

Unlicensed Health Plans



The Office of the
Minnesota Attorney General
helping people afford their lives and live with dignity, safety, and respect

Many people are struggling with the high cost of health care and skyrocketing health insurance premiums. Some companies seek out people who are looking for affordable health coverage and then scam them into buying non-insurance products from unlicensed companies that offer few benefits. People should be wary of companies that offer health discount plans, prescription drug discount plans, home health or long-term care plans or other products that sound affordable but provide little, if any, benefit.

Two Minnesotans' Stories

"Sarah" is 21 years old. In need of health insurance after leaving college, she filled out a form online for health insurance quotes. She was soon contacted by a company that told her it had "open enrollment" in an affordable health plan. The salesperson told her that it could only accept a limited number of new enrollees and that space was filling up fast. The salesperson also told her the company would pay 80 percent of her expenses, and she would pay the remaining 20 percent. Sarah agreed to purchase the plan, paying \$259 on her credit card for the initial enrollment fee and the first month's premium. When Sarah got the written materials in the mail, she discovered that the plan was not what was described over the phone—it was not health insurance at all, but simply a "health discount plan" that offered limited discounts from the prices normally charged by some doctors. The company would not refund her money, even though she explained that she was misled.

"Marguerite" is 93 years old. She received a postcard from a company advertising that it provided affordable, long-term home care services, and she returned a response card for more information. A salesperson came to her home shortly thereafter. She paid the company \$3,000 for an "agreement" that it would cover her home care services. After she was unable to get the company to return her calls, she asked for a refund. The company would only make a partial refund, and Marguerite—who lives on a fixed income—is out \$1,250.

High Health Care Costs Create Opportunities for Scammers

Some companies take advantage of people struggling with the high cost of health care by offering products that sound good, but don't provide much benefit:

Health Discount Plans

Numerous companies aggressively call, fax, write, and email people offering so-called "health discount plans." These plans promise extensive benefits at a seemingly affordable price. But health discount plans are not insurance policies and do not provide coverage or make payments for medical treatment. Instead, such plans simply purport to offer discounts from the retail prices charged by certain doctors and clinics. Health discount plans are not licensed, approved, or regulated by the State of Minnesota.

Marketers of health discount plans may entice people into signing up by falsely claiming that their "plan" is insurance or "just like" insurance. They may falsely claim that the plan offers "80/20" coverage, minimum co-pays or deductibles, or an extended network of clinics and physicians. In reality, a health discount plan does not pay your doctor, clinic or hospital for your bills and cannot legally insure you

for health care expenses. At best, a health discount plan may offer limited discounts off the retail price charged by participating doctors or clinics.

People have reported to the Attorney General's Office that salespersons for health discount plans pressured them to enroll by claiming that the affordable monthly rates were only available for a limited period of time or by making other misleading statements. Other people have reported that the discounts supposedly available under the plan were not available for their doctor or clinic—even though they were told they were during the sales call. Other people have reported that they thought they were signing up for insurance coverage, while others report that the plan dramatically overstated the savings that were supposedly available.

The bottom line for consumers is this: health discount plans are not licensed, approved, or regulated in Minnesota, and they do not provide insurance coverage or insurance-like benefits.

Prescription Drug Discount Plans

Like a health discount plan, a prescription drug discount plan is not an insurance policy and does not pay for prescriptions. Instead, it merely offers, at best, supposed discounts off the retail cost of prescription drugs. Some people have reported that these plans provide limited networks and few benefits. Some drug discount card promoters target senior citizens for whom Medicare does not provide full coverage. In some cases, consumers who were pitched drug plans have been duped into providing their bank information over the phone and were charged for unwanted products.

Home Health or Long-Term Care Plans

Other non-insurance “programs” target senior citizens who are concerned about the high cost of home health care or long-term care. These programs may use scare tactics, telling senior citizens that they could lose their homes or run out of money if they need home health care or nursing home care. These marketers may tell senior citizens that they have an affordable solution, only to sell them a non-insurance product that offers few or no benefits and no financial protection. Remember: under Minnesota law, only a licensed insurance company and agent can sell you an insurance policy. If the company is not licensed, it cannot legally insure your claims.

