

MAY 6 2011

DEPT OF INSURANCE  
BY 

STATE OF ARIZONA

ARIZONA DEPARTMENT OF INSURANCE

In the Matter of:	)	Docket No. 11A-042-INS
	)	
<b>HEALTH NET LIFE INSURANCE COMPANY</b>	)	
NAIC #66141	)	<b>CONSENT ORDER</b>
	)	
Respondent.	)	

On October 14, 2008, the Arizona Department of Insurance ("Department") called a timely claim payment and adjustment practices examination ("Examination") of Health Net Life Insurance Company, ("HNL" or "Company") covering the time period January 1, 2007 through December 31, 2008 ("Examination Period"). The Examination Period was divided into four six-month periods ("Partial Examination Periods" or "PEPs") as follows:

- PEP 1: January 1, 2007 – June 30, 2007
- PEP 2: July 1, 2007 – December 31, 2007
- PEP 3: January 1, 2008 – June 30, 2008
- PEP 4: July 1, 2008 – December 31, 2008

The Report of the Timely Claim Payment and Adjustment Practices Examination of Health Net Life Insurance Company dated August 2, 2010 ("Report"), which is included herein by reference, alleges that HNL violated Arizona Revised Statutes (A.R.S.) §20-3102, A.R.S. §20-2803, A.R.S. §36-2239(D) and A.R.S. §20-142. The Company wishes to resolve this matter without formal proceedings. Health Net Life Insurance Company admits the following Findings of Fact are true and 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.

1 **FINDINGS OF FACT**

2 I. Jurisdiction.

3 Health Net Life Insurance Company is, and throughout the Examination Period  
4 was, authorized to operate as a disability insurer pursuant to a Certificate of  
5 Authority issued by the Arizona Insurance Director ("Director").

6 II. Timely Payment Of Claims.

7 A. During the Examination Period, in 2,945 out of 9,541 (31% of) clean claims  
8 paid late, HNL failed to pay interest or paid too little interest.

9 B. During the Examination Period, in 3,601 out of 13,516 (27% of) unclean  
10 claims, HNL failed to request additional information before denying unclean  
11 claims.

12 C. During the Examination Period, in 152 out of a sample of 462 (33% of)  
13 unclean claims, HNL failed to identify by date, one or more of the five (5)  
14 required points in the processing of an unclean claim.

15 D. During the Examination Period, HNL delayed the payment in 8,057 out of  
16 44,188 (18% of) clean claims without reasonable justification by either  
17 inaccurately denying clean claims or paying clean claims in an accurate  
18 amount.

19 E. During the Examination Period, in 449 out of 3,232 (14% of) non-  
20 contracted ambulance provider clean claims for emergency services, HNL  
21 failed to pay the amount required.

22 III. Pending Unclean Claims; Failure To Comply With An Order Of The Director.

23 During the Examination Period, HNL failed to comply with CAP 1 of the 2003  
24 Consent Order when it denied rather than pend 3,601 out of 13,516 (27% of)  
25 unclean claims. See Findings of Fact II.B above. Since entering into the 2003

1 Consent Order on July 14, 2003, HNL continuously has failed to comply with  
2 the Order.

3 IV. Emergency Services.

4 A. During PEPs 1, 2 and 4, in 171 out of 2,888 (6% of) claims, HNL denied  
5 payment for initial medical screening and immediately necessary stabilizing  
6 treatment based upon lack of prior authorization. In the claims reviewed for  
7 PEP 3, the Department did not find a significant number of claims with this  
8 violation.

9 B. During PEPs 1, 2 and 3, in 414 out of 2,447 (17% of) claims, HNL denied  
10 payment for emergency ambulance services based upon lack of prior  
11 authorization. In the claims reviewed for PEP 4, the Department did not find  
12 a significant number of claims with this violation.

13 C. During PEPs 1, 2 and 3, in 214 out of 2,947 (7% of) claims for specialty care  
14 emergency services for treatment of an immediately life threatening medical  
15 condition, HNL denied payment based upon lack of prior authorization. In  
16 the claims reviewed for PEP 4, the Department did not find a significant  
17 number of claims with this violation.

