DEPARTMENT CITES HEALTH NET FOR WITHHOLDING MANDATED BENEFITS AND IMPROPER REIMBURSEMENT

$60,000 fine imposed; $814,000 in restitution ordered

TRENTON - Banking and Insurance Commissioner Holly Bakke today announced that the Department has cited Health Net of New Jersey Inc. for failing to provide mandated infertility benefits and for using an outdated fee schedule to reimburse providers and consumers.

Health Net, an HMO formerly known as PHS Health Plans, has agreed to reimburse providers and members $814,000 plus interest and has agreed to pay a $60,000 fine ordered by the Department.

The investigation by the Enforcement Unit of the Department's Consumer Protection Services was prompted by consumer complaints to the Department about Health Net's improper practices.

"This action is an extension of our efforts to hold HMOs accountable, ensure that doctors are paid on time and that patients receive the benefits they are entitled to under New Jersey law," said Governor James E. McGreevey. "For years, the Department of Banking and Insurance has heard complaints from consumers and physicians regarding the failure of HMOs to pay their bills on time. In April, my Administration became the first administration in the history of New Jersey to publicly cite an HMO for violating our prompt pay law."

"This is a consumer issue and consumers as well as doctors are the winners here," Commissioner Bakke said. "We are making sure that companies provide the benefits deemed significant by the Legislature and that consumers and providers are being properly reimbursed for claims. We're talking about a significant amount of money."

"We want consumers to know that the Department takes their complaints seriously and also want insurers to know that they should take seriously their responsibility to follow the law and engage in proper business practices," Commissioner Bakke said.

The Department's investigation regarding infertility benefits began in December 2001 and ultimately revealed that Health Net issued renewal contracts for two small groups without providing statutory mandated infertility benefits.

The Consent Order requires Health Net to provide infertility benefit coverage to members of the groups and to notify the members that they can seek reimbursement of payments made since November 29, 2001, the effective date of the statutory mandate on infertility benefits.

The investigation into the outdated fee schedule began in June 2002 and revealed that Health Net used an outdated 1998 fee schedule to pay certain claims in the small employer market between July 1, 2001, through October 27, 2002.

The settlement between the Department and the HMO requires Health Net to make remediation for underpayments totaling $814,000 plus interest to its members. Under the terms of the Consent Order, Health Net is required to pay a fine of $60,000 for its statutory and regulatory violations.

Health Net has contended that the violations were unintentional but has acknowledged its responsibility and agreed to comply with the statutes and regulations.

The investigation is part of an overall effort by the Department to extract better and proper practices from insurers in order to protect consumers.