

Insurance That Really Isn't

Beware of sales pitches for health coverage that seems too good to be true

By Lindsay Lyon

One afternoon in 2008, as Glenda Hey, 61, was going about her business as a receptionist with the Oklahoma City Police Department, she noticed a faxed offer she couldn't refuse. "I just happened to pick it up," says Hey, who at the time was struggling to afford \$545 a month in health insurance premiums. "The price jumped out at me." Health insurance for hundreds less—a deal that was

about to expire. After filling out a brief application that asked for her bank account details, Hey was told her policy would start on Jan. 1, 2009.

But later that spring, when Hey experienced chest pain so severe that she was rushed to the hospital for five test-filled days, her finances took a devastating hit as she recovered. Even though \$314 was being withdrawn from her account each month for premiums, she says, the company was refusing to pay the bill—which, at more than \$31,000, totaled almost what she and her husband earn together in a year. After com-

plaining to the state's insurance department, Hey heard some unsettling news. Nearly 70 other Oklahomans were in the same boat, one man with nearly \$100,000 in unpaid claims. And the outfit they'd enrolled with appeared not to be licensed to sell insurance anywhere in the country.

Regulators now accuse the Tennessee-based entity, the American Trade Association, and affiliated firms of selling fake health insurance to at least 26,000 households in all 50 states; they raked in upwards of \$14 million in premiums over a span of 16 months,

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Wayne and Glenda Hey were faced with a bill of more than \$31,000 when the plan she'd thought was a legitimate policy refused her claim.

according to court documents. More than a few of those dollars appear to have been spent on personal items such as cars, real estate, and loan payments, says Leslie Newman, Tennessee's insurance commissioner. At least 12 other states have taken action to stop the entities from operating. Although a Tennessee judge has ordered the liquidation of the companies, whose unpaid claims are estimated at more than \$5 million, regulators aren't optimistic there will be much money left for victims like Hey, some of whose care has been covered by her hospital.

"They were using the money for their own personal benefit," contends Oklahoma Insurance Commissioner Kim Holland, who has been collaborating with other states to shut the firms down. Small claims were paid to maintain the appearance of legitimacy, she says, but when people devel-

People posing as federal agents are peddling "ObamaCare" health policies.

oped serious health issues, like cancer, they were left with the bills. "As far as my clients are concerned, the facts that I have seen do not support that conclusion," says Nader Baydoun, an attorney who has been representing ATA and another company, Smart Data Solutions, throughout Tennessee's liquidation proceedings.

Hey's story is just one example of what regulators warn is a ballooning problem: health insurance scams. Given the economic slump, an unemployment rate around 10 percent with the attendant loss of health coverage, and rocketing monthly premiums, people desperate for protection are more likely to be baited by tantalizing offers through blast faxes, E-mails, or telemarketing calls. Indeed, bogus health plans are the biggest consumer insurance fraud to emerge from the recession, says James Quiggle, spokesperson for the Coalition Against Insurance Fraud, who cites a November survey his nonprofit conducted of 37 state fraud bureaus. "It's very dangerous out there," he says.

The recession isn't the only driver.

Many Americans don't fully grasp the provisions of health reform, a vulnerability that scam artists are hurrying to exploit. Complaints in Missouri and elsewhere have described people going door to door posing as federal agents and peddling "ObamaCare" or other insurance policies supposedly made possible by the new law. In Illinois and Nevada, similar solicitations have been made by phone. "We hear of scammers saying, 'You got to buy now,'" or that everyone must be covered immediately lest they be fined, a requirement that won't take hold until 2014, says Scott Kipper, Nevada's immediate past insurance commissioner. Swindlers may even be using the threat of imprisonment for "noncompliance" as a scare tactic, some regulators warn.

"Unfortunately, this may just be the beginning of what may be a much more robust effort to take advantage

of a comprehensive new piece of legislation," says Kathleen Sebelius, secretary of the U.S. Department of Health and Human Services. "A lot of people are eager to get some benefits and are not quite sure how to do that, [which] opens the door, I think, for some unscrupulous folks to—under the guise of 'I'm here to help you'—do all sorts of things." Soon after the bill's passage, Sebelius sent letters to all the state insurance commissioners and attorneys general to put everyone on high alert. "This is something that we're going to take very, very seriously," she says.

