

## Rescission

### Background

Prior to 2008, rescission of health coverage was a harsh practice -- stripping people of their insurance and leaving them uninsurable. Health plans, instead of underwriting individual policies before issuing them, would often wait until a large claim was made and then investigate the information on the application form, seeking errors or omissions by the enrollee. The policy was then rescinded, leaving the enrollee with no coverage, huge medical bills, and often no recourse. The DMHC took action to end this practice through aggressive enforcement actions and new consumer protections.

### Summary

- Fined five health plans nearly \$14 million for improperly rescinding coverage after enrollees sought treatment or filed a claim.
- Ordered major changes to protect consumers from having their coverage unlawfully rescinded including:
  - Upfront underwriting of individual policies
  - Resolution of all questions pertaining to prior medical conditions
  - Clearer application forms
  - Notification to consumers under investigation for questions on the application
  - A fair, impartial grievance process for consumers.
- Required plans to offer healthcare coverage to more than 3,000 consumers previously rescinded since 2004.
- Established an independent arbitration process to resolve claims payment issues which may have occurred during the period of non-coverage and receive reimbursement for out-of-pocket expenses incurred as a result of the rescission.

### Related Content

Rescission Settlement FAQs: <http://healthhelp.ca.gov/library/reports/news/faqsR91208.pdf>

Investigative Medical Surveys: Post Claims Underwriting Final Report with Plan Response:  
[http://healthhelp.ca.gov/healthplans/med/med\\_simedsurvey.aspx](http://healthhelp.ca.gov/healthplans/med/med_simedsurvey.aspx)

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