



REUTERS/JOHN SOMMERS II

DIAGNOSED WITH BREAST CANCER, DROPPED BY INSURER

WELLPOINT HAD ALGORITHMS TO LAUNCH INVESTIGATIONS AFTER DIAGNOSIS OF CERTAIN ILLNESSES

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WELLPOINT ROUTINELY TARGETS BREAST CANCER PATIENTS

SPECIAL REPORT

- Many policies were canceled based on flimsy information
- New health care law lacks teeth, according to detractors
- WellPoint lobbied against reforms to end such practices

BY MURRAY WAAS

LOS ANGELES - Shortly after they were diagnosed with breast cancer, each of the women learned that her health insurance had been canceled. There was Yenny Hsu, who lived and worked in Los Angeles. And there was Patricia Reilling, a successful art gallery owner and interior designer from Louisville, Kentucky.

Neither of these women knew about the other. But besides their similar narratives, they had something else in common: Their health insurance carriers were subsidiaries of WellPoint, which has 33.7 million policyholders -- more than any other health insurance company in the United States.

The women paid their premiums on time. Before they fell ill, neither had any problems with their insurance. Initially, they believed their policies had been canceled by mistake.

They had no idea that WellPoint was using a computer algorithm that automatically targeted them and every other policyholder recently diagnosed with breast cancer. The software triggered an immediate fraud investigation, as the company searched for some pretext to drop their policies, according to government regulators and investigators.

Once the women were singled out, they say, the insurer then canceled their policies based on either erroneous or flimsy information. WellPoint declined to comment on the women's specific cases without a signed waiver from them, citing privacy laws.

“INSURERS WILL FIND A WAY TO UNDERMINE THE PROTECTIONS IN THE NEW LAW.”

That tens of thousands of Americans lost their health insurance shortly after being diagnosed with life-threatening, expensive medical conditions has been well documented by law enforcement agencies, state regulators and a congressional committee. Insurance companies have used the practice, known as “rescission,” for years. And a congressional committee last year said WellPoint was one of the worst offenders.

But WellPoint also has specifically targeted women with breast



FRUSTRATED: Patricia Reilling talks about dealing with breast cancer after her medical insurance was canceled, at her home in Louisville, Kentucky, April 21, 2010. JOHN SOMMERS II

cancer for aggressive investigation with the intent to cancel their policies, federal investigators told Reuters. The revelation is especially striking for a company whose CEO and president, Angela Braly, has earned plaudits for how her company improved the medical care and treatment of other policyholders with breast cancer.

The disclosures come to light after a recent investigation by Reuters showed that another health insurance company, Assurant Health, similarly targeted HIV-positive policyholders for rescission. That company was ordered by courts to pay millions of dollars in settlements.

In his push for the health care bill, President Barack Obama said the legislation would end such industry practices.

But many critics worry the new law will not have the desired effect. Some state and federal regulators -- as well as investigators, congressional staffers and academic experts -- say the health care legislation lacks teeth, at least in terms of enforcement or regulatory powers to either stop or even substantially reduce rescission.

“People have this idea that someone is going to flip a switch and rescission and other bad insurance practices are going to end,” says Peter Harbage, a former health care adviser to the Clinton administration. “Insurers will find ways to undermine the protections in the new law, just as they did with the old law. Enforcement is the key.”

"IT'S A POWERFUL TOOL TO HAVE A THIRD SET OF EYES REQUIRED BEFORE SOMEONE IS RESCINDED."

In a statement to Reuters, WellPoint said various specified criteria trigger rescission investigations, including certain types of medical claims. The company said it changed its rescission practices to ensure they are handled appropriately after a 2006 review of its policies prompted by public concern over rescission.

WellPoint also said it created a committee which includes a physician for making rescission decisions. The company also noted that it established a single point of contact for members undergoing an investigation and enacted an appeals process for applicants who disagree with the original determination.



CHECK-UP: A woman undergoes a mammography exam, a type of X-ray of the breasts used to detect tumors, as part of a regular cancer prevention medical check-up at the Ambroise Pare hospital in Marseille, southern France, in April, 2008. **REUTERS/JEAN-PAUL PELISSIER**

During the recent legislative process for the reform law, however, lobbyists for WellPoint and other top insurance companies successfully fought proposed provisions of the legislation. In particular, they complained about rules that would have made it more difficult for the companies to fairly -- or unfairly -- cancel policyholders.

For example, an early version of the health care bill passed by the House of Representatives would have created a Federal Office of Health Insurance Oversight to monitor and regulate insurance practices like rescission. WellPoint lobbyists pressed for the proposed agency to not be included in the final bill signed into law by the president.

