

MAY 22 2006

DEPT OF INSURANCE
BY CS

STATE OF ARIZONA
DEPARTMENT OF INSURANCE

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In the Matter of:) Docket No. 06A-077-INS
)
HEALTH NET OF ARIZONA, INC.,)
NAIC #95206;) CONSENT ORDER
)
Respondent.)

Examiners for the Department of Insurance (the "Department") conducted a compliance examination ("Examination") of Health Net of Arizona, Inc. ("HNA") covering the time period from July 14, 2003 through November 30, 2003. The Report of the Consent Examination of HNA dated September 1, 2004 ("Report"), which is included herein by reference, alleges that HNA violated A.R.S. §§ 142(A) and (B). HNA wishes to resolve this matter without formal proceedings. HNA admits the following Findings of Fact are true solely for purposes of resolving the allegations contained in the Report. HNA consents to the entry of the following Conclusions of Law and Order.

FINDINGS OF FACT

1. HNA is authorized to operate as a health care services organization pursuant to a Certificate of Authority issued by the Director.

2. On July 14, 2003, the Department filed a Consent Order dated July 14, 2003 between the Department and HNA (the "Previous Consent Order") in which HNA agreed to implement four Corrective Action Plans ("CAPs 1, 2, 3 and 4"). Based on the Examination, the Department determined that:

A. HNA failed to comply with CAP 1 of the Previous Consent Order. HNA made progress toward the deficiency corrections required in CAP 1.

B. HNA failed to timely comply with CAP 3 of the Previous Consent Order. HNA subsequently complied with CAP 3.

1 **CONCLUSIONS OF LAW**

2 1. The Previous Consent Order is a lawful order of the Director. The Director has the
3 authority to enforce any lawful order. A.R.S. §§ 20-142(A) and (B).

4 2. Violations of A.R.S. §§ 20-142(A) and (B).

5 A. HNA's failure to comply with CAP 1 of the Previous Consent Order
6 constitutes a violation of A.R.S. §§ 20-142(A) and (B).

7 B. HNA's failure to timely comply with Cap 3 of the Previous Consent Order
8 constitutes a violation of A.R.S. §§ 20-142(A) and (B).

9 3. The Director has grounds to impose a civil penalty on HNA for these violations
10 pursuant to A.R.S. § 20-1065(E).

11 **ORDER**

12 **IT IS HEREBY ORDERED THAT:**

13 1. On the 15th day of each month, beginning June 15, 2006 HNA shall submit to the
14 Department for the Director's review information adequate to allow the Department to
15 determine whether HNA has complied with CAP 1 of the Previous Consent Order, specifically:

16 a. Whether HNA pends no less than ninety-five percent (95%) of unclean
17 claims before requesting additional information, rather than denying such claims. Unless
18 permitted otherwise by the Director in advance in writing, the information that HNA submits to
19 the Director under this subsection of this Consent Order shall include, without limitation, the
20 following data for the previous calendar month:

21 i. The number of claims that HNA denied because the claims
22 were not clean, and

23 ii. The number of claims that HNA pended because the claims
24 were not clean.

25 b. Whether, when it receives additional information, HNA links the additional
information to the pended, unclean claim (the "pended claim") no less than ninety-five percent

1 (95%) of the time. In this Consent Order, the term "additional Information" includes duplicate
2 claims that contain information that HNA has requested in order to adjudicate an unclear claim.
3 Unless permitted otherwise by the Director in advance in writing, the information that HNA
4 submits to the Director under this subsection of this Consent Order shall include without
5 limitation the following data for the previous calendar month:

6 i. The number of pending claims that HNA failed to adjudicate after
7 it received additional information that related to the pending claims, and

8 ii. The number of pending claims that HNA adjudicated after it
9 received additional information that related to the pending claims .

10 c. Whether HNA auto denies no less than ninety-five percent (95%) of pending
11 claims with regard to which it has not received additional information in a designated,
12 reasonable number of days. Unless permitted otherwise by the Director in advance in writing,
13 the information that HNA submits to the Director under this subsection of this Consent Order
14 shall include without limitation the following data for the previous calendar month:

15 i. The number of pending claims that HNA failed to auto deny when
16 it did not receive additional information, and

17 ii. The number of pending claims that HNA auto denied when it did
18 not receive additional information.

