



**FOR IMMEDIATE RELEASE**  
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**DMHC Orders Discount Health Card Companies to  
Stop Selling in California**  
*Companies refused to comply with previous order to become licensed*

**(Sacramento)** -- The Department of Managed Health Care (DMHC) has taken action against three unlicensed discount health card companies, ordering two to stop operating in California. The two companies have ignored previous orders from the DMHC to obtain a license as a health care service plan and the other has been ordered to begin the licensure process. These actions are part of the DMHC's ongoing efforts to stop the operation of fraudulent discount health card companies in California.

"As our economy stays stagnant, unemployment rises and government programs are cut, people are desperate to find or replace their lost health insurance," said Cindy Ehnes, Director of the DMHC. "Today's action shows that we need to continue our efforts to rein in operators of discount cards that habitually rip-off consumers and lead them to believe they are buying legitimate health coverage."

Two of the companies, Prudent Choice and International Association of Benefits, have previously been ordered to seek licensure by the DMHC. Both initially began the process, but have since ignored repeated requests to make progress. However, despite every effort by the DMHC to assist in the licensure process, the DMHC's Help Center continues to receive consumer complaints about both companies. The third, DentalPlans.com, has now been ordered to seek a license and file an application with the DMHC by September 15, 2009.

Discount health card companies offer a membership program advertising lower fees for health care providers such as doctors, dentists and hospitals, prescription drugs, optical products and other services. While there are some legitimate discount plans offered through large retailers, health care providers and other vendors, the DMHC is currently investigating those that may be engaging in deceptive practices.

Companies of concern to the DMHC claim high discounts with risk-free cancellation policies and full refunds. Many use deceptive advertising to lure consumers. Some claim to offer health insurance or market products using common insurance terms such as "no pre-existing conditions" in order to gain a consumer's trust. These companies then refuse to allow cancellation of monthly payments or to make refunds of amounts already paid from checking account or credit card automatic debits.

**(more)**

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1-888-HMO-2219

**Department of Managed Health Care**

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More than 50 percent of the approximately 950 consumers that have contacted the DMHC about discount health cards say that they were led to believe that they were purchasing health insurance coverage, only to discover that it is merely a discount and does not protect them from large medical bills. Much of the time, the discounts themselves were also nonexistent because when the consumer tried to use the card, they learned that the providers to whom they were referred had never heard of the discount card, had no contract with the company, or offered the same or better discount to any cash-paying patient.

In 2006, an administrative law judge ruled that the DMHC had jurisdiction over discount card companies because they are arranging for the provision of health care services in exchange for a periodic payment. This precedential decision confirmed that these companies are acting as health plans and therefore, must be licensed by the DMHC.

Since September 2004, the DMHC has issued cease-and-desist orders against eight companies, many of which are headquartered outside of the state, but sell products in California. To date, the DMHC has licensed one medical and two dental discount health plans. A "Consumer Alert" has also been issued to advise people on how to identify potentially fraudulent discount health cards. The DMHC Help Center is available to assist consumers by calling 1-888-HMO (466)-2219.

Many people filing complaints with state and local agencies are lower-income, Spanish speaking, and without access to health insurance. Currently, 13 other states have either issued cease and desist orders against discount card companies, including many currently under investigation by the DMHC, or are taking action to regulate and license the companies.

The California Department of Managed Health Care is the only stand-alone HMO watchdog agency in the nation, touching the lives of more than 20 million enrollees. It has assisted more than 800,000 Californians to resolve their HMO problems and educate consumers on health care rights and responsibilities.

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**\*\* Victims of discount plans are available for interviews in the Los Angeles, Bay Area, Sacramento and Fresno media markets.**

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