

FINANCIAL SERVICES COMMISSION

**FLORIDA OFFICE OF INSURANCE REGULATION
MARKET INVESTIGATIONS**

MARKET CONDUCT FINAL EXAMINATION REPORT

OF

CHCS SERVICES, INC.

AS OF

NOVEMBER 9, 2007

FLORIDA COMPANY CODE: 56044



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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 CHCS Services, Inc. (CHCS or Company) was performed by Greenfield Consultants, LLC. The scope of this examination was May 4, 2006 through September 30, 2007. The examination began November 5, 2007 and ended November 9, 2007.

The purpose of this examination was to review the Company's compliance with Chapter 636, Part II, Florida Statutes as in effect 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 422 North Baylen Street, Pensacola, Florida. This location is across the street from the office address on the license which is 411 North Baylen Street, Pensacola, Florida 33051.

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 domestic company was licensed as a Discount Medical Plan Organization (DMPO) in Florida on May 4, 2006. CHCS has indicated that while they have obtained the license, the decision was made shortly after licensing not to market the discount medical card. The company continues to provide the "services" that they enter into with providers to their "Clients" that are identified as insurance companies, employers, third party administrators and other organizations.

CHCS was issued a Consent Order on May 4, 2006 for operating a discount medical plan organization without a license. A condition of the Consent Order was that the Company not market or enroll any new members until after the forms and rates have been approved in writing by the Office. There were 59 members enrolled at that time of the Consent Order. On November 3, 2007, all active members were advised by the Company of termination of the plan. CHCS sent a letter and refund of all charges collected to the members.

The Company indicated that there was no marketing under private labels of its products in Florida because they were not licensed as a DMPO in the state of Florida. The Company is continuing to enter into new provider agreements and advised that it is exploring the possibility of becoming active in the DMPO area at some point in the future. They do not have any plans to

surrender the DMPO license. Prior to licensing, the medical products and services from various providers were marketed by CHCS.

PROVIDER NETWORK AGREEMENT REVIEW

The Company does not utilize any provider networks.

PROVIDER AGREEMENT REVIEW

The Company has entered into agreements with 743 providers. A sample of 12 provider agreements was reviewed for compliance with Section 636.214, Florida Statutes. No violations were noted.

MARKETER AGREEMENT REVIEW

The Company has a written agreement with one marketer, New Benefits. The marketer agreement was reviewed. The following violation was noted:

- The marketer agreement failed to require prior written approval by the Company of all marketing and advertising materials as required by Section 636.228(2), Florida Statutes.

Corrective Action: The Company should ensure that marketer agreements require written approval of marketing and advertising materials by the discount medical plan organization prior to use.

ACTIVE MEMBERSHIP REVIEW

The Company had 59 members enrolled as of March 31, 2005. CHCS indicated that no new members were enrolled after this date. There were 11 active members at the time of this examination.

Enrollment Procedures

There were no formal enrollment procedures developed by the Company.

Membership Prior to May 4, 2006

All 59 members were enrolled by the Company prior to the effective date of Section 636, Florida Statutes. CHCS advised the members by letter that it was in the process of becoming licensed and had decided to refund the members all the membership fees that had been collected.

The company was going to “continue” the membership at no charge until the license was approved.

Membership After May 4, 2006

No members were enrolled after March 31, 2005. Eleven (11) active membership files were reviewed. Four (4) of these files were subsequently discovered to be different products and should not have been included in this examination. The remaining membership files consisted of enrollment forms, void drafts authorizing EFT payments (where applicable), subscriber histories, the November 3, 2007 CHCS letters and copies of the refund checks (none cancelled) and payment histories. The following violation was noted:

- 5 members were charged rates that differed from those filed with the Office as required by Section 636.216(1), Florida Statutes.

Corrective Action: The corrective action has been addressed in the Forms/Charges Review.

FORMS/CHARGES REVIEW

On June 12, 2006, the Office approved the following forms filed by the Company for its Care Connection plans:

- Application forms for the Company’s Essential Care, Premier Choice and Workplace Solution plans;
- A “Membership Agreement”, which informs the consumer of charges and complies with the disclosure requirements of Section 636.212, Florida Statutes;
- Documents that constitute the discount medical agreement; and
- Documents that describe the various medical discount products and services.

The Company indicated that the member agreement would be given to the member at the time of enrollment and that the “fulfillment packet” would contain the discount card and a member handbook. The Company provided the forms approved by the Office, but did not provide the “kits”, since they were never formally produced. No violations were noted.

Section 636.216(1), Florida Statutes requires a DMPO to file all charges with the Office. The Company filed rates and charges that were approved on June 12, 2006. The old unfiled charges were collected from 5 active members until November 3, 2007, the date when all active members were advised of the termination of the plan. The Company sent a letter and a refund of all charges collected from March 31, 2005 till the date of termination.

Corrective Action: The Company should only utilize charges that have been filed with the Office prior to use.

CANCELLATION REVIEW

The Company reported 1 cancelled membership which was reviewed for compliance with Section 636.208(2), Florida Statutes. No violations were noted.

COMPLAINT/GRIEVANCE REVIEW

The Company creates a computer complaint entry and assigns a complaint identification number to the complaint. CHCS' policy states that after receipt, in writing, of the complaint and all necessary information, the Company will provide a written response to the member regarding their concern within 30 days. CHCS has indicated that there has been one complaint filed, since May 4, 2006, by a Florida member.

The Company's log referred to the DMPO membership as an "Additional Policy" and described the resolution of the complaint as the "Policy Cancelled/Rescinded". This DMPO membership was bundled with an American Pioneer Life Insurance Policy and was sold prior to licensing. No violations were noted.

WEBSITE REVIEW

A review of the website, www.nursenavigator.com, was conducted to determine compliance with Section 636.226, Florida Statutes. The site is updated as information becomes available. The Company reported that members can not enroll online. No violations were noted.

ADVERTISING REVIEW

The Company reported that it does not advertise and produced no advertising material for the examination, except for the website.

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.