

**STATE OF VERMONT
DEPARTMENT OF FINICIAL REGULATION**

IN RE: SEDERA HEALTH INC.;)
SMALL ASSOCIATION)
LEADERSHIP ALLIANCE;)
NATIONAL ASSOCIATION OF)
SENIOR MOVE MANAGERS;)
VERMONT ALLIANCE FOR)
HEALTH CARE ALTERNATIVES;)
and SUSAN STASNY)
)
)
Respondents.)

Docket No. 19-037-I

EX PARTE ORDER TO CEASE AND DESIST

Based on the Motion of the Insurance Division of the Vermont Department of Financial Regulation (Department), under 8 V.S.A. §§ 11, 12, 15, 4726 and section 13 of Regulation 1982-01 (Rev.), for an order requiring Sedera Health Inc., Small Association Leadership Alliance (SALA), National Association of Senior Move Managers (NASMM), Vermont Alliance for Health Care Alternatives (VAHCA), and Susan Stasny (collectively, Respondents) to cease and desist soliciting or accepting purchases of certain products, and offering certain deceptive marketing materials to health insurance consumers in violation of 8 V.S.A. § 3368, 8 V.S.A. § 4724, 8 V.S.A. § 4079a, and Regulation I-2018-02-E, the Commissioner of Financial Regulation (Commissioner) makes the following Findings of Fact and Conclusions of Law, and issues the following Order:

Findings of Fact

1. The Department, through its Insurance Division, is charged with administering and enforcing the State of Vermont's insurance laws and regulations.
2. Sedera Health is a corporation organized under the laws of Delaware with an address at 7171 Southwest Parkway, Bldg. 3, Suite 350, Austin, TX 78735. Sedera provides medical cost

sharing services wherein members make monthly contributions to cover the health care expenses of other members

3. SALA is a limited liability company organized under the laws of Delaware with an address at 712 H Street NE, Suite 1186, Washington, DC 20002. On its website, <https://www.smallassociations.org/>, SALA represents itself to be “the only national association for small staff association leadership, staff, consultants and service providers.”

4. NASMM is a corporation organized under the laws of Pennsylvania with an address at 15 Salt Creek Lane Suite #312, Hinsdale, IL 60521. On its website, <https://www.nasmm.org/>, NASMM represents itself to be “the leading membership organization for Senior Move Managers in the United States, Canada and abroad.” In partnership with SALA, NASMM offers a healthcare program called NASMM Health.

5. VAHCA is an official chapter organization of SALA and not a separately incorporated entity. On its website, <https://www.vahca.org/>, VAHCA represents itself to be “a consumer membership organization open to all individuals, families and businesses located in the state of Vermont.”

6. At all relevant times, Susan Stasny of Monkton, Vermont, has served as Vermont Chapter Executive Director of VAHCA. Ms. Stasny is not registered as an insurance broker in Vermont, or in any other capacity with the Department.

7. On July 9, 2018, SALA issued a press release announcing the formation of the “VAHCA healthcare program” (the SALA/VAHCA product). According to the press release, the SALA/VAHCA product combines self-funded preventative care coverage with medical cost sharing provided by Sedera Health, promising consumers savings “averaging 60% over group

insurance plans.” See <https://www.vahca.org/files/VAHCA%20Press%20Release%20-%20Final.pdf>.

8. The SALA/VAHCA product’s preventative care component is a self-funded plan sponsored by SALA and administered by Apex Management Group, which claims to qualify as Minimum Essential Coverage (MEC) for preventative care coverage; unforeseen medical costs; primary care and access to specialists; prescription drugs; and telemedicine. See https://www.smallassociations.org/files/About_Apex.pdf.

9. In order to be eligible for the SALA/VAHCA product, consumers must be a VAHCA member in good standing, which costs \$25 per year for individuals and \$50 per year for businesses. See <https://www.vahca.org/join>.

10. On May 11, 2019, the Department learned NASMM Health was advertised to at least one Vermont resident via email with the subject line “Small Association Leadership Alliance healthcare.”

11. The email states that while NASMM Health is not health insurance, it “provides 100% coverage for preventative care, options for co-payment features with 100% coverage, and addresses unforeseen medical expenses, such as illness and injury.”

