



State of New Jersey

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BULLETIN NO. 10-09

TO: ALL NEW JERSEY LICENSED PRODUCERS WRITING HEALTH INSURANCE AS DEFINED IN N.J.S.A. 17B:17-4

FROM: THOMAS B. CONSIDINE, COMMISSIONER

RE: HEALTH REFORM INSURANCE SCAMS

The U.S. Department of Health and Human Services (HHS) and the National Association of Insurance Commissioners (NAIC) have notified state insurance commissioners of national reports indicating that deceptive sales representatives misrepresenting the new federal healthcare reforms are selling fraudulent health insurance policies through door-to-door solicitations, the use of toll-free telephone numbers and other means. These predators, as well as some licensed agents, are urging consumers to obtain coverage during a non-existent "limited enrollment" period that they falsely claim was made possible by the passage of the Patient Protection and Affordable Care Act of 2009 (PPACA). The HHS and NAIC have urged state insurance commissioners to alert consumers about these potential scams.

The Department believes that insurance producers may be approached by some existing or potential clients seeking advice about one of these fraudulent policies, or who may request a quote in order to compare the producer's legitimate policy against a fraudulent one. Accordingly, the purpose of this Bulletin is to provide producers with information that they can use in advising existing or potential clients about these scams and about legitimate new insurance options under the PPACA that will become available in the near future. Specifically, consumers should be made aware of the following:

The PPACA will provide new insurance options in the near future; many of the initial changes will go into effect by September 2010. In the meantime, however, there are no provisions in the PPACA that require consumers to make immediate changes to their health coverage. Therefore, consumers should beware of policies that are time limited, offer limited benefits, or advertise themselves as required by the PPACA.

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Consumers can log onto the Department's website at http://www.state.nj.us/dobi/division_consumers/insurance/ppaca.html for detailed information and Q&As regarding the PPACA and its impact on New Jersey consumers. The website will be updated regularly as the HHS and the State of New Jersey continue to implement the PPACA.

Many of the provisions of the PPACA incorporate or are variations of requirements that have long existed in the New Jersey individual and small employer markets. These include guaranteed availability of coverage to every small employer and individual, guaranteed renewability, modified community rating, a minimum medical loss ratio of 80% in the individual and small employer markets, and making continuation coverage available for certain dependents after they reach a plan's limiting age.

Some of the more common deceptive practices engaged in by health insurance fraudsters of which consumers should be made aware include:

A salesperson shows up at the door or calls attempting to sell a policy called an "ObamaCare" policy or a policy that the salesperson says is necessitated or required by the PPACA. All uncovered Americans will be required to purchase health insurance under the PPACA, but this requirement will not go into effect until 2014.

The salesperson says the premium offer is only good for a limited enrollment period. There is no open enrollment period currently associated with the PPACA. A consumer should be wary if they are being pressured to buy a policy because the price or option is only good for a short time.

The salesperson doesn't explain what is covered under the policy or does not provide a full list of what is covered.

The salesperson claims the coverage will be "grandfathered" or exempted from changes required by the PPACA. Only policies purchased before the PPACA was signed into law on March 23, 2010 will be "grandfathered" or exempted from changes required by the PPACA. Any policy purchased after that date must comply with all of the changes required by the PPACA to satisfy the individual mandate in 2014.

Consumers should immediately contact the Department at **609-292-7272** or **1-800-446-7467** if they are contacted by an individual engaging in any of the above activities. The Department's website at http://www.state.nj.us/dobi/division_consumers/insurance/healthscams.htm contains additional "red flags" that consumers should be familiar with in order to protect themselves from fraudulent health care plans.

All recipients of this bulletin are urged to share this information with their current and prospective clients.

5/7/10
Date
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Thomas B. Considine, Commissioner