

Consumer Confusion Triggers Crackdown By States On Discount Health Plans

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State regulators are cracking down on a health care product that targets the growing group of uninsured and underinsured Americans: the discount health plan.

In discount health plans, consumers pay either a monthly or annual fee to get access to a network that is supposed to offer reduced charges for doctor visits, prescription medication and other medical services, such as eye glasses.

Unlike traditional insurance, consumers in a discount plan pay all medical costs up front, minus whatever discount has been negotiated with the plan. The companies often advertise networks that number hundreds of doctors and savings of 10 to 60 percent. To get the discount, patients have to use providers honoring the plan.

But advocacy groups say consumers are frequently confused because the discount health plans blur the distinctions between their benefits traditional insurance plan coverage. In addition, some of the discount plans are not legitimate, consumer advocacy groups say. They don't meet all their advertising promises and their networks turn out to be hollow lists with few providers.

"Oftentimes these are just schemes to commit fraud," Kansas Insurance Commissioner Sandy Praeger said. Sometimes consumers think they are buying a traditional insurance plan, only to receive a discount card in the mail, according to Praeger.

Unemployed, Uninsured and Out of Options

Authorities in California began taking action against some of these unscrupulous companies. Linda Andlovec, 60, was one of the customers who told her story to the state about her interaction with a discount health plan. In February 2009, the office worker got a phone call from Easy Life Healthcare. A few days before, her employer -- a small business in Foresthill, Calif.

-- had announced it would be dropping employee health care coverage to try to cut costs in the recession. The Easy Life salesperson was offering a special deal, Andlovec recalled: For \$96 a month, the workers in Andlovec's office could join a health plan with benefits that included free prescription drugs. If Andlovec didn't like it, she could cancel and get her money back. The salesperson said the Arizona company also had agreements with thousands of California doctors in their network.

"I was scared ... but I was kind of frantic," said Andlovec, who has high blood pressure and used at least three prescription medications regularly. So

she used her debit card to pay \$100 for the membership fee and \$96 for the first month.

But as Andlovec soon found out, she was buying a discount health plan, not a traditional health insurance policy.

