STATE OF OREGON
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
INSURANCE DIVISION

In the Matter of **Providence Health Plan**	)	**STIPULATION** and
	)	**FINAL ORDER**
	)	Case No. INS 09-09-005

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 Providence Health Plan (Providence).

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

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

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

Facts and Conclusions

Licensing Information

Providence has been licensed in Oregon as a domestic health care service contractor since 9/5/84. Providence's last recorded principal business address is located in Portland, Oregon.

Failed to Pay Claim Without Conducting a Reasonable Investigation

Providence is subject to enforcement action pursuant to ORS 746.230(1)(d) because of the following circumstances. ORS 746.230(1)(d) prohibits insurers from refusing to pay claims without conducting a reasonable investigation based on all available information. ORS 750.055(1)(g) makes, among other things, ORS 746.230 applicable to health care service contractors. From 7/1/06 to 8/20/08, Providence received 6,863 of certain types of claims for benefits under health insurance policies issued by Providence to or covering persons residing in Oregon. Providence had

contracted with claims administrators to receive and process most of these claims but retained the responsibility to receive and process the remaining claims. Providence implemented a procedure to process claims that were to be sent to a claims administrator but instead were sent to Providence. In accordance with this procedure, Providence denied 6,843 claims that were to be sent to a claims administrator, and returned them to the claimants. Providence also denied 20 claims that were to be sent to Providence. Providence informed all of the claimants that the claims were not covered, which was not necessarily correct, but nevertheless instructed the claimants to send their claims to a claims administrator, which also was not necessarily correct. Although Providence believed that this procedure would cause the claims to be processed more quickly, this procedure had the effect of confusing claimants about whether the claims were payable and who the claims should be sent to, shifting Providence's responsibility for investigating the claims to the claimants, delaying processing claims which were eventually resent, and not paying claims which were not resent. Of the 6,863 claims, 4,260 were resent by claimants to a claims administrator and the claims administrators processed the claims. A particular person who resided in Oregon was insured under a policy issued by Providence and sent to Providence claims for reimbursement for payment of five medical services received from 7/17/07 to 9/21/07. The claims were to be sent to Providence, not a claims administrator. However, on or about 10/23/07, Providence denied the claims and returned them to the claimant with an instruction to send the claims to a claims administrator. On 11/5/07, the claimant complained to the Insurance Division. The Insurance Division contacted Providence about the complaint. Providence determined that 2,583 of the 6,843 claims that were to be sent to a claims administrator had not been resent to either Providence or a claims administrator. Providence directed the claims administrators to process the claims. The claims administrators processed the claims, determined that 422 of the 2,583 claims were entitled to benefits, and paid $51,342.99 in benefits for the claims. Providence also determined that the 20 claims that were to be sent to Providence had not been resent to either Providence

or a claims administrator. Providence processed and paid $2,201.22 in benefits for the claims. The total benefits paid were $53,544.21. Providence took corrective action by changing its procedures.

Action

Pursuant to ORS 731.988(1), Providence is assessed a civil penalty of $30,000. 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, 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 10/8/09

/s/ Jack A. Friedman
[Signature of Representative]
Jack A. Friedman
[Printed Name of Representative]
Chief Executive Officer
[Printed Title of Representative]
Providence Health Plan

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 10/29/09

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

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