



Division of Insurance

Discount Health Plans

What Consumers Should Know About Discount Health Plans

Introduction

The term *Discount Health Plan* refers to a type of “buyer’s club” that specifically markets reduced- rate health care services. They typically charge a monthly membership fee in exchange for a list of health care professionals who will provide services at a discounted rate to members.

Plans may be marketed to consumers as a way to save money on various medical services, such as medical, dental and vision care, as well as pharmacy and/or chiropractic services. Discount Health Plans, as identified above, are not insurance!

How Discount Health Plans Work

Discount Health Plans contract with providers to offer services on a discounted basis to enrolled Plan members. When a Plan member uses one of the contracted providers for a service covered by the Plan, he or she should be charged a discounted rate for the service. The amount of the discount may vary by provider and by the type of service received, and payment may be required at the time services are provided.

Internet Sales

Discount Health Plans are often sold directly to consumers over the Internet. If purchasing online, make sure the website is secure and review the company’s privacy policies.

Potential Problems

Discount Health Plans do not qualify as “creditable health insurance coverage.” This means that if you drop your health insurance after purchasing a Discount Health Plan and later decide to purchase health insurance again, your new insurance may and probably will not cover preexisting conditions.

Review the Plan carefully.

- Companies selling Discount Health Plans may not guarantee advertised services.
- Some Discount Health Plan provider lists may not be current. Contact providers to make sure they honor the Plan.
- Some Discount Health Plans may not be discounted as advertised. Hidden fees, such as administrative fees for each use of the card, may reduce or effectively erase the advertised discount.
- Make sure the discounts available exceed the cost of membership.

Be aware that certain consumer protections afforded to buyers of insurance are not provided to people buying Discount Health Plans. For example, the state guaranty fund law to protect consumers in the event an insurance company fails, and health insurance requirements guaranteeing access to providers, do not apply.

Important Questions to Ask Before Purchasing a Discount Health Plan:

- What guarantees do I have as part of this Plan? Does the Plan guarantee access to health care providers or a minimum discount for the provided services?
- Will the Plan's discount be better than a cash discount? Will I be required to prepay services or pay at the time of service? Will I receive discounts for emergency services or when traveling? Do health care services have to be preauthorized?
- Will I receive regular statements outlining my savings? Can I pay the fee monthly rather than on an annual basis?
- Is the membership fee refundable if I cancel the membership at any time? What do I have to do to cancel my membership?
- Does the Plan have a 24-hour customer service line? If not, during what hours can I call for assistance?
- What privacy protections are provided? Who is allowed to access the personal information that I have submitted? Does the Discount Health Plan share or sell my personal information with other companies when I become a member?

[Click on this link to view a sample advertisement](#)

Purchasing Tips

- Read all promotional material carefully. If it seems too good to be true, it probably is.
- Understand the discounts being offered. Savings should exceed membership costs and a

provider's discount for a cash payment. Ask about additional costs, such as administrative fees, that may be associated with the Plan.

- Verify with the health care providers you plan to use that they are participating in the Plan. Ask what happens if you move or need services while you are traveling. Inquire about payment rules. With some Plans, the consumer is required to pay for discounted services at the time of service and sometimes in cash.
- Do not give out bank or credit card information until you decide to purchase the Plan. Ask about the Plan's cancellation and refund policies and get them in writing before enrolling.
- Always keep the telephone number and address for the Discount Health Plan, along with copies of all documents that you have submitted to the Plan.
- Seniors should be especially cautious when considering one of these Plans. Some providers may not honor advertised discounts below scheduled Medicare rates.
- Be wary of Discount Health Plans offering "long-term care" discount options. These Plans are not a substitute for long-term care insurance.

Consumer Protections Under Colorado Law

- ▶ Discount Health Plans must disclose, when marketing, that they are **not** insurance.
- ▶ The Plan Administrator's name, address and telephone number must be provided.
- ▶ The provider listing must be updated semi-annually and made available upon request from a toll-free number.
- ▶ Discount Health Plans must provide a full refund if the consumer cancels within 30 days of purchase.

To learn more about Discount Health Plans or file a complaint against one, please contact:

**The Colorado Division of Insurance at 303-894-7490 (metro Denver),
toll free 800-930-3745 outside of metro Denver
or visit www.dora.state.co.us/insurance.**