



Discount Health Plans: Don't Get Fooled by Products That Aren't Health Insurance

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New FAQs From eHealthInsurance Help Consumers Avoid Dangerous Health Products

MOUNTAIN VIEW, CA, Apr 01, 2010 (MARKETWIRE via COMTEX) --eHealthInsurance (NASDAQ: EHTH), the leading online source of health insurance for individuals and families, today released a series of frequently asked questions (FAQs) to help consumers understand the risks -- and possible benefits -- of so-called "discount health plans."

According to an October 2009 survey conducted by the Coalition Against Insurance Fraud, 57% of state fraud bureaus reported a higher incidence of health insurance fraud in 2009 compared to the year before, an increase attributed to "unauthorized entities selling fake coverage" and "the rise of medical discount plans."⁽¹⁾

Faced with tight budgets and rising health care costs, many Americans are looking for low-cost alternatives to major medical health insurance. However, discount health plans may not offer the protections many consumers assume they are paying for. Unfortunately these mistakes are often discovered only after a consumer faces crippling medical bills that their discount health plan refused to pay. That is why it's vitally important that consumers educate themselves about the good, bad and ugly elements of discount health products.

Question: Is it true that discount health plans don't provide creditable coverage? And if so, what does that mean for me?

Answer: 'Creditable coverage' is a term used by state and federal regulators to refer to health insurance plans that meet certain criteria for providing substantial consumer protection.

'Creditable coverage' for individuals can be obtained through the purchase of a "major medical" insurance policy that provides discounted access to a network of physicians and covers most serious medical expenses up to a maximum dollar limit, usually after a deductible and coinsurance have been met.

Discount health plans, by comparison, may provide discounts on medical services or provide limited coverage for specific benefits like doctor visits and prescription drugs, but they do not generally meet the criteria for "creditabile coverage."

Health insurance plans that meet the criteria for "creditabile coverage" provide specific advantages that consumers should be aware of. For example, according to the federal law known as HIPAA (The Health Insurance Portability and Accountability Act of 1996), recently uninsured persons who can demonstrate that they had continuous creditable coverage with a gap of fewer than 63 days may qualify for certain types of individual and family or group health insurance plans regardless of their medical history and without a waiting period before coverage begins.

Generally speaking, none of the types of discount health plans discussed in these FAQs qualify as creditable coverage. It's important to note, however, that certain short-term or individual and family health insurance plans (especially those with very high deductibles) may also not qualify as creditable coverage. A licensed health insurance agent like those available through eHealthInsurance.com can help you understand which health insurance plans qualify as creditable coverage.

Question: What are 'discount health plans'?

Answer: The term is often used loosely but there are several products frequently referred to under this name. While some may provide consumers with real benefits in specific situations, others are better avoided. Here's a list of the more common products in this category:

- Discount Health Programs. These are products that may promise discounts on medical bills for services rendered by a network of physicians, hospitals or other providers. Discount health programs are sometimes marketed as if they were real health insurance plans, but they're not. Discount health programs should never be used in place of an individually-purchased or employer-sponsored major medical health insurance plan. Before you pay to enroll in one of these programs, be sure you read the fine print, and contact doctors and hospitals in your area to make sure they honor the discounts you are being promised.
- Limited Benefit Plans. These plans set specific dollar caps for how much money they will pay out per year or per lifetime for specific covered services. For example, a limited benefit plan may only cover \$300 per day for hospital charges, when actual charges for an in-patient stay could run much higher. Certain medical services (such as preventive care) may be excluded from coverage entirely. Many limited benefit plans are, in fact, real health insurance plans, but their sometimes severe restrictions on coverage may leave consumers exposed to mountainous medical costs.
- Discount Drug Cards. Also known as 'pharmacy discount cards,' these are products that promise participants specific discounts for prescription drugs. While these should never be used to replace an

actual health insurance plan, they may be used to supplement the coverage provided by a real health insurance plan. For example, if your insurance plan requires that you fulfill a deductible before your health insurance company begins covering prescriptions, discount drug cards can provide you with discounts of between 15-60% for brand-name or generic drugs to reduce your out-of-pocket costs. Before you purchase any discount drug card, be sure it's accepted at your local pharmacy.

