

Discount Health Cards

Background

Investigations by the DMHC have shown that some discount health entities offer benefits that are not delivered. Some have promised deep discounts from doctors, hospitals and pharmacies, and risk-free cancellation policies with full refunds. But when members try to use the discount cards, they learn that the providers to whom they are referred never heard of the discount plan, have no agreements with them to offer discount prices, or offer the same or better discounts to any cash-paying patient. Plans also masquerade as insurance by offering other insurance products in the same pitches, such as accidental injury coverage. It is very difficult for consumers to cancel these policies, and some continue to deduct charges from members' checking accounts after a cancellation, forcing some to close their accounts in order to stop the deductions.

Summary

- Beginning in 2004, the DMHC began to crack down on fraudulent companies, issuing a Consumer Alert in both English and Spanish on the DMHC Web site, taking enforcement actions and publicizing the issue through the media.
- The DMHC has ordered 17 fraudulent discount health card companies to cease operations or become licensed. One full-service medical plan and two dental plans are now licensed.
- The DMHC is poised to become one of the first states in the nation to introduce regulations to license discount health entities. In 2006, an administrative law judge ruled that the DMHC had jurisdiction over discount card companies because they are arranging for the provision of health care services in exchange for a periodic payment. This precedential decision confirmed that these companies are acting as health plans and therefore, must be licensed by the DMHC.
- DMHC's regulations will include full consumer protections such as strict advertising restrictions, measurable discounts, verifiable provider contracts and uniform cancellation policies.

Related Content

Enforcement actions taken against discount plans:

http://healthhelp.ca.gov/healthplans/enf/enf_discount.aspx

Consumer Alert: <http://healthhelp.ca.gov/library/reports/news/DiscHPAlert.pdf>

Alerta Al Consumidor: <http://healthhelp.ca.gov/library/reports/news/DiscHPSPAlert.pdf>

For more information about the pending Discount Health Plan regulation:

<http://wps0.dmhc.ca.gov/regulations/>

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