passage of the Affordable Care Act, we initiated an investigation into the availability and quality of maternity coverage in the individual health insurance market. On March 2, 2010, the Committee wrote to the four largest for-profit health insurance companies – Aetna, Humana, UnitedHealth Group, and WellPoint – to request information about company policies related to the coverage of maternity care.<sup>2</sup> Collectively, these four companies covered 2.8 million people in the individual health insurance market in 2009.<sup>3</sup>

The Committee sought documentation of the insurers’ practices related to maternity care, including “internal communications, including e-mail, to or from senior corporate management” and “presentations to senior corporate management.”<sup>4</sup> All companies voluntarily provided the requested information. In total, the Committee received over 68,000 pages of documents from the companies.

This memorandum is based on the information and documents provided to the Committee. It provides new insights into how the largest for-profit insurance companies limit health insurance coverage for medical expenses related to pregnancy. Without passage of the Affordable Care Act, these companies’ practices concerning maternity coverage could have continued unchecked.

## **II. FINDINGS**

### **A. Coverage Denials for Expectant Individuals**

Women who are pregnant cannot obtain individual health insurance from the four largest for-profit health insurance companies, Aetna, Humana, UnitedHealth Group, and WellPoint. All four insurance companies refuse to provide coverage to applicants who have “pre-existing

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<sup>1</sup> Kaiser Family Foundation, *Health Insurance Coverage in America, 2008* (Oct. 9, 2009).

<sup>2</sup> Letter from Henry A. Waxman, Chairman, Committee on Energy and Commerce, and Bart Stupak, Chairman, Subcommittee on Oversight and Investigations, Committee on Energy and Commerce, to Angela Braly, President and Chief Executive Officer, WellPoint, Inc., Stephen Hemsley, President and Chief Executive Officer, United Health Group, Michael McCallister, President and Chief Executive Officer, Humana, Inc., and Ronald Williams, Chairman and Chief Executive Officer, Aetna (Mar. 2, 2010).

<sup>3</sup> National Association of Insurance Commissioners, *Individual and Group Comprehensive Major Medical by Legal Entity* (Apr. 7, 2010).

<sup>4</sup> Letter from Henry A. Waxman, Chairman, Committee on Energy and Commerce, and Bart Stupak, Chairman, Subcommittee on Oversight and Investigations, Committee on Energy and Commerce, to Angela Braly, President and Chief Executive Officer, WellPoint, Inc., Stephen Hemsley, President and Chief Executive Officer, United Health Group, Michael McCallister, President and Chief Executive Officer, Humana, Inc., and Ronald Williams, Chairman and Chief Executive Officer, Aetna (Mar. 2, 2010).

conditions.” Each of the health insurance companies considers pregnancy to be a pre-existing condition that results in an automatic denial of health insurance coverage.<sup>5</sup>

The four health insurance companies also sometimes exclude from coverage expectant fathers, candidates for surrogacy whether they are the surrogate or recipient, and those in the process of adoption. One health insurance company deems an entire application for insurance coverage to be ineligible for individuals who are “pregnant, [or] an expectant parent (including fathers and/or other family members).”<sup>6</sup> Another company will not insure under certain policies “applicants[,] their spouses, dependent children and/or significant others who are in the process of becoming a surrogate mother, or who indicate their intent to become a candidate for a surrogate pregnancy (whether they are the surrogate or recipient).”<sup>7</sup> A different insurer reserves the right to decline coverage without further review of medical records for:

- “Any pregnant applicant, spouse or dependent.”
- “Any applicant, spouse or dependent in the final process of adopting a child.”
- “Any male applicant who is expecting a child with any female whether or not she is listed on the application, whether or not they are legally married.”<sup>8</sup>

## **B. Limited Benefits for Pregnant Women**

When women who are not pregnant purchase individual health insurance, they often find that their maternity benefits are nonexistent or limited if they do subsequently become pregnant. Although the four insurance companies cover costs for complications related to pregnancy, most expenses for a normal delivery are excluded from coverage.

One health insurance company did not offer any policies in the individual market that covered maternity expenses in 2009 or 2010, except as mandated by law in one state.<sup>9</sup> In California, 9 of the 14 plans an insurer offered provided no benefits for pregnancy-related medical claims.<sup>10</sup> One company’s largest subsidiary in the individual market does not offer benefits for routine

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<sup>5</sup> Underwriting Guide concerning health products (undated); Inter-Office Memorandum from [redacted] to Distribution (Aug. 29, 2006); *[Redacted] Broker Guide* (Feb. 2010); *[Redacted] Plans for Individuals and Families Underwriting Criteria and General Policy and Procedure* (Nov. 23, 2009).

<sup>6</sup> Underwriting Guide concerning health products (undated).

<sup>7</sup> Underwriting Guidelines concerning pregnancy (undated).

<sup>8</sup> *[Redacted] Plans for Individuals and Families Underwriting Criteria and General Policy and Procedure* (Nov. 23, 2009).