Before You Buy

If you've been approached about buying a health discount plan or other unlicensed products, do your homework and remember these tips:

- 1. Is the company licensed?** Insurance policies may only be sold by insurance companies and insurance agents that are licensed by the Minnesota Department of Commerce. Before you buy or provide any personal or financial information, call the Commerce Department at (651) 539-1500 to find out if the company and salesperson are properly licensed.
- 2. Is the product approved?** All insurance policy forms offered for sale in Minnesota must be approved by the Minnesota Department of Commerce. This approval process is designed to ensure that the policy provides the minimum coverage required by State law. An unapproved health plan is not insurance and does not offer the financial protection of an insurance policy.
- 3. Read the plan before you buy it.** Some companies pull a “bait and switch” on consumers. They make all kinds of promises about the supposed benefits of the plan and then send written materials containing the actual terms only *after* the consumer's account has been charged an enrollment fee or a monthly fee. To make matters worse, it may be difficult to get your money back after you discover that you've been misled. Don't do business with any company that won't send you the actual written materials to review before you buy.
- 4. Walk away if they say “time is running out.”** Beware of plans that push for quick sales. For example, the salesperson may claim that the current rate is only good for a limited period of time or that the company is only allowed to sell to a few more customers in the state. Walk away from companies that try to pressure you to buy without doing your homework by telling you that you'll lose the “deal” if you don't sign up on the spot.

5. **Beware of empty promises.** Sellers of health discount or other non-insurance plans mislead some people by using words that make their plans sound more like insurance policies. For example, they may call the monthly payment a “premium” and use terms like “deductibles” and “co-pays.” Some people purchased a health discount plan because they were told it was an “insurance plan” or “just like” an insurance policy and that it had a broad network of doctors. It is against the law for a health discount plan or non-licensed company to insure or take responsibility for paying your health claims—the best they can do is offer limited discounts at certain doctors. In some cases, the “plan” or “policy” being sold may not even exist.
6. **Don’t be tempted by cheap prices.** With health insurance premiums skyrocketing, many people struggle to find affordable insurance coverage. Health discount plans and other non-insurance plans capitalize on these high costs by offering supposed “coverage” that sounds affordable. But there are simple reasons that their prices are lower than an actual health insurance policy: health discount plans don’t provide insurance coverage or pay claims or medical bills; they aren’t regulated, licensed, or approved; and they don’t offer you real financial protection at a time when you need it.
7. **Promises about networks and savings.** Some health discount plans try to lure in consumers by promising a broad network of doctors, hospitals, clinics, and pharmacies. Despite these promises, some people have found it difficult to find providers even willing to accept their health discount card. Other people report that they purchased a health discount plan because they were promised “savings” of 60, 70, or 80 percent, when they actually saved little or nothing.
8. **Check out all available options.** There continues to be substantial debate and uncertainty about the future of health care insurance. Information concerning private health coverage and public programs at the State level are available from MNsure, which is Minnesota’s health insurance marketplace. MNsure allows consumers to shop around for health insurance coverage to meet their

needs and includes tools for shoppers to see if they qualify for financial assistance or low-cost or no-cost health insurance through Medical Assistance or MinnesotaCare. MNsure may be contacted as follows:

MNsure

81 East 7th Street, Suite 300
St. Paul, MN 55101-2211
(855) 366-7873
www.mnsure.org

While applications for Medical Assistance and MinnesotaCare may be submitted through MNsure, the Minnesota Department of Human Services manages all applications and enrollment in these public programs. For further information about Medical Assistance or MinnesotaCare, you may contact the Minnesota Department of Human Services as follows:

Department of Human Services

540 Cedar Street
St. Paul, MN 55155
(800) 657-3729
www.mn.gov/dhs

If you have a question or want to file a consumer assistance request form related to a health care matter, you may contact the Office of Minnesota Attorney General Keith Ellison as follows:

Office of Minnesota Attorney General Keith Ellison

445 Minnesota Street, Suite 1400
St. Paul, MN 55101
(651) 296-3353 (Twin Cities Calling Area)
(800) 657-3787 (Outside the Twin Cities)
(800) 627-3529 (Minnesota Relay)
www.ag.state.mn.us

To find out if an insurance company or insurance salesperson is licensed to operate in Minnesota, contact the Minnesota Department of Commerce as follows:

Department of Commerce

85 East Seventh Place, Suite 280
St. Paul, MN 55101
(651) 539-1500 or (800) 657-3602
www.commerce.state.mn.us