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Discount cards may find wider appeal as health care cover changes

By JOANNE WOJCIC

Burgeoning interest in high-deductible health insurance plans linked to health savings accounts and last month's introduction of a low-cost health benefit program for the uninsured that includes discount medical cards is increasing interest in the cards.

Though discount medical cards are not new, their use has been largely limited to ancillary benefits, such as vision and dental coverage and prescription drugs, and they have been sold mostly to individuals or through affinity groups. Only recently has their use been expanded into paying for medical services, including payments to doctors and hospitals, and marketed directly to employers.

But as more employers offer consumer-driven health plans featuring high deductibles linked to HSAs and health reimbursement arrangements, the cards may gain appeal, industry sources say.

Last month's launch of a low-cost health benefit program that includes as one option a discount card from UnitedHealth Group Inc.'s Health Allies subsidiary, is already boosting the cards' visibility.

And though only two states currently regulate the discount medical card industry, at least 15 other states are considering legislation to protect consumers from unscrupulous vendors by establishing standards for the industry to follow.

Kip Wall, chief executive offi-

cer of the state of Louisiana's office of employee benefits, has looked at the use of discount medical cards as a possible solution to the state's problem of having so many of its 140,000 employees and dependents go without at least some form of health care, often using hospital emergency rooms that cannot turn them away.

But many of the state's employees are low-wage earners who do not participate in the state's health plan because they cannot afford the contributions and the discount card would provide little assistance, he said.

"Unless a person is relatively healthy, this card is not going to afford them any significant coverage. A night in the hospital could be \$5,000 to \$10,000. And even though a discount might help some, it's not going to protect them in the event of a major medical event," Mr. Wall said.

He has also been skeptical of the discounts the cards are said to provide.

"Are you really getting a discount? How do you verify the discount? How do you verify utilization? Are you really giving these employees something of value?" he queried.

Group rates

But Mr. Wall's attitude recently changed somewhat with the introduction of National Health Access, the brainchild of the Affordable Health Care Solutions Coalition. The coalition, which is comprised of human resource execu-

tives from Fortune 300 companies, was formed last May by the Washington-based HR Policy Assn. to find a solution to the growing number of uninsured part-time and contract workers not eligible to participate in their employers' health plans.

"It's worth a look," he said, "because UnitedHealth is involved."

A discount card developed by Minneapolis-based Health Allies, which was acquired by Minnetonka, Minn.-based UnitedHealth in 2003, will be the lowest cost option among six available through National Health Access, averaging less than \$5 a month. The card allows users to receive health care services, including doctors' office visits, hospital stays, pharmacy benefits and behavioral health at the same price UnitedHealth pays its network providers under contract. Other similar discount medical cards offer comparable discounts because they usually subcontract with established national preferred provider networks, including Beech Street Corp. of Lake Forest, Calif.; PPO Next of Long Beach, Calif.; and Galaxy Health Network Inc. of Arlington, Texas.

"UnitedHealth's entry into the health discount card market could be a catalyst for growth among employers," predicted Tom Billet, senior consultant at Watson Wyatt Worldwide Inc. in Stamford, Conn. "Up until now, it has been more of an individual market."

For example, many discount medical cards are marketed to in-

dividuals over the Internet or affinity groups such as AARP.

"The largest health plan in the U.S. is sponsoring it," Mr. Billet noted. "And it has the seal of approval of a number of major national employers. That's a big difference from somebody just getting a flyer in the mail or finding out on the Internet."

Alliance HealthCare, a Norcross, Ga.-based discount card vendor, said it has been getting a lot of calls since the HR Policy Assn.'s announcement.

"If nothing else, it definitely has raised awareness and visibility," said Thomas Kiser, president and co-founder of Alliance. "The part-timers, the seasonals, the contract workers; this is an underserved market," he said.

Terry Tullo, president of New Benefits Ltd. in Dallas, said the growth of the HSA market is also sparking more interest in the cards.

"The high-deductible plans work beautifully with the discount cards," she said.

Even when HSAs include access to discounted provider networks, "they could be used for ancillary services such as vision, chiropractic, dental or alternative medicine," Ms. Tullo said.