They also helped quash proposed provisions that would have required a third-party review of its or any other insurance company's decision to cancel a customer's policy.

A WellPoint spokeswoman on Thursday denied such lobbying took place.

The new law does leave open the possibility of reform in this area, these sources say. The reason, they say, is that much of the new legislation is essentially a roadmap, with regulations to be decided later.

"The lack of specificity doesn't mean that nothing is going to be done," said a senior congressional staffer who has played a key role in the health reform debate. "The law grants HHS (the Department of Health and Human Services) the discretion to promulgate regulations. This is very much a work in progress."

Among other things, the staffer said, the White House could revisit proposing tough new regulations requiring third-party review of policy cancellations.

Victoria Veltri, the general counsel of Connecticut's Office of Healthcare Advocate, a state agency that investigates complaints by policyholders, says she has seen the success of such a process in her home state. One company, Aetna, has voluntarily agreed to engage in the third party review, with what she described as favorable results.

"I haven't seen an Aetna case in our office since they went to the third party review process," she said. "It's a powerful tool to have a third set of eyes required before someone is rescinded."

For its part, WellPoint said it began offering third-party reviews in 2008.

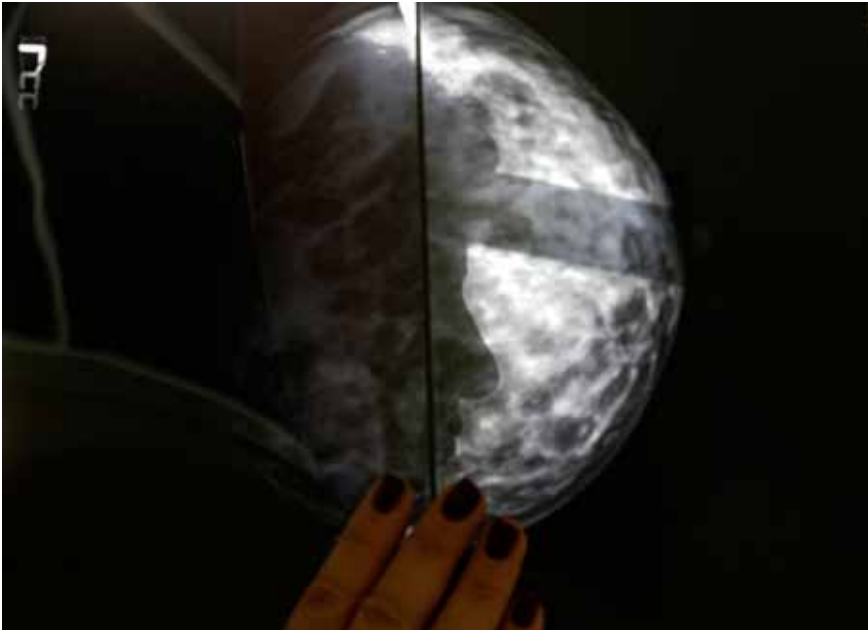
A senior Obama administration official said he remained confident that mandatory third-party reviews of rescissions is not entirely out of reach.

"It might take some wrangling with the insurance industry, some strong-arming, maybe even use of the presidential bully pulpit," he said on condition of anonymity.

INSURERS' ANATHEMA: BREAST CANCER AND PREGNANCY

In April 2008, Patricia Reilling also was diagnosed with breast cancer. Anthem Blue Cross of Kentucky, a WellPoint subsidiary, paid the bills for a double mastectomy and reconstructive surgery.

But the following January, after Reilling suffered a life-threatening staph infection requiring two emergency surgeries in three days, Anthem balked and refused to pay more. They soon canceled her insurance entirely.



SHADOWS: A Greek breast cancer patient is silhouetted through a breast x-ray after a radiological medical examination in an Athens hospital October 29, 2008. **YANNIS BEHRAKIS**

Unable to afford additional necessary surgeries for nearly 16 months, Reilling ended up severely disabled and largely confined to her home. As a result of her crushing medical bills, the once well-to-do businesswoman is now dependent on food stamps.

"It's not like these companies don't like women because they are women," says Jeff Isaacs, the chief assistant Los Angeles city attorney who runs the office's 300-lawyer criminal division. "But there are two things that really scare them and they are breast cancer and pregnancy. Breast cancer can really be a costly thing for them. Pregnancy is right up there too. Their worst-case scenario is that a child will be born with some disability and they will have to pay for that child's treatment over the course of a lifetime."

Isaacs is a former federal prosecutor who spent much of his time with the U.S. Justice Department investigating corporate wrongdoing. Among state and federal regulators, he is now considered one of the toughest and most experienced foes of the health insurance industry. He has hired retired FBI agents to investigate full-time the practices of WellPoint and its Anthem Blue Cross subsidiary in California.

