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Consumer Alert from the NAIC: Be Careful When Purchasing a Discount Health Card

With health care premiums on the rise, many Americans are searching for more affordable health insurance. There has been an increase in discount health plans being marketed. It is important to know the difference between health insurance and discount health cards and to be able to distinguish between legitimate and fraudulent discount cards. Discount health cards are not insurance. Legitimate discount health cards offer discounts on services from doctors, pharmacists, etc., who accept these cards.

1. **Buyers Beware!**
   Because discount cards are not insurance, fewer consumer protections exist for buyers. Many state insurance departments do not regulate the entities that sell discount health cards, although some insurance departments have recently enacted legislation to allow regulation, including licensing or registration requirements.

2. **Double-check the Company and Agent**
   Some insurance carriers offer discount cards at little or no cost as an added value to their members. Certain associations, banks, employers and others also provide discount cards. However, there is the potential for confusion and fraud with respect to discount cards. Beware of salespeople and advertisements that use words like "co-payments" or "premiums" to deceive consumers into thinking a discount plan is insurance. Avoid sales personnel or companies of discount plans that insist on debit or credit card information and may pressure you to make quick decisions. Ask the sales person or company if the product is an insurance plan or a discount plan. Contact your state Attorney General and the Better Business Bureau to see if complaints have been made against the entity.

3. **Check the Benefits**
   While some deceptive discount health card issuers claim that their product is insurance, discount cards do not pay medical claims. Instead, enrollees 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 or conditions. Check with the company to make sure that there is a provider in its network that meets your needs and double check directly with the provider that the plan is accepted. Even if the card produces the discounts it claims, you could still be out thousands of dollars if you are hospitalized. 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"**
   Here are some warnings against possible fraudulent plans:
   - The discount plans are often advertised through blast faxes, spam e-mails, Internet pop-ups or signs posted on telephone poles.
   - The company claims you can save a considerable amount on health insurance.
   - The company or agent will not give you a list of providers until after you purchase the discount card.
   - The company uses high-pressure marketing and an extreme sense of urgency, telling you that you "must act now" or "this one-time offer."
   - 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.
   - Legitimate discount card issuers will state on all their marketing material "This is not insurance."
   - Legitimate discount card issuers will never suggest you drop your health insurance.
   - If it seems too good to be true, it probably is!

5. **Get More Information**
   Information is your best defense. Visit your state insurance department for more information on the differences between discount health cards and health insurance. You can link to your state insurance department's Web site by visiting *www.naic.org*. Click on "State Insurance Web Sites," then click on your state.

The National Association of Insurance Commissioners is a voluntary organization of the chief insurance regulatory officials of the 50 states, the District of Columbia and five U.S. territories. The overriding objectives of state regulators are to protect consumers and help maintain the financial stability of the insurance industry.
If you would like to be removed from the "Consumer Alert" media list, please contact Scott Holeman at (816) 783-8003 or sholeman@naic.org.