

Regulating discount health plans - *January 2009*

SB5480/HB2012

What this bill will do

Require discount health plans to meet specific financial standards and disclose plan information to consumers before purchase. Consumers who purchase discount health plans or who are thinking about buying one will be informed of how the discount works and who will accept it.

Background

Discount health plans are membership organizations that charge a fee for a list of providers that offer discounted health care services or products. As health care costs skyrocket, many consumers are turning to these plans as an affordable alternative to health insurance.

Discount plans may be useful for some people looking to save money, but they are not insurance. Unfortunately, many people who buy these plans believe they've bought a real health insurance plan with full benefits. They find out later that either their provider doesn't accept the discount or that certain services aren't included.

The plans are marketed in a variety of ways, including advertising on TV, radio and the Internet as well as by fax, e-mail and telemarketing. Often, how the discount works or where it can be used isn't disclosed to the consumer until they've bought the plan.

Too often, consumers buy a discount plan only to learn that either their provider doesn't accept it or that certain services aren't included.

The problem

Discount health plans are part of an unregulated and growing market. Since 2003 we've received more than 400 calls. Many of the people who've contacted us believed they'd bought insurance.

There are no disclosure or marketing standards so if a plan is sold using deceptive or misleading tactics, the consumer has little or no recourse. The plans are not required to keep an updated list of participating providers and often won't disclose details on how the plan works until the consumer buys it.

The solution

Discount health plans must be licensed by the Insurance Commissioner and must submit an annual financial statement along with the number of members and how it will handle complaints.

Discount health plans are an alternative to insurance

They charge a fee for access to discounted medical care

But there are no disclosure or marketing standards

Many consumers believe they bought real health insurance

This bill requires plans to be licensed and to tell consumers how and where they work

Their marketing materials must:

- prominently display the plan name
- say that it's a discount plan and not insurance
- clearly state what you can use the discount for and where you can use it.
- state that the plans are regulated by the Insurance Commissioner
- contain a Toll-free phone number and Web site with an updated list of providers
- NOT use the term insurance, or terms that lead a consumer to believe it's insurance
- NOT mislead buyers about the discount or range of discounts.

In addition, discount health plans must:

- have written provider agreements,
- list the services and products that are discounted and the amount of discounts
- NOT restrict access to their providers.

Contact: Mary Clogston - Deputy Commissioner for Policy - 360-725-7037 - MaryCI@oic.wa.gov