

Saving Money on Your Insurance

BY JOSE MONTE MAYOR

TEXAS COMMISSIONER OF INSURANCE

Unauthorized Healthcare Plans

THE RISING COST of health care has not only made it harder for employers and their employees to find affordable health insurance, it has also led to an increase in unauthorized health care plans. These unlicensed companies offer health care coverage at very attractive prices, but the products they sell are virtually worthless. Typically, they collect premiums but disappear when substantial claims occur.

With many employers desperate to provide some kind of coverage for their workers, sales pitches for these unauthorized plans are often hard to resist. Sometimes the scams are sophisticated enough to pay smaller claims in order to build confidence and avoid complaints to the Texas Department of Insurance. But inevitably they stop paying—usually when a large claim is filed or when several people make claims at the same time.

The scam victimizes not only employers and employees but also doctors and other health care professionals whose bills go unpaid. Individual victims left with uncovered medical bills may face financial hardships, damaged credit ratings and sometimes bankruptcy.

Some unauthorized insurers have recruited licensed agents to sell their bogus plans. TDI has ordered dozens of agents to pay fines and restitution for selling unlicensed health plans. In some cases, TDI has revoked agent licenses. The fact that an agent is licensed is no guarantee that the plan he or she is selling is legitimate.

Employers need to be vigilant and research any companies with which they are considering doing business. If a company offering employee health coverage is unlicensed, that is an obvious red flag. Selling insurance without the required license or other authority from the Texas Department of Insurance signals criminal intent. Other warning signs include sales-

people or promotional literature that deliberately avoid the word “insurance” or other standard insurance terms.

One common tactic of fraudulent health care plans is for the sellers to claim up front and openly that what they are selling is not insurance, but a new system for obtaining affordable health care. They almost always claim that their product is exempt from insurance licensing because it is an employer- or union-sponsored plan, shielded from state regulation by the federal Employee Retirement Income Security Act or “ERISA.” But true ERISA plans originate from employers and/or labor unions as a job benefit. Therefore, they are not a product that is sold. An agent wouldn’t even be involved. Real ERISA plans also require federal documentation, which should be on file at the U.S. Department of Labor. Virtually all legitimate multiple employer benefit plans are licensed by TDI or are covered by licensed insurance companies.

Employers considering new health plans for their companies should always check with TDI to see if the company is legally authorized to do business in Texas. All it takes is a phone call to TDI’s **Consumer Help Line** at

1-800-252-3439

or a visit to our Web site at

www.tdi.state.tx.us

Remember, if it sounds too good to be true, it probably is. The unfortunate fact is that health care today is expensive. And if someone claims to have a cheap way to provide health care coverage, warning bells should be going off in your head.

If you suspect you’ve been offered a fraudulent health plan, call TDI’s **Insurance Fraud Unit** at

1-888-327-8818. ★

Editors:

- If you need further information, call: Texas Department of Insurance
Public Information Office
(512) 463-6425

We welcome your questions and suggestions about this column.