

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

In the Matter of **PacificSource Health Plans** ) **STIPULATION** and  
 ) **FINAL ORDER**  
 ) Case No. INS 08-11-002

**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 PacificSource Health Plans (PacificSource).

PacificSource desires to conclude this proceeding without a hearing by entering into this stipulation pursuant to ORS 183.417(3).

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

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

**Facts and Conclusions**

Licensing Information

PacificSource, formerly known as Pacific Hospital Association dba PacificSource Health Plans, has been licensed in Oregon as a domestic health care service contractor since 6/20/1940. PacificSource's last recorded principal business address is located in Springfield, Oregon.

Failed to Notify Claimant Additional Time Needed to Accept or Deny Claim

PacificSource is subject to enforcement action pursuant to OAR 836-080-0235(4) because of the following circumstances. ORS 750.055(1)(g) makes ORS 746.230(1)(b) applicable to health care service contractors like PacificSource. ORS 746.230(1)(b) implements OAR 836-080-0235(4). OAR 836-080-0235(4) requires an insurer that receives from an insured a proof of loss of a claim but needs more time to investigate the claim, to notify the insured within 30 days after

receiving the proof of loss, and every 45 days thereafter while the investigation remains incomplete, why the insurer needs more time to investigate the claim. From 6/16/07 to 12/4/07, PacificSource received proofs of loss from insureds, and needed more time to investigate the claims, but failed to initially notify the insureds in an estimated 57,910 instances, and failed to subsequently notify the insureds in an estimated 10,547 instances, why PacificSource needed more time to investigate the claims. PacificSource reported that during this period it was working through a computer conversion and believed that all required notices were properly programmed to occur automatically, and that upon discovery of the programming oversight, it took immediate corrective action. PacificSource also reported that only about thirty percent (30%) of its business was on the new computer system, and no interruption in the required notices occurred for the remaining seventy percent (70%) of its business. Currently, PacificSource reports that processes are in place to ensure continued compliance with OAR 836-080-0235(4).

**Action**

Pursuant to ORS 731.988, PacificSource is assessed a civil penalty of \$20,000. The payment 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 the Labor and Industries Building, 350 Winter Street NE, Room 440 (4<sup>th</sup> Floor), Salem, Oregon; 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 date of the final order.

Dated November 21, 2008

/s/ Ken Provencher  
[Signature of Representative]  
Ken Provencher  
[Printed Name of Representative]  
President & CEO  
[Printed Title of Representative]  
PacificSource Health Plans

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**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 December 17, 2008

/s/ Cory Streisinger

Cory Streisinger

Director

Department of Consumer and Business Services

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