

COMMONWEALTH OF VIRGINIA  
STATE CORPORATION COMMISSION

AT RICHMOND, DECEMBER 1, 2017

REGULATORY OFFICE  
REGULATORY CONTROL CENTER

2017 DEC -1 A 10:42

COMMONWEALTH OF VIRGINIA, *ex rel.*

STATE CORPORATION COMMISSION

v.

CASE NO. INS-2017-00217

KAISER FOUNDATION HEALTH PLAN OF THE  
MID-ATLANTIC STATES, INC.,  
Defendant

SETTLEMENT ORDER

Based on a target market conduct examination performed by the Bureau of Insurance ("Bureau"), it is alleged that Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc. ("Defendant"), duly licensed by the State Corporation Commission ("Commission") to transact the business of insurance in the Commonwealth of Virginia ("Virginia"), violated: § 38.2-502 (1) of the Code of Virginia ("Code") by misrepresenting the terms of the policy; §§ 38.2-510 A (1), 38.2-510 A (5), 38.2-510 A (14), and 38.2-510 A (15) of the Code by failing to comply with claim settlement practices; § 38.2-511 of the Code by failing to maintain a complete record of complaints; § 38.2-514 B of the Code by failing to make proper disclosure on explanation of benefits forms; § 38.2-1834 D of the Code by failing to comply with agent appointment requirements; § 38.2-3407.3 A of the Code by failing to comply with calculation of cost-sharing provisions; § 38.2-3407.4 A of the Code by failing to file for approval by the Commission its explanation of benefits forms; § 38.2-3407.4 B of the Code by failing to accurately and clearly set forth the benefits payable under the contract in the explanation of benefits; §§ 38.2-3407.15 B (1), 38.2-3407.15 B (2), 38.2-3407.15 B (3), 38.2-3407.15 B (4), 38.2-3407.15 B (5), 38.2-3407.15 B (6), 38.2-3407.15 B (7), 38.2-3407.15 B (8), 38.2-3407.15 B (9), 38.2-3407.15 B (10), and 38.2-3407.15 B (11) of the Code by failing to

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comply with ethics and fairness requirements for business practices; § 38.2-3412.1:01 A of the Code by failing to provide coverage for biologically based mental illness; § 38.2-3559 D of the Code by failing to comply with notice requirements for external review; § 38.2-3561 A of the Code by misrepresenting external review rights; § 38.2-4306.1 B of the Code by failing to comply with requirements for the payment of interest on claim proceeds; § 38.2-5804 A of the Code and 14 VAC 5-211-150 A of the Commission's Rules Governing Health Maintenance Organizations, 14 VAC 5-211-10 *et seq.* ("Rules"), by failing to maintain its established complaint system approved by the Commission; §§ 38.2-5805 C (1), 38.2-5805 C (6), 38.2-5805 C (7), 38.2-5805 C (8), 38.2-5805 C (9), and 38.2-5805 C (10) of the Code by failing to comply with provider contract requirements; § 38.2-5904 of the Code by misrepresenting the responsibilities of the Office of the Managed Care Ombudsman; 14 VAC 5-211-90 B, 14 VAC 5-211-160 (6), 14 VAC 5-211-160 (6) (b) (3), and 14 VAC 5-211-210 B (17) of the Commission's Rules by failing to comply with provisions related to health maintenance organizations; and 14 VAC 5-216-40 E, 14 VAC 5-216-40 E (1), 14 VAC 5-216-40 E (2), and 14 VAC 5-216-70 A (5) of the Commission's Rules Governing Internal Appeal and External Review, 14 VAC 5-216-10 *et seq.*, by failing to comply with internal appeal and external review procedures.

The Commission is authorized by §§ 38.2-218, 38.2-219, and 38.2-1040 of the Code to impose certain monetary penalties, issue cease and desist orders, and suspend or revoke a defendant's license upon a finding by the Commission, after notice and opportunity to be heard, that a defendant has committed the aforesaid alleged violations.

The Defendant has been advised of its right to a hearing in this matter whereupon the Defendant, without admitting any violation of Virginia law, has made an offer of settlement to

the Commission wherein the Defendant has tendered to Virginia the sum of One Hundred Two Thousand Dollars (\$102,000) and waived its right to a hearing, agreed to the entry by the Commission of a cease and desist order, and agreed to comply with the Corrective Action Plan contained in the Market Conduct Examination Report as of June 30, 2013.

The Bureau has recommended that the Commission accept the offer of settlement of the Defendant pursuant to the authority granted the Commission in § 12.1-15 of the Code.

NOW THE COMMISSION, having considered the record herein, the offer of settlement of the Defendant, and the recommendation of the Bureau, is of the opinion that the Defendant's offer should be accepted.

Accordingly, IT IS ORDERED THAT:

- (1) The offer of the Defendant in settlement of the matter set forth herein is hereby accepted.
- (2) The Defendant shall cease and desist from future violations of § 38.2-3407.4 B of the Code, and 14 VAC 5-211-90 B.
- (3) This case is dismissed, and the papers herein shall be placed in the file for ended causes.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to: Jeff Van Luyn, CHC, Director, Audit Readiness Legislative and Product Compliance, Regional Compliance Dept., 2101 East Jefferson Street, Rockville, Maryland 20852; and a copy shall be delivered to the Commission's Office of General Counsel and the Bureau of Insurance in care of Deputy Commissioner Julie S. Blauvelt.