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WELLPOINT UNIT SETTLES CANCELLATION CLAIMS

Sick policyholders who had lost their coverage had sued Blue Cross of California

Facing the threat of punishment from regulators, Blue Cross of California, a subsidiary of Indianapolis-based WellPoint, has quietly agreed to settle more than 70 lawsuits and claims from patients who accused the state's largest health insurer of illegally canceling their coverage after they got sick.

The settlements include undisclosed monetary awards and will allow former policyholders to pay off hefty medical bills they were stuck with after losing their insurance. In exchange, the former policyholders agreed to drop allegations that Blue Cross was canceling individual policies to avoid paying medical bills.

The settlements follow a series of newspaper stories examining the controversial cancellations and resultant hardships on patients, their families, hospitals and physicians.

Among those reaching settlements is a Riverside, Calif., family that was forced to sell its home after being hit with a mountain of medical bills. Another settlement involves the family of a 6-year-old girl who was dropped by the insurer after she was diagnosed with a life-threatening tumor in her jaw.

WellPoint confirmed it was in mediation regarding the suits but declined further comment.

William Shernoff, a lawyer representing many plaintiffs, said his clients won't have to worry about medical bills ever again.

"Every one of our clients is pleased," he said. "But that's only half the story. The other half of the story is making sure it doesn't happen again and getting the right procedures in place."

At issue in the lawsuits is individual health insurance, bought by people who do not have group coverage through an employer or other organization. Unlike with group insurance, an insurer can decline coverage to applicants it deems as high-risk based on their medical histories and answers to detailed health questionnaires.

The suits accused Blue Cross of routinely violating California laws prohibiting insurers from canceling coverage unless a policyholder lied to obtain it. The suits alleged the application questionnaires are intentionally vague and confusing -- designed to trap applicants into making innocent mistakes that later can be used as an excuse to drop them. Blue Cross, they alleged, only bothered to scrutinize the questionnaires after it received a claim for a costly or potentially chronic condition.

WellPoint spokeswoman Shannon Troughton said only about one-half of 1 percent of individual Blue Cross of California policies are canceled. In the wake of the lawsuits, however, Blue Cross of California is making changes -- including rewording the questionnaires and unveiling new written rescission policies and procedures.

"We're listening to our customers," Troughton said. "We're listening to our stakeholders, and we're responding."

At least five other health insurers face similar lawsuits.