Deceptive discounting. In some cases, consumers are being taken in by people advertising discount health plans as health insurance. Discount plans have existed for years and can be a legitimate way for people to save on healthcare. For a monthly membership fee, people are generally given a card that offers cut-rate prices on prescriptions, vision, dental, and other services, for example, or mark-downs on charges from hospitals and doctors who contract with the program. But true discount plans are

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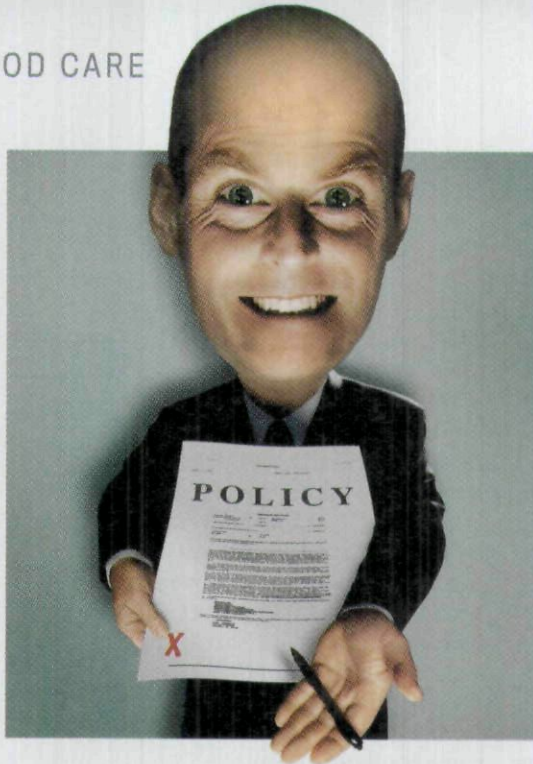
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not health insurance and aren't intended to substitute for health insurance. According to Quiggle, "shady" discount medical plans use terms that imply insurance, such as "health benefits," to dupe people into believing they're buying full-benefit coverage when they're not. A decade ago, there was virtually no regulation of the industry, say industry experts, and even though state regulators have since ramped up their oversight, problems remain.

In January, Massachusetts became one of several states that regulate the sale of discount health plans to better protect consumers. After passing its own healthcare reform law in 2006, which required Bay Staters to have coverage, Massachusetts experienced complaints from residents who were misled to believe they were buying insurance when they were actually being sold a discount plan. Last year, the state's attorney general, Martha Coakley, sued several companies,



contact information for many of her friends, she tried to cancel but couldn't reach anyone at the number provided. Ten to 15 of her coworkers also took the bait, Andlovec says. Weeks passed before anyone from the group could finally reach a human being at the company. Eventually, the group learned that what they'd purchased wasn't in fact health insurance at all.

"It took months to get my money back," says Andlovec. In February, California regulators ordered the company she'd signed up with, Easy Life Healthcare, to cease doing "unauthorized, deceptive, and unlawful" business in the state, including "misrepresenting their products"

some for deceptively trumpeting their discount plans as "low-cost quality healthcare for the individual and entire family" and "top-rated insurance" that would satisfy the new coverage mandate, among other claims. California has also had persistent problems with the plans, including companies using deceptive marketing blitzes in communities with high numbers of uninsured people, says Cindy Ehnies, director of the state's Department of Managed Health Care.

Such a campaign caught the eye of Linda Andlovec, 60, of Foresthill, Calif., in early 2009. Days after she and her coworkers were told that their employer, a small company, could no longer afford their health insurance, an enthusiastic woman called to say she'd heard that Andlovec had lost her coverage, and could offer a great, time-sensitive deal on health insurance with monthly premiums of less than \$100, and low or no copayments for doctor visits. But Andlovec would have to quickly provide her bank account number, since open enrollment was about to end.

"There was this little voice in my head going, 'Jeez, don't be desperate, Linda, don't do it,' but at the time I felt real desperate," she says. The thought of being uninsured was frightening, especially because years earlier doctors had detected a benign lump in her breast that needed regular monitoring. Hours after signing up, and providing

by purporting "to provide health insurance during the solicitation process," according to court papers. "Easy Life denies the allegations" set forth in the cease and desist order, says David Boren, the company's counsel.

Protect yourself. The best way to avoid being scammed when presented with an enticing offer is to call your state's insurance department and ask whether the company or agent is licensed to do business in the state and if any action has been taken against them. Local Better Business Bureaus also collect complaint data.

In general, warning signs include unsolicited insurance offers made by fax, phone, or E-mail; "act now" and other high-pressure sales pitches ("Nobody should be pressured into making a decision on the spot, and in a legitimate situation, they would not be," says Sandy Praeger, Kansas insurance commissioner); being asked to provide bank account or credit card numbers to get locked in; and monthly premiums that are much lower than usual. Know too that there is no "ObamaCare" plan being marketed or sold by the federal government, Praeger says.

The consequences of falling prey can be grave, says Quiggle, from crushing bills—even bankruptcy—to ditching legitimate coverage for what only appears to be a good deal. Hey and Andlovec, now uninsured, learned the hard way that what sounds too good to be true generally is. ●

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