<sup>9</sup> *[Redacted] Response to Written Request of March 2, 2010 from the Committee on Energy and Commerce Exhibit 6* (undated).

<sup>10</sup> *Rate Action Summary California Individual Market* (undated).

pregnancies in half their plans in the individual market.<sup>11</sup> Another company has no policies that provide maternity coverage, except as required by law in three states, Pennsylvania, Kansas, and Maryland.<sup>12</sup>

In an internal presentation entitled, “Maternity Refresher,” corporate executives stated: “Most of our individual and association group products do not cover routine or normal pregnancy.”<sup>13</sup> Other health insurance companies take the same position toward maternity coverage. In one training presentation on maternity coverage, executives at a different company explained:

No [redacted] plans cover normal maternity under the member’s medical benefits. All conditions that are not specifically listed in the state’s contract as a complication of pregnancy will be denied as normal maternity and therefore not covered under the member’s medical benefits.<sup>14</sup>

In one internal e-mail, a senior executive wrote: “we don’t cover maternity, which means we don’t cover the mother’s cost for normal deliveries. We do have to cover complications associated with maternity.”<sup>15</sup> Although one insurer covers maternity expenses under certain insurance policies, internal documents indicate that the company is narrowing the number of plans that include pregnancy-related benefits. According to a presentation delivered by a senior executive for the company at a high-level staff meeting, “[g]uidelines for maternity plans will be tightened” so that maternity benefits would be sold “only to plans with deductibles of \$5,000 or greater.”<sup>16</sup> Additionally, the presentation states that executives intend to “[t]ighten the guidelines for conditions that have increased chances for a high risk pregnancy.”<sup>17</sup>

### **C. Maternity Riders with Limited Benefits**

One option for women who cannot obtain insurance that covers the cost of pregnancy is to purchase optional supplemental coverage through a “maternity rider.” An applicant seeking a maternity rider must pay an additional monthly premium to obtain coverage for the expenses related to pregnancy, including hospital services, anesthesia, blood tests, ultrasounds, office visits, ambulance services, and the medical care performed by a doctor.

The optional maternity riders offered by the four health insurance companies have severely limited the benefits they cover. After paying maternity rider premiums to one insurance

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<sup>11</sup> [Redacted] *Individual Plans – Maternity Benefits Available* (undated).

<sup>12</sup> *Response to Question No. 6* (undated).

<sup>13</sup> *Maternity Refresher* (undated).

<sup>14</sup> *COP [Complications of Pregnancy] Immediate Needs Training* (undated).

<sup>15</sup> E-mail from [redacted] to [redacted] (Oct. 5, 2009).

<sup>16</sup> *Consumer President’s Staff Meeting Individual Underwriting* (Jan. 14, 2010).

<sup>17</sup> *Id.*

company for four years, an insured woman can receive no more than \$6,000 from the company, even if her pregnancy and related claims cost thousands of dollars more.<sup>18</sup>

Internal corporate communications show that the health insurance companies are reluctant to offer maternity riders in the individual health insurance market. Corporate executives in one company considered adopting a maternity rider that did not cover medical expenses related to pregnancy for the first 12 months of enrollment.<sup>19</sup> This proposed rider also would have imposed a separate \$5,000 deductible before the insurer would begin covering costs related to maternity care.<sup>20</sup> In one document that provided background information on maternity coverage, company executives for a different insurer stated: “Management [is] uncomfortable with the maternity rider option due to adverse selection and costs of premature births.”<sup>21</sup> The document continues: “Increased risk is that by offering a maternity rider we would be attractive to potential members who are likely to have children.”<sup>22</sup>

#### **D. Internal Documents on Maternity Coverage**

Health insurance company executives discussed their reluctance to cover maternity expenses in internal corporate documents. In a presentation to senior staff, executives identified maternity coverage as one of ten issues that resulted “in higher prices, lower margins and loss of market share.”<sup>23</sup> According to the presentation, the financial risks associated with maternity coverage total \$20 million each year in one state.<sup>24</sup> Senior executives then explained that “[m]aternity risk increases first year loss ratios by 7%.”<sup>25</sup> The increase of the medical loss ratio by 7% means that the company will pay more in medical claims and have less revenue available for other expenses such as marketing costs, administrative expenses, executive compensation, and profits.

Executives of a different insurance company expressed concern about the cost of offering maternity riders. One company analyst recommended: “overall experience on policies with maternity rider is 90% loss ratios. So, I think any restriction would help since that is a money-losing ratio. If someone is going to lapse just because we don’t let them add a maternity rider . . . maybe we should just let them.”<sup>26</sup> He added: “Competitively, it seems like we need to offer some kind of rider. But, actuarially we don’t want to make it too attractive.”<sup>27</sup>

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<sup>18</sup> *Personal Health Insurance Plans for Individuals and Families* (2009).

<sup>19</sup> E-mail from [redacted] to [redacted] (Dec. 3, 2008).

