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Private health insurance during the AIDS crisis: Underwriting practices and government intervention

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Summary

Research Question

How did the AIDS* crisis of the 1980s and 1990s impact the risk management by health insurance companies in the U.S.?

Answer

Insurers adopted medical testing for underwriting** decisions beyond HIV screening, applying it to general applicants.

This shift made **'precision insurance'** the standard practice, ultimately prompting federal regulation amid growing public concern.

*AIDS: A life-threatening condition caused by HIV, which weakens immunity and makes individuals vulnerable to infections and diseases.
**Underwriting: the process of evaluating risk and determining the insurability, coverages, and pricing (premiums) for applicants.

Theme, Approach & Sources

[Background & Theme]

The Anglo-Saxon model of insurance

A financialized, individualistic model that accurately estimates each individual's risk. (↔ the Alpine model) (Albert 1991)

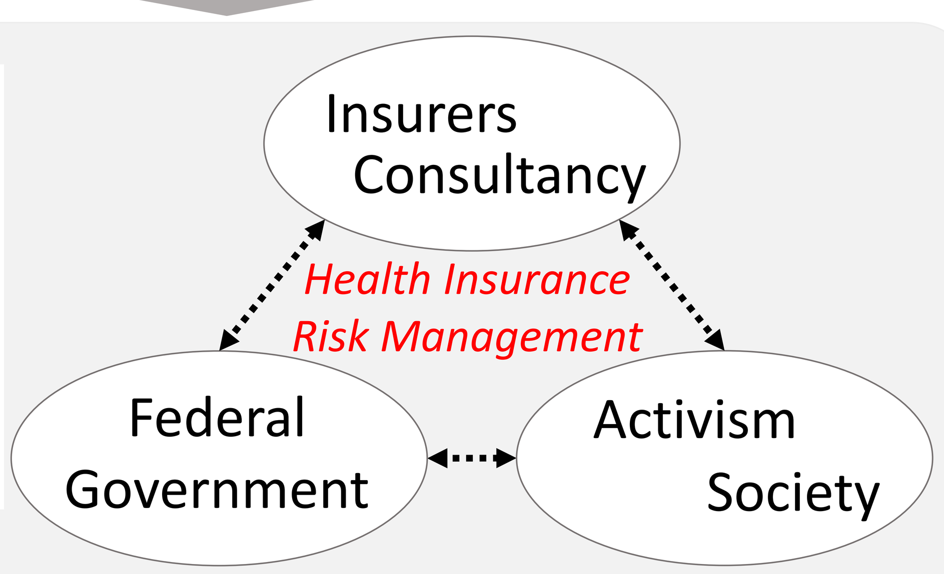
When did it originate?

1920s-1965, when 'welfare capitalism' was established by integrating employment and insurance. (Klein 2003; Chapin 2015)

Did the AIDS crisis make any difference?

[Approach]

Process of interactions among multiple stakeholders.



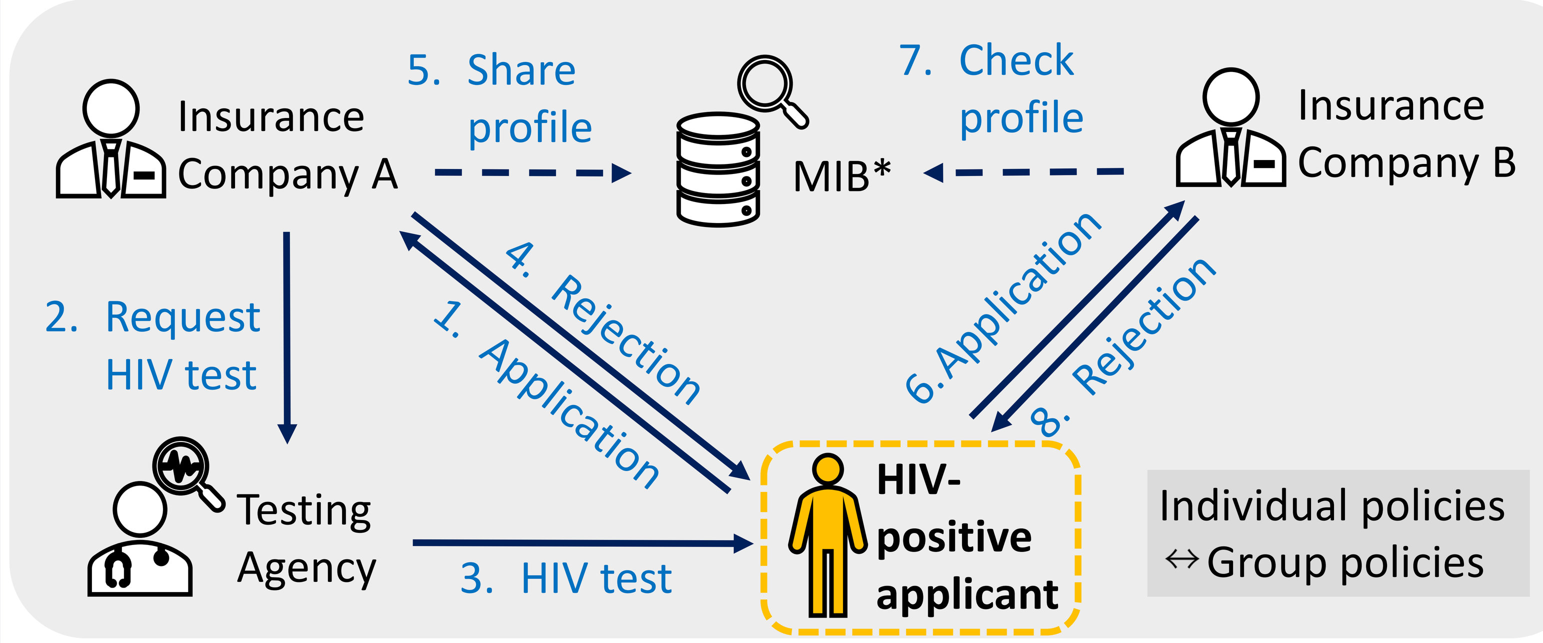
[Sources]

