



- PacifiCare failed to acknowledge or pay a claim within 20 working days after being notified of the claim in 37 percent of the paid claim files examined.
- PacifiCare failed to notify a first party claimant that PacifiCare needed more time to determine whether the claim should be accepted or denied and the reason for such delay within 20 working days after being notified of the claim and every 45 days thereafter while the investigation remained incomplete in 37 percent of the paid claim files and 27 percent of the denied claim files examined.

As a result of the examination, the Director found the following facts with regard to claims handled by provider groups authorized to handle claims on PacifiCare's behalf:

- PacifiCare's authorized provider groups failed to acknowledge or pay a claim within 20 working days after being notified of the claim in 65 percent of the paid claim files and 69 percent of the denied claim files examined.
- PacifiCare's authorized provider groups failed to notify a first party claimant that PacifiCare needed more time to determine whether to accept or deny the claim and the reason for such delay within 20 working days after being notified of the claim and every 45 days thereafter while the investigation remained incomplete in 65 percent of the paid claim files and 70 percent of the denied claim files examined.
- PacifiCare's authorized provider groups failed to provide a written explanation of the basis relied on in the insurance policy in 67 percent of the denied claim files examined.
- PacifiCare's authorized provider groups denied a claim without conducting a reasonable investigation in 20 percent of the denied claim files examined.

The claims handling problems cited herein are recurring. The Director found PacifiCare not to be in compliance with each of the claims handling standards cited herein in the published reports for one or both of the two previous examinations, covering the periods from 1989 to 1991 and 1991 to 1994. In 1996, the Director fined PacifiCare \$20,000 for denying emergency room claims without conducting a reasonable investigation.

### **Ultimate Facts**

PacifiCare, itself and by its authorized provider groups, failed to acknowledge or pay claims within 20 working days after being notified of the claims. (OAR 836-080-225(1)).

PacifiCare, by its authorized provider groups, failed to provide a written explanation of the basis relied on in the insurance policy in 67 percent of the denied claim files examined. (OAR 836-080-235(1)).

PacifiCare, itself and by its authorized provider groups, failed to notify first party claimants that PacifiCare needed more time to determine whether to accept or deny the claims and the reason for such delay within 20 working days after being notified of the claims and every 45 days thereafter while the investigation remained incomplete. (OAR 836-080-235(3)).

PacifiCare, by its authorized provider groups, denied claims without conducting a reasonable investigation. (ORS 746.230(1)(d)).

### **Conclusions**

PacifiCare did not comply with Oregon Administrative Rules (OAR) 836-080-0225(1), 836-080-0235(1) and (3), and Oregon Revised Statutes (ORS) 746.230(1)(d).

### **Action**

PacifiCare shall pay a civil penalty of \$50,000 pursuant to ORS 731.988. Payment shall be made in the form of a check payable to the "Department of Consumer and Business Services" for the full amount due. Payment shall be personally delivered or mailed to the Insurance Division so that it is received on or before the date of this order.

The Director shall conduct a special market conduct examination of PacifiCare and its authorized provider groups pursuant to ORS 731.300 and OAR 836-075-0050. The Director shall conduct the examination approximately six months after the date of this order. PacifiCare shall pay the expenses incurred by the Director for conducting the examination pursuant to ORS 731.316.

Dated February 6, 1999.

/s/ Deborah L. Origer  
Deborah L. Origer  
President  
PacifiCare of Oregon, Inc.

**FINAL ORDER**

The Director adopts, and incorporates herein by this reference, the Facts, Ultimate Facts, Conclusions and Action in the above Stipulation as the Findings of Fact, Ultimate Findings of Fact, Conclusions of Law and Order, respectively, of this Final Order.

Dated March 4, 1999.

/s/ Michael Greenfield  
Michael Greenfield  
Director  
Department of Consumer and Business Services