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September 20, 2017

Mr. Rene Lerer, President
Blue Cross & Blue Shield of Florida, Inc.

Mr. Prakish Patel, CEO
Health Options Inc.

4800 Deerwood Campus Parkway
Jacksonville, FL 32246

Re: Florida Market Conduct Final Examination Report
SBS # 35639
Scope of the Examination: May 1, 2017 through June 15, 2017

Dear Mr. Lerer and Mr. Patel,

Enclosed is a copy of the Target Market Conduct Final Examination Report for your companies covering the scope of May 1, 2017 through June 15, 2017. Also enclosed is a Form 118 for each licensee to be executed and returned pursuant to Section 624.319(5), Florida Statutes. Failure to return the executed form pursuant to this statute may subject your company to a penalty.

We now consider this examination finalized.

Sincerely,


Janice S. Davis, MCM
Financial Administrator

CC: Alisha M. Pieraccini, Assistant General Counsel
Mark S. McGowan, Senior Counsel, Regulatory Section Head

Enclosures



THE STATE OF FLORIDA

OFFICE OF INSURANCE REGULATION L & H MARKET REGULATION

TARGET MARKET CONDUCT EXAMINATION FINAL REPORT

OF

**BLUE CROSS & BLUE SHIELD OF FLORIDA, INC.
NAIC COMPANY CODE: 98167**

AND

**HEALTH OPTIONS, INC.
NAIC COMPANY CODE: 95089**

September 20, 2017

NAIC GROUP CODE: 0536

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COMPANY OPERATIONS

Blue Cross & Blue Shield of Florida, Inc. ("Florida Blue") is a domestic Life and Health insurer licensed to conduct business in the State of Florida on July 1, 1980. Florida Blue provides an array of choices in order to meet the diverse needs of those it serves including multi-state employer groups, large and small businesses in Florida, individuals and Medicare beneficiaries. Effective April 2, 2012 the company does business as "Florida Blue". Total Direct Premiums Written in Florida were as follows:

Year	Total Written Premium In Florida (Per Schedule T of the Annual Statement)
2016	\$ 9,283,694,216
2015	\$ 8,788,204,060

Health Options, Inc. ("Florida Blue HMO") is a health maintenance organization licensed in the state of Florida, which provides comprehensive health care services. Florida Blue HMO is a domestic Health Maintenance Organization licensed to conduct business in the State of Florida on September 25, 1984. The Company offers Small Group, Large Group, Individual, Conversion and Medicare services in many counties. Total Direct Premiums Written in Florida were as follows:

Year	Total Written Premium In Florida (Per Schedule T of the Annual Statement)
2016	\$ 2,590,016,547
2015	\$ 2,026,839,258

Florida Blue and Florida Blue HMO (collectively "Florida Blue") are both fully owned subsidiaries of GuideWell Mutual Holding Corporation.

PURPOSE AND SCOPE OF EXAMINATION

On May 1, 2017, Florida Blue notified their members that a payment processing issue had occurred over the weekend with one of its vendors. This issue resulted in some members' accounts being drafted multiple times for their May invoice.

The Florida Office of Insurance Regulation (Office) and Department of Financial Services, Consumer Services staff were also promptly notified that there was an issue and were informed that Florida Blue was working to resolve it.

Due to the extent of the consumer impact, the Office, through its L&H Market Regulation unit conducted a Target Market Conduct Examination of Florida Blue at their Jacksonville Home Office/HQ on June 13 and 14, 2017, pursuant to Section 624.3161, Florida Statutes. The examination was conducted by Janice Davis and James Kocha from the Office.

The purpose of this examination was to address this significant payment processing issue and review compliance with Sections 624.418, 641.23, 641.234, 626.9541(1)(o), and 626.9891, Florida Statutes, and Rule 69D-2, Florida Administrative Code.

In reviewing materials for this final report, the examiners relied on records provided by the Company. Procedures and conduct of the examination were in accordance with the *Market Regulation Handbook* produced by the National Association of Insurance Commissioners.

EXAMINATION REVIEW

The examination included:

- Interviews with management and staff of the following departments: Finance, IT, Operations, Customer Service, Medicare Customer Service, Compliance, Corporate Communications, Shared Services, Audit and Legal.
- Verification of transactions and customer service processes and procedures.
- Review of all related complaints filed with the DFS Consumer Services.
- Review of Anti-Fraud Plans to verify filings are current.

FINDINGS:

On Friday, April 28, 2017, Florida Blue implemented a new payment processing program for a select group of members [IU65 ACA health and dental customers, IU65 Pre-ACA health and dental customers, and Medicare Supplement and Medicare Advantage customers] with scheduled one-time online payments or payments made via the Interactive Virtual Response (IVR). The program contained a 'glitch' resulting in some individual member accounts being debited multiple times. On Monday morning, May 1, 2017, this program error had its initial impact as the financial institutions began processing the transactions and customers noticed the impact on their bank accounts.

