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Federal Trade Commission takes action against HealthcareOne LLC

FTC actions follow California Department of Managed Health Care Cease & Desist Order

(Sacramento) – Following successful efforts by the California Department of Managed Health Care (DMHC) to shut down HealthcareOne LLC in California, the Federal Trade Commission (FTC), today announced that it has filed charges against HealthcareOne LLC and its affiliates as a part of its nationwide sweep against fraudulent discount health plans. The FTC appointed a receiver (on an ex parte basis) and assumed operations of Healthcare One on August 8.

In February, DMHC Director Cindy Ehnes issued a cease-and-desist order to HealthcareOne LLC and its affiliates, which are all unlicensed discount health plans operating in California, after it was determined that the company was engaged in deceptive marketing tactics, such as misleading California consumers into believing that they were purchasing actual health insurance. As a result of the DMHC’s action, HealthcareOne LLC and its affiliates have ceased offering their products in California, but federal action by the FTC was essential to address the problem nationally. In addition to the DMHC, the FTC and law enforcers in 23 other states have filed 50 lawsuits and regulatory actions to curb deceptive practices by discount health plans.

“I commend the FTC for taking up this issue. The leadership provided through the FTC's actions will have a profound impact on the ability of regulators to combat fraudulent discount healthcare entities throughout the nation,” said Cindy Ehnes, Director of the DMHC. “Consumers must have assurances that the discounts offered by these plans are real, and that the cards will be accepted within the medical community. This is why discount plans must be properly licensed.”

Regulations proposed by the DMHC will ensure that discount health card companies purporting to offer price breaks on medical, dental, and vision services to those without traditional health coverage are licensed by the State of California. The regulations will specify significant protections to ensure that

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Department of Managed Health Care

August 11, 2010

Page 2 of 2

consumers are not victimized by unscrupulous operators, some of whom sell discount cards that provide little or no value.

Licensure of discount healthcare entities enables the DMHC to protect consumers from deceptive advertising and aggressive marketing, while providing additional protections, such as measurable bona fide discounts, verifiable contracts with doctors, standards for cancellation of policies, and assistance from the DMHC in resolving consumer problems or complaints.

More than 1,000 consumers have contacted the DMHC Help Center with concerns about discount health cards, with the majority reporting that they were led to believe that they were purchasing health insurance coverage. Many have been left with thousands of dollars in medical bills after they received care at a doctor's office or hospital, thinking they were covered.

Ongoing investigations by the DMHC have also shown that some discount healthcare entities offer false discounts, or discounts from doctors who have not consented to accept their cards. Some promise risk-free cancellation policies with full refunds. But many consumers found that the cards were not only very difficult to cancel, but that the discount companies continued to deduct charges from their checking accounts, forcing them to close their bank accounts in order to stop the deductions.

Since September 2004, the DMHC has ordered 18 unlicensed and/or fraudulent discount health card companies to cease operations or become licensed. To date, the DMHC has licensed one medical and two dental discount health plans, providing the framework for licensing all discount health card companies.

California consumers who have concerns or complaints about discount health plans are urged to contact the DMHC's Help Center at 1-888-466-2219 to receive information or assistance, provided in the caller's language, at no charge.

The California Department of Managed Health Care is the only stand-alone HMO watchdog agency in the nation, touching the lives of more than 21 million enrollees. The DMHC's Help Center has helped more than a million Californians resolve their health plan problems, in addition to, educating consumers about their health care rights and responsibilities, and working closely with health plans to ensure a solvent and stable managed health care system.

Follow the DMHC on Twitter at: <http://twitter.com/CADMHC>

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