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DESIGNATED AREAS HIGHER

## Health insurer tied bonuses to dropping sick policyholders

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One of the state's largest health insurers set goals and paid bonuses based in part on how many individual policyholders were dropped and how much money was saved.

Woodland Hills-based Health Net Inc. avoided paying \$35.5 million in medical expenses by rescinding about 1,600 policies between 2000 and 2006. During that period, it paid its senior analyst in charge of cancellations more than \$20,000 in bonuses based in part on her meeting or exceeding annual targets for revoking policies, documents disclosed Thursday showed.

The revelation that the health plan had cancellation goals and

bonuses comes amid a storm of controversy over the industry-wide but long-hidden practice of rescinding coverage after expensive medical treatments have been authorized.

These cancellations have been the recent focus of intense scrutiny by lawmakers, state regulators and consumer advocates. Although these "rescissions" are only a small portion of the companies' overall business, they typically leave sick patients with crushing medical bills and no way to obtain needed treatment.

Most of the state's major insurers have cancellation departments or individuals assigned to review coverage applications. They typically pull a policyholder's records after major medical

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