<sup>20</sup> *Id.*

<sup>21</sup> E-mail from [redacted] to [redacted] et al. (Oct. 6, 2009).

<sup>22</sup> *Id.*

<sup>23</sup> *[State] Individual Markets – Deep Dive* (Jan. 29, 2010).

<sup>24</sup> *Id.*

<sup>25</sup> *Id.*

<sup>26</sup> E-mail from [redacted] to [redacted] (Nov. 20, 2009).

<sup>27</sup> *Id.*

An executive for the third insurance company stated that she was “concerned that it appears that there is a downstream effect of members joining [the company] and shortly thereafter becoming pregnant or being treated for pregnancy.”<sup>28</sup> After explaining that the company had paid \$1 million for delivery expenses, another executive asked: “The large dollar amount of Deliver[y] charges begs the question of what exactly are we paying for and is it covered?”<sup>29</sup> He explained that “[m]ost of our policies do not cover maternity.”<sup>30</sup>

During a quarterly meeting in January 2008, executives for the fourth insurer decided that the “optional maternity coverage has a very unfavorable impact on our bottom line” and that “[t]his coverage option will be eliminated in stages.”<sup>31</sup> The director of the company’s individual health insurance market questioned whether this step would sufficiently control the company’s costs from claims related to maternity. He stated:

I am still concerned that our maternity costs do not stem from “normal maternity” charges, but rather the cases that fall under the complication of maternity provision in the policy. Since this will remain in the policy after we stop offering the rider, we may not get the results we anticipate.<sup>32</sup>

The internal company documents indicate that insurance companies often do not provide coverage for pregnancy-related claims unless mandated by state laws. After conducting a review of insurance plans that provided maternity benefits and that had higher medical loss ratios, one senior executive stated: “This is why I’m not keen on offering maternity plans under [state] law when maternity is not mandated by law.”<sup>33</sup>

The Chief Operating Officer for one company’s individual insurance division stated: “we have analyzed the economics of our maternity rider and will stop offering except where required by state statutes. The rider itself covers the maternity costs and is a loser.”<sup>34</sup> According to one internal e-mail, a senior executive for another company recommended that the insurer further define complications related to maternity “to ensure we are not paying more than what the states require as well as what our contracts indicate.”<sup>35</sup>

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<sup>28</sup> E-mail from [redacted] to [redacted] et al. (Jan. 14, 2008).

<sup>29</sup> E-mail from [redacted] to [redacted] et al. (Jan. 11, 2008).

<sup>30</sup> *Id.*

<sup>31</sup> E-mail from [redacted] to “Quarterly Rate Meeting Minutes” (Jan. 7, 2008).

<sup>32</sup> E-mail from [redacted] to [redacted] (Dec. 28, 2007).

<sup>33</sup> E-mail from [redacted] to [redacted] et al. (Sept. 18, 2009).

<sup>34</sup> E-mail from [redacted] to [redacted] (Jan. 2, 2008).

<sup>35</sup> E-mail from [redacted] to [redacted] (Feb. 13, 2008).

One insurance company executive expressed an interest in reversing the state regulators' decision with respect to maternity coverage. A senior actuary wrote: "Since we last spoke, the state came back and said that maternity was a 'basic' benefit and couldn't be removed . . . We can fight it in the long term."<sup>36</sup>

### III. EFFECT OF HEALTH REFORM

The Affordable Care Act, which was enacted on March 23, 2010, significantly reforms insurance company practices relating to maternity coverage in the individual health insurance market.

Effective January 1, 2014, insurance companies in the individual market will no longer be allowed to deny policy enrollment to a woman because she is pregnant or has any other pre-existing condition.<sup>37</sup> Additionally, the Act will bar health insurers from charging higher premiums to women who are pregnant or to any person with a pre-existing condition. Health insurance companies selling coverage in the individual market will be allowed to set their rates based only on geography, whether the plan covers an individual or family, age, and tobacco use.<sup>38</sup>

The Affordable Care Act also ensures that maternity care is an "essential health benefit."<sup>39</sup> As a result, insurers must cover maternity-related medical expenses in the individual health insurance market beginning in 2014. Maternity coverage is also mandated for all policies in the small-group market.<sup>40</sup>

### IV. CONCLUSION

Our investigation examined maternity coverage in the individual health insurance market. The investigation has revealed that the four largest for-profit health insurance companies, Aetna, Humana, UnitedHealth Group, and WellPoint, denied health insurance coverage to pregnant women and often did not cover maternity-related medical expenses. Internal company documents show that these companies would have continued to limit coverage for maternity expenses in the individual health insurance market if Congress had not passed health reform legislation.

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<sup>36</sup> E-mail from [redacted] to [redacted] (May 29, 2009).

<sup>37</sup> The Patient Protection and Affordable Care Act, Pub. L. 111-148 § 1201 (2010).

<sup>38</sup> *Id.*

<sup>39</sup> *Id.* at § 1302.

<sup>40</sup> *Id.*