

**New Jersey Department of
Banking and Insurance****Commissioner Steven M. Goldman**For Immediate Release:
August 26, 2008For Further Information:
Ed Rogan or Marshall McKnight (609) 292-5064**DOBI Issues Record \$41 Million Fine and Restitution Order to Health Net***HMO Pays \$28 million in Claims, Interest and Fees and Agrees to \$13 million Fine*

TRENTON – Department of Banking and Insurance (DOBI) Commissioner Steven M. Goldman today announced that Health Net of New Jersey has paid \$26 million in restitution and interest covering 88,000 New Jersey members to compensate them due to under-reimbursements for out-of-network services over more than a decade. These payments have already been issued to the affected New Jersey members.

Health Net waived its right to a hearing and has agreed to resolve the matter with the payment of \$14 million in unpaid claims, \$12 million in interest on those claims, \$2 million in examination fees and a record \$13 million fine, for a total of \$41 million.

"Health Net dramatically underpaid claims to New Jerseyans to reimburse them for out-of-network health care services," said DOBI Commissioner Goldman. "I'm pleased that we were able to obtain the return of this money to Health Net's New Jersey members, together with interest, since this is what Health Net promised to pay but had not. The fine represents an appropriate penalty for this improper business practice."

The actions are the result of a 21 month examination into claims paid by Health Net, of Shelton, CT., and its predecessors, First Option Health Plan of New Jersey and Physicians Health Services of New Jersey, for out-of-network service to persons covered in New Jersey between 1996 to 2006. Health Net's vendors for chiropractic services and for mental health services also made underpayments. Health Net cooperated with the investigation.

The Department first became aware of the problem in 2002 through a consumer complaint. DOBI investigated and in December 2002 settled with Health Net for more than \$800,000 in restitution to more than 4,700 Health Net members for underpayments. At that time Health Net represented that the underpayments occurred only from July 2001 through October 2002.

In 2005, the Department learned that Health Net's underpayments had begun earlier than it had previously disclosed. By the end of 2005, DOBI decided to conduct an examination of Health Net that concluded in May of this year with the finding that Health Net and its predecessors made underpayments of out-of-network medical claims from 1996 to 2005 and of out-of-network dental claims, mental health claims and chiropractic claims from 1999 to 2006. Health Net has acknowledged its responsibility to comply with all applicable laws, and has overhauled the systems and practices that led to its misconduct. The Department will continue to monitor the company for compliance.

"Today's announcement highlights DOBI's commitment to protecting New Jersey consumers," said DOBI Insurance Director Donald Bryan. "The Department's mission to help consumers exists not only in the very important healthcare insurance sector, but in all financial services industries DOBI regulates."

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