19 2. In this Consent Order, the terms "auto deny" or "auto denied" refer to a process by
20 which HNA denies claims it pending in order to request additional information when it has not
21 received the additional information in a designated, reasonable number of days.

22 3. The information described in Order No. 1 above shall include the required data for
23 professional, outpatient and inpatient claims that HNA received on or after January 1, 2006.

24 4. HNA shall continue the monthly submissions described in Order No. 1 until the
25 Director determines from the submitted information that HNA has complied with CAP 1 of the
Previous Consent Order for six months in a row, and notifies HNA of that determination in

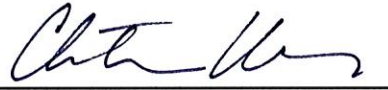
1 writing.

2 5. HNA shall make no objection to the Department using examiners or other
3 authorized representatives to verify the data HNA submits to the Department under Order No.
4 1 above and to verify that that HNA has complied with all provisions of this Order.

5 6. HNA shall pay a civil penalty of \$2,000 to the Director for deposit in the State
6 General Fund for violating a lawful order of the Director. HNA shall pay this penalty at the time
7 it signs and returns this Consent Order to the Director.

8
9 Upon receiving this signed Consent Order and penalty payment from HNA, the Director shall
10 file the Consent Order, along with the Report and HNA's response to the Report, if any.

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12 DATED at Phoenix, Arizona this 19th day of May, 2006.

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15 Christina Urias
16 Director of Insurance

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CONSENT TO ORDER

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2 1. HNA has reviewed the foregoing Order.

3 2. HNA admits the jurisdiction of the Director of Insurance, State of Arizona,
4 admits the following Findings of Fact are true solely for purposes of resolving the allegations
5 contained in the Report and consents to the entry of the Conclusions of Law and Order.


6 3. HNA is aware of the right to a hearing, at which it may be represented by
7 counsel, present evidence and cross-examine witnesses. HNA irrevocably waives the right to
8 such notice and hearing and to any court appeals related to this Order.

9 4. HNA states that no promise of any kind or nature whatsoever was made to it to
10 induce it to enter into this Consent Order and that it has entered into this Consent Order
11 voluntarily.

12 5. HNA acknowledges that the acceptance of this Order by the Director of the
13 Arizona Department of Insurance is solely for the purpose of settling this matter and does not
14 preclude any other agency or officer of this state or its subdivisions or any other person from
15 instituting proceedings, whether civil, criminal, or administrative, as may be appropriate now or
16 in the future and does nor preclude this agency from instituting proceedings not related to this
17 matter as may be appropriate now or in the future.

18 6. Mark El-Tawil, who holds the office of President and Chief Executive Officer of
19 HNA is authorized to enter into this Order for it and on its behalf.

20 **HEALTH NET OF ARIZONA, INC.**

21
22 MAY 10, 2006 By 

23 Date

1 **COPY of the foregoing mailed/delivered**
2 **this 22nd day of May, 2006, to:**

- 3 Gerrie Marks
Deputy Director
- 4 Mary Butterfield
Assistant Director
Consumer Affairs Division
- 5 Paul J. Hogan
Division Chief
Market Oversight Division
- 6 Dean Ehler
Assistant Director
Property & Casualty Division
- 7 Steve Ferguson
Assistant Director
Financial Affairs Division
- 8 Alan Griffieth
Chief Financial Examiner
Financial Affairs Division
- 9 Alexandra Shafer
Assistant Director
Life and Health Division
- 10 Terry L. Cooper
Unit Chief
Fraud Unit

15 DEPARTMENT OF INSURANCE
16 2910 North 44th Street, Suite 210
Phoenix, AZ 85018

17 Health Net of Arizona, Inc.
18 Mark El-Tawil, President and CEO
19 1230 West Washington Street, Suite 400
Tempe, Arizona 85281-1245

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