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Rell Vetoes Health Bill

Bill Would Have Made It More Difficult For Health Insurers To Rescind Individual Policies

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In a move that infuriated consumer advocates, Gov. M. Jodi Rell vetoed a bill that would have made it more difficult for health insurers to rescind individual policies in Connecticut.

The legislation, passed by the state House and Senate, builds on a 2007 law and would close a major loophole in it, according to Kevin Lembo, the state healthcare advocate.

Rell said in her veto letter Monday that the new bill would promote fraud by consumers and reduce competition in the insurance industry, but Lembo called the decision "among the most callous veto messages I have ever seen from this governor."

"Nowhere in her veto message is there a recognition of the impact on a patient lying in a hospital bed whose policy has been ripped away," Lembo said Tuesday. "No concern for people losing their homes or foregoing life-saving treatment because an insurance company decided it was too expensive."

Rich Harris, a spokesman for Rell, responded that the governor vetoed the bill because "she is concerned about the possibility it will lead to an increase in insurance premiums by raising the possibility or likelihood of insurance fraud." The 2007 legislation, he added, "is there now and it is working."

Both the old and new legislation focus on insurers' ability to rescind or limit individual policies or deny claims based on medical information they uncover after a claim comes in.

Companies say consumers sometimes provide false information or omit relevant information on applications.

The 2009 bill would require insurers to get Insurance Department approval before voiding or taking other actions on short-term policies, which run less than 12 months, said Vicki Veltri, general counsel in the Office of the Healthcare Advocate.

Lembo said the Insurance Department interpreted the 2007 law to allow a policy rescission as long as the insurer claimed it had completed medical underwriting, or screening, before issuing the policy. Veltri said that, in reality, insurers often don't explore medical records before issuing short-term policies because it's not cost-effective.

Rell's letter says the 2009 bill would prohibit policy cancelation "on the basis of anything written on the application," but Lembo's office said that's incorrect.

"If people know that they do not have to be truthful on their insurance applications and still have their conditions covered," Rell wrote, "the incidence of insurance fraud will increase."

The bill, she predicted, would result in companies' not wanting to write policies here, making it harder for consumers to find affordable coverage.

Rell's letter said only 52 individual Connecticut policies were rescinded under the 2007 law in the year after it took effect - a tiny fraction of the 2,950 individual policies written in the period. Lembo's office challenges the way data was gathered.

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