

New York State Insurance Department

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HEALTH NET TO REFUND \$4.99 MILLION TO POLICYHOLDERS AND RE-EVALUATE SOME HEALTHCARE CLAIMS

Also Paid \$500,000 Fine And Instituted Remedial Actions Under Separate Department Action

Superintendent of Insurance Gregory V. Serio today announced that an agreement has been reached between the Department and Health Net of New York to refund policyholders \$4.99 million for claims and interest for medical services. Also, Health Net will create an appeals process for claims that had been partially or fully denied and will offer new appeals on certain emergency room claims that had been denied.

The Department's recent Report on Examination revealed that Health Net utilized an outdated schedule to determine certain reimbursements for out-of-network physicians and other medical providers between July 1999 and December 2002. As a result, Health Net has agreed to reprocess certain claims and has begun making payments according to updated reimbursement schedules. The agreement also covers policyholders of Guardian Life Insurance of America whose claims were administered by Health Net under the "Solutions" small group program.

The Department also found that Health Net had issued to certain policyholders defective Explanation of Benefits forms. As a result, Health Net has initiated an appeals process for certain policyholders that received the defective forms from January 1, 2001 to December 31, 2003. Advertisements detailing the appeals process will run within the next 90 days in newspapers in the Plan's service area. This agreement is indicative of the Department's creative approach to health insurance regulation in an effort to make enforcement actions more meaningful for policyholders.

This new appeal process does not apply to policyholders of coverage offered under:

- coverage administered under customer self-insured contracts;
- claims submitted by participating providers on behalf of insureds and enrollees or claims with no patient liability; and
- denials for which appeals have previously been pursued.

Health Net will also begin to offer external appeal rights to providers for denied emergency room claims where it failed to afford proper rights and will identify and reprocess improperly denied emergency room claims where it did not adhere to the "prudent layperson" standard for processing such claims. Policyholders and providers affected in this manner will be contacted by Health Net.

Members who have questions may contact the Health Net customer service department at 1-800-441-5741. The Company has filed a remedial action plan for all violations discovered during the examination and has paid a \$500,000 fine to the

Department. The full examination report is available on-line at www.ins.state.ny.us.

