

HEALTH INSURANCE THAT SOUNDS TOO GOOD TO BE TRUE?

As health care expenses and health insurance premiums rise, consumers and employers are forced to look harder to find affordable health care coverage. Consumers who are eager (or even desperate) to find health coverage might be tempted to buy coverage that seems too good to be true – low premiums, great coverage, and pre-existing conditions accepted. Here are four sales pitches to be aware of:

DISCOUNT CARDS

Discount cards are not insurance. They generally do not do process or pay medical claims; instead, card holders are solely responsible for paying their health care providers, supposedly being entitled to a discount off of the providers' regular fees. The discount card company does not provide any payment. Some discount plans may exaggerate the potential savings, and not all providers accept or honor these cards. Before buying a discount card, check with your health care providers to find out if they will actually discount their charges. If you do decide to buy, make sure that the discount plan has a working toll-free phone number for customer service, a clear complaint procedure and a clear cancellation/refund policy in case you are not satisfied.

FAKE HEALTH INSURANCE

Some companies claiming to offer health insurance are not insurance companies and are not licensed by the North Carolina Department of Insurance. Instead, they are fraudulent schemes that merely collect premiums and then close down without paying claims. Unauthorized health insurance is typically sold at unusually low rates by companies that do not have the funds or intent to pay all "covered" claims. These fraudulent schemes are often advertised and marketed through Web sites, telemarketing calls and unsolicited "blast faxes." [During the past three years the Department has issued Cease and Desist Orders against a dozen companies and related individuals who were transacting their unauthorized health insurance activities in North Carolina.] These orders are posted on the North Carolina Department of Insurance website at http://www.ncdoi.com/Consumer/consumer_alerts.asp.

"LIMITED BENEFIT" HEALTH INSURANCE

Limited Benefit Plans are sometimes hyped as "real" health insurance or "guaranteed acceptance" health insurance for a few dollars a day. Though the insurance may be real, the coverage and benefits may be extremely limited, covering only a small percentage of the insureds' health care expenses and leaving the insured responsible for a large portion of his/her health care expenses.

REQUIRED ASSOCIATION MEMBERSHIP

Even if the insurance is real, the association might not be! Many *legitimate* associations offer their members various insurance benefits, including health insurance. Unfortunately, some associations may appear legitimate but exist mainly to profit (by collecting dues and other fees) from consumers who need health insurance. In such situations, consumers are typically required to join the association at the same time as purchasing insurance. There may or may not be a separate application for association membership. Dues and health insurance premiums are likely bundled into a single lump-sum monthly cost, making it difficult or impossible to know how much you're paying for the insurance versus the association membership.

(continue to next page)

QUESTIONS TO ASK THE AGENT

If the agent can't or won't provide specific answers to all of the questions listed below, you might be buying fake insurance, and/or an association membership that you don't want.

- Agent's full name and National Provider Number.
- Is the agent licensed by the North Carolina Department of Insurance?
- Is the product really comprehensive health insurance or something else?
- Full name and address of all insurance companies that underwrite the Association's group coverage.
- Is the health insurance provided under a single policy, or a collection of policies (hospital expense coverage, accident coverage, cancer coverage, etc.)?
- Are you being required to enroll in an "association" or "alliance" to qualify for the health insurance? If so, then ask for and write down the following information before making a decision:
 - Association's full name, address, and Web site address.
 - Full breakdown of your monthly insurance premiums versus association membership dues and other fees. If the agent/marketer can't or won't provide a detailed breakdown of premiums and fees, this may be an indication the insurance plan is not legitimate.
 - Is the association's health coverage offered to everyone regardless of pre-existing health conditions? If so, will your pre-existing health conditions be covered under the association's health plan? What benefits (other than insurance, purported discounts, etc.) does the association promise to provide to you as a member? Are they really worth the cost of the membership fees and dues?
 - How long do you have, after you receive your materials, to cancel your membership and insurance coverage if you aren't satisfied? Will your insurance premiums and association dues/fees be refunded, or just your premiums?

If you have questions about this Alert, or if you want to make sure that an insurance company or agent is properly licensed, contact the North Carolina Department of Insurance's Consumer Services Division at **1-855-408-1212**, or http://www.ncdoi.com/Consumer/consumer_home.asp.

If you need assistance obtaining health insurance, contact the Department of Insurance's Health Insurance Smart NC program at 1-877-885-0231, or www.ncdoi.com/smart.