



7. In their examination of HPHC's administration of its behavioral health benefits, BOI staff found that HPHC did not adequately meet industry standards for ensuring, through VOI, its third party administrator, adequate documentation of claims files or Maine Insurance Code requirements for timely claim and interest payment. Specifically, VOI had failure rates of 64 % in documentation and 24 % in timely interest payment, both of which rates are in excess of NAIC Handbook standards.
8. In their examination of VOI's administration of HPHC's behavioral health benefits, BOI staff found that VOI did not adequately meet industry standards for adequate documentation of claims files or Maine Insurance Code requirements for timely claim and interest payment as specified in paragraph 7.

## **II**

### **NAIC MARKET CONDUCT EXAMINATION STANDARDS**

9. Standard L-3 of the NAIC Handbook provides that:

Claims are settled in a timely manner as required by statutes, rules and regulations.

10. Standard L-4 of the NAIC Handbook provides that:

The company responds to claim correspondence in a timely manner.

11. Standard L-5 of the NAIC Handbook provides that:

Claim files are adequately documented.

## **III**

### **MAINE LAW**

12. 24-A M.R.S.A. § 1906(3) provides in part that:

An administrator shall maintain, in its principal office for the duration of the written agreement with any plan sponsor or insurer and for 7 years after the agreement expires, adequate books and records of all transactions involving a plan sponsor, health care service plan, health maintenance organization or insurer and covered individuals and beneficiaries.

13. 24-A M.R.S.A. § 2436(1) provides in part that:

A claim for payment of benefits under a policy or certificate of insurance delivered or issued for delivery in this State is payable within 30 days after proof of loss is received by the insurer and ascertainment of the loss is made either by written agreement between the insurer and the insured or beneficiary or by filing with the insured or beneficiary of an award by arbitrators as provided for in the policy. For purposes of this section, "insured

or beneficiary” includes a person to whom benefits have been assigned. A claim that is neither disputed nor paid within 30 days is overdue. If, during the 30 days, the insurer, in writing, notifies the insured or beneficiary that reasonable additional information is required, the undisputed claim is not overdue until 30 days following receipt by the insurer of the additional required information . . .

14. 24-A M.R.S.A. § 2436(2) provides in part that:

An insurer may dispute a claim by furnishing to the insured or beneficiary, or a representative of the insured or beneficiary, a written statement that the claim is disputed with a statement of the grounds upon which it is disputed. The statement must be based upon a reasonable investigation of the claim and must include sufficient detail to permit the insured or beneficiary to understand and respond to the insurer's position.

15. 24-A M.R.S.A. § 2436(3) provides in part that:

If an insurer fails to pay an undisputed claim or any undisputed part of the claim when due, the amount of the overdue claim or part of the claim bears interest at the rate of 1 1/2% per month after the due date.

16. 24-A M.R.S.A. § 3408 provides in part that:

Every domestic insurer shall have and maintain its principal place of business and home office in this State, and shall keep therein accurate and complete accounts and records of its assets, transactions and affairs in accordance with the usual and accepted principles and practices of insurance accounting and record keeping as applicable to the kinds of insurance transacted by the insurer.

17. Bureau of Insurance Rule 191(10)(B) provides that:

HMOs shall retain records of their affairs and transactions for a period of at least 6 years, and shall require any person or entity under contract with the HMO, either directly or indirectly, to retain records of their affairs and transactions relating to the HMO, for a period of at least 6 years.

#### **IV**

#### **CONCLUSIONS OF LAW**

18. VOI violated 24-A M.R.S.A. Chapter 27. In particular, VOI failed to document claims adequately as required by 24-A M.R.S.A. § 2436(2).
19. HPHC and VOI violated 24-A M.R.S.A. Chapter 27. In particular, HPHC and VOI failed to pay claims timely as required by 24-A M.R.S.A. § 2436(1).
20. HPHC and VOI violated 24-A M.R.S.A. Chapter 27. In particular, HPHC and VOI failed to pay interest on late paid claims as required by 24-A M.R.S.A. § 2436(3).

21. HPHC violated 24-A M.R.S.A. Chapter 47 and VOI violated 24-A M.R.S.A. Chapters 18 and 47. In particular, VOI failed to maintain adequate books and records of transactions as required by 24-A M.R.S.A. § 1906(3) and § 3408 and Bureau of Insurance Rule 191(10)(B) and HPHC failed to ensure complete compliance by VOI with such requirements.

