

DEC 4 1996

DEPT. OF INSURANCE
BY CRB

STATE OF ARIZONA
DEPARTMENT OF INSURANCE

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In the Matter of:)	Docket No. 96A-229
)	
SAMARITAN HEALTH PLAN, INC.)	CONSENT ORDER
NAIC #96130)	
Respondent.)	

Examiners for the Arizona Department of Insurance ("the Department") have conducted a market conduct examination of Samaritan Health Plan, Inc. ("SHP"), also referred to as "Respondent", covering the time period from April 4, 1992 to March 31, 1995. Based upon the examination results, it is alleged that SHP has violated the provisions of A.R.S. §§ 20-461 and 20-462, and A.A.C. 20-6-801. SHP wishes to resolve this matter without formal adjudicative proceedings and hereby agrees to a Consent Order.

The Director of Insurance of the State of Arizona ("the Director") enters the following Findings of Fact, and Conclusions of Law, which are neither admitted nor denied by SHP, and the following Order.

FINDINGS OF FACT

1. SHP is authorized as a Health Care Services Organization (HMO) pursuant to a Certificate of Authority issued by the Director.

2. The Examiners were authorized by the Director to conduct a market conduct examination of SHP. The on-site examination was completed on June 9, 1995.

3. The Examiners reviewed 24 of 24 complaints received by the Department. Fourteen of 15 claim denials involved emergency

1 room services. Ten of these 15 claims were reversed and
2 processed for payment. Five denials were upheld. The Examiners
3 found that SHP failed to adopt and implement reasonable
4 standards for prompt investigation of emergency services claims
5 and refused to conduct a reasonable investigation based upon all
6 available information.

7 4. The Examiners reviewed 104 of SHP's consumer
8 complaints and inquiries received by SHP during the time frame
9 of the Examination. Of the 43 claim-related consumer complaints
10 reviewed eight (10.9%) were not responded to by SHP within ten
11 working days of receipt of the complaint.

12 5. The Examiners reviewed 96 of 2,375 Appeals received by
13 SHP and Samaritan Health Insurance Company during the time frame
14 of the Examination. Ninety-three of the 96 Appeals reviewed
15 were made to SHP. Of the 93 claim-related Appeals reviewed 46
16 (49%) were not responded to by SHP within ten working days of
17 receipt of the Appeal.

18 6. The Examiners found that SHP failed to conduct a
19 prompt and reasonable investigation of emergency services claims
20 based upon all available information before denying one Appeal.

21 7. The Examiners reviewed 274 (100%) Grievances received
22 by SHP during the time frame of the Examination. Of these:

23 a. Forty-eight (17.5%) were not responded to by SHP
24 within ten working days of receipt of the Grievance.

25 b. Sixth-four (48%) of 133 reversals were the result of
26 additional investigation. SHP indicated to the Examiners that
27 if the information SHP initially received did not contain the
28 information reflecting a physician-directed emergency room

1 visit, SHP did not make any additional effort to ascertain if
2 the visit to the emergency room had been properly authorized.
3 SHP failed to properly investigate these claims prior to the
4 claim denial.

5 8. The Examiners reviewed 257 of 476,483 Arizona contract
6 health paid claims. Of these:

7 a. SHP failed to pay three claims (1.2%) pursuant to
8 the contract provisions.

9 b. SHP failed to pay interest to claimants on three
10 claims (1.2%) which were not paid in accordance with the
11 contract that SHP had with its providers.

12 9. The Examiners reviewed 196 of 26,598 Arizona contract
13 health denied claims. SHP failed to deny five claims (2.6%)
14 pursuant to the contract provisions.

15 10. The Examiners reviewed 109 of 158,948 noncontract paid
16 health claims. of these:

17 a. SHP failed to accept or deny 2 claims (1.8%)
18 within 15 working days of receipt of properly executed proofs of
19 loss.

20 b. SHP failed to pay interest on two claims (1.8%)
21 which were not paid within 30 calendar days after properly
22 executed proofs of loss were received by SHIC.

23 11. The Examiners reviewed 42 of 35,464 Arizona
24 noncontract denied health claims. Of these, SHP failed to deny
25 13 claims (31%) within 15 working days of receipt of properly
26 executed proofs of loss.

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CONCLUSIONS OF LAW

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2 1. By refusing to pay claims without conducting a
3 reasonable investigation based upon all available information,
4 SHP violated A.R.S. § 20-461(A)(4).

5 2. By failing to respond to grievances and appeals filed
6 by consumers within ten working days of receipt, SHP violated
7 A.A.C. R20-6-801(E)(3) and A.R.S. § 20-461(A)(2).

