

**BEFORE THE COMMISSIONER OF INSURANCE
OF THE STATE OF KANSAS**

In the Matter of the Proposed Adoption)	
of the Market Conduct Review Report)	
of MID AMERICA HEALTH CARE PLANS,)	Docket No. 3100-MC
INC., formerly HEALTHNET, INC.)	

CONSENT ORDER

NOW COMES on this date for formal disposition the matter of the proposed adoption of the market conduct review report of the Mid America Health Care Plans, Inc. formerly Healthnet, Inc., a Missouri corporation. This matter is brought before the Commissioner of Insurance for adoption, rejection, or modification pursuant to the provisions of Kansas Statutes Annotated ("K.S.A.") 40-222.

I, Kathleen Sebelius, the duly elected, qualified, and Commissioner of Insurance of the State of Kansas, having fully considered and reviewed the examination report, together with all written submissions, applicable rebuttals, and all relevant portions of the examiner's work papers, and further being advised on all premises, hereby find:

Findings of Fact

1. The Commissioner of Insurance has jurisdiction over this matter pursuant to K.S.A. 40-222.
2. A market review of the Mid America Health Care Plans, Inc., which was formerly Healthnet, Inc., ("Mid America") was undertaken by the Kansas Insurance Department and completed on December 31, 2000.
3. On June 6, 2002, the examiner in charge tendered and filed with the Kansas Insurance Department ("KID") a verified written report of the market conduct review under oath.

4. Within thirty (30) days following receipt of the report, KID sent a draft of the Market Conduct Report to Mid America. The company was asked to review the document and forward any written comments or additions or acceptance of the report to KID.

5. On August 30, 2002, KID received written comments from Mid America on the written report.

6. Within thirty (30) days following the written response, the Commissioner of Insurance fully reviewed the report together with any written responses provided by Mid America.

7. HealthNet was admitted to write business in Kansas on July 2, 1987 and received its Certificate of Authority from KID on December 20, 1994. The company changed its name to Mid America Health Care Plans, Inc. on January 1, 2002.

8. In the course of the examination, the examiner found that of the 83 emergency room denials reviewed, Mid America did not advise 15 first party claimants after receipt of their properly executed claims of acceptance or denial of the claim within 15 working days.

9. In the course of the examination, the examiner found that of the 83 emergency room denials reviewed, Mid America did not advise 17 claimants that additional time was needed to investigate their claims within 15 working days.

10. In the course of the examination, the examiner found that of the 50 emergency room paid claims reviewed, Mid America did not complete investigation of 22 claims within 30 working days.

Applicable Law

11. K.S.A. 40-216(a) states, in relevant part:

...No contract of insurance or indemnity shall be issued or delivered in this state until the form of the same has been filed with the commissioner of insurance...

12. K.S.A. 40-2,125 states, in relevant part:

(a)(1) If the commissioner determines after notice and opportunity for a hearing that any person has engaged in or is engaging in any act or practice constituting

a violation of any provision of Kansas insurance statutes or any rule and regulation or order thereunder, the commissioner may in the exercise of discretion, order... payment of a monetary penalty of not more than \$1,000 for each and every act or violation, unless the person knew or reasonably should have known such person was in violation of the Kansas insurance statutes or any rule and regulation or order thereunder, in which case the penalty shall be not more than \$2,000 for each and every act or violation.

13. Kansas Administrative Regulation ("K.A.R.") 40-1-34 states, in relevant part:

Section 7. Every insurer shall complete investigation of a claim within thirty days after notification of claim, unless such investigation cannot reasonably be completed within such time.

Section 8. (a) Within 15 working days after receipt by the insurer of properly executed proofs of loss, the first party claimant shall be advised of the acceptance or denial of the claim by the insurer... The denial must be given to the claimant in writing and the claim file of the insurer shall contain a copy of the denial... (c) If the insurer needs more time to determine whether a first party claim should be paid or denied, it shall so notify the first party claimant within fifteen working days after the receipt of proof of loss, giving the reasons more time is needed...

Conclusions of Law

14. Based on the findings of fact set out in paragraphs 1 through 6, the market conduct of affairs examination report of Mid America Health Care Plans, Inc., formerly Healthnet, Inc., is adopted.

15. Based on the findings of fact set out in paragraph 8 of the Consent Order, the commissioner finds and concludes that the company is in violation of K.A.R. 40-1-34, Section 8(a), which is the requirement for companies to give notice of denial or acceptance of claims within 15 days of the receipt of a properly executed claim.

16. Based on the findings of fact set out in paragraph 9 of the Consent Order, the commissioner finds and concludes that the company is in violation of K.A.R. 40-1-34, Section 8(c), which is the requirement that companies to advise claimants that additional time is needed to investigate claims.

17. Based on the findings of fact set out in paragraph 10 of the Consent Order, the commissioner finds and concludes that the company is in violation of K.A.R. 40-1-34, Section 7, which is the requirement that companies complete investigations within 30 days.

18. Based on the findings of fact set out in paragraph 11 of the Consent Order, the commissioner finds and concludes that the company is in violation of K.S.A. 40-216(a), which requires companies to provide documentation to KID.

19. The violations as outlined in paragraphs 8, 9, and 10 constitute unintentionally violated Kansas law and notified KID upon discovery of the violations. Under the provisions of K.S.A. 40-2,125, the company is not fined.

Policy Reasons

20. It is the stated policy reason of the State of Kansas that whenever the Commissioner deems it necessary, an examination of the affairs and financial condition of any insurance company in the process of organization, applying for admission, or doing business in this State can be undertaken. In all cases, such an examination must occur every (5) five years. Through the examination process the insurance concerning consuming public will be well served and protected.

IT IS THEREFORE, BY THE COMMISSIONER OF INSURANCE, ORDERED THAT:

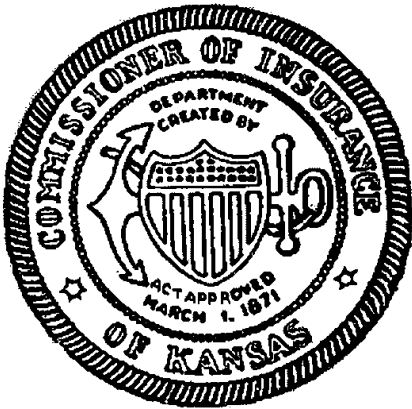
1. The market conduct review of Mid America Health Care Plans, Inc., formerly Healthnet, Inc., is hereby adopted.

2. The Commissioner levies no fines.

3. The Commissioner of Insurance retains jurisdiction over this matter to issue any and all further orders deemed appropriate or take further action necessary to dispose of this matter.

4. The Commissioner further orders pursuant to K.S.A. 40-222(k)(3) that the company files written affidavits executed by each of its directors stating under oath that they have received a copy of the adopted report and related orders.

IT IS SO ORDERED THIS 5th DAY OF NOVEMBER, 2002 IN THE CITY OF TOPEKA,
SHAWNEE COUNTY, STATE OF KANSAS.



/s/ Kathleen Sebelius

Kathleen Sebelius

Commissioner of Insurance

BY:

/s/ Kathy Greenlee

Kathy Greenlee

General Counsel

/s/ Anne Haught

Anne Haught

Director, Compliance and Legal Affairs

Mid America Health Care Plans

/s/ Deletria Nash

Deletria Nash

Staff Attorney

Kansas Insurance Department