

ONE HUNDRED ELEVENTH CONGRESS
Congress of the United States
House of Representatives

COMMITTEE ON ENERGY AND COMMERCE
2125 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-6115

Majority (202) 225-2927
Minority (202) 225-3641

Opening Statement of Rep. Henry A. Waxman
Chairman, Committee on Energy and Commerce
Terminations of Individual Health Policies by Insurance Companies
Subcommittee on Oversight and Investigations
June 16, 2009

Today we will hear the results of a year-long congressional investigation into abuses in the individual health insurance market.

We began this investigation last year when I was chairman of the Oversight Committee, and we continued it this year, with Chairman Stupak's leadership, through the Energy and Commerce Committee.

As part of this investigation, we conducted a 50-state survey of insurance commissioners, and we sent document requests to some of the largest companies that offer individual health insurance.

We received more than 116,000 pages of documents, and we talked with many policyholders who had their insurance cancelled after they became ill, some of whom are testifying here today.

I would like to direct your attention to a detailed memo compiled by our staff that summarizes the results of this investigation. I ask that this memo be made part of the official hearing record.

Overall, the memo finds that the market for individual health insurance in the United States is fundamentally flawed.

One of the biggest problems is that most states allow insurance companies to deny coverage for people with preexisting conditions. So if you lose your job, and you can't qualify for a government program like Medicare or Medicaid, it's nearly impossible to get health insurance if you are sick or have an illness.

This creates a perverse incentive. In the United States, insurance companies compete based on who is best at avoiding people who need life-saving health care.

And this incentive manifests itself in a wide range of controversial practices by the insurance companies.

When people with individual policies fall ill and submit claims for expensive treatments, some insurance companies launch investigations. They scour the policyholder's original insurance application and the person's medical records to find any discrepancy, any omission, or any misstatement that could allow them to cancel the policy.

They try to find something — anything — so they can say that this individual was not truthful. It doesn't have to relate at all to the medical care the person is seeking, and often it doesn't. You might need chemotherapy for lymphoma, but the insurance company can cancel your coverage because you failed to disclose your gall stones.

It may come as a surprise to most people, but the insurance companies believe they are entitled to cancel policies even when these omissions or discrepancies are unintentional.

They believe they have the right to cancel policies even when someone else, like the agent who sold their policy, was responsible for the discrepancy in the first place.

In addition, they can terminate coverage not just for the primary policyholder, but for the entire family, including innocent children who did nothing wrong.

Some insurance companies launch these investigations every single time a policyholder becomes ill with a certain condition. In other words, if you happen to have ovarian cancer, you should be prepared to be investigated. It's the same with other conditions, such as leukemia.

The memo sets forth some of the most egregious examples we found, but by no means all of them.

In their written statements for today, the three insurance companies downplay the significance of these practices, arguing that rescissions are relatively rare. But these three companies saved more than \$300 million over the past five years as a result of rescissions. I am sure they view this amount as significant.

More importantly, however, these terminations are extremely significant for the tens of thousands of people who needed health care and couldn't get it during these five years because their policies were rescinded.

In my opinion, the solution to these problems is to pass comprehensive health reform legislation. Based on their written testimony, I think the three insurance companies testifying here today agree with that assessment.

This Committee has already initiated that process, and we will begin hearings next week on major legislation to reform our health care system, to guarantee coverage to everyone, and hopefully to eliminate the need for some of these controversial practices in the individual health insurance market. I look forward to working closely with all members of the Committee.