



1 II. Failure to Comply With An Order of the Director

2 A. During the Examination Period, HNA failed to comply with the first Corrective Action  
3 Plan (CAP 1) in Consent Order One as follows:

- 4 1. HNA failed to pend no less than ninety-five percent (95%) of unclean claims  
5 before requesting additional information rather than denying such claims.
- 6 2. When HNA received additional information, it failed to link the additional  
7 information to the pending claim at least ninety-five percent (95%) of the time.
- 8 3. HNA failed to automatically dispose of/auto-deny at least ninety-five percent  
9 (95%) of aging pending claims.

10  
11 B. During the Examination period, HNA failed to comply with the Second Consent Order  
12 when it failed to submit information adequate to allow the Department to determine  
13 whether HNA had complied with CAP 1 of the First Consent Order. Specifically, HNA  
14 provided inaccurate information regarding the number of:

- 15 1. Unclean claims that HNA:
  - 16 a. Denied.
  - 17 b. Pending.
- 18 2. Pending claims that HNA:
  - 19 a. Adjudicated after receiving additional information.
  - 20 b. Failed to adjudicate after receiving additional information.
- 21 3. Aging pending claims that HNA:
  - 22 a. Auto-denied.
  - 23 b. Failed to auto-deny.

1 **CONCLUSIONS OF LAW**

2 I. Jurisdiction

3 The Director has the authority to enter and enforce this Order. A.R.S. § 20-142.

4 II. Failure to Comply With An Order of the Director

5 A. During the Examination Period, HNA violated A.R.S. § 20-142 (A)(B) by failing to  
6 comply with CAP 1 of the First Consent Order as follows:

- 7
- 8 1. HNA failed to pend no less than ninety-five percent (95%) of unclean claims  
9 before requesting additional information rather than denying such claims.
  - 10 2. When HNA received additional information, it failed to link the additional  
11 information to the pended claim at least ninety-five percent (95%) of the time.
  - 12 3. HNA failed to automatically dispose of/auto-deny at least ninety-five percent  
13 (95%) of aging pended claims.

14 B. During the Examination Period, HNA violated A.R.S. § 20-142 (A)(B) by failing to  
15 comply with the Second Consent Order when it failed to submit information adequate to  
16 allow the Department to determine whether HNA had complied with CAP 1 of the First  
17 Consent Order. Specifically, HNA provided inaccurate information regarding the number  
18 of:

- 19
- 20 1. Unclean claims that HNA:
    - 21 a. Denied.
    - 22 b. Pended.
  - 23 2. Pended claims that HNA:
    - 24 a. Adjudicated after receiving additional information.
    - 25 b. Failed to adjudicate after receiving additional information.
  3. Aging pended claims that HNA:
    - a. Auto-denied.
    - b. Failed to auto-deny.




1 **ORDER**

2 IT IS HEREBY ORDERED THAT:

3 Civil Penalty. HNA shall pay a civil penalty of \$20,000 to the Director for deposit in the State  
4 General Fund for the above-cited violations of Title 20. HNA shall remit this civil penalty to the  
5 Life & Health Division of the Department prior to the Department filing of this Order.

6  
7 The Department will file the Report of the Compliance Examination of HNA upon the filing of  
8 this order.

9  
10 DATED at Phoenix, Arizona this 2<sup>nd</sup> day of October, 2008.

11  
12   
13 Christina Urias  
14 Director of Insurance  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

1 **CONSENT TO ORDER**

- 2 1. HNA has reviewed the foregoing Order and carefully considered it in conjunction with its  
3 other business and regulatory requirements. HNA believes that it is able and prepared to  
4 comply fully with the Order, notwithstanding any of its other business and regulatory  
5 requirements.
- 6 2. HNA admits the jurisdiction of the Director of Insurance, State of Arizona, admits the  
7 Findings of Fact and consents to the entry of the Conclusions of Law solely for the purpose  
8 of resolving the allegations contained in the Report and consents to entry of the Order.
- 9 3. HNA is aware of the right to a hearing, at which it may be represented by counsel, present  
10 evidence and cross-examine witnesses. HNA irrevocably waives the right to such notice  
11 and hearing and to any court appeals related to this Order.
- 12 4. HNA states that no promise of any kind or nature whatsoever was made to it to induce it to  
13 enter into this Consent Order and that it has entered into this Consent Order voluntarily.
- 14 5. HNA acknowledges that the acceptance of this Order by the Director of the Arizona  
15 Department of Insurance is solely for the purpose of settling this matter. This Order does  
16 not preclude any other agency or officer of this state or its subdivisions or any other person  
17 from instituting proceedings, whether civil, criminal, or administrative, as may be  
18 appropriate now or in the future and does not preclude the Department from instituting  
19 proceedings as may be appropriate on other matters now or in the future.
- 20 6. Chuck Sowers, who holds the office of President of HNA, is authorized to enter into this  
21 Order for HNA and on its behalf.

22 HEALTH NET OF ARIZONA, INC.

23 9/17/08

24 Date

By




25 Chuck Sowers  
President  
Health Net of Arizona, Inc.

1 COPY of the foregoing mailed/delivered  
This 9th day of Oct., 2008 to:

- 2
- 3 Gerrie Marks  
Deputy Director
- 4 Mary Butterfield  
Assistant Director  
Consumer Affairs Division
- 5 Helene Tomme  
Market Oversight Division
- 6 Dean Ehler  
Assistant Director  
Property & Casualty Division
- 7 Steve Ferguson  
Assistant Director  
Financial Affairs Division
- 8 David Lee  
Chief Financial Examiner
- 9 Alexandra Shafer  
Assistant Director  
Life and Health Division
- 10 Terry L. Cooper  
Fraud Unit Chief

13 ARIZONA DEPARTMENT OF INSURANCE  
2910 North 44th Street, Suite 210  
14 Phoenix, AZ 85018

15 Health Net of Arizona, Inc.  
16 Gay Ann Williams  
Vice President State Legislative and Regulatory Compliance  
17 1230 W. Washington Street Suite 400  
18 Tempe, AZ 85281

19   
20 Curvey Burten