Still, Isaacs feels outgunned: "The industry just has these tremendous financial, legal and political resources that others don't," he said. "In my own state, regulators are often afraid or unwilling to go up against them. It is hard to figure out what the future brings."

In July 2008, Isaacs' office sued Anthem Blue Cross, alleging that more than 6,000 people in the state of California had their insurance canceled due to its "illegal rescission practices." The litigation is ongoing.

Last February, the insurer agreed to pay a \$1 million fine and an additional \$14 million in restitution to alleged victims to settle another lawsuit. This one was brought against it by the California Department of Insurance, which said the company violated state laws by improperly rescinding the policies of 2,330 people.

A year earlier, Anthem Blue Cross agreed to pay a \$10 million fine to settle similar charges brought by a second agency in the state, the California Department of Managed Health Care, alleging that WellPoint had illegally rescinded more than 1,100 policyholders.

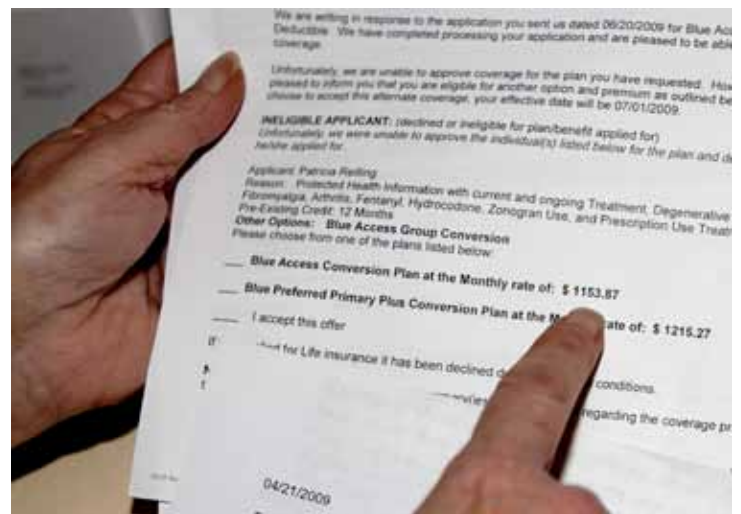
Despite the settlements, WellPoint denies wrongdoing. In a statement for this story, the company said: "The settlements you referenced with the California regulators expressly denied any admission of wrongdoing on the part of the company; companies settle matters for a number of reasons."

As part of his investigation, Isaacs has sought information from WellPoint about its use of algorithms to single out women with breast cancer or who are pregnant. The company has fought him vigorously and so far largely kept information from him, Isaacs said.

But in response to an inquiry last year from the U.S. House Energy and Commerce Committee, which was investigating rescission, WellPoint said that it initiates a claims review every time policyholders receive medical treatment for certain conditions. The company listed diagnostic codes that could trigger investigations. One was for breast tumors.

"THERE ARE TWO THINGS THAT REALLY SCARE THEM AND THEY ARE BREAST CANCER AND PREGNANCY"

During an audit of Anthem Blue Cross by the California Department of Managed Health Care, company employees showed regulators internal records revealing that pregnant women also automatically had their medical histories examined.



FOR A PRICE: Patricia Reilling shows what her new monthly rate for medical insurance with Anthem would have been after her insurance was canceled when she was diagnosis with breast cancer at her home in Louisville, Kentucky, April 21, 2010. **REUTERS/JOHN SOMMERS II**

"I HAVEN'T BEEN ABLE TO PAY FOR SURGERY THAT I NEED FOR TWO YEARS."

WellPoint says that even though the company routinely investigates policyholders with diseases such as breast cancer shortly after a diagnosis, it only cancels policies if it finds something wrong. It says the practice is necessary to keep down costs for other policyholders.

In testimony before the House committee last year, Brian Sassi, the president and CEO of WellPoint's consumer division, asserted: "I want to emphasize that rescission is about stopping fraud and material misrepresentation that contributes to spiraling health care costs. Rescission is a tool employed by WellPoint and other health insurers to protect the vast majority of policyholders who provide accurate and complete information from subsidizing the cost of those who do not."

But state regulators, congressional investigators and consumer advocates say that in only a tiny percentage of canceled health insurance cases was there a legitimate reason.

A 2007 investigation by the California Department of Managed Health Care bore this out. The agency randomly selected 90 instances in which Anthem Blue Cross of California dropped the insurance of policyholders after diagnoses with costly or life-threatening illnesses to determine how many were legally justified.

