Report: Health plan scams leaving thousands in debt

A recent unprecedented increase in unauthorized and illegal health insurance plans, spurred by rising health care costs and increasing numbers of uninsured, has left approximately 100,000 people with millions of dollars in medical debts and no coverage, according to a new report from The Commonwealth Fund.

Companies selling phony insurance collect premiums from enrollees but fail to pay health care providers. With no safety net, such as a state guaranty fund, to pay medical claims when these plans become insolvent, victims are often left with huge medical debts.

"These scams prey on people who are seeking access to affordable health insurance coverage," said Karen Davis, president of The Commonwealth Fund. "Not only do we need better methods to identify and shut down illegal operations, we need to expand access to affordable coverage and reduce the demand that phony plans are exploiting."

Every state has laws making it illegal to operate an insurance company without a license. Unlicensed plans ignore state and federal insurance regulations, including solvency standards that ensure a company will be able to pay the claims of enrolled individuals.

The report, "Health Insurance Scams: How Government Is Responding and What Further Steps Are Needed," found that health insurance scams have been rising over the past two years as insurance premiums have increased at double-digit rates.

According to the report, since 2001, four unauthorized plans have left nearly 100,000 people with $85 million in unpaid medical debts and without health coverage. ❐

BOSTON — The Massachusetts Association of Insurance Agents is asking for a $3.43 per car increase in agent commissions on private passenger auto insurance for next year. The group's 2004 filing requests a $116.43 average commission.

The recommendation is based on the $113 figure set by Commissioner Juliane Bowler for 2003.

MAIA did not perform an agency cost study to support its request this year, despite criticisms from Bowler on its submission last year. Instead, MAIA's actuary, Tillinghast-Towers Perrin, applied the same methodology that MAIA has used in past years when it also did not prepare a cost study, according to Frank Mancini, executive vice president of MAIA.

"We didn't do a cost study this year, and we're doing one next year, so in the years in between we just make a simplified filing based on trends," Mancini said.

The group is endeavoring to conduct a study at least every three years. The first study, undertaken in the 1990s, cost over $350,000; the most recent one in 2002 cost in excess of $200,000.

Bowler criticized the 2002 study for the low number of agencies participating, the lack of exposure data submitted by the agencies and the quality of some of the data submitted by MAIA members participating in the study. ❐