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CITIZENS FOR ECONOMIC OPPORTUNITY  
Corporate Responsibility Campaign

### **H.B. 5303 - An Act Requiring Reporting of Certain Health Insurance Claims Denial Data**

My name is Karen Schuessler and I am the Director of Citizens for Economic Opportunity (CEO). CEO is a coalition of community and labor groups addressing health care reform and corporate responsibility.

I strongly support H.B. 5303. It is important for insurance companies to disclose their denial rates for numerous reasons. Consumers have a right to know when shopping for insurance the rate at which insurance companies deny claims yet only one state, California, releases denial rates. Unfortunately, when it comes to claims denials, insurers may be putting profits ahead of patient's health.

According to a report by the Center for American Progress, three of the six largest health insurance companies in California each denied 30 percent or more of all claims filed in the first 6 months of 2009. The California Nurses Association which disclosed the data says the high percentage of denials suggests that the insurers are going beyond reasonable standards to reject claims and may be using claims to boost profits. Wendell Potter, a former senior public relations executive at Cigna who resigned in 2008 to become a whistleblower states that "Claims denials are probably the most effective way the industry has to manage medical expenses." The *Los Angeles Times* has reported that HealthNet was exposed for awarding employee bonuses based on how many policies they had rescinded. In addition, critics claim that insurers intentionally use confusing applications so that when a member begins filing claims, the insurer can go back and find mistakes in the application to justify a rescission.

Another tactic the insurance companies employ is to cancel individual coverage once a person starts making expensive claims on the policy. Such claims trigger post claims underwriting which means they investigate a policyholders already completed application and medical history to find evidence of pre-existing conditions. Tragically, there is the story reported in the *Los Angeles Times* in June, 2009 of a nurse who had her health insurance cancelled when she developed cancer because they reviewed her medical history and said she did not disclose she had seen a dermatologist for acne.

Insurance companies also deny claims by reassigning their medical directors (the doctors who approve or deny claims for medical reasons), to report to their business managers whose main responsibility is to boost profits. Up until a decade ago they reported to the chief medical officer who had final say on whether coverage was granted or denied based on medical criteria.

Data from The American Medical Association's "National Health Insurer Report Cards," report that the percentage of claims denied only shows a portion of the claims denied. The numbers are actually higher because these percentages include only instances in which entire claims were denied for reasons such as the individual wasn't actually covered by the company or the claim had been improperly filled out.

These numbers do not include instances where companies denied select treatment and procedures rather than the entire claim.

At a time when the country is suffering from the worst economic downturn since the Great Depression, filings with the U.S. Securities and Exchange Commission reveal that the five largest for-profit health insurers, UnitedHealth Group, WellPoint, Aetna, Humana and Cigna enjoyed combined profits of \$12.2 billion in 2009, up 56 percent from the previous year. However, these companies provided insurance coverage to 2.7 million fewer people than the year before.

Insurance companies have spent hundreds of millions of dollars on lobbying and campaign contributions trying to defeat health care reform so if they have enough premium revenue to work to defeat reform surely they have enough revenue to stop denying so many health claims. I urge you to support this bill and halt the injustice of insurance companies prospering as families and individuals continue to suffer through our broken health insurance system.

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