Aeta AIDS Collection	Archives of Sexuality and Gender	Society of Actuary's newsletters
Northeastern University Library	Gale Primary Sources (online)	Society of Actuary's website
Newspaper articles, conference pamphlets, and industry survey reports collected by Aetna, an insurance company.	Newspaper articles and records of activism covering sexuality and gender-related issues collected by Gale.	Monthly newsletters sent to society members who were professional actuaries to share industry trends and opinions.

① HIV tests & finer risk segmentation

Some insurers started using **HIV tests** to reject applicants, while others relied on **demographic classification**.

prevent "**fraud**"—on the grounds of adverse selection.

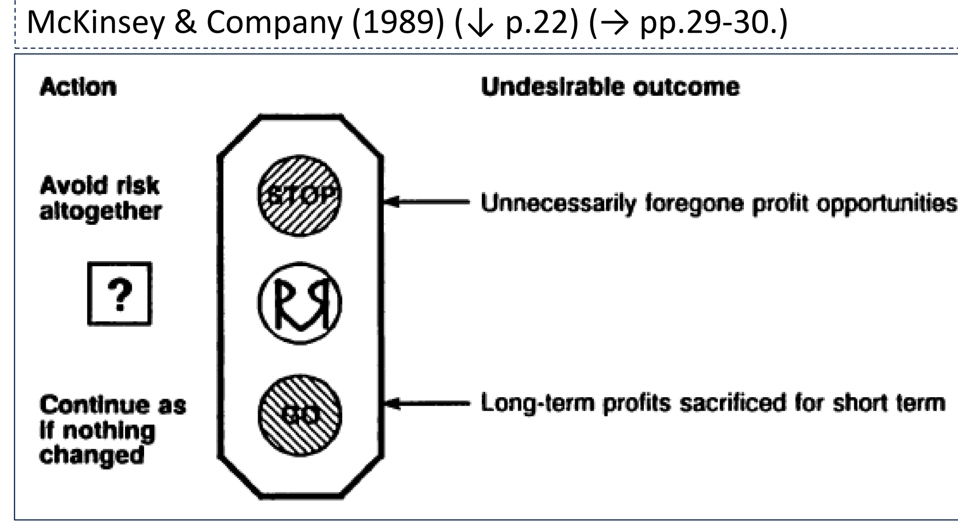


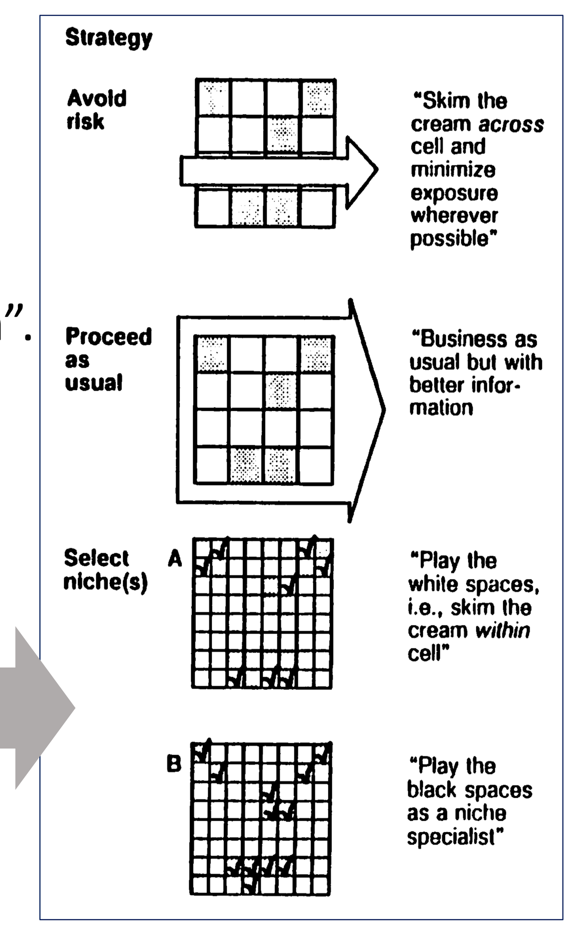
*MIB: Medical Information Bureau, inc. A data bank of insurers, sharing misrepresentations and material risks of applicants for insurance.

