

STATE OF OREGON
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
INSURANCE DIVISION

In the Matter of **QualMed Oregon Health Plan, Inc.**) **STIPULATION** and
) **FINAL ORDER**
) Case No. INS 00-10-012
) File No. 2443 IV

STIPULATION

The Director of the Department of Consumer and Business Services (Director) commenced the above entitled administrative proceeding, pursuant to Oregon Revised Statutes (ORS) 731.256, to take certain disciplinary action against QualMed Oregon Health Plan, Inc. (QualMed) for violating the Oregon Insurance Code and related administrative rules.

QualMed enters into this stipulation, pursuant to ORS 183.415(5), to conclude this proceeding without further administrative or judicial proceedings. The person signing this stipulation on behalf of QualMed represents that he or she is so authorized by QualMed.

QualMed waives the right to receive a notice of proposed action, notice of rights and notice of judicial review, to have a hearing and to be represented by an attorney at the hearing, and to judicial review of the final order.

QualMed admits and agrees to the following facts, conclusions and action.

Facts

Licensing

QualMed, currently known as Health Net Health Plan of Oregon, Inc, is an Oregon corporation. Judi Irving is the President of Health Net. Health Net's main administrative office is located at 12901 SE 97th Avenue, Clackamas, OR 97015-0286. Health Net has been licensed in Oregon as a domestic health care service contractor since 6/22/89. Health Net's Insurance Division company number is 147 and its National Association of Insurance Commissioners (NAIC) identification number is 095800.

Special Market Conduct Examination

From April to July 1999, the Insurance Division conducted a follow up market conduct examination of QualMed and found that QualMed engaged in the following conduct:

Refusing to Pay Claims Without Conducting a Reasonable Investigation

QualMed refused to pay 32 percent of the claims examined without conducting a reasonable investigation of the claim. The majority of failures were due to the Company denial of a claim without first requesting additional information that may have rendered the claim payable and failing to forward claims to delegated provider groups for payment.

Imposing an Impermissible Requirement to Prove Prior Creditable Coverage

QualMed's underwriting manual indicated that QualMed imposed pre-existing conditions in violation of state law. Specifically, it did not allow proper credit for prior insurance provided by the Oregon Health Plan.

Impermissibly Using Individual Health Statements

QualMed's underwriting manual also indicated that QualMed used information about the health of individuals in violation of state law. Specifically, QualMed used individual health information when underwriting newly eligible subgroups of associations with two to ten employees. State law allows the use of individual health statement underwriting only when an applicant is a late enrollee.

Other Violations

The examination also revealed numerous additional violations including improper record keeping, failure to acknowledge claims in a timely manner and failure to provide required disclosures in its marketing materials for small employers.

Recurring Events

The violations cited herein are recurring. The Director found similar violations in the published reports for one or both of the previous examinations covering the three year periods ending 9/30/94 and 12/31/96.

Ultimate Facts and Conclusions

QualMed violated ORS 746.230(1)(d) by refusing to pay insurance claims without conducting a reasonable investigation.

QualMed violated OAR 836-053-0040 and 836-053-0250 by failing to provide proper credit for prior creditable coverage.

QualMed violated ORS 743.766 by using individual health statements.

Action

QualMed 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 delivered or mailed to the Insurance Division at 350 Winter Street, Room 440, Salem, OR 97301-3883. Payment shall be received by the Insurance Division by the date of the Final Order.

Dated February 15, 2001.

/s/ Judi Irving
Judi Irving
President
Health Net Health Plan of Oregon, Inc.

FINAL ORDER

The Director makes the following final decision in this proceeding in accordance with ORS 731.248 and 183.415(5) and related rules.

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 7, 2001.

/s/ Mary C. Neidig
Mary C. Neidig
Director
Department of Consumer and Business Services

CERTIFICATE OF SERVICE

I certify that I served this Stipulation and Final Order by mailing a copy thereof in a sealed envelope, with postage prepaid, to the party named therein on the date below.

Dated March 7, 2001.

/s/ Mitchel D. Curzon
Mitchel D. Curzon
Administrative Law Specialist
Insurance Division

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