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HEALTH ON THE DISCOUNT PLAN MONTHLY FEES CAN BUY MEDICAL HELP FOR UNINSURED, BUT COVERAGE IS PATCHY

Original URL - <http://www.sfgate.com/cgi-bin/article.cgi?file=/chronicle/archive/2004/04/15/BUG8L655FD1.DTL>

The advertisements online and in newspapers look enticing: health care discounts of 20 percent to 80 percent for doctor visits and other services. No age or pre-existing health condition clauses. No claims forms. All this for an affordable monthly fee.

The ads target the growing population of uninsured Americans and promise relief from the seemingly endless rise of health insurance premiums. But discount health cards are not insurance. They are programs that offer a discount on a variety of health services in exchange for a sign-up and monthly fee.

With about 44 million Americans living without health insurance -- more than 6 million in California -- these plans sound like a great deal. But consumer advocates warn those who are considering joining the plans to take a caveat emptor approach to the industry.

Consumer advocates say what these discount companies offer -- or more importantly, do not offer -- is difficult to decipher and can wind up costing customers more than they save.

They say the plans can exclude drug coverage and generally exclude such services as hospitalization, which can quickly lead to thousands of dollars in charges.

And because these companies do not provide health insurance, they are not subject to the same regulations as health maintenance organizations or other health plans.

"These plans can offer a legitimate health benefit to people who take the time to investigate them and closely read fine print to determine whether or not they offer a good deal," said James Quiggle, spokesman for the Coalition Against Insurance Fraud.

"But consumers are having a hard time sifting through the wheat and the chaff. There's a great deal of confusion among consumers about whether they're getting a legitimate benefit from these plans."

While industry representatives admit that some disreputable programs are misleading the public, they argue that consumers should not be denied a valuable service because of a few bad actors.

Two new medical discount companies have opened in the Bay Area. AccessMedicalCard opened this week in the East Bay, and Healthy Solutions Inc. started enrolling members

in the San Jose area about six weeks ago.

Both companies say that among the things that distinguish them from companies that give the industry a bad name is the fact that they have signed contracts with a network of doctors.

Some discount card operators list physicians and other medical providers who have not given their approval and are not even aware that they are listed.

AccessMedicalCard has contracted with more than 300 East Bay physicians and plans to extend its services throughout the Bay Area within months, according to its founder, Neal Gilbert. It offers members a 40 percent discount on office visits and even greater discounts on other services such as dental, imaging and surgical care.

That's in exchange for a monthly fee of \$19.95 for individuals and \$49.95 for families, plus a \$49 enrollment fee. After August, those rates will go up to \$25 per month for individuals and \$70 per month for families.

Healthy Solutions, which focuses on Latinos in the Santa Clara Valley, has a smaller network of 26 physicians -- many of whom are multilingual -- along with imaging and laboratory centers, dentists, physical therapists and a pharmacy supplier for generic drugs.

Membership costs \$150 per year for an individual and \$250 for a family, and a standard office visit is a flat fee of \$35. Specialists and dentists offer 30 percent off their services.

Doctors are not paid by either company, but they get patients who pay out of pocket at rates often similar to those of their managed care contracts without having to go through the hassles of billing.

Several physicians, such as Dr. Arkady Massen, who has offices in Hayward and Pleasanton, said they signed up for AccessMedicalCard because it sounded like a good idea.

Dr. Robert Litman of San Ramon said he signed up for AccessMedicalCard but is now planning to withdraw because he thinks the program may mislead people into thinking they have insurance.

Many doctors offer price breaks to uninsured patients who are not part of any paid discount card program. But Gilbert said it would be difficult for patients to negotiate discounts for all the services they may need.

Because membership does not include hospitalization or any form of catastrophic coverage, Gilbert suggested that people protect themselves by getting separate catastrophic coverage.

Neither Gilbert nor Raymond Rodriguez, who founded Healthy Solutions, hold out their services as the solution to the nation's health care problem.

They say their companies can provide some uninsured people a way to see a doctor when they otherwise might not even get in the door.

"For the average person, we can provide an affordable option for them to get the care they need," Gilbert said.

While discount medical cards may provide relief to consumers who understand what they provide, there are enough bad apples for consumer groups to be calling for some form of regulation or even a complete ban.

