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**DMHC Moves to Protect Consumers By Licensing
Discount Health Card Companies**
Proposed requirements are among the toughest in the nation

(Sacramento) – Consumer groups are gathering today at a public hearing to support regulations proposed by the California Department of Managed Health Care (DMHC) to ensure that discount health card companies that purport to offer price breaks on medical, dental, and vision services for those without traditional health coverage are licensed by the State of California. The regulations will specify significant protections to ensure that consumers are not victimized by unscrupulous operators, some of whom sell discount cards that provide little or no value.

“Premiums continue to skyrocket even as the economy remains stagnant. Many Californians are losing their health coverage, and are looking for a way to afford medical care, such as discount health cards,” said Cindy Ehnes, Director of the DMHC. “Consumers must have assurance that the discounts are real, and that the cards will be accepted within the medical community. Discount plans must be properly licensed and, if they are engaging in consumer fraud, they will be stopped.”

Licensure of discount health entities enables the DMHC to protect consumers from deceptive advertising and aggressive marketing, while providing additional protections, such as measurable bona fide discounts, verifiable contracts with doctors, standards for cancellation of policies, and assistance from the DMHC in resolving consumer problems or complaints.

More than 1,000 consumers have contacted the DMHC Help Center with concerns about discount health cards, with the majority reporting that they were led to believe that they were purchasing health insurance coverage. Many have been left with thousands of dollars in medical bills when they sought care at a doctor’s office or hospital, thinking they were covered.

Ongoing investigations by the DMHC have also shown that some entities offer false discounts, or discounts from doctors who have not consented to accept their cards. Some promise risk-free cancellation policies with full refunds. But for many, it is very difficult to cancel, and the discount companies continue to deduct charges from their members' checking accounts, forcing those members to close their accounts in order to stop the deductions.

(more)

Department of Managed Health Care

February 22, 2010

Page 2 of 2

“The Department of Managed Care is right to police the unlicensed, unregulated “Wild West’ of so-called discount health plans,” said Elizabeth Abbott, Project Director for Health Access. “We have seen these companies target their marketing efforts at low income, limited-English consumers who think they are buying comprehensive health insurance—which they decidedly are not. Some of these so-called discount health cards don’t even have the same benefits as a pizza coupon—by offering a real discount, access to a real provider network, and have real notice about their benefits and rights.”

California law already requires discount plans to be licensed in order to do business in the state. An administrative law judge ruled that the DMHC does have jurisdiction over discount card companies, although many of these plans are currently unlicensed and some have challenged the ruling. This precedential decision confirmed that these companies are acting as health plans by arranging for the provision of health care services in exchange for a periodic payment, similar to the business model of other health plans, and therefore, must be licensed by the DMHC. The new regulations will strengthen and clarify existing regulations that require licensure.

Since September 2004, the DMHC has ordered 18 fraudulent discount health card companies to cease operations or become licensed. To date, the DMHC has licensed one medical and two dental discount health plans, providing the framework to license all discount health card companies.

Last week, DMHC Director Ehnes also took action against several unlicensed discount health card companies, ordering them to stop operating in California, as part of the DMHC’s ongoing efforts to stop the operation of fraudulent discount health card companies in California. The DMHC has determined that the companies, operating under the incorporated name of HealthcareOne LLC, are engaged in deceptive marketing tactics, misleading California consumers into believing that they are purchasing actual health insurance.

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 DMHC has assisted more than 1 million Californians resolve their health plan problems through its Help Center, educates consumers on health care rights and responsibilities, and works closely with health plans to ensure a solvent and stable managed health care system.

Follow the DMHC on Twitter at: <http://twitter.com/CADMHC>

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Department of Managed Health Care

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Page 2 of 2

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