- Association Plans. These are health programs that may require you to become a member of an umbrella association in order to qualify for coverage. While some association plans provide legitimate health insurance protection to members, others may be discount health programs or limited benefit plans in disguise.
- Accident or Illness Insurance Plans. These are supplemental insurance products -- not major medical health insurance plans -- that promise cash payouts in case of specific medical diagnoses or serious accidents or injuries. While this type of coverage may provide a valuable addition to the protection provided by a major medical health insurance policy, it's no replacement. Medical services themselves generally aren't covered.

Short-term health insurance plans are usually not included in the category of "discount health plans," though they do not provide creditable coverage either. There are specific cases in which purchasing non-creditable coverage may make sense: for instance, when you expect to have employer-sponsored coverage soon and just want temporary protection. However, if you are concerned about pre-existing medical conditions, it's important to understand what qualifies as creditable coverage.

Question: What are some of the risks associated with discount health plans?

Answer: The most immediate risk is that you may end up paying a steep price for a very limited set of benefits once your medical bills begin to pile up. It's an awful feeling to believe you're covered by a robust health insurance policy and then find out after a week in the hospital -- when you're facing tens of thousands of dollars in medical bills -- that you didn't have the coverage you thought you had.

A second danger associated with these products is that many of them do not constitute 'creditable coverage,' as discussed above. Enrolling in them may make you ineligible for consumer protections you might otherwise have been entitled to.

Question: Is there anything I should beware of when considering a health insurance plan I'm not familiar with?

Answer: Yes, here's a list of possible warning signs and other things to watch out for if you want to avoid mistakenly buying a discount health plan instead of a major medical plan:

- Too good to be true: Beware of any "health insurance" program that promotes itself with claims such as "no medical underwriting required," or "anyone can qualify." In most states, a real health insurance plan will require some form of medical underwriting. When you see claims like these, look at the fine print to make sure you understand what you're buying. Be sure you're working through a state-licensed health insurance agent and that what you're being offered is a major medical health insurance plan. Note that the provision of health reform that will allow anyone to qualify for major medical health insurance coverage will not be effective until 2014.
- Personal information: Beware of high-pressure selling techniques or anyone (online or off) that requires you to provide your personal contact information or medical history details up front before offering you information about the individual or family products they're selling.
- Read the fine print: Beware of any "health insurance" product that places strict limits on payouts either on a per-year basis or for specific treatments or conditions. Pay attention to the number and types of deductibles associated with these products, too. Some discount health plans may limit lifetime payouts to \$20,000 or less. A major medical health insurance plan, by contrast, will usually limit lifetime payouts to no less than \$2 million. And note that after September 23, 2010, six months after health reform legislation was signed into law, all new major medical health insurance plans will have no lifetime limit at all.
- Unknown brands: Be cautious about brand names that are unfamiliar to you. Look up the company name online, read customer reviews and find

out what other companies they partner with. Check the Better Business Bureau online or look up the company's AM Best rating. AM Best ratings describe how financially secure (and able to pay your medical claims) different insurance companies are. An AM Best rating in the A or B range is best.

Question: How can I make sure I'm getting a real health insurance plan when shopping on my own?

Answer: The first thing you should do is work with a licensed online health insurance broker, like eHealthInsurance, that represents multiple insurance companies in your area. Licensed agents are accountable to your state's Department of Insurance for the information they provide and should be glad to help you understand which products represent real health insurance coverage and which don't.

When shopping online, make sure the website you visit is run by a licensed health insurance entity. eHealthInsurance.com, for example, is licensed in all 50 states plus the District of Columbia and the individual licensed agents that staff its customer care center are not paid by commission. This ensures that eHealthInsurance's primary concern is matching each consumer with the quality health insurance policy that best meets their personal needs and budget.

Footnotes:

(1) SOURCE: The Coalition Against Insurance Fraud's November 2009 report: "The Economy and Fraud Fighting on the State Level"

(http://www.insurancefraud.org/downloads/Fraud_bureau_report_12-09.pdf)

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