McKinsey & Co. advised insurers to **segment risks finer** in 1989.

Avoid / target niches with HIV tests to "**maximize the risk/reward profit equation**".

McKinsey & Company (1989) (↓ p.22) (→ pp.29-30.)





⇒ More and more insurers used HIV tests upon underwriting for finer risk segmentation.

② Consequences on industry practices

Insurers recognized the potential of **medical testing across the general population.**

"The tests go beyond the HIV test […] usually ordering an extensive blood chemistry profile. […] [T]he other tests yield valuable information at marginal extra costs." Society of Actuary's Newsletter (1991)

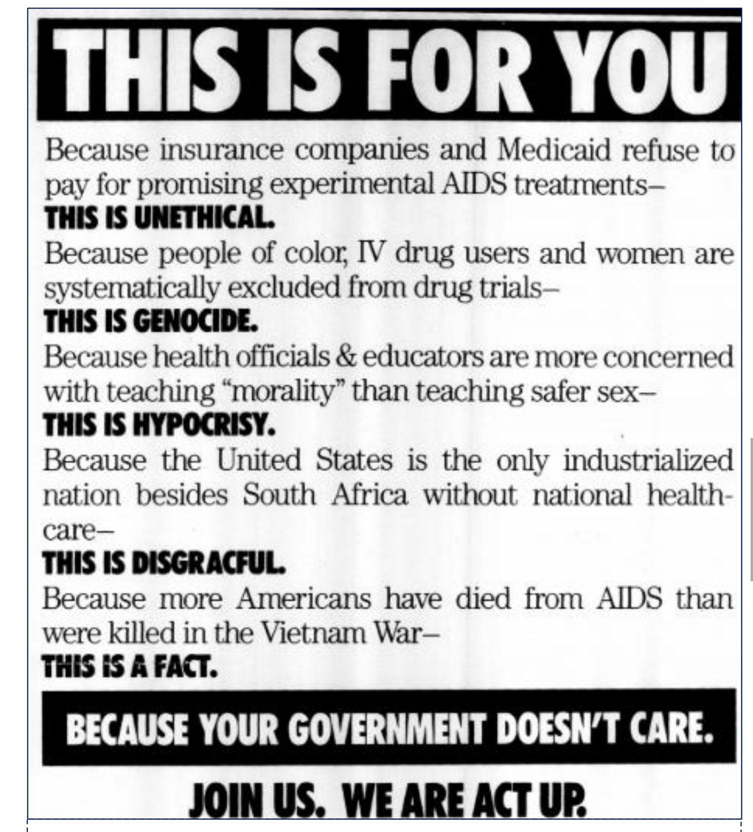
- Evaluate policies with specific individual risk factors.
- Growing public concern over the inaccessibility.

⇒ Medical tests became common, and 'precision insurance' was born, entailing concerns.

③ Societal Reactions & Govt. Intervention

Societal Reactions

AIDS Activism criticized insurers' use of HIV tests.


THIS IS FOR YOU

Because insurance companies and Medicaid refuse to pay for promising experimental AIDS treatments–
THIS IS UNETHICAL.
Because people of color, IV drug users and women are systematically excluded from drug trials–
THIS IS GENOCIDE.
Because health officials & educators are more concerned with teaching "morality" than teaching safer sex–
THIS IS HYPOCRISY.
Because the United States is the only industrialized nation besides South Africa without national health-care–
THIS IS DISGRACFUL.
Because more Americans have died from AIDS than were killed in the Vietnam War–
THIS IS A FACT.

BECAUSE YOUR GOVERNMENT DOESN'T CARE.

JOIN US. WE ARE ACT UP.

ACT UP (1989-1990)

BUT, it was the growing public concern about precision insurance that led to federal regulation.

Govt. Intervention

The 1992 Presidential election focused on health insurance.

Clinton won it by promising universal health insurance.

Not fulfilled due to industry opposition and intra-party conflicts…

Compromised policy

Health Insurance Portability and Accountability Act of 1996

Banned insurers to deny group applicants for preexisting conditions and medical testing.

⇒ Subsequent public concern, rather than AIDS activism, led to federal regulation.

Conclusion

The AIDS crisis led to 'precision insurance,' the ultimate realization of the Anglo-Saxon model, yet it was countered by federal regulation amid public criticism.

- Insurers used medical testing primarily to screen applicants for HIV, but it was subsequently applied to a broader range of applicants.
- This advanced risk segmentation led to insurance inaccessibility and public concern, prompting government regulation.

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