

**STATE OF OREGON
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
INSURANCE DIVISION**

In the Matter of **Pacific Hospital Association**) **STIPULATION** and
dba PacificSource Health Plans) **FINAL ORDER**
) Case No. INS 03-08-022

STIPULATION

The Director of the Oregon Department of Consumer and Business Services (director) commenced this administrative proceeding, pursuant to Oregon Revised Statutes (ORS) 731.256, to take enforcement action against Pacific Hospital Association dba PacificSource Health Plans (PacificSource) as a result of a market conduct examination of PacificSource by the Insurance Division.

PacificSource enters into this stipulation, pursuant to ORS 183.415(5), to conclude this proceeding without further administrative or judicial proceedings.

PacificSource waives all rights relative to an administrative hearing and judicial review thereof.

PacificSource stipulates to the following facts, conclusions, and action, and consents to issuance of a final order incorporating this stipulation.

Facts and Conclusions

Licensing Information

PacificSource has been licensed in Oregon as a domestic health care service contractor since 6/20/40. PacificSource's last recorded principal business address is located in Eugene, Oregon.

Market Conduct Examinations

The Insurance Division conducted a standard market conduct examination of PacificSource as of 12/31/99 to determine whether PacificSource was generally complying with the Oregon Insurance Code and related administrative rules relating to complaint handling, claims handling, and underwriting. The Insurance Division found that PacificSource had not complied with 15 provisions of the Insurance Code and related rules and recommended that PacificSource comply with such laws. Subsequently, the Insurance Division conducted a follow up market

conduct examination of [PacificSource as of 6/30/02](#) to determine whether PacificSource had complied with the recommendations from the prior examination. On 9/16/03, the Insurance Division filed a final report of the follow up examination, which is incorporated herein by this reference. In the report, the Insurance Division found that PacificSource had not complied with seven of the 15 recommendations from the prior examination including the recommendation relating to ORS 746.230(1)(d). The Insurance Division found that PacificSource violated ORS 746.230(1)(d) in 16 instances by engaging in the following conduct. ORS 746.230(1)(d) prohibits a person from refusing to pay claims without conducting a reasonable investigation based on all available information. In a sample of 50 out of 155 claims files, PacificSource denied 14 claims for emergency room services, one claim for outpatient services, and one claim for a medical screening exam, without investigating whether each claimant's symptoms qualified as an emergency medical condition. See final examination report pp.16-17.

Action

Pursuant to ORS 731.988, PacificSource shall be assessed a civil penalty of \$10,000. However, the civil penalty is suspended, and shall be either withdrawn or reinstated upon the following conditions.

The Insurance Division shall conduct another follow up market conduct examination in about six months after the date of the final order to determine whether PacificSource complied with the recommendations from the prior examination, especially the recommendation relating to ORS 746.230(1)(d), from the date of the final order to the date of examination. If the Insurance Division finds that PacificSource complied with ORS 746.230(1)(d) during the period examined, then the civil penalty shall be withdrawn without further action by the director. However, if the Insurance Division finds that PacificSource did not comply with ORS 746.230(1)(d) during the period examined, then the suspension of the civil penalty shall be terminated and the civil penalty shall be reinstated without further action by the director. The payment of the reinstated civil penalty shall be made in the form of a check payable to the "Department of Consumer and

Business Services" for the full amount due. The payment shall be delivered to the Insurance Division at 350 Winter Street NE, Room 440, Salem, OR 97301-3883, or mailed to the Insurance Division at PO Box 14480, Salem, OR 97309-0405. The payment shall be received by the Insurance Division by the 30th calendar day after the date the PacificSource receives the final report of the follow up examination.

Dated May 3, 2005

/s/ Kenneth P. Provencher
[Signature of Representative]

Kenneth P. Provencher
[Printed Name of Representative]

President and Chief Executive Officer
[Printed Title of Representative]

Pacific Hospital Association
dba PacificSource Health Plans

FINAL ORDER

The director incorporates herein the above stipulation, adopts it as the director's final decision in this proceeding, and orders that the action stated therein be taken.

Dated May 23, 2005

/s/ Cory Streisinger
Cory Streisinger
Director
Department of Consumer and Business Services

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