



Published on FierceHealthcare (<http://www.fiercehealthcare.com>)

Insurance scams could lead to unrecoverable bad debt

By Caralyn Davis

Created Mar 1 2010 - 1:57pm

Minnesota made the news [1] recently when the state attorney general filed a suit against two companies for exploitation after the for-profit "health discount plans" misled customers into believing they were paying for full health insurance. This case isn't an isolated event. Last year, the New York State Insurance Department imposed a \$700,000 fine on American Medical and Life Insurance Company for misleading customers about its limited-benefit health insurance plans, as well as banning the company from selling limited-benefit products in the state and requiring the firm to stop airing a national television commercial for those products.

These two cases could be just the tip of a collections iceberg as consumers nationwide increasingly fall victim to misleading or even fraudulent health plans--a disturbing trend that augurs a corresponding increase in potentially unrecoverable medical bad debt.

The Internet has spurred the growth of health insurance scams, allowing phony or limited-benefit health plans to market aggressively to vulnerable consumers, says James Quiggle, director of communications for the nonprofit Coalition Against Insurance Fraud in Washington D.C. "There is a large market for boomers and seniors out there who need affordable coverage, especially in a down economy where insurance is growing more expensive and harder to obtain."

Even small businesses are being targeted by scams, he adds. "Group health coverage is very hard to get if you're a small operator and have only a handful of employees. Scammers know this and are descending on small businesses."

Some consumers could be liable for medical expenses that they believed were covered. However, state regulators have the option to reduce or end the liability of fraud victims, says Kaulkin Ginsberg analyst Michael Klozotsky. Consequently, healthcare providers may be left holding the bag for services they provided.

For more:

- see the *InsideARM* article [2]

Related Articles:

Discount 'insurance' companies sued for exploiting customers [3]

Health insurance fraud on the rise [4]

Source URL:

<http://www.fiercehealthcare.com/story/insurance-scams-could-lead-unrecoverable-bad-debt/2010-03-01>

Links:

[1] <http://www.fiercehealthcare.com/story/discount-insurance-companies-sued-exploiting->

customers/2010-02-11

[2] <http://www.insidearm.com/go/arm-news/phony-health-insurance-plans-on-the-rise-impacting-collections?tag=healthcare>

[3] <http://www.fiercehealthcare.com/story/discount-insurance-companies-sued-exploiting-customers/2010-02-11>

[4] <http://www.fiercehealthcare.com/story/health-insurance-fraud-rise/2010-01-29>