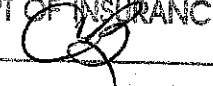


APR 27 2012

STATE OF ARIZONA

DEPARTMENT OF INSURANCE

DEPT OF INSURANCE
BY 

In the Matter of:

BLUE CROSS and BLUE SHIELD of ARIZONA, INC
NAIC # 53589

Respondent.

No. 12A-150-INS

CONSENT ORDER

The State of Arizona Department of Insurance ("Department") has received evidence that Blue Cross and Blue Shield of Arizona, Inc. (Respondent) violated provisions of Title 20, Arizona Revised Statutes. Respondent wishes to resolve this matter without the commencement of formal proceedings, and admits the following Findings of Fact are true and consents to entry of the following Conclusions of Law and Order.

FINDINGS OF FACT

1. Blue Cross and Blue Shield of Arizona, Inc. ("Blue Cross") at all material times held a certificate of authority to transact insurance as a hospital, medical and dental service corporation in Arizona.
2. Blue Cross at all material times was certified as a utilization review agent.
3. Blue Cross represented to its members that Blue Cross would give members a Notice of Appeal Rights at the time of issuing a claim decision denying authorizations for a requested service, or denying a payment of a claim for services already provided ("an adverse benefit determination.")
4. Blue Cross entered into a contract with American Specialty Health Networks ("ASHN") under which ASHN would act as Blue Cross's utilization review agent to receive,

1 review and approve or deny all chiropractic claims and request for services, and to notify
2 Blue Cross members of their appeal rights.

3 5. From January 1, 2011 through November 10, 2011, due to a systems error,
4 ASHN failed to provide Notice of Appeal Rights to 2,385 Blue Cross members on 11,806
5 denied claims for chiropractic services.

6 6. On October 18, 2011, the Department notified Blue Cross that the Remittance
7 Advise ASHN was sending to members whose claims were denied in whole or in part did not
8 contain the required Notice of Appeal Rights.

9 7. On November 10, 2011, at Blue Cross's direction, ASHN self-reported, to the
10 Department, ASHN's failure to give notice and submitted a proposed corrective action plan.

11 8. On November 22, 2011, the Department notified ASHN that it accepted the
12 proposed plan of correction.

13 9. On or about December 9, 2011, ASHN notified the affected Blue Cross
14 members of their Appeal Rights and gave them a new two-year period in which to appeal the
15 adverse benefit determination.

16 CONCLUSIONS OF LAW

17 1. The Director has jurisdiction over this matter.

18 2. Respondent is responsible for the utilization review agent's acts pursuant to
19 A.R.S. §20-2532 (D).

20 3. Respondent's conduct constitutes the unintentional violation of any provision of
21 this title, within the meaning of A.R.S. §20-220(A) (1).

22 4. Respondent's conduct constitutes the failure, at the time of issuing a denial, to
23 notify members of their right to appeal in violation of A.R.S. §20-2533 (D).

1 5. Grounds exist for the Director to suspend, revoke or refuse to renew
2 Respondent's certificate of authority or to impose a civil penalty pursuant to A.R.S. §20-
3 220(A) and (B).

4 **ORDER**

5 **IT IS ORDERED THAT:**

6 1. Blue Cross shall cease and desist from failing to notify its members of their right
7 to appeal at the time a denial of a health care claim or request for a health care service is
8 issued.

9 2. Blue Cross shall conduct semi-annual audits of chiropractic claims and request
10 for services denied in whole or in part by or on behalf of Blue Cross in calendar year 2012 to
11 ensure that all Blue Cross members are receiving the required Notice of Appeal Rights.

12 3. On or before January 31, 2013, Blue Cross shall report the results of the self-
13 audits to the Department.

14 4. Blue Cross shall pay a civil penalty of \$10, 000 to the Director for deposit in the
15 State General Fund in accordance with ARS §20-220 (B). This civil penalty shall be provided
16 to the Director at the time this Order is signed.

17 DATED AND EFFECTIVE this 26th day of April, 2012.

18 
19 _____
20 CHRISTINA URIAS
21 Director of Insurance

22 **CONSENT TO ORDER**

23 1. Respondent has reviewed the foregoing Findings of Fact, Conclusions of Law
and Order.

1 2. Respondent admits the jurisdiction of the Director of Insurance, State of
2 Arizona, and admits the foregoing Findings of Fact and consents to the entry of the foregoing
3 Conclusions of Law and Order.

4 3. Respondent is aware of its right to notice and a hearing at which they may be
5 represented by counsel, present evidence and examine witnesses. Respondent irrevocably
6 waives its right to such notice and hearing and to any court appeals relating to this Consent
7 Order.

8 4. Respondent states that no promise of any kind or nature whatsoever, except as
9 expressly contained in this Consent Order, was made to them to induce them to enter into
10 this Consent Order and that it has entered into this Consent Order voluntarily.

11 5. Respondent acknowledges that the acceptance of this Consent Order by the
12 Director is solely to settle this matter against it and does not preclude any other agency,
13 officer, or subdivision of this state including the Department from instituting civil or criminal
14 proceedings as may be appropriate now or in the future not related to this matter.

15 6. Respondent acknowledges that this Consent Order is a public record and may
16 be released in response to a request from the public. Respondent also acknowledges that
17 the Department will post the status of Respondent's license on its website. The Department
18 may, at its discretion, release the content of this Consent Order.

19 BLUE CROSS AND BLUE SHIELD OF ARIZONA, INC.

4/13/12


20 Date

By: Deanna Stelman

1 COPIES of the foregoing mailed/delivered
this 27th day of April, 2012, to:

2 Richard L. Boals
3 President
4 Blue Cross and Blue Shield of Arizona, Inc.
5 P O Box 13466
6 Phoenix, AZ 85002-3466

7 Mary E. Kosinski, Executive Assistant for Regulatory Affairs
8 Mary Butterfield, Assistant Director
9 Catherine M. O'Neil, Consumer Legal Affairs Officer
10 Kurt Regner, Financial Affairs Division
11 Maria Chavira, Market Oversight Division
12 Department of Insurance
13 2910 North 44th Street, Suite 210
14 Phoenix, Arizona 85018

15 
16 Curvey Walters Burton
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