

Fraud fear raised in California's health exchange

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SACRAMENTO, Calif.—As California prepares to launch its health care exchange, consumer groups are worried the uninsured could fall victim to fraud, identity theft or other crimes at the hands of some of the very people who are supposed to help them enroll.

The exchange, known as Covered California, recently adopted rules for a network of more than 21,000 enrollment counselors who will provide consumers with in-person assistance as part of the federal Affordable Care Act. In some cases, they will have access to personal and financial information, from ID cards to medical histories.

But the state insurance commissioner and anti-fraud groups say the exchange is falling short in ensuring that the people hired as counselors are adequately screened and monitored.

Insurance Commissioner Dave Jones also said the exchange does not have a plan for investigating any complaints that might arise once the counselors start work. That means consumers who might fall prey to bogus health care products, identity theft and other abuses will have a hard time seeking justice if unscrupulous counselors get ahold of their Social Security number, bank accounts, health records or other private information, he said.

"We can have a real disaster on our hands," Jones, a Democrat, said in an interview.

His department regulates more than 300,000 insurance agents and brokers statewide.

Starting Oct. 1, the state is embarking on an ambitious effort to enroll an estimated 5.3 million Californians who lack health insurance, about half of whom will be eligible for tax credit subsidies.

The enrollment counselors will play a critical role in Covered California's public awareness campaign because the state estimates 1 of every 2 people seeking to enroll will need help buying insurance. Those consumers may not speak or read English, or they might not be familiar with how the federal law will affect them.

Covered California spokesman Santiago Lucero said the exchange shares Jones' concerns and has made consumer safety a priority. The exchange's board adopted regulations last month requiring enrollment counselors to get fingerprinted and undergo background checks. The exchange also has established a code of conduct and will require counselors to wear name badges.

Plans also include sending out field monitors and "secret shoppers" to screen counselors, Lucero said.

"If we cannot guarantee protection, consumers will not feel like we're providing the security they need to have," he said. "So it's a priority for us."

Counselors who fail the screening will not be certified by the exchange but will have a chance to appeal. The exchange also will have the authority to revoke and suspend certification.

Jones said that it's not enough to adopt policies and procedures against fraud. Instead, he said the exchange needs a more comprehensive plan to follow up on complaints and work with law enforcement officials to prosecute bad counselors.

Without it, the exchange will risk consumer confidence because the enrollment counselors are "being given a good housekeeping seal of approval" by the state, he says.

"Once they're in that position of trust, it's possible they will obtain information that will allow them to build the trust they have with the individual they're working with and potentially sell them all manner of bogus products, steal their identity, gain access to certain assets they might have," Jones said. "The list is virtually endless."

According to a national survey by Javelin Strategy & Research, 12.6 million, or 5.3 percent, of adults fall victim to identity theft each year. That translates to about 1.6 million California victims each year.

Currently, Covered California's rules do not specify what offenses would disqualify an applicant for a counseling position. Lucero said the exchange is still reviewing its procedures and could follow other state employment guidelines.

Eric von Geldern, a deputy district attorney in Alameda County, said the exchange has adopted some good policies but can do more to protect consumers.

"We believe that a fingerprint and a background check are essential, along with an ongoing monitoring system, as opposed to just a qualifying requirement," said von Geldern, who also is president of NCFIA, a national anti-fraud organization based in Northern California. "We're working with Covered California to make sure those consumer protections are in place."

Covered California is expected to begin training and certifying enrollment counselors in August. They will be hired indirectly through an estimated 3,600 community organizations ranging from Native American tribes and chambers of commerce to labor unions and faith-based organizations that will be authorized to help people buy insurance.

The exchange will pay an organization \$58 for each successful enrollment and \$25 for a renewal, but the amount the counselors receive will vary.

Proponents of health reform view the consumer assistance program as an opportunity to enroll hard-to-reach residents, many of whom have just high school educations or less or speak a language other than English at home.

"We don't want applicants from communities where the exchange really needs to reach out to being sent away because they made a mistake in the past or bounced a rent check or have maybe a minor drug offense," said Cary Sanders, policy analysis director at the California Pan-Ethnic Health Network, a multicultural health organization. "It doesn't have a bearing on their ability to provide the appropriate assistance to their communities."