



For Immediate Release
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Discount Health Plans Crack Down by State Stops False and Misleading Advertising

*Plan will comply with state law and seek licensure from
Department of Managed Health Care*

(Sacramento) -- The Department of Managed Health Care (DMHC) has announced that a discount health plan, hit three months ago with an order to stop offering deceptive discount health cards to Latino consumers throughout the state, has significantly changed its business practices and advertising and will seek state licensure. State regulators have issued a new order for Florida-based Platinum Health Plus to comply with state law following 78 complaints from California consumers to the DMHC's HMO Help Center and other state and local agencies.

“The Department of Managed Health Care and this Administration will not tolerate discount health card companies that deceive consumers, especially those who are desperate to gain any kind of health insurance or care,” said Cindy Ehnes, Director of the DMHC. “This action by state regulators sends a message to fraudulent discount health card entities that they will be shut down in California, unless they change their ways.”

The new Order by the DMHC involving Platinum Health Plus requires the Department's prior approval of all advertising and marketing scripts so that it will not contain language suggesting that the discount card is health insurance or fail to accurately and fully disclose the actual discounts offered. It also requires Platinum Health Plus to become licensed by the DMHC by July 31, 2005, in order to continue to do business in California.

In September 2003, the DMHC issued two cease-and-desist orders, including one against Platinum Health Plus, and a Consumer Alert to advise people on how to identify a

(more)

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potentially fraudulent discount health plan. Since then, the Department has begun investigation into an additional 13 companies. The alert has also prompted more than 100 inquiries by California consumers to the DMHC's HMO Help Center about discount health cards.

A discount health plan is a membership program offering lower fees for health care providers such as doctors, dentists and hospitals, prescription drugs, optical products and other services. While there are some legitimate discount plans offered through large retailers, providers and other vendors, the DMHC is currently investigating those that may be engaging in deceptive practices.

Dishonest plans require relatively large enrollment fees and require enrollees to arrange for automatic monthly payments from their checking accounts or credit cards, but offer little, if any, benefit to consumers. The solicitations mislead people to believe they are purchasing health insurance coverage. In addition, because they are arranging for the provision of health care services, they must be licensed by the DMHC under California law.

Many people filing complaints with state and local agencies are lower income, Spanish speaking, and without access to health insurance. Currently, 13 other states have either issued cease and desist orders against discount plans, including those under DMHC investigation, or are taking action to regulate and license the plans.

The most egregious plans offer a discount from providers of up to 80 percent with risk-free cancellation policies with full refunds, usually promised within 30 days. But when members try to use the discount cards, they learn that the providers to whom they are referred have never heard of the discount plan, have no contracts with them, or offer the same or better discounts to any cash-paying patient. These plans also refuse to allow cancellation of monthly payments or to make refunds of amounts consumers have already paid.

The California Department of Managed Health Care is the only stand-alone HMO watchdog agency in the nation, touching the lives of more than 21 million enrollees. The Department has assisted more than 633,000 Californians through its 24-hour Help Center to resolve their HMO problems, educates consumers on health care rights and responsibilities, and works closely with HMO plans to ensure a better, more solvent and stable managed health care system.

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