



FOR IMMEDIATE RELEASE
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Department of Managed Health Care secures coverage for 450 rescinded members of Blue Shield of California; subject to a total of \$5 million fine
Four of five major California health plans have agreed to DMHC terms to reinstate former members, waive underwriting, and reimburse legitimate medical expenses

(Sacramento) – The California Department of Managed Health Care (DMHC) has announced that Blue Shield of California, the fourth of five major California health plans under investigation for improper rescissions of coverage, has agreed to its terms to offer coverage to 400 former members previously stripped of coverage over the past four years. The plan is also subject to a total of fine of \$5 million. The latest DMHC agreement brings the total number of formerly rescinded Californians eligible for restored health coverage to approximately 1,600.

“The DMHC has added to its winning streak for consumers who have been victimized by rescission with this most recent settlement,” said Cindy Ehnes, Director of DMHC. “We’ve again accomplished a result that consumers could not get otherwise -- guaranteed issue coverage, a process for full monetary losses and no back premiums owed.”

Under the terms of the plan, Blue Shield will offer coverage to its 450 former members, without subjecting them to medical underwriting. Any legitimate medical charges incurred by the former enrollees during the time they did not have coverage from another source will be paid by Blue Shield. In addition, the agreement does not prevent the consumer from pursuing additional legal remedies.

Blue Shield is one of five of California’s major health plans that have been under investigation by the DMHC for the processes used to rescind or cancel coverage of consumers in the individual market. Nearly two months ago, the DMHC secured agreements from three of the

(more)

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five plans -- Kaiser, Health Net, and PacifiCare -- to offer coverage and settle all past out-of-pocket medical claims with their rescinded members. The \$5 million fine, with \$3 million to be paid immediately and the potential for an additional \$2 million if corrective actions are not achieved is higher than previous fines. The plan's delay in coming to terms with the DMHC caused its former enrollees irreparable harm by leading them to believe that they would not benefit from the settlements reached two months ago with other health plans. Only Anthem Blue Cross has failed to come to a similar settlement for its 1,770 rescinded members.

The DMHC settlement also requires certain corrective actions to remove the threat of improper rescissions in the future. These requirements include clearer application forms, notification to consumers under investigation for questions on the application, and a fair, impartial grievance process for rescissions.

The California Department of Managed Health Care is the only stand-alone HMO watchdog agency in the nation, touching the lives of more than 21 million enrollees. The DMHC has assisted more than 800,000 Californians through its 24-hour Help Center to resolve health plan problems, educates consumers on health care rights and responsibilities, and works closely with HMO plans to ensure a solvent and stable managed health care system.

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