

They Know What's in Your Medicine Cabinet

How insurance companies dig up applicants' prescriptions—and use them to deny coverage

by [Chad Terhune](#)



That prescription you just picked up at the drugstore could hurt your chances of getting health insurance.

An untold number of people have been rejected for medical coverage for a reason they never could have guessed: Insurance companies are using huge, commercially available prescription databases to screen out applicants based on their drug purchases.

Privacy and consumer advocates warn that the information can easily be misinterpreted or knowingly misused. At a minimum, the practice is adding another layer of anxiety to a marketplace that many consumers already find baffling. "It's making it harder to find insurance for people," says Jay Horowitz, an independent insurance agent in Overland Park, Kan.

The obstacle primarily confronts people seeking individual health insurance, not those covered under an employer's plan. Walter and Paula Shelton of Gilbert, La., applied to Humana ([HUM](#))

in February. They were rejected by the large Louisville insurer after a company representative pulled their drug profiles and questioned them over the telephone about prescriptions from Wal-Mart Stores ([WMT](#)) and Randalls, part of the Safeway grocery chain, for blood-pressure and anti-depressant medications.

Mental Health Is a Red Flag

Walter Shelton, a 57-year-old safety consultant in the oil and gas industry, says he tried to explain that the medications weren't for serious ailments. The blood-pressure prescription related to a minor problem his wife, Paula, had with swelling of her ankles. The antidepressant was prescribed to help her sleep—a common "off-label" treatment doctors advise for some menopausal women. But drugs for depression and other mental health conditions are often red flags to insurers.

Despite his efforts to reassure Humana, the phone interview with the company representative "just went south," Walter recounts. He and his wife remain uninsured.

"I want to know what's in there if there's a black mark against us," Walter says. Paula, 51, adds: "We can't get health insurance because we're taking medications that were prescribed by our doctors. I don't think that's right."

A spokesman for Humana says the company uses "data regarding pharmacy history as part of our assessment process." But he adds that the insurer has a policy of not commenting on particular cases, such as the Sheltons' failed application.

FTC Investigation

Traditionally, applicants have been asked to provide insurers with a description of past illnesses. About 30% are deemed uninsurable because of their histories, according to industry veterans. Prescription profiles could add another hurdle, making it especially difficult for the 47 million Americans who lack insurance to acquire coverage. Some 18 million people are now covered by individual policies.

Most consumers and even many insurance agents are unaware that Humana, UnitedHealth Group, Aetna ([AET](#)), Blue Cross plans, and other insurance giants have ready access to applicants' prescription histories. These online reports, available in seconds from a pair of little-known intermediary companies at a cost of only about \$15 per search, typically include voluminous information going back five years on dosage, refills, and possible medical conditions. The reports also provide a numerical score predicting what a person may cost an insurer in the future.

An investigation last year by the Federal Trade Commission found that the two companies supplying these pharmacy profiles—MedPoint and IntelliScript—violated federal law for years by keeping the system hidden from consumers. But the FTC has merely required disclosure if prescription information causes denial of coverage or some other adverse action; the agency imposed no penalties. MedPoint and IntelliScript say they are now fully complying with the FTC's order.

Two-thirds of all health insurers are using prescription data—not only to deny coverage to individuals and families but also to charge some customers higher premiums or exclude certain medical conditions from policies, according to agents and others in the industry. Some carriers are also using the data to charge small employers higher group rates. Separately, some 20% of life insurance companies are relying on prescription histories when reviewing applications, according to experts in that business.

Designed for Emergency Use

"The fundamental breakthrough is that this is the first time ever we have had near-instantaneous access to objective, third-party information," says Tia Goss Sawhney, an actuary and consultant to the health insurance industry. She says she tested the prescription profiles last year while designing a new insurance policy for American Community Mutual Insurance in Livonia, Mich.

