

STATE OF ARIZONA
FILED

OCT 9 2008

STATE OF ARIZONA
DEPARTMENT OF INSURANCE

DEPT OF INSURANCE
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In the Matter of:)
HEALTH NET OF ARIZONA, INC.)
NAIC #95206)
Respondent.)

Docket No. 08A-162-INS
CONSENT ORDER

On June 6, 2006 the Arizona Department of Insurance ("Department") called a healthcare insurance monitoring compliance examination ("Examination") of Health Net of Arizona, Inc. ("HNA") covering the time period from January 1, 2006 through December 31, 2006. The scope of the examination was HNA's compliance with a Consent Order the Department issued on July 14, 2003 ("Consent Order One") and a Consent Order the Department issued on May 22, 2006 ("Consent Order Two").

The Report of the Examination, dated November 19, 2007, ("Report"), is included herein by reference. The Report alleges that HNA failed to comply with certain requirements of Consent Order One and Consent Order Two, HNA wishes to resolve this matter without formal proceedings. HNA admits the following Findings of Fact are true, consents to the entry of the following Conclusions of Law solely for the purpose of resolving the allegations contained in the Report and consents to the entry of the following Order.

FINDINGS OF FACT

- I. Jurisdiction
HNA is, and throughout the Examination Period was, authorized to operate as a health care services organization pursuant to a Certificate of Authority issued by the Arizona Insurance Director ("Director").

1 II. Failure to Comply With An Order of the Director

2 A. During the Examination Period, HNA failed to comply with the first Corrective Action
3 Plan (CAP 1) in Consent Order One as follows:

- 4
- 5 1. HNA failed to pend no less than ninety-five percent (95%) of unclean claims
6 before requesting additional information rather than denying such claims.
 - 7 2. When HNA received additional information, it failed to link the additional
8 information to the pended claim at least ninety-five percent (95%) of the time.
 - 9 3. HNA failed to automatically dispose of/auto-deny at least ninety-five percent
10 (95%) of aging pended claims.

11 B. During the Examination period, HNA failed to comply with the Second Consent Order
12 when it failed to submit information adequate to allow the Department to determine
13 whether HNA had complied with CAP 1 of the First Consent Order. Specifically, HNA
14 provided inaccurate information regarding the number of:

- 15
- 16 1. Unclean claims that HNA:
 - 17 a. Denied.
 - 18 b. Pended.
 - 19 2. Pended claims that HNA:
 - 20 a. Adjudicated after receiving additional information.
 - 21 b. Failed to adjudicate after receiving additional information.
 - 22 3. Aging pended claims that HNA:
 - 23 a. Auto-denied.
 - 24 b. Failed to auto-deny.
- 25

1 CONCLUSIONS OF LAW

2 I. Jurisdiction

3 The Director has the authority to enter and enforce this Order. A.R.S. § 20-142.

4 II. Failure to Comply With An Order of the Director

5 A. During the Examination Period, HNA violated A.R.S. § 20-142 (A)(B) by failing to
6 comply with CAP 1 of the First Consent Order as follows:

- 7
- 8 1. HNA failed to pend no less than ninety-five percent (95%) of unclean claims
9 before requesting additional information rather than denying such claims.
 - 10 2. When HNA received additional information, it failed to link the additional
11 information to the pended claim at least ninety-five percent (95%) of the time.
 - 12 3. HNA failed to automatically dispose of/auto-deny at least ninety-five percent
13 (95%) of aging pended claims.

14 B. During the Examination Period, HNA violated A.R.S. § 20-142 (A)(B) by failing to
15 comply with the Second Consent Order when it failed to submit information adequate to
16 allow the Department to determine whether HNA had complied with CAP 1 of the First
17 Consent Order. Specifically, HNA provided inaccurate information regarding the number
18 of:

- 19
- 20 1. Unclean claims that HNA:
 - 21 a. Denied.
 - 22 b. Pended.
 - 23 2. Pended claims that HNA:
 - 24 a. Adjudicated after receiving additional information.
 - 25 b. Failed to adjudicate after receiving additional information.
 3. Aging pended claims that HNA:
 - a. Auto-denied.
 - b. Failed to auto-deny.

ORDER

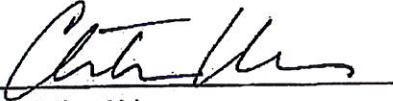
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IT IS HEREBY ORDERED THAT:

Civil Penalty. HNA shall pay a civil penalty of \$20,000 to the Director for deposit in the State General Fund for the above-cited violations of Title 20. HNA shall remit this civil penalty to the Life & Health Division of the Department prior to the Department filing of this Order.

The Department will file the Report of the Compliance Examination of HNA upon the filing of this order.

DATED at Phoenix, Arizona this 2nd day of October, 2008.


Christina Urias
Director of Insurance

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CONSENT TO ORDER

1. HNA has reviewed the foregoing Order and carefully considered it in conjunction with its other business and regulatory requirements. HNA believes that it is able and prepared to comply fully with the Order, notwithstanding any of its other business and regulatory requirements.
2. HNA admits the jurisdiction of the Director of Insurance, State of Arizona, admits the Findings of Fact and consents to the entry of the Conclusions of Law solely for the purpose of resolving the allegations contained in the Report and consents to entry of the Order.
3. HNA is aware of the right to a hearing, at which it may be represented by counsel, present evidence and cross-examine witnesses. HNA irrevocably waives the right to such notice and hearing and to any court appeals related to this Order.
4. HNA states that no promise of any kind or nature whatsoever was made to it to induce it to enter into this Consent Order and that it has entered into this Consent Order voluntarily.
5. HNA acknowledges that the acceptance of this Order by the Director of the Arizona Department of Insurance is solely for the purpose of settling this matter. This Order does not preclude any other agency or officer of this state or its subdivisions or any other person from instituting proceedings, whether civil, criminal, or administrative, as may be appropriate now or in the future and does not preclude the Department from instituting proceedings as may be appropriate on other matters now or in the future.
6. Chuck Sowers, who holds the office of President of HNA, is authorized to enter into this Order for HNA and on its behalf.

HEALTH NET OF ARIZONA, INC.

9/17/08

Date

By



Chuck Sowers
President
Health Net of Arizona, Inc.

1 COPY of the foregoing mailed/delivered
This 9th day of Oct., 2008 to:

- 2
3 Gerrie Marks
4 Deputy Director
5 Mary Butterfield
6 Assistant Director
7 Consumer Affairs Division
8 Helene Tomme
9 Market Oversight Division
10 Dean Ehler
11 Assistant Director
12 Property & Casualty Division
13 Steve Ferguson
14 Assistant Director
15 Financial Affairs Division
16 David Lee
17 Chief Financial Examiner
18 Alexandra Shafer
19 Assistant Director
20 Life and Health Division
21 Terry L. Cooper
22 Fraud Unit Chief

23 ARIZONA DEPARTMENT OF INSURANCE
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25 Phoenix, AZ 85018

Health Net of Arizona, Inc.
Gay Ann Williams
Vice President State Legislative and Regulatory Compliance
1230 W. Washington Street Suite 400
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26 
27 Curvey Burton