18  
19 **CONCLUSIONS OF LAW**

20 I. Jurisdiction.

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

22 II. Timely Payment Of Claims.

23 A. During the Examination Period, Health Net Life Insurance Company  
24 violated A.R.S. §20-3102(A) when the Company paid clean claims late,  
25 HNL failed to pay interest or paid too little interest.

- 1 B. During the Examination Period, Health Net Life Insurance Company  
2 violated A.R.S. §20-3102(B) by failing to request additional information  
3 before denying unclean claims.
- 4 C. During the Examination Period, Health Net Life Insurance Company  
5 violated A.R.S. §20-3102(B) by failing to identify by date, one or more of  
6 the five (5) required points in the processing of an unclean claim.
- 7 D. During the Examination Period, Health Net Life Insurance Company  
8 violated A.R.S. §20-3102(C) by delaying the payment of clean claims  
9 without reasonable justification by either inaccurately denying clean claims  
10 or paying clean claims in an inaccurate amount.
- 11 E. During the Examination Period, Health Net Life Insurance Company  
12 violated A.R.S. §36-2239(D) by failing to pay non-contracted ambulance  
13 provider clean claims for emergency services the amount required.

14 III. Pending Unclean Claims; Failure To Comply With An Order Of The Director.

15 During the Examination Period, Health Net Life Insurance Company violated  
16 A.R.S. §20-142(A)(B) by failing to comply with CAP 1 of the 2003 Consent  
17 Order when it denied rather than pend unclean claims. See Conclusions of  
18 Law II.B above. Since entering into the 2003 Consent Order on July 14, 2003,  
19 HNL continuously has violated A.R.S. §20-142(A)(B).

20 IV. Emergency Services.

- 21 A. During PEPs 1, 2 and 4, Health Net Life Insurance Company violated A.R.S.  
22 §20-2803(A) by denying payment for initial medical screening and  
23 immediately necessary stabilizing treatment based upon lack of prior  
24 authorization.
- 25 B. During PEPs 1, 2 and 3, Health Net Life Insurance Company violated A.R.S.

1 §20-2803(B) by denying payment for emergency ambulance services based  
2 upon lack of prior authorization.

3 C. During PEPs 1, 2 and 3, Health Net Life Insurance Company violated A.R.S.  
4 §20-2803(I) by denying payment for specialty care emergency services for  
5 treatment of an immediately life threatening medical condition based upon  
6 lack of prior authorization.

7  
8 **ORDER**

9 **IT IS HEREBY ORDERED THAT:**

10 1. Timely Payment of Claims. Within 90 days of the filed date of this Order, Health  
11 Net Life Insurance Company shall submit to the Arizona Department of Insurance  
12 for the Director's approval a Corrective Action Plan (CAP 1) regarding the  
13 Company's timely payment of claim violations set forth in this Consent Order. CAP  
14 1 shall provide specific steps that HNL has taken or will take by certain dates to  
15 assure that by a specified implementation date, the Company is:

- 16 a. Paying the correct amount of interest on a clean claim that is paid late.  
17 b. Identifying by date, at least one or more of the five (5) required points in the  
18 processing of an unclean claim.  
19 c. Not delaying the payment of clean claims without reasonable justification by  
20 either inaccurately denying clean claims or paying clean claims in an  
21 inaccurate amount.  
22 d. Not delaying the payment of clean claims for emergency services without  
23 reasonable justification when it failed to pay non-contracted ambulance  
24 providers the amount required.  
25

1 2. Pending Unclean Claims; Failure To Comply With An Order Of The Director.

2 Within 90 days of the filed date of this Order, Health Net Life Insurance Company  
3 shall submit to the Arizona Department of Insurance for the Director's approval a  
4 Corrective Action Plan (CAP 2) regarding the Company requesting additional  
5 information before denying an unclean claim and thereby complying with the 2003  
6 Consent Order. CAP 2 shall provide specific steps HNL has taken or will take by  
7 certain dates to assure that by a specified implementation date, the Company is  
8 pending rather than denying unclean claims.