None were. "In all 90 files, there was no evidence (that Blue Cross), before rescinding coverage, investigated or established that the applicant's omission/misrepresentation was willful," the DMHC report said.

IN THE COMPANY OF WOMEN

Singling out women with breast cancer for aggressive investigation with the intent of canceling their insurance stands in stark contrast not only to the public image WellPoint cultivates for itself but also to the good work it does for many other policyholders with breast cancer.

WellPoint CEO Braly has taken a strong personal interest in women's health issues. Foremost among them is how to increase services to people with breast cancer.

The company prides itself on being one of the United States' largest corporations with women at the helm. Besides Braly, two high-powered, politically connected women sit on WellPoint's board: Susan Bayh, the wife of retiring Democratic Sen. Evan Bayh of Indiana, and Sheila Burke, who was chief of staff to former Senate Republican leader Bob Dole.

On Braly's initiative, WellPoint has funded groundbreaking studies about the disparities in quality of health care to minority women -- including women with breast cancer.

WellPoint has worked to encourage mammography for at-risk women. Personalized letters -- followed up by phone calls -- are sent to more than 80,000 women between the ages of 52 and 69 if they have not had a mammogram in the past year. The company conducts automated calls for women ages 40 to 69 to make sure they are getting mammograms.

Once diagnosed, WellPoint has set up a "Breast Cancer Resource Center" for its policyholders to help them "navigate the complex health care system."

And in May 2009, WellPoint's charitable foundation, the WellPoint Foundation LLC, provided a grant for the American Cancer Society for its "Hope Lodges," which allow cancer patients and family members free lodging and support while receiving care far from home. The grant funded Hope Lodges in Wisconsin, Ohio, Indiana and Kentucky, where Patricia Reilling resides.

To Reilling, charitable giving does not mitigate the harm done to her and other cancer patients who have had their health insurance canceled after a breast cancer diagnosis. "I can't pay for my medicine," she said. "I haven't been able pay for surgery that I need for two years. It doesn't make any sense."



IN CHARGE: Angela Braly, president and chief executive officer of WellPoint Inc., speaks at the Reuters Health Summit in New York, November 9, 2009. REUTERS/BRENDAN MCDERMID

Reilling adds: "I laud people who give money to charity -- but not at the expense of cancer patients and people who have paid health insurance premiums for 20 years and never missed a payment -- and then get canceled when they most need their coverage. What about the thousands of people who have their policies canceled by their company for no good reason? When are they going to make that right?"

Why would WellPoint on the one hand work to improve health care for women with breast cancer while automatically investigating every single woman diagnosed with breast cancer for possible cancellation of their policies?

Karen L. Pollitz, a research professor at the Health Policy Institute at Georgetown University, offers one possible explanation: "It is important for these companies' profit margins that they get rid of policyholders with expensive diseases," she said. "If one company were to stop, it would no longer be competitive with the others. They argue they have to do this to stay in the game."



REFORM LOBBYING: Health Insurance industry officials (L-R) Wellpoint CEO Angela Braly, United Health Group's CEO Stephen Hemsley and National Association of Insurance Commissioner Terri Vaughan are pictured during a meeting between Secretary of Health and Human Services Kathleen Sebelius and major insurance company executives in the Roosevelt Room of the White House in Washington, March 4, 2010. REUTERS/JASON REED

The investigation last year by the House Energy and Commerce Committee determined that WellPoint and two of the nation's other largest insurance companies -- UnitedHealth Group Inc and Assurant Health, part of Assurant Inc -- made at least \$300 million by improperly rescinding more than 19,000 policyholders over one five-year period.

WellPoint itself profited by more than \$128 million from the practice, and the committee suggested that the figure might be largely understated because the company refused to provide information about cancellations by several subsidiaries.

During the yearlong debate over health care reform, as the White House and Democrats in Congress savaged insurance industry practices, WellPoint took as much heat as any company. Among other things, it was slammed for trying to raise premiums by as much as 39 percent for some customers. One in nine of all Americans are policyholders with WellPoint or one of its subsidiaries.

Braly, who was named CEO of the Indianapolis-based company in February 2007, appeared before a U.S. congressional hearing two months ago and defended the rate hikes as reflecting higher medical costs.

DOWNWARD SPIRAL

Reilling suffered a horrific staph infection caused by her stay in the hospital. She was rushed back there in the early morning of Jan. 15 and was admitted shortly after 5:30 a.m.

The incision from her reconstructive breast surgery was reopened. Her abdomen was flushed with six full liters of antibiotic fluid until the incision was closed. Two days later, her condition worsened, requiring yet another emergency surgery.

