



Texas Department of Insurance

Legal & Compliance, Mail Code 110-1A

333 Guadalupe • P. O. Box 149104, Austin, Texas 78714-9104

512-475-1821 telephone • www.tdi.state.tx.us

January 5, 2005

Karen Greenrose, President
American Association of Preferred
Provider Organizations
P.O. Box 429
Jeffersonville, IN 47131-0429

Tom McCarty
Executive Director
Texas Association of Preferred
Provider Organizations
400 West 15th St., Suite 600
Austin, TX 78701

Re: Health care discount cards and programs

Dear Ms. Greenrose and Mr. McCarty,

Texas is seeing an increase in the number of health care discount cards and programs being marketed. As you know, these discount programs are not insurance. Typically, the discount programs offer cards, for a fee, that are intended to allow the program members to get discounts from participating physicians and providers. Once the discount is given, the program member is responsible for most of the bill for the medical treatment. The Texas Department of Insurance (the "Department") recognizes that discount programs can provide value to consumers who do not have health insurance by helping to reduce the out-of-pocket cost of health care.

Some discount programs state plainly in their advertising, printed material and Web sites that their programs are not insurance. Some programs make it difficult for a reader to determine that the program is not insurance. Worse still, there are some programs which appear to intentionally leave an impression that they are insurance or just like insurance.

Even when there is disclosure that the program is not insurance, there is still confusion by Texas consumers as to whether these discount programs are insurance. Consumers may be confused when they see marketing materials with terms such as: "enroll," "open enrollment," "benefits," "benefit plan," "PPO network," "coverage," "pre-existing conditions," or other terms that could mislead a person into believing the discount program is health insurance.

Discount programs will often affiliate with well known PPO networks. The Department requests your assistance in disseminating information to all the PPOs operating in Texas through your organizations.

Before affiliating with a discount program, PPOs are urged to review the program's advertising, printed material and Web site to see whether the program clearly states that it is not insurance, that it is a discount on physician and provider fees. Even if the program states that it is not insurance, please review the program's advertising, printed material and Web sites to see whether the program uses terms or phrases that would lead a consumer to think that the program is insurance. A program should also be reviewed to see if there is an insurance component in it, such as pharmacy benefits. Please note that TEX. INS. CODE ANN. § 101.201(a) provides that anyone who assists in the procurement of unauthorized insurance is liable for the full amount of any claim or loss under the terms of the contract if the unauthorized insurer fails to pay the claim or loss.

The Department urges PPOs to exercise caution if affiliating with a discount program that has not yet developed its advertising, printed material and Web site. PPOs are asked to review the discount program's advertising, printed material and Web site before the program starts to market the program to consumers.

Further, the Department asks each PPO to notify its network of physicians and providers when the PPO affiliates with a discount program. This notification may help to reduce complaints the Department receives from physicians who are unaware that the PPO is affiliated with a discount program.

Sincerely,



Sara Shiplet Waitt
Senior Associate Commissioner
Legal & Compliance Division