

# **FINANCIAL SERVICES COMMISSION**

**FLORIDA OFFICE OF INSURANCE REGULATION  
MARKET INVESTIGATIONS**

**MARKET CONDUCT FINAL EXAMINATION REPORT**

**OF**

**CAREINGTON INTERNATIONAL CORPORATION**

**AS OF**

**February 17, 2006**

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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 Careington International Corporation (“Company” or “Careington”) was performed. The scope of this examination was April 1, 2005 through October 31, 2005. The examination began February 13, 2006 and ended February 17, 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 7400 Gaylord Parkway, Frisco, TX 75034.

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 March 24, 2005. Careington offers the following discount medical plans: Total Care, Multi-Care, Multi-Care Plus, Multi-Care Elite, Rx Plus, and Dental/Vision. The various plans offer combinations of dental, medical, hospital, vision, hearing, medical supplies, complimentary alternative medicine (CAM) and chiropractic discounts to members.

## **PROVIDER NETWORK REVIEW**

Careington maintains and is responsible for one provider network, Careington Dental Network, (CDN). Careington has agreements with the 16 additional providers and medical services networks listed below. These networks and the products and services they offer are:

1. Aetna Health Management, LLC – dental
2. The Amacore Group, Inc (ECI) – dental/vision
3. American Health Network, Inc. dba Galaxy Health Network – physician/hospital
4. American WholeHealth Network – chiropractic, CAM, nutritional
5. Better Living Now, Inc. – durable medical equipment/medical supplies
6. Cole Vision Services, Inc. – vision
7. EyeMed Vision Care, LLC – vision

8. Health Networks America – podiatry
9. Healthcare Synergies, Inc. – long term care
10. Hear Po Corp. – hearing
11. Liberty Direct Services, Corp. – diabetes management
12. Miracle-Ear, Inc. – hearing
13. Private Healthcare Systems (PHCS) – physician
14. PPONext – physician
15. Vision Service Plan (VSP) – vision
16. Optum – 24 hour nurse help line

Careington did not provide a copy of their agreement with PPONext as required by Section 636.214(4), Florida Statutes.

**Corrective Action:** The Company should maintain a copy of its agreement with each active provider network.

The written provider network agreements with the 15 active networks were reviewed to ensure they contained the provisions required by Section 636.214(3), Florida Statutes. The following errors were noted:

- 6 failed to contain language requiring monthly provider updates as required by Section 636.214(3)(c), Florida Statutes;
- 6 failed to contain language requiring that the agreement between the network and its providers contain both a description of the service and products to be offered and/or the amounts of discount or a fee schedule as required by Section 636.214(3)(a), Florida Statutes; and
- 8 failed to require a stipulation that the provider would charge no more than the discounted rate as required by Section 636.214(3)(a), Florida Statutes.

**Corrective Action:** The Company should update its provider network agreements to contain the provisions required by Sections 636.214(3)(a) and (c), Florida Statutes.

### **PROVIDER AGREEMENT REVIEW**

Nine (9) dental provider agreements were reviewed for compliance with Section 636.214(2), Florida Statutes. In addition, the Company produced sample provider agreements used by the Company for calendar years beginning in 1997. All agreements reviewed contained the provisions required by Section 636.214(2), Florida Statutes.

Providers participating in the network can be located in an online provider directory made available through the Company's website, [www.careington.com](http://www.careington.com). The network is updated immediately upon verification of a provider change, addition or withdrawal to ensure that it is kept up-to-date as required by Section 636.226, Florida Statutes.

## MARKETER REVIEW

Careington has agreements with marketers who sell the discount plans directly and through private label marketers. Plans are marketed to both individuals and groups.

The Company provided a list of 178 entities that market to Florida consumers. This list included private label marketers, individual marketers, groups, and other Florida licensed DMPOs. Twenty-seven (27) marketing agreements were reviewed for compliance with Section 636.228, Florida Statutes. One (1) agreement failed to require prior approval by the Company of all marketing and advertising materials as required by Section 636.228(1), Florida Statutes.

**Corrective Action:** The Company should ensure that all agreements with marketers contain language requiring prior approval of all marketing and advertising materials.

## ACTIVE MEMBERSHIP REVIEW

As of October 31, 2005, the Company provided membership reports showing 13,221 active members in Florida, of which 4,166 (32%) had enrollment effective dates on or after April 1, 2005. A review of the membership reports revealed that 5 of the private label marketers enrolled a combined total of 719 members using enrollment and membership forms that had not been filed with and approved by the Office as required by Section 636.216(3), Florida Statutes.

**Corrective Action:** The Company should not use forms until they have been filed with and approved by the Office.

A random sample of 111 active membership files with enrollment effective dates on or after April 1, 2005, was reviewed. Membership information is stored electronically in Careington's proprietary system "CARELynx." The Company provided the electronic membership information and, if applicable, the transaction and consumer call histories.

### Enrollment Procedures

Depending on the marketer, enrollments are done on paper, via telephone or over the Internet. A review of the enrollments received by the Company after April 1, 2005, revealed 64 members were enrolled using enrollment forms that had not been filed with and approved by the Office as required by Section 636.216(3), Florida Statutes.

**Corrective Action:** The Company should ensure that all enrollment forms, including telephone enrollment scripts, are filed with and approved by the Office prior to use.

The review also revealed 77 members had been enrolled with charges that had not been filed with the Office as required by Section 636.216(1), Florida Statutes.

