

DEC 9 1996

STATE OF ARIZONA

DEPARTMENT OF INSURANCE

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| In the Matter of: |) | Docket 96A-235 - 75 |
| |) | |
| FIRST HEALTH OF ARIZONA, INC. |) | CONSENT ORDER |
| NAIC #95982 |) | |
| Respondent. |) | |
| |) | |

An Examiner for the Arizona Department of Insurance ("the Department") has conducted a market conduct examination of First Health of Arizona, Inc. ("FHA"), also referred to as "Respondent", covering the time period from August 31, 1992 to July 31, 1995. Based upon the examination results, it is alleged that FHA has violated the provisions of A.R.S. §§ 20-157 and 20-461, and A.A.C. 20-6-801. FHA 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 FHA, and the following Order.

FINDINGS OF FACT

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

2. The Examiner was authorized by the Director to conduct a market conduct examination of FHA. The on-site examination was completed on September 28, 1995.

3. The Examiner reviewed 100 (.3%) of approximately 27,526 Arizona contract health paid claims. Of these:

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a. FHA failed to date stamp four (4%) claims and the date of receipt of the claim could not be determined.

b. FHA failed to pay three (3.1%) Sun Health MedCare claims pursuant to the contract provisions.

c. FHA failed to pay 35 (36.4%) Sun City Physician Care claims pursuant to the contract provisions.

4. The Examiner reviewed 100 (4.2%) of approximately 2,362 noncontract paid health claims. of these:

a. FHA failed to date stamp nine (9%) claims and the date of receipt of the claim could not be determined.

b. FHA failed to pay 18 (19.8%) claims within 30 working days.

5. FHA failed to maintain claim denial records for the period of the examination.

CONCLUSIONS OF LAW

1. By failing maintain claim files so that pertinent events and the dates of such events can be reconstructed, FHA violated A.A.C. R20-6-801(C) and A.R.S. § 20-157(A).

2. By failing to accept, deny or pay claims within contractual and non-contractual time frames, FHA violated A.A.C. R20-6-801(G)(1)(a) and A.R.S. § 20-461(A)(5) as clarified by Circular Letter 93-1.

3. Grounds exist to allow the Director to suspend or revoke the Certificate of Authority of FHA.

4. Grounds exist for the entry of all provisions of the following Order.

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ORDER

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2 FHA having admitted the jurisdiction of the Director to
3 enter this Order, having waived the Notice of Hearing and the
4 hearing, having waived any and all rights to appeal this Order,
5 and having consented to the entry of this Order, and there being
6 no just reason for delay:

7 IT IS ORDERED THAT:

8 1. FHA shall cease and desist from:

9 a. failing to date stamp all claims received;

10 b. failing to pay or deny contracted claims within
11 the contracted time period after receipt of final proof of loss;

12 c. failing to pay or deny its contracted claims
13 within 15 working days after receipt of final proofs of loss in
14 which there is no contractual time period for payment in the
15 contract;

16 d. failing to pay non-contracted claims within 30
17 working days after receipt of final proofs of loss;

18 e. failing to maintain claim denials in compliance
19 with Arizona Statutes and Administrative Rules.

20 2. Within 90 days of the filed date of this Order, FHA
21 shall submit written action plans to the Director to ensure
22 payment and documentation of claims, and maintainance of records
23 in accordance with Arizona Statutes and Administrative Rules;
24 specifically, as to the issues listed in Items 1a. through 1e.
25 above.

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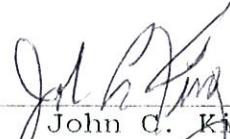
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all provisions of this Order. The Director may separately order
FHA to comply with this Order.

4. FHA shall pay a Civil Penalty of TWO THOUSAND FIVE
HUNDRED DOLLARS (\$2,500.00) 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). This 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 July
31, 1995, and the reponse to the Report submitted by FHA, shall
be filed with the Department upon acceptance by the Director of
this Consent Order.

DATED at Phoenix, Arizona this 6th day of December, 1996.



John C. King
Director of Insurance

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CONSENT TO ORDER

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2 1. Respondent First Health of Arizona, Inc. has reviewed
3 the attached Consent Order.

4 2. Respondent is aware of its right to a hearing at which
5 hearing it may be represented by counsel, present evidence and
6 cross-examine witnesses. Respondent has irrevocably waived its
7 right both to demand a public hearing and to seek judicial
8 review of this Order.

9 3. Respondent admits the jurisdiction of the Director of
10 Insurance, State of Arizona, and consents to the entry of this
11 Consent Order.

12 4. Respondent states that no promise of any kind or
13 nature whatsoever was made to it to induce it to enter into this
14 Order and that it has entered into this Order voluntarily.

15 5. Respondent acknowledges that the acceptance of this
16 Order by the Director of Insurance, State of Arizona, is solely
17 to settle this matter against it and does not preclude any other
18 agency or officer of this state or subdivision thereof from
19 instituting other civil or criminal proceedings as may be
20 appropriate now or in the future.

21 6. Leland W. Peterson, who holds the office
22 of President of First Health of Arizona, Inc.,
23 is authorized to enter into this Order for and on its behalf.

24
25 FIRST HEALTH OF ARIZONA, INC.

26 11/24/96
27 (Date)

By Leland W. Peterson

1 COPY of the foregoing mailed/delivered
2 this 9th day of December , 1996, to:

3 Charles R. Cohen
Deputy Director
4 Gregory Y. Harris
Executive Assistant Director
5 Erin H. Klug
Chief Market Conduct Examiner
Market Conduct Examinations Division
6 Paul J. Hogan
Examinations Supervisor
Market Conduct Examinations Division
7 Mary Butterfield
Assistant Director
Life & Health Division
8 Deloris E. Williamson
Assistant Director
Rates & Regulations Division
9 Gary Torticill
Assistant Director and Chief Financial Examiner
Corporate & Financial Affairs Division
10 Cathy O'Neil
Assistant Director
Consumer Services Division
11 John Gagne
Assistant Director
Investigations Division
12 Duane Avey
Fraud Unit Chief
13

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

17 Glenn D. Jones, Administrative Director
18 First Health of Arizona
19 10448 W. Coggins
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21

22 *Carney W. Burton*
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