

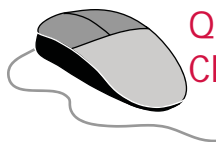
Failing Grades: State Consumer Protections in the Individual Health Insurance Market

A Report from Families USA, June 2008

As pressure mounts on policymakers to find a solution to America's health care crisis, some lawmakers are promoting the individual health insurance market as the best avenue for reform. In order to understand what Americans face when they purchase health insurance in the individual market, Families USA surveyed all state insurance departments and compiled information on the laws that each state has in place to protect consumers. We found that protections vary greatly across the country, and in many states, because of a lack of consumer protections, insurance companies can deny people coverage, raise premiums significantly, refuse to cover treatment for certain conditions, and even revoke the coverage of policyholders who have been paying premiums for years.

Key Findings

- In the vast majority of states, insurance companies are permitted to reject individuals for coverage based on their health status, occupation, or even their recreational activities.
- If an insurance company does accept an individual's application for coverage, few states significantly limit how much an insurer can increase an individual's premiums based on what the insurer deems to be health risks (which can include anything from cold sores to hobbies to below average height).
- Insurance companies will not necessarily provide coverage for the very health services individuals need when they sign up for a policy. In all states, insurance companies are not obligated to cover pre-existing conditions for most people for at least the first six months that an individual has a policy.
- Not every state ensures that premiums are reasonable by reviewing premium rate increases before insurers impose them. And few states require that at least 75 cents of every dollar collected in premiums be spent on medical services rather than administration and profit.
- In the majority of states, insurance companies can move to limit or revoke an individual's policy long after it was purchased by claiming that the policyholder did not adequately reflect his/her medical history on the application. Oftentimes, this leaves individuals with huge medical bills that must be paid out of pocket and no recourse.
- In 44 states and the District of Columbia, insurers can revoke an individual's health insurance policy without advance review by the state.



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