



**Department of Community
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NEWS RELEASE

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FOR IMMEDIATE RELEASE: August 23, 2004

No. 04-026

CONSUMER ALERT

**Be Aware of Health Plan Scams
And Learn How to Protect Yourself**

(Anchorage) – Edgar Blatchford, Commissioner of the Department of Community and Economic Development, urges all Alaskans to be aware of insurance scams that are taking place across the nation and costing the public millions of dollars.

“These fake health insurance and fraudulent health discount plans often target seniors who are paying higher premiums, people who are harder to insure due to an existing illness or other causes, small businesses, and associations looking to reduce their cost of health insurance,” said Commissioner Blatchford. “Education is our best defense against fraud.”

Many times, these scams can be found on the Internet or through direct mail, and are advertised as “health plans” or “health discount plans,” but these plans do not provide health insurance coverage and do not directly pay hospitals or doctors. Often, they will falsely name medical doctors, facilities and hospitals as participating providers under the “health plan,” yet these providers have no knowledge that their names are being misused.

Linda Hall, the Director of the Alaska’s Division of Insurance, is very concerned over recent numbers that were reported in a study conducted by the General Accounting Office (GAO). They found that 144 fake health insurers sold more than 200,000 phony policies between 2000 and 2002 resulting in \$252 million in unpaid claims. Since then, it is estimated that these numbers have doubled. Other states have begun to take notice of this problem. Kansas is suing a firm for \$2.8-million for selling medical discount cards that no medical providers in the state would accept. The state alleges that the firm made misleading, deceptive or bogus pitches to about 280 customers in Kansas. Consumers received none of the advertised benefits since no providers would accept the discount cards.

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“These numbers are alarming, and it is imperative that we make consumers aware of the risks associated with these scams and misleading advertisements,” said Hall. “The Division of Insurance is launching a consumer awareness campaign to inform as many Alaskans and health care providers as possible - if we can’t stop them, we can make it more difficult for them.”

It should be noted that a few of these “health discount plans” appear to be legitimate. However, in most cases consumers have had difficulty discerning that health discount plans are only designed to provide discounted prices for healthcare provider services. If a member goes to a participating healthcare provider, they will be expected to pay when services are rendered. This confusion may be due to the fact that these programs often use insurance names and insurance jargon in addition to providing "elements of insurance" like accidental death or injury benefits. These discount plans with their limited benefits should not be viewed as a viable health insurance alternative.

Consumer tips to help identify fake health insurance plans:

Here are some common warning signs:

- A false policy will usually cost much less than a legitimate policy (if it is too good to be true, it is probably fake)
- When asked specific questions about a policy or plan, the solicitor becomes very evasive
- When a “health plan” requires a monetary deposit or fee, usually nonrefundable, at the time of initial application, be aware as this is not a normal health insurance practice
- An advertisement or agent tells you that this is a “one-time offer” or your “last chance to save money”
- A plan promises to insure anyone, regardless of history, age or risks
- Your request to see a copy of the policy is met with resistance
- Many times a solicitor will ask for detailed credit and financial information, which can lead to identity theft

What can consumers do?

- To report suspicious activity, contact the Alaska Division of Insurance at (907) 269-7900 or (800) 467-8725 (in state only) or by email at: Ins_consumer_alert@commerce.state.ak.us
- Always ask questions and confirm with your doctor or health care provider if they have heard of the plan in question
- Never give detailed financial information out over the phone or over the Internet unless you have thoroughly checked on the legitimacy of the plan first, never pay in cash, and obtain a receipt for all payments

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- Do an Internet search for “fake insurance” and look for reported scams
- Review the information on the National Association of Insurance Commissioners (NAIC) website at <http://www.naic.org/>
- Make certain that you receive an insurance policy or certificate of coverage for the plan and read it carefully, if you have any questions contact your agent, the company or the Alaska Division of Insurance

Fraudulent insurance can affect anyone at anytime and can create sever financial hardships. It is important to protect yourself and your family by becoming more aware of fake “health plans.”

“Consumers can help us track down and take action against insurance fraud,” said Hall. “I encourage anyone who believes that they have been a victim of a health insurance scam, to contact our office and file a complaint.”

Complaint forms can be found at the Division of Insurance website <http://www.dced.state.ak.us/ins/fraudreporting.htm>.

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