"They don't want to be regulated by the insurance industry, and they're not really a health plan. There is a need for legislative change," said Angela Gilliard, a legislative advocate with the Western Center on Law and Poverty in Sacramento.

She said some discount companies lead people to believe they are purchasing insurance and market themselves to particularly vulnerable groups, such as those with health problems or those who speak limited English or are new to the country.

Legislative change may come in a bill authored by Assemblyman Lloyd Levine, D-Van Nuys. The bill, AB2354, which is to be heard in the Assembly health committee next week, calls for a ban on medical discount card programs on the grounds that they violate a state law that prohibits the referral of patients to any health care provider for profit.

"The real problem is that they provide people a false sense of security," said Levine, who was alerted to the issue by insurance brokers.

"It makes them pay a third party for something they most likely could negotiate with the doctor anyway, and it leaves them vulnerable at a time when they could have a catastrophic injury."

Laurence Kessenick, a San Francisco attorney who represents AccessMedicalCard, said legitimate discount programs such as his client's do not violate the law because they do not actually refer patients to any particular doctor but provide them with a list from which to choose a physician or service for themselves.

Sonal Ambegaokar, an attorney with Neighborhood Legal Services of Los Angeles County, disagrees with Kessenick's interpretation and is testing the law on patient referrals with a lawsuit.

"The list isn't just a Yellow Pages list of doctors. They have a list of providers whom they contract with. From a consumer's standpoint, that is still a referral," she said.

Ambegaokar represents a Southern California couple who have filed a lawsuit against Precis Inc., the parent company of a discount health program based in Texas called Care Entree.

The suit, filed in August, accuses the company of continuing to automatically deduct monthly fees after the plaintiffs tried to cancel the service because they said a dentist on the list would not take their card.

The case, which also argues that this is an illegal patient referral process and that the ads are misleading, is scheduled for trial in November.

Eliseo Ruiz, general counsel for Precis and Care Entree, says he is convinced his company will prevail. "We're confident that because of the value medical savings programs like ours bring to consumers in California, the consumer protection violations brought by the plaintiffs will not win the day," he said.

While the debate about the legality and value of these programs continues, the discount health industry is starting to take it upon itself to establish some guidelines and weed out the scams.

Barbara Flood, chairwoman of the Consumer Health Alliance, a 2-year-old trade association that represents the discount health care industry, said reputable discounters should abide by her organization's guidelines, which include clear advertising disclosures, complaint resolution and refund policies.

"We are not holding ourselves out to be a replacement for traditional medication insurance. We don't want people to drop it and take ours instead. We want to play a supplemental role" said Flood, whose organization represents 13 companies that provide discounts for 20 million households.

Manuel Austin Jr., president of A&A Distribution Inc. in San Jose, said a discount card might provide at least an interim solution in his hope to provide health insurance for his 36 full-time employees.

Although Austin was pleased with his experience after one visit to a doctor on a Healthy Solutions card, he intends to test it further before making a commitment for all his workers. "I want to make sure it works and they're getting value for the money I'm paying," he said.

Checklist for the consumer

Here are some tips when considering a health program that offers discounted rates:

- Know the difference between insurance and a discount program. If it's a discount plan, what's the level of the discount, and how is that discount guaranteed? Are you willing to take the risk of not having insurance?
- Check out the company. How long has it been in business? How does it resolve disputes? Have any complaints been lodged against it through the Better Business Bureau or other authorities?
- Read the fine print. Find out what medical services and treatments are included and excluded, from hospitalization to drug benefits. What are the enrollment fees, monthly fees and other possibly hidden costs? The savings must exceed the costs to provide value.
- Look at the provider list. Is your doctor on it? Are the doctors accepting new patients? Do the doctors, pharmacies and other providers know they're in the program's network? If they don't, that's a huge red flag.
- Protect yourself. Don't give out financial or personal information until you've decided to purchase the plan. Find out about the cancellation and privacy policies.
- Apply the old adage: If it sounds too good to be true, it probably is.

Sources: Colorado Division of Insurance, Washington Office of the Insurance Commissioner, the Coalition Against Insurance Fraud, Chronicle research

E-mail Victoria Colliver at vcolliver@sfchronicle.com.