

Health Insurance Marketing Scammers Target Medicare Beneficiaries



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Turn on the television, radio, or computer and it's hard to miss the advertising blitz for Medicare plans. Review a calendar of events at any senior center, community center, or on a local bulletin board and the trend is the same. According to a recent [article](#) by the Kaiser Family Foundation, the number of enrollees in Medicare Advantage (MA) plans have more than doubled in the last decade – from approximately 12 million in 2011 to 26 million in 2021. While there are several factors contributing to this increase, an increase in enrollment is often associated with an increase in marketing efforts. Unfortunately, the competitive health care market for enrollees can be an invitation to bad actors who could include identity thieves, disreputable insurance brokers, and/or companies that use unscrupulous tactics.

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These bad actors have used the fear and urgencies of the pandemic to accentuate services and products, thereby exacerbating the risk of fraud. For example, because of the unknown health concerns of COVID-19, there was a Special Enrollment Period to give beneficiaries the coverage they needed. This created a window of more opportunity for marketing concerns related to Medicare.

In March 2020, the Senior Medicare Patrol National Resource Center began to track fraud complaints received by the SMP and State Health Insurance Assistance Program (SHIP) that were associated with the COVID-19 pandemic. It quickly became apparent that Medicare beneficiaries were being targeted by health insurance brokers with scare tactics claiming their current Medicare plan may not cover COVID-19 or provide complete coverage for complications from the virus. In extreme cases, scammers used the cover story of insurance sales simply for the purposes of medical and personal identity theft.

Types of Health Insurance Schemes

Health insurance schemes can range from fraud or misrepresentation against consumers or insurance companies to schemes committed by consumers and insurance companies. According to the National Association of Insurance Commissioners (NAIC), [insurance fraud](#) occurs "... when an insurance company, agent, adjuster, or consumer commits a deliberate deception in order to obtain an illegitimate gain. It can occur during the process of buying, using, selling, or underwriting insurance." Although enforcement action tends to be limited in comparison with other types of health care fraud, insurance fraud is a crime in every state and the District of Columbia. Most states have insurance fraud bureaus that work with federal, state, and local law enforcement to investigate and prosecute fraud. The Centers for Medicare & Medicaid Services (CMS) states that an individual may disenroll from the Medicare Advantage (MA) plan if the broker or company misrepresented the plan when marketing it to the individual. An overview of some of the common health insurance schemes (and examples when relevant) are described below.

Identity Theft

Of greatest concern are attempts at medical and personal identity theft associated with health insurance marketing and sales. Identity thieves and other criminals impersonate insurance agents, brokers, private companies, and even government agencies in an attempt to obtain personal, financial, and medical information that they can later exploit. The SMP and SHIP programs provide [consumer education](#) as these types of fraud schemes occur – as do law enforcement and other consumer education agencies. In 2019, AARP posted an [article](#) that reflected the trend of health insurance fraud associated with Medicare Open Enrollment. In the article, AARP provided an example from a common robocall scam that stated, "Open enrollment has

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passed, but luckily that doesn't mean you'll be without coverage this year. New laws in place still allow you to get an affordable health insurance plan from an A-rated insurer at a price that you and your family can afford. Press 1 now to speak to an agent."

In a specific instance of imposter fraud, the Maryland Health Connection (associated with the Maryland Health Benefit Exchange) posted a [consumer alert](#) that warned consumers about a specific COVID-19 health insurance scam: It said that a letter purporting to be from the Maryland

Health Connection described a financial support fund associated with the pandemic. In this attempt at identity and financial theft, consumers were directed to send an email to begin accessing the fund. It's easy to see how unsuspecting individuals would fall for this type of imposter fraud.

Ghost Brokers and Premium Misappropriation

Another common scheme is that of phony insurance agents known as ghost brokers who basically take the money and run. Criminals pose as insurance agents offering inexpensive policies to consumers who believe they are purchasing legitimate health insurance. Unfortunately, the ghost broker is an imposter, and the insurance doesn't exist. Another variation of this scam is when a ghost broker applies for a legitimate policy on behalf of the individual but then keeps the

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premium payments and cancels the policy shortly thereafter. Both of these schemes can be difficult to track as the policyholder may not know the health insurance doesn't exist or was canceled until they file a claim.

Similar to the ghost broker problem is premium misappropriation, also known as premium diversion.