## **V**

### **COVENANTS**

22. Within forty-five (45) days of executing this Agreement, VOI shall, for the period starting June 5, 2000 and ending as of the date of this Agreement, (i) identify all claims for Covered Services, any part of which VOI did not pay timely to a Member or Provider and (ii) calculate and pay outstanding interest to the appropriate Member or Provider. Within forty-five (45) days of executing this Agreement, VOI shall submit to the Superintendent a report of all claims so identified, the interest paid, the payee and the method used to identify such claims and to calculate the interest owed. HPHC and VOI specifically affirm that the wording of this paragraph reflects VOI's subcontractor relationship with HPHC under the Contract, and HPHC further affirms that it remains responsible under the Maine Insurance Code and this Agreement for VOI's actions as HPHC's subcontractor.
23. Within thirty (30) days of executing this Agreement, HPHC and VOI shall adopt, and submit to the Superintendent for approval, written procedures for ensuring that all claims for Covered Services are paid in compliance with Maine law, including payment of interest where required. Such procedures will specifically resolve the issue of claims that include disputed and undisputed lines.
24. HPHC shall pay a civil penalty of Five Thousand Seven Hundred Dollars and No Cents (\$5,700.00) for violating 24-A M.R.S.A. § 2436, as described in paragraph 7.
25. HPHC shall pay a civil penalty of Five Thousand Seven Hundred Dollars and No Cents (\$5,700.00) for violating 24-A M.R.S.A. § 3408, as described in paragraph 7.
26. VOI shall pay a civil penalty of Ten Thousand Dollars and No Cents (\$10,000.00) for violating 24-A M.R.S.A. § 2436, as described in paragraph 8.
27. VOI shall pay a civil penalty of Five Thousand Dollars and No Cents (\$5,000.00) for violating 24-A M.R.S.A. § 1906, as described in paragraph 8.

## **VI**

### **MISCELLANEOUS**

28. Capitalized terms used but not defined in this Agreement shall have their respective meanings as defined in the Contract.
29. A formal hearing in this matter is waived and no appeal will be made.
30. HPHC and VOI acknowledge that this Consent Agreement is a public record within the meaning of 1 M.R.S.A. § 402 and will be available for public inspection and copying as provided for by 1 M.R.S.A. § 408, and will be reported to the NAIC RIRS database.

31. HPHC and VOI have been advised of their respective right to consult with counsel and have, in fact, consulted with counsel before executing this Agreement.
32. Nothing herein shall affect any right or interest of any person or entity not a party to this Agreement.
33. Nothing herein shall prohibit the Superintendent from seeking an order to enforce this Agreement, or from seeking additional sanctions if either HPHC or VOI does not comply with the above terms, or from taking further legal action if the Superintendent receives additional evidence that further legal action is necessary, which evidence is related to those matters which are within the scope of the Report and the subject of this Agreement, and which was not previously a part of this investigation.
34. This Agreement may only be modified by the written mutual consent of all parties.

Dated: \_\_\_\_\_, 2005

**HARVARD PILGRIM HEALTH CARE, INC.**

By: \_\_\_\_\_

Its: \_\_\_\_\_

Printed Name and Title

Subscribed and sworn to before me  
this \_\_\_\_\_ day of \_\_\_\_\_, 2005.

\_\_\_\_\_  
Notary Public

\_\_\_\_\_  
Printed name

\_\_\_\_\_  
Date commission expires

Dated: \_\_\_\_\_, 2005

**VALUEOPTIONS, INC.**

By: \_\_\_\_\_

Its: \_\_\_\_\_

Printed Name and Title

Subscribed and sworn to before me  
this \_\_\_\_\_ day of \_\_\_\_\_, 2005.

\_\_\_\_\_  
Notary Public

\_\_\_\_\_  
Printed name

\_\_\_\_\_  
Date commission expires

Dated: \_\_\_\_\_, 2005

**MAINE OFFICE OF THE ATTORNEY  
GENERAL**

\_\_\_\_\_  
Thomas C. Sturtevant, Jr.  
Assistant Attorney General

**MAINE BUREAU OF INSURANCE**

Effective

Date: \_\_\_\_\_, 2005

\_\_\_\_\_  
Alessandro A. Iuppa  
Superintendent