

FINANCIAL SERVICES COMMISSION

**FLORIDA OFFICE OF INSURANCE REGULATION
MARKET INVESTIGATIONS**

MARKET CONDUCT FINAL EXAMINATION REPORT

OF

ALLIANCE HEALTHCARD OF FLORIDA, INC.

AS OF

SEPTEMBER 1, 2006

FLORIDA COMPANY CODE: 56019



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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 Alliance Healthcard of Florida, Inc. ("Alliance" or "Company") was performed by Greenfield Consultants, Inc. The scope of this examination was May 26, 2005 through April 30, 2006. The examination began August 28, 2006 and ended September 1, 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 3500 Parkway Lane, Norcross, GA 30092.

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

Alliance Healthcard of Florida, Inc. was incorporated in Georgia in September 1998. Alliance Healthcard of Florida, Inc. is a wholly owned subsidiary of Alliance Healthcard, Inc. The Company was licensed in Florida as a Discount Medical Plan Organization (DMPO) effective May 26, 2005.

Alliance's discount medical plan offers vision care services, senior health care services, hospital services, physician care, pharmacy supplies, audiology services, chiropractic services, acupuncture services, massage therapy, optical products and services, podiatric services, prescription drugs, mental health services, and telephone nursing services.

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 has agreements with 12 provider networks. All provider network agreements were reviewed for compliance with Section 636.214, Florida Statutes. The following violations were noted:

- 3 provider network agreements failed to list the services and products to be provided at a discount as required by Section 636.214(3)(a), Florida Statutes;
- 4 provider network agreements failed to provide the amount or amounts of the discounts or, alternatively, a fee schedule which reflects the provider's discounted rates as required by Section 636.214(3)(a), Florida Statutes;
- 5 provider network agreements failed to state that provider will not charge members more than the discounted rates as required by Section 636.214(3)(a), Florida Statutes; and
- 11 provider network agreements failed to require the network to maintain an up-to-date list of its contracted providers on a monthly basis as required by Section 636.214(3)(c), Florida Statutes.

Corrective Action: The Company should ensure that its provider network agreements contain a description of the services and products to be offered, the amount of the discount or a fee schedule, a provision that the provider will not charge members more than the discounted rate and require monthly provider list updates.

PROVIDER AGREEMENT REVIEW

The Company stated that it does not have direct relationships or agreements with providers. All providers are contracted through the provider networks.

MARKETER AGREEMENT REVIEW

Alliance has marketing agreements with 6 entities. The Company's marketers market its plan throughout the United States, including Florida. The Company's marketers are as follows:

- State Farm Mutual Automobile Insurance Company (SF)
- Melaleuca, Inc.
- CVS Pharmacy
- The Medicine Shoppe
- Leader Drug Stores
- Finance Independence Company (FIC)

The Company's products are primarily sold through agreements with private label marketers: State Farm Mutual Automobile Insurance Company, CVS Pharmacies, and Melaleuca, Inc.

All marketer agreements were reviewed for compliance with Section 636.228(2), Florida Statutes. The following violation was noted:

- The FIC marketing agreement was not signed by Alliance as required by Section 636.228(2), Florida Statutes.

Corrective Action: The Company should maintain signed agreements with all its marketers.

ACTIVE MEMBERSHIP REVIEW

As of April 30, 2006, Alliance had 7,861 active members, 950 of whom enrolled on or after the statutory effective date of April 1, 2005.

A random sample of 55 files, for members enrolled on or after May 26, 2005, was reviewed. Electronic screen printouts were provided to review member information and verify the appropriate charges were in compliance with Section 636.216(1), Florida Statutes. No violations were noted.

Enrollment Procedures

1. State Farm Mutual Automobile Insurance Company (Good Neighbor Advantage) - State Farm members are automatically enrolled in the Good Neighbor Advantage Card program upon the purchase of a Medicare supplement insurance policy. There is no enrollment form or charge to a Good Neighbor Advantage member.
2. Melaleuca, Inc. – Subscribers to Melaleuca, Inc. may enroll for the healthcare card online or by telephone. Melaleuca, Inc. offers the following plans: Basic Care, Dental Care Plus, or Total Care. Enrollment is performed by Melaleuca, Inc. The members pay Melaleuca directly, pursuant to filed rates approved by the Office. Member enrollment is transmitted electronically to Alliance, and Alliance sends out the fulfillment materials to the new members. The following violation was noted:
 - Melaleuca, Inc. is using English and Spanish phone scripts and enrollment forms that had not been filed with and approved by the Office prior to use as required by Section 636.216(3), Florida Statutes.
3. CVS Pharmacy - Customers may enroll in the Health Savings Pass card by completing an enrollment form at the pharmacy or online. The customer may enroll in a Basic Plan or Plus Plan. The members pay Alliance directly, and Alliance sends fulfillment materials to the new members. The following violation was noted:
 - CVS's online enrollment forms had not been filed with and approved by the Office prior to use as required by Section 636.216(3), Florida Statutes.

