

**For Immediate Release**

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**HEALTH NET HMO FINED BY STATE FOR FAILING TO CORRECTLY REIMBURSE  
EMERGENCY ROOM AND HOSPITAL-BASED DOCTORS**

**(Sacramento)** – Health Net of California, the state’s fourth largest HMO, has been fined \$250,000 by the Department of Managed Health Care (DMHC), for failing to correctly and accurately pay claims to emergency room and other hospital-based doctors not contracted with the HMO. As a result of a six-month investigation by the DMHC, Health Net has acknowledged that it failed to pay the correct amount on approximately 65,000 claims for services provided for hospital care or in emergency rooms during the first ten months of 2004.

“Emergency rooms, hospitals and the doctors who work there every day to save lives are the backbone of our health care system and form the ‘safety net’ upon which 37 million Californians rely,” said Cindy Ehnes, director of the DMHC. “These doctors must be paid promptly and fairly in order for Californians to get the right care at the right time.”

The DMHC determined that Health Net’s payment actions violated the Department’s claims payment requirements regulation that became effective on Jan. 1, 2004. Under the law, HMOs are prohibited from adopting payment practices that would result in systematic underpayments to doctors and health care providers. Ehnes emphasized that while all claims payment disputes are serious, those involving non-contracted physician disputes are unique because the parties do not have the opportunity to discuss the rate of reimbursement in advance.

In response to escalating complaints by doctors about Health Net’s low reimbursement, Ehnes’ revamped Enforcement Division began an investigation that revealed Health Net was in violation of the payment regulations. Director Ehnes acknowledged that Health Net, as part of its response to the DMHC’s investigation, moved quickly to address many of the providers’ concerns. Health Net’s cooperation and outreach to providers resulted in a prompt resolution.

Since Director Ehnes’ appointment, she has emphasized that prompt and accurate provider reimbursement is important to ensure that consumers receive the proper care. She had previously

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warned the HMO industry that claims payment deficiencies would be met with significantly enhanced enforcement penalties.

“This is a substantial fine and is intended to deter future violations of the DMHC’s payment rules by Health Net and all other California HMOs,” said Amy Dobberteen, chief of enforcement for the DMHC. “The law prohibiting late or incomplete payments to doctors and other providers is the new weapon in the state’s arsenal to combat wrongdoing by HMOs.”

The DMHC is also addressing whether consumers may have suffered financially. In some cases, patients received a bill or were sent to collection agencies by their physicians for the balance of the charges. Health Net has agreed to identify and reimburse any patient who may have received and paid an incorrect bill for services that should have been paid by the plan, as a requirement of the DMHC’s enforcement action.

On Oct. 13, 2004, Health Net implemented its new payment methodology so that non-contracted emergency, hospital and out-of-network physicians are properly paid in the future. Health Net will recalculate physician payments between Jan.1 and Oct. 12, 2004. It is estimated that collectively physicians will receive additional payments between \$6 million and \$7 million. Corrective measures will be closely monitored through follow-up reporting by the DMHC and Health Net will be subject to additional fines if it does not successfully complete the plan.

Under Ehnes’ leadership, the DMHC has taken steps to ensure that providers are paid promptly and fairly by health plans. A new three-month-old Provider Complaint Unit at the HMO Help Center is dedicated to handling both individual and system-wide billing complaints by providers. Prompt and fair payment will ensure that providers are available to meet the medical needs of all Californians.

The DMHC’s Provider Complaint Unit and Enforcement Divisions are identifying and investigating similar claims of unfair payment practices by other HMOs. If similar violations are confirmed, Director Ehnes will pursue enforcement actions, penalties and corrective measures.

The California Department of Managed Health Care is the only stand-alone watchdog agency in the nation, touching the lives of more than 21 million enrollees. The Department has assisted more than 633,000 Californians through its 24-hour Help Center to resolve their HMO problems, educate consumers on health care rights and responsibilities, and work closely with HMO plans to ensure a solvent and stable managed health care system.

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