8 3. By failing to accept or deny claims within fifteen
9 working days of properly executed proofs of loss, SHP violated
10 A.A.C. R20-6-801(G)(1)(a) and A.R.S. § 20-461(A)(5).

11 4. By failing to pay interest on claims which were not
12 paid within 30 days after receipt of acceptable proofs of loss
13 which contained all information necessary for claim
14 adjudication, SHP violated A.R.S. § 20-462(A).

15 5. Grounds exist to allow the Director to suspend or
16 revoke the Certificate of Authority of SHP.

17 6. Grounds exist for the entry of all provisions of the
18 following Order.

ORDER

19 SHP having admitted the jurisdiction of the Director to
20 enter this Order, having waived the Notice of Hearing and the
21 hearing, having waived any and all rights to appeal this Order,
22 and having consented to the entry of this Order, and there being
23 no just reason for delay:
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1 IT IS ORDERED THAT:

2 1. SHP shall cease and desist from:

3 a. refusing to pay emergency room claims without
4 conducting a prompt and reasonable investigation based upon all
5 available information;

6 b. failing to respond to grievances and appeals
7 received from consumers within ten working days of receipt;

8 c. failing to notify first party claimants of the
9 acceptance or denial of their claims within 15 working days
10 after the receipt of properly executed proofs of loss;

11 d. failing to pay interest to insureds on claims not
12 paid within 30 days after the receipt of an acceptable proof of
13 loss which contains all information necessary for claim payment;

14 2. SHP shall pay interest to the claimants listed in
15 Exhibit 6A and Exhibit 8A of the Report of Examination, attached
16 hereto and made a part hereof. Interest shall be calculated the
17 the rate of ten percent per annum, from the date that each claim
18 was filed until the date of payment by SHP. All interest
19 payments shall be accompanied by a letter acceptable to the
20 Director. A list of payments, giving the name and address of
21 each party paid, the claim amount on which the interest was
22 calculated, the amount of interest paid, and the date of
23 payment, shall be furnished to the Market Conduct Examination
24 Division of the Department within 90 days of the filed date of
25 this Order.

26 3. The Department shall be permitted, through an
27 authorized representative, to verify that SHP has complied with
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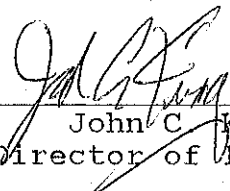
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all provisions of this Order. The Director may separately order SHP to comply with this Order.

4. SHP shall pay a Civil Penalty of TWENTY THOUSAND DOLLARS (\$20,000.00) to the Director for remission to the State Treasurer for deposit in the State General Fund in accordance with A.R.S. § 20-220(B). Said amount shall be provided to the Market Conduct Examinations Division of the Department on or before the entry of this Order.

5. The Report of Market Conduct Examination as of March 31, 1995, and the reponse to the Report submitted by SHP, shall be filed with the Department upon acceptance by the Director of this Consent Order.

DATED at Phoenix, Arizona this 4th day of December, 1996.



John C. King
Director of Insurance

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1 COPY of the foregoing mailed/delivered
2 this 4th day of December , 1996, to:

3 Charles R. Cohen
4 Deputy Director
5 Gregory Y. Harris
6 Executive Assistant Director
7 Erin H. Klug
8 Chief Market Conduct Examiner
9 Market Conduct Examinations Division
10 Paul J. Hogan
11 Examinations Supervisor
12 Market Conduct Examinations Division
13 Mary Butterfield
14 Assistant Director
15 Life & Health Division
16 Deloris E. Williamson
17 Assistant Director
18 Rates & Regulations Division
19 Gary Torticill
20 Assistant Director and Chief Financial Examiner
21 Corporate & Financial Affairs Division
22 Cathy O'Neil
23 Assistant Director
24 Consumer Services Division
25 John Gagne
26 Assistant Director
27 Investigations Division
28 Duane Avey
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Convey Walter Buter

SAMARITAN HEALTH PLAN, INC.

CONTRACT PAID CLAIMS

VIOLATIONS OF A.R.S. § 20-462(A)

<u>Claim Number</u>	<u>Date of Receipt</u>	<u>Date of Payment</u>	<u>Number of Calendar Days</u>
42651019	09/22/94	01/10/95	110
50120081	01/12/95	03/06/95	53
413800078	04/11/94	06/01/94	51

SAMARITAN HEALTH PLAN, INC.

NONCONTRACT PAID CLAIMS

VIOLATIONS OF A.R.S. § 20-462(A)

<u>Claim Number</u>	<u>Date of Receipt</u>	<u>Date of Payment</u>	<u>Number of Calendar Days</u>
227600035	06/01/92	10/05/92	126
21430174	05/22/92	07/13/92	52