This second surgery necessitated multiple blood transfusions simply to keep her alive. The infection was so severe her entire umbilicus -- the interior of her belly -- button, had to be removed, as well as many abdominal muscles, because the infection had already eaten away most of it.

While recovering, Reilling started having trouble with her insurance. Her medication after the surgery cost \$4,446 a month. But Anthem would only pay for 10 days and then no more, she recalled in an interview.

Luckily, one doctor gave her free samples and another found a dispensary where she could obtain the medication at a reduced price. But other days she would go without.

In June 2009, she was informed that her insurance was being canceled -- just before she was about to undergo another reconstructive surgery, which she was forced to postpone. She has now gone 16 months without the necessary surgery.

As a result, she is severely disabled. The pain and discomfort often only allow her to be able to stand for 20 or 30 minutes a day, sometimes even less.

Reconstructive surgery might help her to become mobile again and perhaps go back to work full-time.

She once enjoyed successful careers as an art gallery owner, interior decorator, and as a writer. She had plenty of money, drove a Mercedes and traveled the world on whim. Not anymore.

"THE THING I DIDN'T UNDERSTAND ABOUT GOING POOR IS THAT YOUR TIME NO LONGER HAS VALUE TO OTHERS."

Today she is on food stamps. She has taken her Social Security early, which means that when she is older, she will be eligible for fewer benefits. She buys clothes from consignment stores she once donated to. She recently got some part-time work as a copywriter, which she can do from home, but that barely pays for her drug prescriptions, let alone surgery.

She spends her days calling pharmaceutical companies because many now have programs to assist indigent customers.

Reilling waits hours to be seen by a doctor at a clinic, if she can be seen at all. "The thing I didn't understand about going poor is that your time no longer has value to others," she says.

She seeks out religious charities to pay the rent. "Some have rules that they will only give to people who belong to that church or of their faith."

One charity she contacted after being informed that it provides financial assistance to breast cancer patients told her that it does so only for women of color and of a certain age. "This is my full-time job now. You go around and around and around," she says, her voice trailing off.



FIGHTING THE SYSTEM: Breast cancer patient Patricia Reilling used to have a successful career as a gallery owner, interior decorator and writer. **REUTERS/JOHN SOMMERS II**

Technically, rescission was not the reason Reilling lost her health insurance, according to correspondences with the company she provided to Reuters. Rather, it was canceled because she did not answer letters from her insurance company requesting information about her employment history.

Reilling says the letter was sent to an address which she hadn't lived at it for some time, and she never even saw it until recently. When she brought this information to WellPoint's attention, she said, the company ignored her.

"Rescission is just one method to get rid of someone or no longer provide them coverage," says Isaacs, the deputy Los Angeles city attorney. "They can say forms are not filled out properly; they will just find any pretext."

Congressional investigators for the House Energy and Commerce Committee who have investigated Reilling's claim say they have concluded that WellPoint improperly canceled her insurance. The company declined to comment at all on her case, saying that client confidentiality precludes them from doing so, although Reilling says she welcomes the company to talk publicly about the matter.

On her living room table still sits correspondence with her former insurance company.

Deb Moessner, the company's president and general manager, wrote Reilling last July 13: "Ms. Reilling, please know that it is never pleasant to deliver unfavorable news to our members. However, there are situations that occur, such as yours, that leave us with no alternatives. Because you or your agent did not provide this vital information, your ... health coverage terminated effective July 1, 2009."

In the letter, Moessner added: "Please know that we wish you the best in regaining the healthy lifestyle you described prior to your recent illnesses."

(Additional reporting by Lewis Krauskopf; editing by Jim Impoco and Doina Chiacu)

COVER PHOTO: Breast cancer patient Patricia Reilling at her home in Louisville, Kentucky, April 21, 2010. **REUTERS/JOHN SOMMERS II**

INSURER TARGETED HIV PATIENTS TO DROP COVER

WASHINGTON - In May, 2002, Jerome Mitchell, a 17-year old college freshman from rural South Carolina, learned he had contracted HIV. The news, of course, was devastating, but Mitchell believed that he had one thing going for him: On his own initiative, in anticipation of his first year in college, he had purchased his own health insurance. Shortly after his diagnosis, however, his insurance company, Fortis, revoked his policy.

TO READ THE REST OF THIS STORY BY MURRAY WAAS, CLICK HERE

FOR MORE INFORMATION CONTACT:

Jim Impoco, Enterprise Editor, Americas
+1 646 223 8923
jim.impoco@thomsonreuters.com

Claudia Parsons, Deputy Enterprise Editor
+1 646 223 6282
claudia.parsons@thomsonreuters.com