LifeHealthPRO

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Massive health insurance scheme earns inclusion in latest class of Insurance Fraud Hall of Shame

By: Brian Anderson

"The 'No-Class' of 2015 reveals the most brazen, vicious or klutzy insurance swindlers — America's newest pharaohs of fraud," the coalition said in an announcement of the latest inductees into the Insurance Fraud Hall of Shame.

<u>"These barons of bleak reveal the human face of insurance fraud," the coalition went on to say. "Victims can suffer despair and depression. Some are injured or die. Families are broken up. Consumers can lose their life savings. Our insurance premiums rise. So feel outrage and get mad. Even laugh — a little — at the more-knuckleheaded cons. Yet also resolve to stay alert, avoid money-stealing cons and report swindles."</u>

This year's inductees span the insurance universe — from insurance-motivated arson to fraudulent car accident and injury claims, a rogue surgeon performing unnecessary operations and billing health insurers, a crooked lawyer hiding insurance settlement money from clients, a faked death, and murder for life insurance proceeds.

While this year's fraudsters list (read more about each of the nine here) is heavy on non-insurance professionals trying a wide variety of ill-advised and sometimes tragic tactics to bilk insurance companies out of money and solve their own big financial problems, the fake health insurance scheme warrants a closer look as one perpetrated over the course of several years by criminals posing as insurance professionals.

This egregious case highlights the length some unscrupulous people will go to defraud consumers taken in by promises of decent coverage at an affordable price during the economic downturn — as well as the challenges regulators face in stopping such an elaborate, wide-reaching scam.

The gist of the scheme was this: Using a variety of company names including American Trade Association (ATA), Smart Data Solutions and Serve America Assurance, an army of aggressive marketers led by William Worthy sold more than 17,000 unauthorized, unlicensed health insurance products in at least 23 states, collecting as much as $100 million in premiums. According to the South Carolina Director of Insurance, Worthy is "the principal character in [a] nationwide unauthorized insurance scheme" and "has a lengthy history of engaging in fraudulent insurance activities." (Read a detailed account of the case here.)

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The scammers would promise consumers a "better deal" if they purchased coverage after joining an "association," a tactic that poses a significant challenge to state insurance departments.

When the purchasers of these products got sick or made a claim, they were sometimes left with thousands of dollars in unpaid medical bills. Small claims would often be paid to convince policyholders the coverage was real while larger claims would be stonewalled. Examples include a Houston man who had emergency back surgery only to discover his policy would not cover any of his $105,000 bill; an Oklahoma man who was days away from getting a pacemaker when he was contacted by the state's insurance department and told his insurance provider was a fraud; and another Oklahoma family who learned a family member's $10,000-per-week chemotherapy would not be covered.

Despite many state cease-and-desist orders in recent years, the companies (dozens of bogus company names were used) continued to market themselves over the Internet. Consumers in states without active cease-and-desist orders against ATA could still join online and enroll in one of the "guaranteed issue health plans."