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June 6, 2008

The Honorable Sheila Kuehl, Chair
Senate Health Committee
State Capitol
Sacramento, 95814

Re: SUPPORT– AB 1150 (Lieu)

Dear Senator Kuehl,

CALPIRG is a statewide membership-based public interest group that stands up to powerful interests, working to win concrete results for Californians' health and well-being. With researchers, advocates, organizers, and students, we advocate on behalf of consumers and all California's residents.

Recent investigations have revealed numerous abuses in health insurers' practice of retroactively rescinding enrollees' coverage due to alleged errors or misrepresentations on the application. The insurers have every incentive to exaggerate the significance of such errors in order to drop a sick, and therefore costly, consumer from their plan.

One of these incentives, however, is particularly pernicious: some insurers have encouraged their employees to rescind coverage from costly enrollees by paying them bonuses for every patient who is dropped. As a result, employees responsible for reviewing the applications of sick patients to ensure that the information they contain is correct are rewarded with a kickback if they determine the application contained fatal errors.

Introducing this systemic bias in favor of rescission is unacceptable, and unfair to consumers. Employees in these positions should be rewarded for making sure that applications are reviewed fairly, not that these reviews end in a particular result. And working Californians who were honest on their applications and pay their premiums month after month should be able to rely on their coverage.

Adequately addressing the rash of unjustified rescissions will require several steps – but preventing insurers from issuing bounties for throwing patients off the coverage rolls must surely be among the first. We urge you to support AB 1150. Your committee's approval of

the bill will help ensure that working Californians can rely on their health insurance coverage when they need to use it.

Sincerely,

Michael Russo
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Cc: Members, Senate Health Committee