12. NASMM Health is substantially similar to the SALA/VAHCA product except that consumers must be a NASMM member in order to be eligible.

13. On July 18, 2019, the Department learned that the SALA/VAHCA product was advertised to at least one Vermont resident via email with the subject line “Worried about increasing healthcare costs? We have a solution!”

14. In its email, VAHCA provided the following monthly pricing examples, which are significantly less than unsubsidized health insurance plans offered through Vermont Health Connect (VHC), the state's health benefit exchange.:

<u>Monthly Pricing Examples:</u>	
Member Only:	\$320.64
Member & Spouse:	\$567.86
Member & Children:	\$540.53
Member & Family:	\$798.45

*Examples based on Member age 45, non-smoker, with a \$1,500 IUA

15. Although the email stated that the program was “not health insurance” its offerings had many indicia of health insurance, including “preventative care options” with a four-year “Rate Lock” mechanism, promising “rate stability in an increasingly unstable market of traditional health insurance.”

16. VAHCA's email also highlighted the following program features:

- Preventative care with 100% coverage for all mandated services
- Choice of Copay plan or High Deductible (H.S.A. compatible) Plans
- Primary care and access to medical specialists
- Prescription drug plan
- Telemedicine
- Does not need an employer-sponsor, so individual employees can join;
- Available to full-time, part-time and seasonal workers;
- Available for hourly and salaried staff;
- The monthly costs can be paid by the employee or employer;
- Provides a terrific employee benefit at no cost to the company;
- Available now with rolling enrollment throughout the year.

17. Although the SALA/VAHCA product claims to cover all services mandated by the Affordable Care Act (ACA), in reality this is not the case. Services mandated by the ACA but not covered by Respondents products include, but are not limited to, emergency services,

maternity and newborn care, and mental health and substance use disorder services. *See* 42 U.S.C. § 18022.

18. Respondents' websites—particularly VAHCA's website—target their message at Vermonters specifically, and the emails shared with the Department likewise target Vermont residents.

19. Neither SALA, NASMM, nor VAHCA has a certificate of authority from the Vermont Secretary of State to transact business in Vermont as required by 11A V.S.A. § 15.01.

20. The advertising materials would lead a reasonable consumer to believe that the SALA/VAHCA product is an insurance product that can reasonably serve as a replacement for “traditional” health insurance, and that will lessen consumers' financial risk.

21. The advertising materials obscure the fact that payment for healthcare costs is not actually guaranteed and is limited in many other ways.

22. The SALA/VAHCA product, as advertised, purports to provide indemnity or otherwise assume an obligation upon the occurrence of a particular event or contingency, in return for payment.

23. On multiple occasions, including by email and in a “webinar” video linked in the email, Respondents state that their products “offer coverage”; “reduce [healthcare] cost in a meaningful way”; and that “needs” will “be shared” such that a member is only “responsible for” a low “initial unshareable amount,” which Sedera Health describes in a marketing document as a “specified financial amount . . . that members are required to carry on their own prior to any amount that may be eligible for sharing.” *See* https://www.smallassociations.org/files/About_Sedera.pdf.

24. In fact, under the SALA/VAHCA product, members receive no guarantee that they will receive coverage for their medical expenses, that their cost will be reduced at all, or that the member's financial responsibility is limited in any way.

25. Specifically, the SALA/VAHCA product is subject to a disclaimer that "YOU AS THE MEMBER WILL ALWAYS REMAIN LIABLE FOR YOUR UNPAID MEDICAL EXPENSES AND YOU DO NOT HAVE ANY LEGAL RIGHT TO SEEK REIMBURSEMENT FOR ANY SUCH EXPENSES FROM SEDERA OR ANY OTHER MEMBER OR SPONSORING ENTITY." *Sedera Health Association Membership Guidelines at page 8 ("Disclaimers")*.

