

STATE OF OREGON
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
DIVISION OF FINANCIAL REGULATION

In the Matter of:

Case No. INS-16-0162

Health Net Health Plan of Oregon, Inc.

FINAL ORDER TO CEASE AND
DESIST, FINAL ORDER ASSESSING
CIVIL PENALTY ENTERED BY
CONSENT ORDER

Respondent.

The Director of the Department of Consumer and Business Services for the State of Oregon (“Director”), acting in accordance with Oregon Revised Statutes (“ORS”) chapters 731, 732, 733, 734, 735, 737, 742, 743, 743A, 744, 746, 748 and 750 (“Insurance Code”) conducted an investigation into the activities of Health Net Health Plan of Oregon, Inc. (Respondent).

Respondent wishes to resolve and settle this matter with the Director.

Now, therefore, as evidenced by the signature(s) subscribed on this Order, Respondent hereby CONSENTS to entry of this Order.

FINDINGS OF FACT

The Director FINDS that:

1. At all times relevant, Respondent was and is licensed by the Director to provide insurance to Oregon citizens. Respondent’s NAIC No. is 95800 and their business address is 13221 SW 68th, Suite 200, Tigard, Oregon 97223.

2. On or about December of 2014, the Insurance Division [nka the Division of Financial Regulation (DFR)] received a complaint from an insured that his claim with Respondent had not been paid. The Division began its investigation of this matter shortly after receiving the complaint.

3. During the ensuing investigation, it was discovered that Respondent was not paying claims filed by 73 insured individuals for a total 163 claims, nor was Respondent

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1 notifying the individuals of the status of their claims as required by ORS 746.230(1) and
2 OAR 836-080-0235(4). The problem began as early as 2013 and continued through
3 2015.

4 4. The claims were submitted by the insured on behalf of out-of-network
5 providers to Health Net's behavioral subsidiarity, MHN. The claims were determined to
6 be contested and were rejected by the provider's automated system due to, among other
7 things, missing information on the forms provided by the insurer. A list of the members
8 that were impacted by Respondent's inaction is attached as Exhibit A.

9 5. Respondent stated that they initially sent out a "contested case" letter to the
10 insured and that the claims were not denied but were left unprocessed (not paid) pending
11 further information from the insured. Respondent stated that they routinely did not
12 provide any follow up communication with the insured after the contested case letter was
13 sent to the insured.

14 6. After numerous requests were made by the Division regarding the
15 implementation of corrective measures by Respondent, Respondent stated in a letter
16 dated December 10, 2015, that they had developed a corrective plan to address behavioral
17 health contested claims in which follow-up letters would be provided as required until the
18 inquiry was closed. The corrective procedure would be implemented as of January 4,
19 2016.

20 7. Respondent stated that as the result of their internal investigation, they had
21 paid out \$3,618.14 on seven claims and that an additional five claims were approved and
22 amounts owing to the insured were applied towards the insured's deductibles.

23 8. Under ORS OAR 836-080-0235(4) after a claim is filed if an insurer needs
24 more time to respond to a claim, the insurer must notify the claimant within 30 days of
25 the reason that more time is needed. The insurer is required to send written notification

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1 each 45 days thereafter stating why additional time is needed for the investigation.
2 Respondent admittedly did not do this.

3 9. Under ORS 731.988(1) the Director may impose a civil penalty of up to
4 \$10,000 per violation upon any individual who violates a provision of the Insurance
5 Code.

6 CONCLUSIONS OF LAW

7 The Director CONCLUDES that:

8 10. By not providing any follow-up communication with the insured once the
9 initial response had been sent to the insured, Respondent violated OAR 836-080-0235(4).

10 11. By failing to acknowledge and act promptly regarding communications from
11 the insured relating to their claims, Respondent violated ORS 746.230(1)(b).

12 12. By failing to adopt and timely implement reasonable standards for prompt
13 investigation of claims, Respondent violated ORS 746.230(1)(c).

14 13. By failing to affirm or deny coverage of claims within a reasonable time after
15 proof of loss statements had been submitted, Respondent violated ORS 746.230(1)(e).

16 ORDER

17 Now therefore, the Director issues the following Orders:

18 14. As authorized by ORS 731.252(1), the Director ORDERS Respondent to
19 CEASE AND DESIST from violating any provision of the Insurance Code or the
20 administrative rules promulgated thereunder.

21 15. The Director, pursuant to ORS 744.074(1)(a), hereby orders Respondent to
22 pay a civil penalty of \$163,000 for 163 violations of ORS 746.230 (1)(b), (c) and (e) and
23 OAR 836-0080-0235(4) calculated at \$1,000 per violation. This calculation is based
24 upon the 163 claims that Respondent improperly processed in ways that resulted in
25 violations of the aforementioned statutes and rules. However, the Division will suspend
26 \$81,500 of the total civil penalty of \$163,000 as long as Respondent does not violate any

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1 provision of the Oregon Insurance code set out above, or any rule, order, or policy issued
2 by the Division. If Respondent is found to have committed any such violation, then the
3 suspended portion of the assessed civil penalty will become immediately due and
4 payable. If Respondent does not violate the Oregon Insurance Code set out above, or any
5 rule, order, or policy issued by the Division within three years from the date of the Order,
6 the suspended portion of the civil penalty will be waived three years from the date of this
7 order.

8 16. The CIVIL PENALTY assessed herein is due and payable at the time this
9 Order is returned to the Division.

10 SO ORDERED this 30th day of September, 2016.

11 PATRICK M. ALLEN, Director
12 Department of Consumer and Business Services

13 /S/David Tatman
14 David C. Tatman, Chief of Enforcement
15 Division of Financial Regulation

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ENTITY CONSENT TO ENTRY OF ORDER

I, /s/ Todd Graneto, state that I am an officer of Health Net Health Plan of Oregon, Inc., (Health Net) and I am authorized to act on its behalf. I have read the foregoing order and that I know and fully understand the contents hereof. I have been advised of the right to a hearing and of the right to be represented by counsel in this matter. Health Net voluntarily and without any force or duress consents to the entry of this order expressly waiving any right to a hearing in this matter. Health Net understands that the Director reserves the right to take further actions to enforce this order or to take appropriate action upon discovery of other violations of the Oregon Insurance Code. Health Net will fully comply with the terms and conditions stated herein.

Health Net further assures the Director that neither Health Net nor its officers, directors, employees, or agents will effect insurance transactions in Oregon unless such activities are in full compliance with the Oregon Insurance Code. Health Net understands that this consent order is a public document.

Dated this 12th day of September 2016.

By Todd Graneto
VP, Finance (Title)

State of Oregon

County of Lane

Signed or attested before me on this 12th day of September, 2016

By Todd Graneto.

/S/ Sandra Lee Stepp
Notary Public

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