



The Regulation of Discount Health Plans in California

Background

- Over the past decade some companies began offering products known as “Discount Health Plans” that are **NOT** true health insurance (even though they are frequently marketed as such), but are plans that consumers pay a monthly premium for in order to receive “discounts” for some services with certain providers.
- In February 2008 the Department of Managed Health Care (DMHC) released draft regulations governing business practices and consumer protections for Discount Health Plans. DMHC drafted the regulations jointly with industry representatives but without input from consumers or advocates. Health Access opposed the regulations as drafted because they would not provide any real protections for consumers.
- In March 2008 DMHC held discussions with Health Access and Western Center on Law and Poverty (WCLP) regarding revisions to the regulations.
- In November 2008 DMHC released revised regulations on discount health plans incorporating some, but not all, of the consumer advocate recommendations.
- In December 2008 Health Access commented on the revised regulations and pushed for strengthened consumer safeguards and oversight.

Current Status

- DMHC is reviewing comments from all stakeholders on the draft regulations released in November 2008. Any revisions to those regulations will likely be reissued for comments as part of a formal regulatory process in the second half of 2009.

Concerns with the Current Draft Regulatory Language

- The November 2008 regulations continue to reflect largely the views of the discount health plan industry and consumer advocates are skeptical that discount health plans provide any legitimate benefit to consumers.
- The small discounts provided by discount health plans are calculated from “billed charges,” an artificial baseline for payment that public and commercial payers no longer use in California. Under this structure, it is possible for providers to offer a modest “discount” on an inflated price for billed services and, consequently, receive virtually the same revenue. As such, these discounts do not represent substantial reductions in costs to consumers.
- The networks of providers offered by discount health plans do not represent real networks that are truly accessible to consumers. Many of the limitations of discount health plans are not apparent to consumers until they try to use their discounts. In some cases the providers are no longer in business, no longer offer those services, or no longer accept new patients, among other abuses.

The Bottom Line: Discount Health Plan regulations must require genuine discounts on health care services from real providers in a way that is transparent to consumers.

This factsheet was originally prepared by Elizabeth Abbott of Health Access, a statewide coalition of consumer, labor, ethnic, senior, faith, and other organizations that has been dedicated to achieving quality, affordable health care for all Californians for over 20 years. Please visit our website and read our daily blog at www.health-access.org