FINANCIAL SERVICES COMMISSION

FLORIDA OFFICE OF INSURANCE REGULATION
MARKET INVESTIGATIONS

MARKET CONDUCT FINAL EXAMINATION REPORT

OF

AFFORDABLE FAMILY HEALTH SERVICES, INC.

AS OF

JUNE 30, 2006

FLORIDA COMPANY CODE: 56018

TABLE OF CONTENTS

PURPOSE AND SCOPE OF EXAMINATION 1
DESCRIPTION OF COMPANY 1
PROVIDER NETWORK AGREEMENT REVIEW 1
PROVIDER AGREEMENT REVIEW 2
MARKETER AGREEMENT REVIEW 2
ACTIVE MEMBERSHIP REVIEW 2
Enrollment and Fulfillment Procedures 2
Memberships prior to May 19, 2005 3
FORMS/CHARGES REVIEW 3
CANCELLATION REVIEW 3
COMPLAINT/GRIEVANCE REVIEW 4
ADVERTISING REVIEW 4
WEBSITE REVIEW 4
EXAMINATION FINAL REPORT 5

PURPOSE AND SCOPE OF EXAMINATION

Under authorization of the Financial Services Commission, Florida Office of Insurance Regulation (Office), Market Investigations, pursuant to Section 636.206, Florida Statutes, a market conduct examination of Affordable Family Health Services, Inc. ("Affordable" or "Company") was performed by Market Examinations, LLC. The scope of this examination was May 19, 2005 through February 28, 2006. The onsite examination began June 26, 2006 and ended June 30, 2006.

The purpose of this examination was to review the Company's compliance with Chapter 636, Part II, Florida Statutes as effective on April 1, 2005. Chapter 636, Part II, Florida Statutes regulates discount medical plan organizations, entities which, in exchange for fees, dues, charges, or other consideration, provide access for plan members to providers of medical services and the right to receive medical services from those providers at a discount.

The Company's records were examined at its offices located at 3957 Pleasantdale Road, Atlanta, GA, 30340.

This Final Report is based upon information from the examiner's draft report, additional research conducted by the Office, and additional information and comments provided by the Company in response to the draft report. Procedures and conduct of the examination were in accordance with the Market Regulation Handbook produced by the National Association of Insurance Commissioners.

DESCRIPTION OF COMPANY

This foreign Company was licensed as a Discount Medical Plan Organization (DMPO) in Florida on May 19, 2005.

Affordable's discount medical plan offers dental, prescription and chiropractic (in Georgia only) medical discounts. In January 2006, the Office approved forms for the Company to also offer physician and hearing medical discount plans.

Chapter 636, Part II, Florida Statutes does not regulate pharmaceutical supplies, prescriptions, and medical information storage and retrieval services.

PROVIDER NETWORK AGREEMENT REVIEW

The Company had an agreement with one external network provider, Association Marketing Enterprises, Inc ("AME"), for prescription services. This provider network agreement was not reviewed as Section 636, Florida Statutes, does not regulate pharmaceutical supplies or prescriptions.

PROVIDER AGREEMENT REVIEW

The Company has agreements with 664 dental providers in Florida. A random sample of 22 provider agreements was selected for review for compliance with Section 636.214, Florida Statutes. The following violations were noted:

- Six (6) agreements were for providers that signed up to be part of the network online. The agreements failed to include a list of the services and products to be provided at a discount, the amount or amounts of the discounts or, alternatively, a fee schedule which reflects the provider's discounted rates, and that the provider will not charge members more than the discounted rates as required by Section 636.214(2)(a),(b), and (c), Florida Statutes.

Corrective Action: The Company should ensure it maintains a written agreement with each of its providers and that all agreements contain the required provisions.

MARKETER AGREEMENT REVIEW

The Company has agreements with 8 marketers to sell its discount medical plan in Florida. The Company produced written agreements with each marketer as required by Section 636.228(2), Florida Statutes. All marketer agreements were reviewed to determine compliance with Section 636.228, Florida Statutes. The following violations were noted:

- 7 marketer agreements failed to require all advertisements, marketing materials, brochures, and discount cards, used by marketers to be approved in writing by the DMPO as required by Section 636.228(2), Florida Statutes.

Corrective Action: The Company should amend its marketer agreements to require written approval of all advertisements, marketing materials, brochures, and discount cards prior to use.

ACTIVE MEMBERSHIP REVIEW

As of February 28, 2006, the Company had 558 active members in Florida, of which 289 had enrollment effective dates on or after April 1, 2005.

