

# **FINANCIAL SERVICES COMMISSION**

**FLORIDA OFFICE OF INSURANCE REGULATION  
MARKET INVESTIGATIONS**

**MARKET CONDUCT FINAL EXAMINATION REPORT**

**OF**

**FLORIDA HEALTH SOLUTION, CORP.**

**AS OF**

**MARCH 24, 2006**

**FLORIDA COMPANY CODE: 56010**

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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 Florida Health Solution, Corporation, (FHS or Company) was performed. The scope of this examination was April 7, 2005 through November 30, 2005. The examination began March 20, 2006 and ended March 24, 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 7350 NW 7<sup>th</sup> Street, Suite 204, Miami, FL 33126.

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 April 7, 2005. The Company was later licensed as a Prepaid Health Clinic (PHC) effective July 29, 2005. The Company services consumers in the Miami-Dade County and Broward County areas.

The Company's discount medical plan offers medical, dental, vision, and hearing discounts to members.

## **PROVIDER NETWORK AGREEMENT REVIEW**

The Company uses its own network of medical service providers, which it contracts with directly. As of November 30, 2005, the Company reported 334 providers participating in its network.

Current lists of providers participating in the network are available on its website at [www.floridahealthsolution.com](http://www.floridahealthsolution.com). The directory is updated each week following review by executive management. One (1) provider was not included in the website provider list. This violation is noted in the Website Review section.

## **PROVIDER AGREEMENT REVIEW**

Eight (8) provider agreements were selected for review to ensure they contained the provisions required by Section 636.214, Florida Statutes. All of the provider agreements referred to an attachment "Discount Health Services Fee Addendum" that contained the list of services and products to be provided at a discount; and the amount or amounts of the discounts or, alternatively, a fee schedule, which reflects the provider's discounted rates. The following violations were noted:

- 5 provider agreements reviewed failed to have attached a copy of the "Discount Health Services Fee Addendum" omitting the list of services and products to be provided at a discount; and 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(2)(a) and (b), Florida Statutes.

**Corrective Action:** The Company should ensure that signed agreements with its providers contain the fee schedule and list of benefits as required.

- 1 provider agreement was not signed by the Company; therefore, it was not properly executed and entered into as required by Section 636.214(1), Florida Statutes.

**Corrective Action:** The Company should ensure that all provider agreements are properly executed by the Company and the provider.

It should be noted that the Company was able to have the provider agreement executed before the end of the on-site examination.

## **MARKETER AGREEMENT REVIEW**

The Company's plan is marketed by 40 independent contractors or marketers. All the marketer agreements were reviewed and contain the language and provisions required by Section 636.228(2), Florida Statutes. The following violation was noted:

- 38 marketer agreements reviewed were not fully executed by all parties as required by Section 636.228(2), Florida Statutes.

**Corrective Action:** The Company should ensure that all contracts with marketers are executed prior to the marketer's marketing, promoting, selling, or distributing the discount medical plan.

It should be noted that by the completion of the exam, the Company had all contracts signed by both the marketer and the Company.

## **ACTIVE MEMBERSHIP REVIEW**

As of November 30, 2005, the Company had 6,559 active memberships:

- 2,967 members enrolled on or after April 7, 2005; and
- 3,592 members enrolled prior to April 7, 2005.

There were no members enrolled between the DMPO statutory effective date of April 1, 2005 and the date the Company received its DMPO license.

A random sample of 50 membership files with effective dates on or after April 7, 2005 was reviewed. The membership files included the original application, call logs, and payment history. Twenty (20) members reviewed were enrolled in the discount medical plan. The remaining 30 members were enrolled in the Prepaid Health Clinic (PHC) and automatically enrolled in the discount medical plan so no application was completed.

### **Enrollment Procedures**

All members are enrolled by a marketer on a paper enrollment form. Once enrolled, FHS is responsible for sending new members fulfillment materials, billing and customer service.

### **Memberships prior to April 7, 2005**

All members enrolled prior to April 7, 2005 were members of a discount medical plan. The Company sent these members a letter advising them that their current plan would no longer be available. Members were provided with new application forms for the newly licensed discount medical plan and the PHC. Additionally, marketers contacted these members directly to assist with the conversion.