**Corrective Action:** The Company should file all charges with the Office prior to use.

## **Memberships Prior to April 1, 2005**

For members who were enrolled prior to April 1, 2005, Careington reported that it planned to mail the approved membership materials to members during April, May and June of 2006.

**Corrective Action:** Members enrolled prior to April 1, 2005 should be provided Florida approved enrollment forms and written agreements upon renewal.

## **FORMS/CHARGES REVIEW**

Forms used by Careington and its private label marketers were compared with the forms that have been filed with and approved by the Office. The following errors were noted:

- Careington has not filed the enrollment forms, including telephone scripts, Spanish language and internet enrollment forms, being used by 17 marketers as required by Section 636.216(3), Florida Statutes;
- Careington has not filed the charges, enrollment form, written agreement, and member handbook for one private label marketer prior to use as required by Sections 636.216(1) and (3), Florida Statutes;
- Careington has not filed the membership handbooks for its Multi-Care, Multi-Care Plus, Multi-Care Elite, Rx Plus, and Dental/Vision plans as required by Section 636.216(3), Florida Statutes;
- Careington has not filed modified enrollment forms and member handbooks with the Office for approval prior to use as required by Section 636.216(3), Florida Statutes; and
- Careington has modified enrollment forms to include the name of the marketer and has not filed these forms with the Office for approval prior to use as required by Section 636.216(3), Florida Statutes.

**Corrective Action:** The Company should file all forms, including telephone enrollment scripts, Spanish language forms, membership agreements, member handbooks, and revised and modified forms with the Office for approval prior to use. The Company should ensure that it has filed charges used by all marketers. The Company should ensure that its marketers are using only forms that have been filed with and approved by the Office.

## **CANCELLATION REVIEW**

The Company reported 1,773 cancellations between April 1, 2005 and October 31, 2005. A sample of 223 cancellations was reviewed for compliance with Section 636.208, Florida Statutes. The statute requires a full refund of all periodic charges if the member cancels within 30 days of the effective date of enrollment and returns the membership card.

Six (6) members who cancelled their membership within the first 30 days after the effective date of enrollment in the plan and returned the membership card did not receive a refund as required by Section 636.208(2), Florida Statutes.

**Corrective Action:** The Company should establish procedures to ensure that all members who cancel their membership within the first 30 days after the effective date of enrollment and return the membership card receive a full refund of all periodic charges.

### **COMPLAINT/GRIEVANCE REVIEW**

A review of the Company's complaint log revealed that 254 complaints were recorded during the scope of the examination. The following issues were noted:

- 164 complaints were related to discounts not being received or a member being overcharged;
- 18 complaints were related to the provider or that the provider did not accept the plan;
- 18 complaints were related to members not receiving needed dental services or receiving unnecessary services;
- 5 complaints were related to quality of service;
- 3 complaints were from members requesting a refund of charges;
- 11 complaints cited miscellaneous issues, such as the provider charging for records, using an out-of-network provider, wrong address issues, or provider inquiries; and
- 35 complaints had no indication of the nature of the complaint. The Company failed to document the nature of these complaints; therefore, it failed to follow its written compliant procedures as filed with the Office as required by Section 636.205(1)(d), Florida Statutes.

**Corrective Action:** The Company should ensure that it is following its written complaint procedures that were filed with the Office and that overcharges are returned to consumers if warranted.

### **WEBSITE REVIEW**

As a condition for licensure, a discount medical plan is to 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 website, [www.careington.com](http://www.careington.com) was conducted. The first page contains the disclosures as required by Section 636.212, Florida Statutes. This page contains a link to access an up-to-date list of plan providers as required by Section 636.226, Florida Statutes.

A review of 13 websites maintained by Careington marketers was also conducted. The following errors were noted:

- 2 websites did not have the disclosures as required by Section 636.212, Florida Statutes;
- 2 websites did not have the disclosures on the first page as required by Section 636.212, Florida Statutes;

- 2 websites did not have the disclosures printed in not less than 12-point type as required by Section 636.212, Florida Statutes;
- 7 websites identified Careington as the program administrator and did not identify Careington as the discount medical plan organization, as required by Section 636.212(5), Florida Statutes;
- 1 website used terms that could mislead a person into believing the discount medical plan is health insurance, which is prohibited by Section 636.210(1)(b), Florida Statutes; and
- 1 website had charges listed that had not been filed with the Office as required by Section 636.216(1), Florida Statutes.

**Corrective Action:** The Company should ensure that its marketer's websites properly display the required disclosures and that the disclosures are printed in not less than 12-point type. The Company should also ensure marketers avoid using misleading phrases, and quote only charges that have been filed with the Office.

### **ADVERTISING REVIEW**

The Company provided a written procedure addressing the review of marketing materials and marketer websites. The Company also provided a "Website Compliance Checklist".

Advertising by the Company and/or its marketers was reviewed to determine compliance with Sections 636.210 and 636.212, Florida Statutes.

Careington provided 11 advertisements for review. The following errors were noted:

- 2 advertisements failed to have the required disclosures printed in not less than 12-point type as required by Section 636.212, Florida Statutes;
- 1 advertisement brochure failed to have the disclosures as required by Sections 636.212(2), (3), (4) and (5), Florida Statutes; and
- 3 advertisements contained an enrollment form, making the advertisement a form that must be filed with and approved by the Office as required by Section 636.216(3), Florida Statutes.

**Corrective Action:** Careington should ensure all advertisements contain the proper disclosures and those disclosures are printed in not less than 12-point type and the Company should file all advertisements containing an application for membership with the Office for approval.

### **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.