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Department of Managed Health Continues Landmark Efforts to Extend Coverage to Consumers Stripped of Health Coverage

Third California health plan agrees to reinstate former members, waive underwriting and enhance application process for future applicants

(Sacramento) – The Department of Managed Health Care (DMHC) has announced its third settlement with a major California health plan to offer coverage to consumers whose policies were previously cancelled due to underwriting and application issues. PacifiCare of California has agreed to offer coverage to three consumers cancelled within the last four years and make offers to reimburse past medical claims. The plan will also offer coverage to approximately 57 former members going forward and an expedited dispute resolution for claims.

“The historic momentum we have been making to re-extend health coverage to as many people as possible continues with this latest agreement,” said Cindy Ehnes, Director of the California Department of Managed Health Care. “Our goal is to restore health coverage to as many people as possible, as quickly as possible, without having to go through a lengthy legal process that may not be decided in their favor.”

Under the terms of the plan, the former members could be offered coverage, waiving medical underwriting. Any medical charges incurred by the former enrollees during the time they did not have coverage from another source will also be eligible to have any outstanding claims paid. In addition, any member can pursue any additional damages.

The PacifiCare agreement differs from settlements achieved in May between the DMHC and both Kaiser and Health Net. The agreement with PacifiCare takes into account that the company did not rescind individual policies if fraud was suspected, but rather, cancelled the policies on a prospective basis.

(more)

However, all three settlements avoid lengthy legal challenges that could derail efforts to extend coverage to a large number of consumers if the health plans decided to fight efforts

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previously announced by the DMHC to re-review every rescission or cancellation case made in the past four years. The re-reviews would be conducted through independent arbitration. A court battle would also mean that the state would face substantial legal costs during a time when it faces a large budget deficit.

PacifiCare is the third of the five largest health plans in the state that have been under investigation by the DMHC for the processes used to rescind or cancel coverage of consumers in the individual market. Similar agreements have also been offered to Blue Shield and Anthem Blue Cross.

The DMHC has also imposed a fine of \$50,000 and corrective actions for which the plan must comply within a year or be subjected to an additional, larger penalty of \$500,000. Corrective actions include clearer application forms, notification to consumers under investigation for questions on the application, and a fair, impartial grievance process for cancellations.

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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