A random sample of 50 files of members that had enrolled prior to April 7, 2005 was selected for review. Twenty-nine (29) files reviewed had members convert to the PHC plan. The remaining 21 files did not show members had been converted and were paying periodic charges of \$125.75 a month for the pre-April 7, 2005 family discount medical plan or \$103.75 for the pre-April 7, 2005 individual discount medical plan. Once this error was discovered, a review of all pre-April 7, 2005 membership files was conducted. The following violation was noted:

- 754 membership files of members evidenced continued enrollment in the old plan and payment of periodic charges in excess of those filed with the Office as required by Section 636.216(1), Florida Statutes.

**Corrective Action:** The Company should ensure the use of only those charges filed with the Office and that charges exceeding \$30 per month or \$360 per year must be approved by the Office. The Company should refund all charges exceeding the charges filed with the Office.

### **FORMS/CHARGES REVIEW**

The Office approved application forms, membership agreements, and fee schedules on April 18, 2005. The application forms, membership agreements, and fee schedules used by the Company were reviewed. The following violations were noted:

- Application forms that were reviewed in the membership files did not have the same unique form number that was on the stamped approved forms from the Office as required by Section 636.216(3), Florida Statutes.

**Corrective Action:** The Company should ensure they use the application, including the unique form number, which has been approved by the Office. The Company advised that this was a printing error and would be changed as soon as possible.

- Welcome letters that were mailed to members had not been filed with and approved by the Office as required by Section 636.216(3), Florida Statutes.
- Welcome letters failed to contain space for the member's name, effective date and term of contract, charges and any one-time processing fee, and mode of payment as required by Rule 69O-203.202(c), (d), (e) and (f), Florida Administrative Code.

**Corrective Action:** The Company should ensure the welcome letters used have been filed with and approved by the Office and that the letters contain the member's name, effective date and term of contract, charges and any one-time processing fee, and mode of payment.

- Membership change forms in use are not identical to the form approved by the Office and the form that is being used has not been filed with and approved as required by Section 636.216(3), Florida Statutes.

**Corrective Action:** The Company should only use forms that have been filed with and approved by the Office.

## **CANCELLATION REVIEW**

The Company reported 159 cancellations between April 7, 2005 and November 30, 2005. Fifty (50) files were randomly selected for review. Only 5 of the selected files were for members of the discount medical plan. A review of those files revealed that reimbursements were made as required by Section 636.208, Florida Statutes. No violation was noted. The remaining 45 files were members of the PHC and not subject to the provisions of Section 636.208, Florida Statutes.

## **COMPLAINT/GRIEVANCE REVIEW**

The Company reported no complaints since licensure. One (1) complaint was filed with the Department of Financial Services, Division of Consumer Services. The complaint alleged that a marketer for FHS held the discount medical plan out as insurance and refused to provide the complainant with any documentation on the plan.

During the exam, the Company was advised of this complaint. The Company's response was to follow-up with the marketer named in the complaint. The marketer was given a verbal warning and a note was added to his personnel file.

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.

### **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. Prior to the onsite examination, a review was conducted of the Company's website, [www.floridahealthsolution.com](http://www.floridahealthsolution.com). The website contains a link for consumers to access and view plan providers as required by Section 636.226, Florida Statutes. The following violations were noted:

- The website omitted 1 provider that was not listed on the website's provider list as required by Section 636.226, Florida Statutes; and
- The website did not contain the necessary disclosures as required by Section 636.212(1-5), Florida Statutes.

**Corrective Action:** The Company should ensure that its website contains the required disclosures and that the provider list is kept up-to-date.

### **ADVERTISING REVIEW**

The Company provided 8 advertising pieces for review. All marketing was for the Prepaid Health Clinic and mentioned additional discounts as a benefit of membership. The following violations were noted:

- 8 advertising pieces did not contain any of the disclosures required by Section 636.212(1-5), Florida Statutes, or the provider list website address as required by Section 636.226, Florida Statutes.

**Corrective Action:** The Company should ensure that all advertising materials involving the discount medical plan contain the required disclosures and the provider list website address.

### **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.