

PRESS RELEASE

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ARIZONA DEPARTMENT OF INSURANCE ORDERS HEALTH NET TO CORRECT PROVIDER PAYMENT VIOLATIONS

Director of Insurance, Charles Cohen, announced the results of the first major examination of an HMO under Arizona's recently enacted health care provider timely payment and grievance law. Under a Consent Order issued on July 14, 2003, the Department of Insurance ordered Health Net of Arizona, Inc. to pay a civil penalty of \$58,000 for violations that occurred between January 1, 2001 and July 15, 2001. Health Net was also ordered to take corrective action. Health Net is currently the 5th largest HMO in Arizona in terms of number of enrollees.

Based on the same examination, the Department ordered Health Net Life Insurance Company (an affiliated indemnity insurer) to pay a civil penalty of \$41,600 for timely payment violations during the same period and to take similar corrective action. Arizona law limits the allowable monetary penalties against insurers for regulatory violations.

"This is a significant step in the enforcement of this important new law. Timely and accurate payment to health care providers is essential to a functional health insurance market," said Director Cohen.

The timely pay law, a component of major managed care legislation which became effective January 1, 2001, established new requirements for health insurers in Arizona with regard to how long they may take to pay health care provider claims and how they process such claims. The Department of Insurance found that each Health Net company had failed to approve or deny "clean" claims within thirty days after receipt, as required by the law. The Department also found that each insurer violated the law by failing to request additional information about non-clean claims within 30 days after receipt, and by denying non-clean claims without requesting additional information.

In addition, the timely pay law requires health insurers to establish an internal system for resolving payment disputes and other provider grievances. The law also requires insurers to keep certain provider grievance records. The Department found that neither insurer had established an effective grievance system and that neither kept the required records.

Both Health Net companies were ordered to implement corrective action programs to modify their claims systems and provider contracts and to develop effective provider grievance processes. The Department will monitor the companies' progress according to specific objectives and timelines established in the orders.

“One significant product of this examination will be a heightened understanding by health insurers that the new law is not necessarily consistent with their established contracts and claims payment systems,” said Cohen.

According to Director Cohen, examinations of this kind are only one part of the Department's administration and enforcement of the provider timely pay and grievance law. “We have been working with insurers and providers on an informal basis to educate them about the law and about our regulatory expectations. Through enforcement action and dialogue with stakeholders, we will continue to define the standards and improve the compliance in this area,” he said.

Health care providers can learn more about the timely pay and grievance law and how to access to health care insurers' grievance processes by obtaining a copy of the Department of Insurance's publication, “Timely Pay-Grievances, Health Care Provider Rights.” The brochure is available on the Department website at www.state.az.us/id/publications, or by calling (602) 912-8464.

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