Corrective Action: The Company should enroll members on forms that have been filed with and approved by the Office prior to use.

Memberships prior to May 26, 2005

Alliance has 7,306 members who enrolled prior to May 26, 2005. The Company has stated that members were re-issued a Florida approved member guide and member agreements.

Between the April 1, 2005 effective date of Chapter 636, Florida Statutes, and the May 26, 2005 date Alliance was permitted to operate as a licensed DMPO, 8 members were enrolled. Enrolling members in a discount medical plan without a license violates Section 636.204(1), Florida Statutes.

Corrective Action: Members enrolled prior to May 26, 2005 should be provided Florida approved enrollment forms, written agreements, and fulfillment materials upon renewal.

FORMS/CHARGES REVIEW

A review of the following forms utilized by the Company was conducted:

<u>Company/Private Label</u>	<u>Date</u> <u>Approved</u>	<u>Forms</u>
Alliance Healthcard, Inc.	June 27, 2005	Enrollment, Member Guide, & Agreement
<u>Private Label</u>		<u>Forms</u>
CVS – Health Savings Pass	June 2, 2005	Enrollment, Member Guide, & Agreement
SF – Good Neighbor Advantage	June 8, 2005	Member Guide & Agreement
Melaleuca - Healthcare Savings	July 27, 2005	Enrollment, Member Guide, & Agreement

The Company provided samples of membership kits for Alliance and the 3 private label marketers. The membership kits reviewed were in compliance with Sections 636.216(2) and (3), Florida Statutes and Rule 69O-203.204, Florida Administrative Code.

The online enrollment forms for Alliance, CVS, Melaleuca, and SF were reviewed for compliance with Section 636.216(3), Florida Statutes and Rule 69O-203.204(1)(a), Florida Administrative Code. These exceptions are noted in the Active Membership Review section of this report.

All filed charges were reviewed for compliance with Section 636.216(1), Florida Statutes, with no exceptions noted.

CANCELLATION REVIEW

The Company produced 14 files with cancellation for review. Thirteen (13) files reviewed had cancellation dates within the first 30 days after the effective date of enrollment in the plan. No violations were noted.

COMPLAINT/GRIEVANCE REVIEW

The Company maintains electronic member notes of all customer calls. These notes include member inquiries and complaints. Complaint procedures are in place and were provided for review. The Company's complaint procedures state that it is the Company's objective to resolve the vast majority of inquiries and complaints during the member's first call. It further states that complaints which cannot be resolved during the first call will be resolved within 48 hours, or within timeframes agreed with the customer for more complex issues. No violations were noted.

WEBSITE REVIEW

As a condition for licensure, a discount medical plan must establish an Internet website page on which it is to maintain an up-to-date list of the names and addresses of its providers in order to comply with Section 636.226, Florida Statutes. A review of the following Company and private label marketer websites was conducted:

<u>Company</u>	<u>Website</u>
1) Alliance	www.alliancehealthcard.com
2) SF (Good Neighbor Advantage Card)	www.gnadvantage.com
3) Melaleuca	www.melaleuca.com
4) CVS	www.cvshealthpass.com

The following violations were noted:

- Alliance and Melaleuca did not provide disclosures, in not less than 12-point type, as required by Section 636.212, Florida Statutes;
- Melaleuca did not provide the disclosure on the first page of its website that the plan is not insurance as required by Section 636.212(1), Florida Statutes;
- SF, Melaleuca, and CVS did not provide the disclosure on the first page of its website that the plan provides discounts at certain health care providers for medical services as required by Section 636.212(2), Florida Statutes;
- SF, Melaleuca, and CVS did not provide the disclosure on the first page of its website that the plan does not make payment directly to the providers of medical services as required by Section 636.212(3), Florida Statutes;
- SF, Melaleuca, and CVS did not provide the disclosure on the first page of its website that the plan member is obligated to pay for all health care services but will receive a

discount from those health care providers who have contracted with the discount plan organization as required by Section 636.212(4), Florida Statutes;

- SF, Melaleuca, and CVS did not provide the disclosure on the first page of its website of the name and address of the licensed discount medical plan organization as required by Section 636.212(5), Florida Statutes; and
- Alliance and Melaleuca did not have online enrollment forms filed with and approved by the Office prior to use as required by Section 636.216(3), Florida Statutes.

Corrective Action: The Company should ensure that its website and the website of its marketers contain the required disclosures and that those disclosures are in not less than 12-point type. The Company should not enroll members on its website or its marketer's websites on forms that have not been filed with and approved by the Office prior to use.

ADVERTISING REVIEW

The Company provided 2 advertising pieces for review:

- CVS Prescription Savings Pass (brochure)
- Melaleuca Health Care Savings Program (advertising insert distributed at conferences)

The following violations were noted:

- The CVS brochure did not contain the disclosures as required by Section 636.212, Florida Statutes.
- The Melaleuca insert did not contain the Company's address on the first page as required by Section 636.212(5), Florida Statutes.

Corrective Action: The Company should ensure that its advertisements contain the required disclosures.

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.