The Florida Blue Customer Service Advocates in the Member and Provider Services division were deluged with calls by 8:05 a.m., Monday morning. Management was immediately notified and initial triage and research began. By 8:30 a.m. the problem had been identified; the software developer was promptly notified and use of the defective program was halted, along with the processing of payments. An explanation and talking points were developed and distributed to all employees by 9:23 a.m. to include reassurance that refunds would be issued and, for consumers not able to post payments, due dates would be extended and coverage would not be impacted. A corporate message was published on IVR at 10:05am. Florida Blue management worked with their financial institution to have all May 1st affected member payment transactions reversed, fully refunding all charges by 1:52 p.m. the same day, ensuring a zero-dollar impact for most consumers. The program failure did not affect any customers/members who were on the Automated Payment System or any of the Group members.

While the funds were promptly reversed, not all customers received immediate credit from their financial institutions and some were negatively impacted for several days. However, any reported overdraft or insufficient fund fees incurred by consumers were reimbursed and all complaints with the Department of Financial Services were promptly resolved.

Subsequently, an examination and IT review were completed at the vendor's site. Controls to prevent future occurrences have been implemented and a corrective action is in process.

ANTI-FRAUD REVIEW

The purpose of this review was to determine if the Company has filed and/or updated with the Division of Insurance Fraud a description of their Special Investigative Unit (SIU) or an Anti-Fraud Plan pursuant to Section 626.9891, Florida Statutes and Rules 69D-2.001-005, Florida Administrative Code. No violations were found.

EXAMINATION FINAL REPORT SUBMISSION

The Office hereby issues this Final Report based upon information from the examiners' draft report, additional research conducted by the Office, and additional information provided by the Company, as needed.

FORM 118

FINANCIAL SERVICES COMMISSION OFFICE OF INSURANCE REGULATION MARKET INVESTIGATIONS

I hereby certify that I am the officer in charge of the Florida business of:

Blue Cross & Blue Shield of Florida, Inc.

I have read the report of the Market Conduct examination issued

September 20, 2017

filed with the Office of Insurance Regulation. Any recommendations contained in the report will be considered within a reasonable time.

This form is hereby executed in compliance with Section 624.319(5), Florida Statutes.

Name

Title

Signature

Date

Sworn to and subscribed before me this _____

day of _____, 2017.

(SEAL)

NOTARY PUBLIC _____

Signature

My commission expires _____

This form is to be completed, notarized and returned to: James Kocha, Market Investigations, 200 East Gaines St., Larson Building, Tallahassee, Florida 32399-4210, within 30 days from receipt. If Form 118 is not returned to the Office within 30 days of the date of signature on the return receipt card, this matter will be forwarded to our Legal Division for appropriate legal action.

NOTICE OF RIGHTS

Pursuant to Sections 120.569 and 120.57, Florida Statutes and Rule Chapter 28-106, Florida Administrative Code (F.A.C.), you may have a right to request a proceeding to contest this action by the Office of Insurance Regulation (hereinafter the "Office"). You may request a proceeding by filing a Petition. Your Petition for a proceeding must be in writing and must be filed with the General Counsel acting as the Agency Clerk, Office of Insurance Regulation. If served by U.S. Mail the Petition should be addressed to the Florida Office of Insurance Regulation at 612 Larson Building, Tallahassee, Florida 32399-4206. If Express Mail or hand-delivery is utilized, the Petition should be delivered to 612 Larson Building, 200 East Gaines Street, Tallahassee, Florida 32399-0300. The written Petition must be received by, and filed in the Office no later than 5:00 p.m. on the twenty-first (21) day after your receipt of this notice. Unless your Petition challenging this action is received by the Office within twenty-one (21) days from the date of the receipt of this notice, the right to a proceeding shall be deemed waived. Mailing the response on the twenty-first day will not preserve your right to a hearing.

If a proceeding is requested and there is no dispute of material fact the provisions of Section 120.57(2), Florida Statutes may apply. In this regard you may submit oral or written evidence in opposition to the action taken by this agency or a written statement challenging the grounds upon which the agency has relied. While a hearing is normally not required in the absence of a dispute of fact, if you feel that a hearing is necessary one may be conducted in Tallahassee, Florida or by telephonic conference call upon your request.

If you dispute material facts which are the basis for this agency's action you may request a formal adversarial proceeding pursuant to Sections 120.569 and 120.57(1), Florida Statutes. If you request this type of proceeding, the request must comply with all of the requirements of Rule Chapter 28-106.201, F.A.C., must demonstrate that your substantial interests have been affected by this agency's action, and contain:

- a) A statement of all disputed issues of material fact. If there are none, the petition must so indicate;
- b) A concise statement of the ultimate facts alleged, including the specific facts the petitioner contends warrant reversal or modification of the agency's proposed action;
- c) A statement of the specific rules or statutes the petitioner contends require reversal or modification of the agency's proposed action; and
- d) A statement of the relief sought by the petitioner, stating precisely the action petitioner wishes the agency to take with respect to the agency's proposed action.

These proceedings are held before a State Administrative Law Judge of the Division of Administrative Hearings. Unless the majority of witnesses are located elsewhere, the Office will request that the hearing be conducted in Tallahassee.

In some instances, you may have additional statutory rights than the ones described herein.

Failure to follow the procedure outlined with regard to your response to this notice may result in the request being denied. Any request for administrative proceeding received prior to the date of this notice shall be deemed abandoned unless timely renewed in compliance with the guidelines as set out above.