

Health Insurance Swindles: A Multi-Million Dollar Industry

By: Aaron Rimstidt

In the current issue of The Saturday Evening Post, writer Russell Wild looks into a frightening trend that's on the rise in the U.S. — the sale of fraudulent health insurance policies (“The Health Insurance Boondoggle,” May/June 2011). Every day, consumers are being duped by the promise of affordable coverage only to learn their policies are worth nearly nothing. Here, we take a closer look at the history of these scams — and examine the most recent swindle on the fraud market.

Fake insurance policies are certainly not new. “Insurance fraud is as old as the Himalayas,” explains James Quiggle, executive director of the **Coalition Against Insurance Fraud**. “It has been around as long as there has been insurance.” In the early 1900s, for example, a group called “The Phoenix Underwriters of New York City” fooled insurance-shoppers with official-looking paperwork and too-good-to-miss prices. The Phoenix and similar scams collected millions in premiums, while offering little to no actual coverage.

More than a century later, insurance scams are as prevalent as ever. “We followed a group called the American Trade Association (ATA),” says Cheryl Fish-Parcham, director of health policy at the consumer protection group Families USA. “It went by other names — Smart Data Solutions, Serve America Assurance — but it was really just one group of operators doing this huge scam across the country.” Before getting caught, the organization sold misleading policies to tens of thousands of consumers and raked in as much as \$100 million by some estimates.

As health policy evolves, so do the scams. “A new breed of swindlers emerged after health care reform passed,” says Quiggle. These swindlers preyed on citizens’ confusion, especially over the fact that the reform bill requires all Americans to eventually buy health insurance. “Crooks knocked on doors with a straight face saying they’re selling Obamacare insurance,” says Quiggle. These con artists insisted that consumers needed insurance ASAP. And yet, clarifies Quiggle, “There’s no such thing as an Obamacare insurance. Everything they were saying was a lie.”

During economic downturns, “it’s not unusual to see fake health plans pop up, because consumers are vulnerable,” explains Quiggle. Parcham concurs, explaining that new scams will likely always be around the corner. “Many of the people involved with ATA had already been

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indicted in other insurance scams,” she says. “Some of these are players that have been around a long time inflicting damage on consumers. I’m sure others will rise up and do bad things, so consumers and state insurance departments must remain vigilant.”

Here are some tips to help you avoid being duped by illegitimate insurance companies:

Anything that uses the word “Obamacare” is almost certainly fraudulent. The official name of the health care reform bill is the Affordable Care Act (ACA).

Don’t feel pressured to buy insurance immediately, or believe that it is only available through one provider. “The ACA doesn’t require people to buy insurance until 2014,” says Parcham. “When that happens, people can buy it at an exchange. Exchanges are regulated marketplaces where you choose from several licensed insurance companies online.” Visit healthcare.gov to learn more about exchanges, as well as current private and public health coverage options.

Say “no thanks” to door-to-door salespeople. “Be careful of someone who shows up at your door and tries to make you sign up on the spot,” warns Quiggle. “Very few legitimate door-to-door insurance salesmen are operating today.”