

What are medical discount cards and could they help people in Connecticut? An update

What are medical discount cards?

Marketed to the uninsured, medical discount cards promise subscribers access to significant savings on health services. Fees range from \$10 to \$20 per month for a single person, plus significant one-time enrollment fees. For this, the card companies claim to offer discounts of up to 80% off doctor visits, hospitalizations, surgery, tests and other medical services. Discounts are not guaranteed and in fact may be negligible.

Medical discount cards are NOT insurance - the card company pays no claims but only offers discounts, so consumers are responsible for their entire medical bill. The company will not pay any part of medical bills.

Who can sell medical discount cards in Connecticut?

CT Public Act 05-237, An Act Concerning Medical Discount Cards, allows the Insurance Commissioner to license and monitor companies selling medical discount plans. The licensing process serves as notification of the applicant's intent to sell plans in the state and of the company's financial integrity. This allows the Insurance Dept. to restrict or revoke a company's license if it does not meet the requirements under the law. Such companies must meet a minimum net worth of at least \$250,000 and post a surety bond of \$100,000. The Insurance Dept. issues a one-year license that must be renewed each year.

The licensure process does not regulate the cost of plans to consumers (companies can charge whatever they choose), whether the panel of providers in Connecticut is adequate for the number of people in the plan, or whether the plan is a good value for consumers. The process does not require validation of the provider panel - the state does not audit the provider list to ensure that everyone listed is actually participating and offering discounts.

Currently, ten companies are licensed to sell medical discount cards in Connecticut and several applications are pending - only seven companies offer products to Connecticut residents. Rather than deny licenses to applicants

who fail the application process, the Insurance Dept. tries to help them comply with the process. Thus far, companies that have been denied licenses have attempted to include insurance products in their medical discount plans, which are prohibited under Public Act 05-237. The most common insurance product seen has been accidental death and dismemberment coverage. In addition, some companies have attempted to add major medical benefits, life insurance and other life or health products that would require individual licensure to sell or solicit in Connecticut.

How is Connecticut protecting consumers?

In addition to requiring companies who intend to sell medical discount plans to be licensed, these companies must also have an Internet web site that lists the up-to-date names and addresses of providers that will accept the discount card. Companies selling medical discount cards MUST disclose that a discount medical card is not insurance. Furthermore, any marketing materials, advertisements, brochures, or discount cards may not use terms such as "coverage", "copay", "premium", "PPO" or any other term that could reasonably mislead a person into believing that the medical discount plan is insurance.

The law also says consumers must be allowed to cancel a medical discount card within 30 days after payment is received by the medical discount plan. Consumers are guaranteed a refund of all membership fees paid to the medical discount plan, excluding a reasonable one-time enrollment fee, no later than 30 days after notification of cancellation of the plan.

What still needs to be done?

- Hold medical discount organizations accountable for misleading, deceptive, or fraudulent information offered to consumers.
- Prohibit the selling of discount cards to consumers who qualify for public health insurance programs and require screening for public health insurance programs in the medical discount card consumer enrollment application.
- Conduct significant public education campaigns to ensure that consumers only buy appropriate plans that will save them money.
- Designate resources to audit medical discount card company operations and provider panel lists.

Bottom Line:

Connecticut needs to strengthen regulation of medical discount cards to protect uninsured consumers.

Sources: Mila Kofman, et. al., Discount Medical Cards: Innovations or Illusion?, 2005, CID, Public Act 05-237.

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