9 3. Emergency Room Services. Within 90 days of the filed date of this Order, Health  
10 Net Life Insurance Company shall submit to the Arizona Department of Insurance  
11 for the Director's approval a Corrective Action Plan (CAP 3) regarding violations  
12 set forth in this Consent Order for emergency services. CAP 3 shall provide  
13 specific steps HNL has taken or will take by certain dates to assure that by a  
14 specified implementation date, the Company is:

- 15 a. Not denying payment for initial medical screening and immediately necessary  
16 stabilizing treatment based upon lack of prior authorization.
- 17 b. Not denying payment for emergency ambulance services based upon lack of  
18 prior authorization.
- 19 c. Not denying payment for specialty care emergency services for treatment of  
20 an immediately life threatening medical condition based upon lack of prior  
21 authorization.

22 4. Progress in Development of CAPs 1 and 3. Until the Director approves CAPs 1  
23 and 3, HNL shall report to the Director each month about its progress in developing  
24 each of these CAPs. Each such monthly report shall include a current draft of the  
25

1 CAP. The first monthly CAP development reports for CAPs 1 and 3 are due to the  
2 Director thirty (30) days from the date of this Order.

3 5. Corrective Action Plan Requirements for CAPs 1 and 3. CAPs 1 and 3 shall:

- 4 a. Specify any items of CAP 1 or CAP 3 that the Director has either  
5 approved as ready for implementation and for each CAP provide;  
6 i. documentation of the implementation or progress toward  
7 implementation, as applicable,  
8 ii. a plan for post implementation Quality Improvement review and  
9 follow-up, and  
10 iii. the name and contact information for one individual responsible  
11 and accountable for ongoing implementation of each CAP or any  
12 item of the CAP.
- 13 b. Specify any items of CAP 1 or CAP 3 that the Director has not approved  
14 as ready for implementation and for each one include:  
15 i. enough detail to allow the Director to determine whether the CAP  
16 will accomplish its purpose,  
17 ii. testing before final implementation of the CAP or any item of the  
18 CAP,  
19 iii. post implementation Quality Improvement review and follow-up,  
20 and  
21 iv. the name and contact information for one individual responsible  
22 and accountable for ongoing implementation of each CAP or any  
23 item of the CAP.
- 24  
25

1 c. Provide for Health Net Life Insurance Company to report to the Director  
2 each month starting thirty days from the date the Director approves the  
3 CAP regarding development and implementation of each approved CAP  
4 or any item of the CAP, in a form that includes documentation and is  
5 approved by the Director. If the CAP or any item of the CAP is in the  
6 process of implementation, provide documentation that demonstrates  
7 the progress that has been made toward implementation.

8 d. Provide that within ten business days of receiving notice that the Director  
9 has approved a CAP or any item of the CAP, Health Net Life Insurance  
10 Company shall submit to the Director evidence that the Company has  
11 communicated the CAP or any item of the CAP to the appropriate  
12 personnel and begun implementation. Evidence of communication and  
13 implementation includes, without limitation, memorandums, bulletins, e-  
14 mails, correspondence, procedure manuals, print screens and training  
15 materials.

16 6. Progress in Development and Corrective Action Plan Requirements for CAP 2.

17 a. Until the Director approves CAP 2, HNL shall report to the Director on  
18 the first day and the fifteenth day of each month about its progress in  
19 developing CAP 2. Each such semi-monthly report shall include a  
20 current draft of the CAP. The first semi-monthly development report for  
21 CAP 2 is due to the Director fifteen (15) days from the date of this Order.

22 b. To be approved by the Director, CAP 2 must include:

23 i. enough detail to allow the Director to determine whether the CAP  
24 will accomplish its purpose,  
25

- 1                   ii. testing before final implementation of the CAP or any item of the
- 2                   CAP,
- 3                   iii. post implementation Quality Improvement review and follow-up,
- 4                   and
- 5                   iv. the name and contact information for one individual responsible
- 6                   and accountable for ongoing implementation of CAP 2.

7                   c. CAP 2 shall provide for HNL to report to the Director regarding

8                   implementation of CAP 2 on the first and fifteenth day of each month

9                   starting on the first day of the month after the date the Director approves

10                  CAP 2. The semi-monthly implementation reports shall be in a form that

11                  includes documentation and is approved by the Director.

