

PRESS RELEASE

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State Insurance Director Urges Medical Providers of Premier Healthcare to Honor Contracts

Arizona Insurance Director Charles R. Cohen has notified doctors and other contract health care providers of Premier Healthcare of Arizona that payment for services provided after the HMO went into receivership will begin shortly.

The Arizona Department of Insurance obtained a Maricopa County Superior Court order on Nov. 16, finding Premier insolvent and appointing Cohen as Receiver.

In a memorandum to contract providers dated Dec. 14, Cohen reminded the providers that their contracts, the receivership order and state law prohibit contract providers from:

- Refusing to see Premier enrollees.
- Pursuing Premier enrollees for payment of outstanding balances beyond co-pays and deductibles.
- Requiring payment in advance as a condition of seeing Premier enrollees.
- Limiting services to emergencies only.

In addition, Cohen urged providers not to attempt to terminate provider service agreements.

Cohen has stated that his prime concerns are transferring Premier enrollees to other insurance coverage as quickly and smoothly as possible and providing a continuation of coverage for those enrollees who are still with Premier. He reiterated his requests for the continued cooperation of contract providers during the transition period.

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Less than 5 percent of the contract providers have attempted to terminate their agreements with Premier or are otherwise failing to comply with the terms of their contracts, according to Cohen. "We have contacted, or are in the process of contacting, each of them," Cohen said.

On the date of receivership, Premier had approximately 55,000 non-Medicare enrollees. Cohen estimated that by Dec. 31, 26,000 to 28,000 enrollees will remain with Premier, and that approximately 29,000 will have been transitioned out of Premier. The transition is not occurring as rapidly as originally projected due to higher than anticipated rates and other underwriting issues encountered by brokers attempting to find replacement coverage.

"I commend the professional agents, brokers and underwriters who are working so hard to find appropriate replacement coverage for their clients," Cohen said. "They are really partners with us in this process."

Medicare canceled its contract with Premier effective Dec. 1, removing 20,778 beneficiaries from Premier's coverage. Those who did not obtain alternative HMO coverage were automatically returned to traditional fee-for-service Medicare.

Premier's statutorily required plan for risk of insolvency includes \$10 million of reinsurance coverage to pay post receivership claims. Reinsurance is coverage issued to an insurer to cover part or all of its liability under insurance policies it has issued. In addition, premiums received covering the post receivership period will be applied toward those claims, Cohen said.

The plan for risk of insolvency covers Premier claims for 60 days from Nov. 16, or until group contracts expire, whichever is longer. In addition, claims will be paid for Premier enrollees who were hospitalized as of Nov. 16, until the patient is discharged.

"Preliminary projections indicate that the plan for risk of insolvency will be adequately funded to discharge claims incurred after the receivership commenced on Nov. 16," Cohen said.

If it appears that the plan for risk of insolvency may not be adequate to pay all post receivership claims, Cohen pledged to notify providers immediately.

By law, claims for pre-receivership services must be handled separately from the payment of claims for post receivership services.

"The receiver is identifying and collecting Premier's pre-receivership assets, including substantial amounts of unbilled and uncollected premiums and reinsurance recoveries," Cohen stated. "It would be premature to speculate how much will ultimately be available for payment of pre-receivership claims or whether pre-receivership claims will be paid in full or in part."