26. Further, the disclaimer states that "THIS IS NOT A LEGALLY BINDING AGREEMENT TO REIMBURSE YOU FOR THE MEDICAL EXPENSES YOU INCUR, BUT IS AN OPPORTUNITY FOR YOU TO ASSIST OTHER MEMBERS IN NEED, AND WHEN YOU ARE IN NEED, TO PRESENT YOUR MEDICAL BILLS TO OTHER MEMBERS AND SPONSORING ENTITIES AS OUTLINED IN THESE GUIDELINES." *Id.*

27. The Disclaimers above are preceded by language clearly intended to minimize their importance: "Organized medical sharing programs have been functioning successfully for decades in the religious community, yet, because of the litigious nature of American society, we include this warning/disclaimer for all to consider." *Id.*

28. Contrary to the disclaimers just described, the advertising materials in the July email and on Respondents' websites imply—and appear to be designed to imply—an obligation to pay certain healthcare costs upon the happening of certain events or contingencies, in return for payment by members.

Conclusions of Law

29. Under 8 V.S.A. § 3301a, insurance is defined as "an agreement to indemnify or otherwise assume an obligation, provide services or any other thing of value on the happening of a

particular event or contingency, or to provide indemnity for loss with respect to a specified subject by specified circumstances in return for a consideration.”

30. To the extent that health sharing arrangements constitute an express or implied “agreement to indemnify or otherwise assume an obligation,” such arrangements are insurance under § 3301a.

31. Respondents have undertaken an implied agreement to indemnify or at a minimum, to “share” costs with other members or entities for potential reimbursement when their members incur medical expenses.

32. Under 8 V.S.A. § 3368, it is unlawful to transact insurance business in Vermont, including soliciting applications, without a certificate of authority from the Commissioner

33. On at least two occasions, Respondents violated § 3368 by soliciting Vermonters to purchase insurance products without a certificate of authority from the Commissioner.

34. Under 8 V.S.A. § 4724(13), it is unlawful to misrepresent insurance products or services.

35. On at least two occasions, one or more Respondents violated § 4724(13) by falsely claiming that their insurance products, which do not comply with the ACA, cover “all mandated services” and provide access to primary care and medical specialists.

36. On multiple occasions, one or more Respondents violated § 4724(13) by falsely claiming that their insurance products are not insurance products.

37. On multiple occasions, one or more Respondents violated § 4724(13) by falsely implying that their products provide “coverage,” limit financial risk, or will “reduce costs” for members, when in fact Respondents or their agents elsewhere expressly disclaim any actual obligation to pay healthcare costs.

38. Under 8 V.S.A. § 4079a, and Regulation I-2018-02-E, no association or multiple employer welfare arrangement (MEWA) may offer a self-insured health benefit plan in Vermont unless duly licensed with the Department. Associations and MEWAs must also obtain annual rate approval from the Green Mountain Care Board, use a community rating methodology acceptable to the Commissioner, and comply with state and federal benefits requirements.

39. Respondents violated Regulation I-2018-02-E by failing to obtain a license from the Commissioner; failing to obtain rate approval from the Green Mountain Care Board; failing to disclose their rating methodology; and failing to comply with state and federal benefits requirements.

40. Under 8 V.S.A. § 4726 and Regulation 1982-01 (Rev.), the Commissioner may enter orders to enforce Vermont's insurance laws and regulations, including cease and desist orders, without prior notice or an opportunity to be heard.

41. Because of Respondents' known and apparently ongoing violations of 8 V.S.A. § 3368, 8 V.S.A. § 4724, 8 V.S.A. § 4079a, and Regulation I-2018-02-E and the risk that the health and welfare of Vermont health insurance consumers will be adversely impacted by Respondents' conduct, an *ex parte* order is appropriate in this case.

ORDER

Respondents are hereby ordered to CEASE AND DESIST the following:

- (1) soliciting or accepting Vermont purchases of insurance plans of the types described above, or advertising the plans for sale in Vermont;
- (2) claiming that the plans provide a viable alternative to health insurance products, including products offered by licensed insurers through VHC; and
- (3) stating in any medium (including e-mail, company websites, or video of any kind) that the plans are available in all 50 states, or otherwise stating or implying that the plans are available in Vermont.

Nothing in this Order precludes the Department from investigating or prosecuting Respondents for any additional violations of Vermont law.

ENTERED at Montpelier, Vermont, this 31st day of July 2019.



MICHAEL S. PIECIAK, Commissioner
Vermont Department of Financial Regulation