12                  d. CAP 2 shall provide that within ten business days of receiving notice that

13                  the Director has approved a CAP or any item of the CAP, HNL shall

14                  submit to the Director evidence that the Company has communicated

15                  the CAP or any item of the CAP to the appropriate personnel and begun

16                  implementation. Evidence of communication and implementation

17                  includes, without limitation, memorandums, bulletins, e-mails,

18                  correspondence, procedure manuals, print screens and training

19                  materials.

20                  7. Civil Penalty. Health Net Life Insurance Company shall pay a civil penalty of

21                  \$248,000.00 to the Director for deposit in the State General Fund for violations

22                  cited above as Conclusion of Law. Health Net Life Insurance Company shall

23                  remit this civil penalty to the Life & Health Division of the Department prior to the

24                  Department filing of this Order.

1 8. Report Filed. The Department will file the Report of the Timely Claim Payment  
2 and Adjustment Practices Examination of HNL upon the filing of this order.  
3  
4  
5

6 DATED at Phoenix, Arizona this 4<sup>th</sup> day of May, 2011.  
7

8   
9 Christina Urias  
10 Director of Insurance  
11

12 **CONSENT TO ORDER**

- 13 1. Health Net Life Insurance Company has reviewed the foregoing Order and  
14 carefully considered it in conjunction with its other business and regulatory  
15 requirements. The Company believes that it is able and prepared to comply fully  
16 with the Order, notwithstanding any of its other business and regulatory  
17 requirements.
- 18 2. Health Net Life Insurance Company admits the jurisdiction of the Director of  
19 Insurance, State of Arizona, admits the Findings of Fact and consents to the entry  
20 of the Conclusions of Law solely for the purposes of resolving the allegations  
21 contained in the Report and consents to entry of the Order.
- 22 3. Health Net Life Insurance Company acknowledges that since entering into the  
23 2003 Consent Order on July 14, 2003, HNA continuously has failed to comply with  
24 that Order with regard to pending rather than denying unclean claims, as required  
25 by A.R.S. Arizona law. Health Net Life Insurance Company further acknowledges

1 that on or after the date of this Order, the Department may construe (a) any failure  
2 to comply with the 2003 Consent Order, or (b) any failure to pend rather than deny  
3 unclear claims to be an intentional violation of applicable Arizona law.

4 4. Health Net Life Insurance Company is aware of the right to a hearing, at which it  
5 may be represented by counsel, present evidence and cross-examine witnesses.  
6 The Company irrevocably waives the right to such notice and hearing and to any  
7 court appeals related to this Order.

8 5. Health Net Life Insurance Company states that no promise of any kind or nature  
9 whatsoever was made to it to induce it to enter into this Consent Order, and that it  
10 has entered into this Consent Order voluntarily.

11 6. Health Net Life Insurance Company acknowledges that the acceptance of this  
12 Order by the Director of the Arizona Department of Insurance is solely for the  
13 purpose of settling this matter. This Order does not preclude any other agency or  
14 officer of this state or its subdivisions or any other person from instituting  
15 proceedings, whether civil, criminal, or administrative, as may be appropriate now  
16 or in the future and does not preclude the Department from instituting proceedings  
17 as may be appropriate on other matters now or in the future.

18 7. Steven Sell, who holds the office of President of Health Net Life Insurance  
19 Company, is authorized to enter into this Order for the Company and on its behalf.

20  
21 **HEALTH NET LIFE INSURANCE COMPANY**

22 4-5-11  
23 Date

24 By   
25 Steven Sell  
President  
Health Net Life Insurance Company

1 COPY of the foregoing mailed/delivered  
this 6th day of May, 2011, to:

2  
3 Gerrie Marks  
4 Deputy Director  
5 Mary Butterfield  
6 Assistant Director  
7 Consumer Affairs Division  
8 Helene I. 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 Financial Affairs Division  
19 Alexandra M. Shafer  
20 Assistant Director  
21 Life and Health Division  
22 Chuck Gregory  
23 Special Agent Supervisor  
24

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Health Net Life Insurance Company  
Steven Sell  
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*Curvey Buxton*

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