Some employers are already offering discount cards to participants in their benefit plans as an added perk.

Although Mike Wrigley's initial objective in offering Alliance HealthCare's card to his employees at Label Source Inc. in Atlanta was to provide some assistance to those not covered by the compa-

ny's health plan, nearly half of the employees that have full insurance use the health card as a supplement to cover vision and dental care, he said.

And even though Mr. Wrigley, co-founder and secretary/treasurer of Label Source, has health care coverage through his wife's employer's plan, he is considering using the card to help pay for his daughter's orthodontia.

The cards also can be used to obtain discounts on many health care-related services that usually aren't covered by insurance, such as weight loss programs, fitness centers and infertility counseling, according to Andy Slavitt, founder of Health Allies, who now serves as managing director of UnitedHealth's Center for Affordable Consumer Health.

"Other employers offer it with a subsidy to train people to be better health care consumers, to get people to put more money into their FSAs, which helps employers' tax burdens," he said. "They've been cutting back on benefits every year for the last number of years, and they feel that if they add this, it will help balance off when we cut a certain benefit or raise their co-pay or their monthly contributions."

"It's all about cost containment and finding innovative ways to do it in this world of consumerism," Ms. Tullo agreed.

But not all discount cards are worthwhile, and it behooves an

employer considering offering one to make sure the vendor and the discounts are real, Mr. Slavitt warned.

"There's a whole cottage industry out there," he said. "It's so easy to get into this business. You can call any of these PPO networks and ask to contract with them."

"There are some people in the last year or two that have popped up that are relatively fly-by-nights," said Mr. Kiser without giving names.

State regulators have stepped up their scrutiny of discount card vendors and have been warning the public about potential scams. Eliot Spitzer, the New York attorney general known for his prominent probes into the mutual fund industry and, more recently, the insurance industry, has a consumer protection brochure posted on his Web site. And the Florida Legislature recently enacted onerous regulatory legislation that takes effect March 31.

Not insurance

In particular, state lawmakers are concerned about some card vendors marketing the cards as insurance, which they are not.

"A lot of vendors are misrepresenting the product," Ms. Tullo acknowledged.

Concern about such misrepresentation is one of the reasons Mr. Wall has been hesitant to offer

WHO'S IN THE CARDS FOR MEDICAL DISCOUNTS

Alliance HealthCard

www.alliancehealthcard.com

AmeriPlan

www.ameriplanusa.com

Best Benefits

www.bestbenefits.com

Care Entrée

www.careentree.com

CAREINGTON International

www.careington.com

Health Allies

www.healthallies.com

New Benefits Ltd.

www.newbenefits.com

ProCare HealthPlans Inc.

www.procarecard.com

(ProCare is a private-label reseller of New Benefits' cards.)

Note: This is not a comprehensive list but a sampling of the market based on interviews with other card vendors. AmeriPlan, Best Benefits, Care Entrée, CAREINGTON International and New Benefits are members of the board of directors of the Consumer Health Alliance, the national trade industry group for discount card vendors.

discount cards to the state's employees.

"They look at us as the entity that provides insurance. We would have to clearly distinguish that 'No, this isn't insurance; this is just a discount,' and many people would see our name on it, our brand on it, and they would

think 'I've got some coverage here.' And, in fact, they would not," he said.

"Remember, we've got 280,000 lives, roughly 140,000 employees. We don't have the ability to go out and interact with these employees on a one-on-one basis, so the educational process is really difficult," Mr. Wall said.

Though Florida is one of just two states—the other being Illinois—with laws specifically addressing discount medical card vendors, 21 other states have some kind of legislation on the books that would apply to them, and legislatures in 15 states have bills under consideration.

"They're all heading toward what Florida has done," said Ms. Tullo, "but I think it's good for the industry."

Ms. Tullo is among a small group of card vendors, known as the Consumer Health Alliance, a national group working with the National Assn. of Insurance Commissioners and attorneys general in several states on crafting model legislation to govern the industry.

This regulatory crackdown, along with the new competitive environment being created by the growth of consumerism in health care, should force the bad actors out of business, leaving only the strongest card vendors behind, Mr. Kiser predicted.

"There will be a weeding-out process," he said.