IntelliScript says it sells prescription data to more than 75 health, life, and long-term-care insurance companies. Milliman, a large Seattle consulting firm, acquired the company in 2005. A rival service, MedPoint, has been offered by UnitedHealth's Ingenix data-mining unit since 2002. MedPoint says it has access to more than 5 billion pharmacy claims.

The data were originally sought to help inform doctors treating patients, especially in emergencies. But that use hasn't widely caught on, and today the information is primarily employed by insurance companies.

MedPoint and IntelliScript buy the data they disseminate mostly from another group of middleman companies known as pharmacy-benefit managers (PBMs). Large PBMs, such as Medco Health Solutions, provide services to insurers and employers. In playing that role, the PBMs gain broad access to prescription information from drugstores. Some retail chains operate their own PBMs. No privacy laws or other regulations prevent the gathering of this data, according to the FTC.

Fodder for Denials

In its marketing to the insurance industry, MedPoint says prescription histories help "identify high-risk individuals, reduce costs, lower loss ratios, and increase revenue." Despite that pitch, John Stenson, an Ingenix executive who helps oversee MedPoint, says he doubts that his company's information causes insurers systematically to reject more people for coverage. "This is about insurance companies getting at the information quickly and clearly," he says.

BlueCross BlueShield of Tennessee, the state's biggest insurer, has used MedPoint since April 2007, ordering prescription profiles for about 75% of individual applicants. Since February, when the federal disclosure requirement went into effect, BlueCross says it has notified 1.5% of applicants that their prescription reports have resulted in denial or other negative action. But the company acknowledges that it doesn't alert consumers if the profiles lead to requests for more medical information that result in subsequent denial. "This doesn't make it any harder for consumers," Kevin Ashpole, director of individual products at Tennessee BCBS, maintains. "It ensures the right decision is made."

But skeptics worry that more people inevitably will be turned down for coverage as a result of growing reliance on prescription histories. Most consumers would be shocked to learn that information about their past prescriptions is being bought and sold—and could come back to haunt them, says Gary Claxton, director of the Health Care Marketplace Project, a research organization run by the Kaiser Family Foundation in Washington, D.C. Rejection by one insurer commonly becomes grounds for denial by others, and the industry has ready access to who has been turned down through a separate database.

Is Disclosure Enough?

When applying for insurance, individuals routinely sign paperwork allowing providers to review their medical history. To comply with the privacy provisions of the federal Health Insurance Portability & Accountability Act, most insurers have now added a reference to prescription history in the lengthy fine print consumers are instructed to read.

The FTC forced the industry to begin disclosing the use of prescription information under a different federal statute, the Fair Credit Reporting Act. Insurers now are required to tell applicants the address of the company that assembled the data. Copies of prescription reports are supposed to be available to consumers at no charge under federal law.

"As soon as we were alerted by the FTC, we cooperated fully, and we began sending out notices to [insurance industry] clients of their obligations" under federal law, says Mark Franzen, managing director of IntelliScript. "This wasn't the result of a consumer complaint or privacy being violated." The FTC confirms that its investigation didn't stem from consumer concern but won't say what did spark the inquiry.

Insurance companies say that they use prescription data responsibly and that it isn't the sole basis of decisions to deny coverage. A spokesman for UnitedHealth ([UNH](#)) adds that when there are discrepancies between the data and information provided directly by applicants, "the applicant is contacted and given the opportunity to provide additional information."

But privacy watchdogs and some insurance agents question how insurance carriers can guarantee that they are obtaining accurate prescription histories, especially for people with highly common names. The skeptics also worry about whether legitimate off-label use of prescription drugs by patients such as Paula Shelton could hurt some applicants unfairly.

IntelliScript's Franzen says it's the responsibility of the insurance company to deal with issues such as off-label use. He says IntelliScript has reported the wrong person's drug file in several instances but that mistakes occur in fewer than 1 in 10,000 cases. MedPoint says it has had only "two cases of matching errors in more than 2 million queries." Most searches include full name, date of birth, Social Security number, and address.

"Is it perfect? No," Franzen says. "But it's pretty darn good."