Insurance agents often have access to substantial amounts of funds and can divert portions of the funds for personal or other use. Some unscrupulous agents have no intention of paying the money back. Others are often caught before they are able to do so. According to the [Federal Bureau of Investigation](#) and the [NAIC](#), this is a surprisingly common fraud.

Insurance Company Fraud

In addition to unethical insurance agents and brokers, health insurance companies can mislead and defraud consumers. Their schemes can range from being fake companies to being real companies that misrepresent their levels of service or are not licensed by the state. An example is a plan representative telling a consumer that certain prescriptions or services are covered; the consumer signs up for the plan and later learns they were not covered and must pay a bill instead. While some Medicare insurance agents or brokers may be knowledgeable about the fraud, others may not know until they are contacted by consumers about claims denials. These types of scam insurance companies often offer plans at significantly lower premiums to attract customers but may actually be offering unregulated, noninsurance products.

Other ploys or misrepresentations could include promises of MA plan supplemental (dental or vision) or chronic supplemental (food or transportation) benefits, but in reality, you have to “qualify” for these benefits through the MA plan to determine if you are eligible. Also, some MA plans have premium reductions of up to \$144; however, there is no direct payment back to the beneficiary as the benefit comes right out of the Part B premium. This potential reduction can be used as a way to pull consumers in. Unfortunately, in some of these instances beneficiaries find they were signed up for the plan after calling for more information even if they didn’t agree to it.

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Fraud Against Insurance Companies

Just as health insurance companies can be fraudulent entities or sell misrepresented products, they can also be victims of health insurance scams. In one egregious case, the Department of Justice (DOJ) [announced](#) in May that a licensed insurance broker was sentenced to 70 months in prison for his role in a scheme to defraud CareFirst BlueCross

BlueShield of more than \$3.8 million. According to evidence at trial, the broker created fictitious employees and altered dates of birth by as much as 40 years to lower the average age of insured groups and fraudulently obtain lower insurance premiums. The broker then inflated his rates to the insurance clients and kept the difference, in excess of \$3.6 million. When audited, the broker created false census reports, false wage and tax reports, and false paystubs to further the scheme and cover up his fraudulent actions.

Resources and Emerging Trends

Numerous resources are available to consumers and companies to promote fraud prevention. The NAIC encourages consumers to “[stop, call, confirm](#)” before buying coverage from an insurance company. The Federal Trade Commission (FTC) has a checklist of [actions to take](#) before signing up for health insurance. The Coalition Against Insurance Fraud (CAIF) has a library of [resources](#) to help members with consumer education. The SMP Resource Center has a [page](#) on marketing violations and enrollment fraud that includes a tip sheet, infographics, and a video.

In addition to state agencies that investigate health insurance/broker fraud, the NAIC has initiated a [task force](#) that assists state insurance officials through the detection, monitoring, and appropriate referrals for investigation of insurance crime, both by and against consumers.

Recent attention by these task forces and other public and private programs has focused on the emerging trend of increasing health insurance fraud due to the pandemic. Becker's Hospital Review published an interesting [article](#) that summarized a recent study by the USC-Brookings Schaeffer Initiative for Health Policy where researchers posing as individuals seeking COVID-19 coverage contacted insurance agents and brokers. The results of the study showed that such consumers may be exposed to "significant misinformation about their coverage."

In addition to a noted increase in complaints to SMPs, the actions of unscrupulous and fraudulent health insurance brokers have also caught the attention of CMS. They maintain a resource [page](#) that includes training and testing guidelines for health insurance brokers and have recently released an [update](#) to their solicitation guidance for insurance agents and brokers related to MA and Prescription Drug Plans. Agents and brokers may not market to beneficiaries door-to-door, including leaving materials at a beneficiary's doorstep – a technique often used by identity thieves and other criminals. In addition, the password-protected SMP Resource Library entry Medicare Marketing Violations and Enrollment Fraud Resources includes a press release template and other resources that can be used by SHIPs and SMPs to educate the public on preventing marketing and enrollment fraud.

Although health insurance marketing fraud is most likely a smaller portion of the broad scope of health care fraud schemes, it is still a scam that directly targets vulnerable consumers. The SMP and SHIP programs are invaluable assets in the fight against, and the prevention of, health insurance marketing fraud. 📌