Enrollment and Fulfillment Procedures

Customers can enroll online or by completing a paper enrollment form that is submitted to the Company. All enrollments into the Affordable plan through Dentalplans.com are made online. Members enrolling through Dentalplans.com are provided online fulfillment materials directly from Dentalplans.com. All other members receive fulfillment materials, which include a membership handbook and membership card, from Affordable.

Memberships prior to May 19, 2005

Between the April 1, 2005 effective date of Chapter 636, Florida Statutes, and the May 19, 2005 date Affordable was permitted to operate as a licensed DMPO, 23 members were enrolled. Enrolling members in a discount medical plan without a license violates Section 636.204(1), Florida Statutes. The Company also enrolled 4 members prior to forms being approved on April 25, 2005.

Corrective Action: Members enrolled prior to May 19, 2005, and prior to the forms being approved, should be provided Florida approved enrollment forms, written agreements, and fulfillment materials upon renewal.

FORMS/CHARGES REVIEW

The Office approved a fee schedule, application form and member agreement on April 25, 2005. The member agreement consists of the membership application and membership agreement information guide. A random sample of 50 active membership files enrolled on or after April 1, 2005 was reviewed. The following violations were noted:

- The agreement in use fails to contain the address of the licensed DMPO, as required by Rule 69O-203.202(1)(a), Florida Administrative Code;
- 24 members were enrolled through Dentalplans.com using an internet application, fees, and a membership agreement that were not first filed with and approved by the Office as required by Section 636.216(3), Florida Statutes; and
- 9 members were enrolled with Affordable on forms that have not been stamped approved by the Office. In addition, 1 of the 9 members was charged a fee that had not been filed with and approved by the Office as required by Section 636.216(1), Florida Statutes.

Corrective Action: The Company should modify all forms to clearly state the Company's name and address, including those forms being utilized by marketers. Prior to use, all modified forms must be filed with and approved by the Office. The Company should only enroll members on forms and charge fees that have been filed with and approved by the Office. The Company should also review all member files to ensure that only filed and approved charges and fees were used, and issue refunds to all members who were overcharged.

CANCELLATION REVIEW

During the scope of the examination, the Company reported 24 members cancelled their memberships within the first 30 days of their enrollment effective date. Twenty-four (24) files were reviewed to determine if the Company was refunding all periodic charges as required by Section 636.208(2), Florida Statutes. The review revealed that all members' cancellations were handled appropriately.

COMPLAINT/GRIEVANCE REVIEW

The Company reported 3 consumer complaints were received during the scope period. Two (2) of the complaints were from members who felt they were overcharged by the provider and 1 was from a member wanting to cancel because she never used the plan.

One (1) complaint was filed with the Department of Financial Services, Division of Consumer Services in reference to the Affordable plan. That complaint was not reported during the exam because the complainant involved was not a member of the Affordable plan. Pursuant to instructions from Consumer Services, the Company noted the complainant was not a member of its plan on correspondence with the Department.

Policies and procedures are in place to facilitate the resolution of member grievances and complaints as required by Section 636.205(1)(d), Florida Statutes.

ADVERTISING REVIEW

The Company provided a report identifying 4 advertisements relating to its discount medical plan. One (1) of the 4 advertisements reported was the Dentalplans.com website. The review of the website is covered in the Website Review section of this report. The remaining 3 advertisements reviewed were the membership card, an ad in the yellow pages and a flyer. The following violations were noted:

- The membership card and flyer failed to provide a link to the provider list Internet website address (URL) as required by Section 636.226, Florida Statutes; and
- The yellow page ad and flyer failed to contain the disclosures as required by Section 636.212, Florida Statutes.

Corrective Action: The Company should ensure that the required disclosures and provider list Internet website address (URL) are contained on all marketing and advertising materials.

WEBSITE REVIEW

A review of the Company's website, www.afhsco.com revealed the following violation:

- The first page of the website fails to contain the address of the licensed discount medical plan organization as required by Section 636.212(5), Florida Statutes.

Corrective Action: The Company should modify its website to ensure it contains the address of the licensed discount medical plan organization.

A review was also conducted of the website http://www.dentalplans.com hosted by Dentalplans.com, a marketer of Affordable's plan and a licensed DMPO in Florida. No errors were noted.

EXAMINATION FINAL REPORT

The Office hereby issues this report as the Final Report, based upon information from the examiner's draft report, additional research conducted by the Office, and additional information and comments provided by the Company in response to the draft report.