

Unauthorized Health Plans

As the cost of health insurance increases, consumers are finding a confusing array of choices claiming to meet their health care needs. Consumers should be cautious and be certain they understand what they are buying.

Health discount plans typically offer a discount or access to discounts from health care providers for the cost of a monthly fee. These plans are not insurance.

Unauthorized health plans are selling what looks like an insurance product, but these entities do not have the proper license and are not following state regulations, which include consumer protection measures.

“Sharing” programs usually operate as part of a religious effort and allow members to share each other’s medical costs as part of an organized program. These programs often state that they are not insurance in order to avoid regulatory oversight, including a number of consumer protections. In 2011, the Kentucky Supreme Court ruled that one of these “sharing” entities, Medi-Share, was insurance and subject to state regulation.

Some things to consider when making health care choices:

- **Read all the material carefully.** If something seems too good to be true, it usually is. Be sure you understand what you are buying before signing any forms. Don’t give out bank or credit card information until you are sure you want to purchase the product.
- **Determine exactly what the product covers.** Many unauthorized health plans have an extensive list of conditions that are not covered. Others will say that no promises are made that **any** claim will be covered. Be sure you know what you are getting for your monthly payment or membership fee.
- **Consumer protections do not apply to health discount plans or unauthorized health benefit plans.** The Kentucky Department of Insurance has jurisdiction over licensed and authorized health insurance carriers and can assist consumers in resolving complaints related to these entities. The Department takes legal action against unauthorized insurers, but this is usually a lengthy process through the courts. Equally important is that the unlicensed and unauthorized plans probably will not qualify as “creditable coverage,” meaning that consumers who drop health insurance to buy one of these products may face a waiting period before pre-existing conditions are covered under a future health insurance plan. If you have a 63-day or longer break in coverage, you would lose key consumer protections.
- **Since many of these products are marketed through the Internet, observe the usual safe shopping tips.** When purchasing online, be sure the site is secure and that the company’s privacy policies are clear and accessible. Be sure to locate a phone number and an address for the company and keep copies of everything you submit. If you think you are interested in the product, print copies of the material on the website for future reference.

These red flags may indicate that the program being offered is not a health benefit plan and may not be “creditable coverage.”

-  **The cost is much lower than health insurance premiums would be and applications are accepted with little or no underwriting for medical conditions.**
-  **The material mentions a “stop-loss” insurer or claims to be exempt from state regulations because it is an “ERISA” or “union” plan.**
-  **The plan excludes or singles out those with particular medical conditions or lifestyle choices.**
-  **The amount of time listed to pay for medical services is more than 30 days.** As a point of comparison, under Kentucky law, a licensed health insurance company must pay a “clean” claim (one requiring no additional information from the provider) within 30 days. Unauthorized or unregulated plans may claim to pay within 60-90 days. A lengthy delay in payment may indicate financial instability or an intention to not pay the claim at all.
-  **The material lists a number of disclaimers, including one stating that health care “needs” are paid voluntarily and no payments are guaranteed.**
-  **A claim is made that there are no commissions or referral fees paid yet the application asks you for the name of the person who told you about the product.** In some cases, consumers may receive a telephone call or e-mail solicitation with a link to the product’s Web page.
-  **Your doctor or pharmacist has never heard of the product.**
-  **The plan offers “benefits” unrelated to medical costs.**
-  **Plan material may indicate that your name, address and health condition would be shared with other subscribers of the plan.**

If you have questions about a product or want to see if a company or agent is licensed in Kentucky, please call the Kentucky Department of Insurance (800-595-6053 in KY; 502-564-3630 out of state) and ask for Consumer Protection or visit our website at <http://insurance.ky.gov>.



Kentucky Public Protection Cabinet
Department of Insurance
P.O. Box 517, Frankfort, KY 40602-0517
800-595-6053 (in Kentucky); 502-564-3630 (out of state)
TDD: 800-648-6056
<http://insurance.ky.gov>

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