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LAWSUITS TARGET HEALTH INSURANCE REFORM

Ten lawsuits aimed at triggering reforms in health insurance were filed today by Claremont lawyer William Shernoff of Shernoff, Bidart & Darras. The lawsuits filed in Los Angeles, Riverside, San Bernardino and Orange counties, are against Wellpoint, the country's largest HMO and its California subsidiary Blue Cross. The lawsuits allege that they systematically violate state law prohibiting "post-claim underwriting" by canceling coverage after a member files a medical claim.

Shernoff explained that post-claim underwriting is a process of scrutinizing a member's medical records after a medical claim is filed to look for discrepancies in the health insured's application and to seize upon any discrepancy they find to justify rescinding the policy. The lawsuits maintained that the health insurance application is constructed in such a way to trap innocent applicants into making a mistake, which Blue Cross can later use against the insured in order to rescind the policy.

Shernoff said that this practice is widespread in the health insurance industry and that it really hurts innocent hospitals, doctors and other medical providers who have provided treatment in good faith after such treatment was authorized by the insurance company or HMO. Shernoff maintains that state law requires the doctors, hospitals and other providers to be paid under such circumstances, but that most insurance carriers and HMOs are ignoring the state law.

Shernoff stated that reforms are necessary at the state level because there is no meaningful regulation of health insurance in the federal laws. He cited Wellpoint's last quarterly report in which they proudly reported net income of \$559 Million for their last quarter as revenues rose to \$11.3 Billion. "While these companies make handsome, indeed excessive profits, hospitals, doctors and other providers as well as patients are being squeezed out of coverage and deprived of millions of dollars in unpaid medical bills for necessary treatments", said Shernoff, who has pioneered insurance bad faith cases for policyholders for many years.

Shernoff said the intent of these cases is to stop this widespread unlawful practice that is hurting patients, doctors and hospitals. "We need to seriously look at health insurance reform from excessive profits to unlawful claims practices in order to make our health care system more fair and affordable", Shernoff maintained. He said, "I have already been contacted by insurance commissioner Garamendi, the director of the Department of Managed Care, and legislators who are interested in spearheading needed reforms in health insurance."

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