



Health Insurance Bulletin

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Consumer Alert: Be Careful When Purchasing a Discount Health Card

A recent prominent newspaper advertisement for a health discount card has prompted a number of inquiries about such cards. Discount health cards are not insurance. Legitimate discount health cards offer discounts on services from doctors, pharmacists, and other health care providers that accept such cards. It is important, however, that consumers understand what they are and are not getting when they purchase discount health cards. While some discount card offers are legitimate, others offer little or no value to the consumer. When considering the purchase of a discount health card, consumers should do the following:

1. Beware! Purchasers of discount health cards may have few consumer protections available to them.

Discount cards are not insurance. Therefore, fewer consumer protections exist for the purchasers of discount cards. The Office of the Health Insurance Commissioner (the "OHIC") does not regulate the companies that sell discount health cards and does not monitor or regulate the use of such cards. If a dispute arises between a consumer and a company that sells discount health cards, the OHIC may be powerless to assist the consumer.

2. Check out the company selling the discount card.

Some discount cards are legitimate, while others offer little or no value and are a scam. Look for sales pitches (either in person or in print) that do any of the following:

- Use words like "co-payments," "deductibles" or "premiums" to deceive consumers into thinking a discount plan is insurance.

- Suggest or state explicitly that the discount card will provide “affordable health care” for the purchaser, but do not provide firm details about specific savings or price reductions.
- Fail to provide a clear and unambiguous explanation about the cost of the card.
- Offer such cards at an initial steep discount, for “free” after a fee is paid, or at a low price for a “limited time.”

Consumers should research the company selling the card. Consumers can also contact local consumer protection and advocacy organizations such as the OHIC, the Rhode Island Attorney General or the local Better Business Bureau.

3. Check the benefits.

Some deceptive discount health card issuers claim that their product is insurance while others state explicitly that the card does not provide insurance. Either way, one thing is certain: *discount cards do not pay medical claims*. Instead, purchasers are responsible for paying for services at the time care is received. Some discount plans may exaggerate the savings potential and promise discounts that might not be available. Also, many of these misleading discount plans do not cover all types of services, conditions or prescription drugs.

In addition, some discount cards claim to offer discounts through a large number of health care providers and pharmacies, but do not. If the company provides a list of providers or pharmacies that accept the card, call the providers or pharmacies to verify that they actually participate. If they participate, ask for specifics about the discounts offered. Even if the card produces the discounts it claims, a purchaser could still be out thousands of dollars if he or she is hospitalized, requires expensive treatments or needs to obtain costly prescriptions.

Consumers should also make sure that the discount plan has a toll-free phone number for customer service, a reasonable complaint procedure and clear refund and cancellation policy.

4. Discount Card “Red Flags”

Beware of the following. These are the warning signs of a possible fraudulent discount plan:

- The company claims you can save a considerable amount on health insurance.
- The company claims that its card will make health care “affordable.”
- The company or agent will not give you a list of participating health care providers until after you purchase the discount card.
- The company provides a list of participating providers, but a few phone calls uncover providers who do not actually participate.
- The company uses high-pressure marketing or conveys an extreme sense of urgency, telling you that you “must act now,” “this one-time offer” or that the offer is for a limited amount of time.
- You are asked for debit or credit card information or a large up-front fee. Legitimate discount cards will not mandate large application fees or up-front costs (such as a “sign-up” or “registration fee”).
- Legitimate discount card issuers will never suggest you drop your health insurance.

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- The discount plan is advertised through blast faxes, spam e-mails, internet pop-ups, signs posted on telephone poles or misleading print advertisements.
- If it seems too good to be true, it probably is!

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