

## Fraud Bureaus Report Sharp Rise In Fake Health Plans

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Coalition Against Insurance Fraud

Bob Harper thought he'd found a better health-insurance deal. The Oklahoma man bought coverage from an outfit called American Trade Association (ATA). The price seemed affordable, and he thought he'd save decent money while maintaining a solid healthcare safety net.

Harper's heart then went bad. His strength fading, he urgently needed a pacemaker. But he discovered too late that ATA was fake. Trying to find legitimate health protection he was having trouble convincing insurers to cover him because of his pre-existing condition.

A Colorado man was gravely hurt in a hit-and-run accident. His hospital bills soared to \$43,000 before he died. His so-called health plan, the National Trade Business Alliance, paid out just \$250, the insurance department says.

More victims like these are showing up as fake health plans operate widely around the United States over the last two and a half years, exploiting people's anxiety over finding affordable coverage amid rising premiums, mounting layoffs and general financial distress in a downturned economy.

Exact data on this trend haven't been compiled. But nearly 60 percent of state fraud bureaus say they've seen a sharp rise in fake health plans, according to a 2009 survey by the **Coalition Against Insurance Fraud**.

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ATA alone has bilked at least 12,000 people out of \$14 million in stolen premiums nationally, regulators estimate. Tennessee's insurance department recently seized ATA after numerous states had issued cease-and-desist orders against the operation.

In Minnesota, more than 2,000 people bought coverage from unlicensed operators the Consumer Health Benefits Association and Home Health America, says the state attorney general, who has sued the outfit.

Nearly 500 Californians bought supposedly guaranteed-issue coverage from unlicensed Contractors and Merchants Association, according to the state's Department of Managed Health Care.

Some 800 Floridians were bilked by Affinity Health Plans, the Department of Financial Services says.

Bogus health plans can take blindingly diverse and complex forms, often deliberately to camouflage their illicit operations from regulators. But basically, most promise full-benefit coverage yet deliver lesser products such as:

- Fake coverage that's a worthless piece of paper;
- Shriveled limited-benefit plans that are nearly useless;
- Medical discount cards that merely offer price breaks on medical services for which buyers still pay from their own pockets.

Backing up the schemes are aggressive marketing efforts designed to convince people they're buying reputable coverage. Some plans hire boiler-room telemarketers. TV ads, blast faxes and e-mails, and polished Web sites are part of marketing machinery that can reach thousands of sales prospects quickly and cheaply. Crudely printed signs stapled to telephone poles at intersections also are telltale signs of a con.

People often must join phony associations or unions to access the seemingly good deals. These sham groups create a convincing illusion of affordable group coverage seemingly backed by a solid advocacy organization devoted to member health-care needs.

Typically fake plans operate without required state licenses. The goal is to avoid detection that would lead to inquiries about inconvenient issues such as whether a plan meets state reserve requirements and other necessities of an honest, financially sound insurance operation.

Fake plans also typically are headquartered in small, inconspicuous offices. They avoid fancy, high-profile offices that draw attention. A disaffected customer service rep of American Trade Association told the Coalition that she'd lived in a small Tennessee town all her life and still didn't know that a large ATA affiliate was doing business in her hometown.

So far, regulators have responded mainly with emergency cease-and-desist orders, and too often, long after the damage is done. These are helpful and necessary steps, though a longer term solution rests both with criminal prosecutions that get the ringleaders off the streets. Lawsuits also can recoup at least some of the stolen money and bankrupt the fraudulent operations.

Prevention is the best strategy to limit the damage of these insurance cons. Regulators also have issued a stream of consumer alerts. The Nevada Insurance Department has launched a statewide consumer outreach campaign replete with TV, radio, online and billboard alerts promoting advice and the tagline, "Question the Company and Their Plan."

Even as regulators combated shady plans, healthcare reform spawned yet another round of scams. The ink was barely dry on the new federal reform law in March when con artists started harassing people around the United States with come-ons. Con artists tried to exploit consumer confusion over provisions of the massive and complex reform package.

In Illinois, a telemarketer sold an elderly woman coverage against "death panels."

Scammers also are selling door to door. Some claim they're with the federal government, and lying that they're selling "required" health coverage during "limited-time" enrollment periods, with premiums as low as \$29.95 a month. These are all lies: The feds aren't sending out personnel or selling door to door; there are no required coverages at present; nor are there limited-time offers or limited enrollments.

Cheaters demanded people's sensitive financial information such as credit-card numbers. Many of the frauds thus appear to be attempted identity theft.

More cons quickly surfaced when the feds began mailing rebate checks in June to seniors who reached the so-called Medicare "donut hole" prescription coverage gap. Con artists, for instance, were promising to facilitate sending of the checks, even though the feds sent the checks automatically. Crooks were asking seniors to fill out forms, including their Social Security and Medicare ID info.

It's unclear how widespread these latest cons are, how many people have been bilked or how much money has been stolen. Many scams appear scattered and amateurish. On balance, they haven't yet shown the organization, marketing reach and sheer stealing abilities of some of the robust health cons that have plied the streets since the economy went south more than two years ago.

Over time, the phase-in of health reform and more-universal coverage could seriously undermine fake health plans. But as long as people remain unclear about what health reform means to them, fake plans will have a ready market. These illegal ploys are a disease that won't be cured easily.