

# **FINANCIAL SERVICES COMMISSION**

**FLORIDA OFFICE OF INSURANCE REGULATION  
MARKET INVESTIGATIONS**

**MARKET CONDUCT FINAL EXAMINATION REPORT**

**OF**

**HEALTHALLIES, INC.**

**AS OF**

**AUGUST 25, 2006**

**FLORIDA COMPANY CODE: 56022**

---



## 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 .....	3
Enrollment Procedures.....	3
Memberships on or after May 26, 2005.....	3
Memberships prior to May 26, 2005.....	4
FORMS/CHARGES REVIEW.....	4
CANCELLATION REVIEW .....	5
COMPLAINT/GRIEVANCE REVIEW .....	5
WEBSITE REVIEW.....	5
ADVERTISING REVIEW .....	5
EXAMINATION FINAL REPORT .....	6

## **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 HealthAllies, Inc. (HealthAllies or Company) was performed. The scope of this examination was May 26, 2005 through April 30, 2006. The examination began August 21, 2006 and ended August 25, 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 505 N. Brand Avenue, Glendale, CA 91203.

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**

The Company was incorporated in Delaware on July 27, 1999, and was acquired by the United Health Group in October 2003. HealthAllies, Inc., a foreign company, was licensed in Florida on May 26, 2005, as a Discount Medical Plan Organization (DMPO).

The Company markets its products through employer groups and wholesalers. The Company contracts with Employee Benefits Services (EBS) to process enrollments and credit card transactions.

## **PROVIDER NETWORK AGREEMENT REVIEW**

The Company has agreements with 12 provider networks. The networks contract with over 200,000 providers offering various specialty services. The providers participating in the Allied Health discount medical program are found in the "Consumer Choice Network" link under the "Products" section of the Company's website. Members enter their location to access the providers in that member's area. The provider lists are updated monthly.

A review of the following 12 provider network agreements was conducted:

- ACN Group;
- Advanced Reproductive Care;
- Beltone;
- Dental Benefit Providers;
- Dentemax;
- HealthCare Synergies;
- HearUSA;
- MedLink;
- MultiPlan (ValuePoint by Multiplan);
- ppoNext;
- PTPN- Physical Therapy Provider Network, Inc.; and
- Spectra.

The following violations were noted:

- 5 agreements did not require the network to provide an up-to-date list of its contract providers on a monthly basis to the discount medical plan organization as required by Section 636.214(3)(c), Florida Statutes;
- 1 agreement did not contain a list of the 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(3)(a), Florida Statutes;
- 4 agreements did not include a disclosure that the provider would not charge members more than the discounted rates as required by Section 636.214(3)(a), Florida Statutes; and
- 1 agreement included a provision that HealthAllies may collect provider fees from the member in violation of Section 636.210(2), Florida Statutes.

**Corrective Action:** The Company should update its provider network agreements to incorporate the required provisions and delete any prohibited provisions.

Subsequent to the examination, the Company reported it has terminated its provider network agreements with Dentemax, ppoNext, and HearUSA.

### **PROVIDER AGREEMENT REVIEW**

Five (5) provider agreements were reviewed for compliance with Section 636.214, Florida Statutes. No violations were noted.

### **MARKETER AGREEMENT REVIEW**

The Company reported the following 4 marketers sell its discount medical plan throughout the United States, including Florida:

- Unimerica;

- Sam's Club;
- American Express; and
- UnitedHealthcare

Unimerica and UnitedHealthcare are affiliates of HealthAllies.

Three (3) marketer agreements were reviewed for compliance with Section 636.228(2), Florida Statutes. No violations were noted. The fourth marketer agreement with UnitedHealthcare was not reviewed. The Company reported that it did not have a signed marketer agreement with UnitedHealthcare as required by Section 636.228(2), Florida Statutes.

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

Subsequent to the exam, the Company provided a marketer agreement with UnitedHealthcare which was executed on July 24, 2006.

### **ACTIVE MEMBERSHIP REVIEW**

As of April 30, 2006, the Company had 6,860 active memberships, 3,569 of which had enrollment effective dates on or after May 26, 2005.

The Company's active membership currently resides within employer and wholesaler groups. Sam's Club members constitute a majority of the Company's membership. Sam's Club members are either a "Plus Member" or an "Advantage Member." A "Plus Member" is entitled to free membership in the HealthAllies discount medical plan. Enrollment is activated when a "Plus Member" enrolls on the Company's website. Sam's Club makes payment to the Company for "Plus Members." An "Advantage Member" must pay a monthly charge when the member enrolls on the Company's website.

### **Enrollment Procedures**

All enrollments are completed online either by the members directly or by utilizing the Company's administrator, EBS. Phone calls are routed to the EBS center and an administrator completes the enrollment application for the member.

### **Memberships on or after May 26, 2005**

A random sample of 50 active membership files for individual and group members enrolled on or after May 26, 2005 was reviewed. The following violation was noted:

- 32 files documented charges that differed from those filed with the Office as required by Section 636.216(1), Florida Statutes.

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

## **Memberships prior to May 26, 2005**

Between the April 1, 2005 effective date of Chapter 636, Florida Statutes, and May 26, 2005 date HealthAllies was permitted to operate as a licensed DMPO, 27 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 and written agreements upon renewal.

Prior to the on-site examination, however, after the scope period of the examination, the Company issued new membership fulfillment kits with updated membership agreements to each of the 27 members enrolled prior to May 26, 2005.

## **FORMS/CHARGES REVIEW**

The Company filed forms and charges on April 5, 2005 that were approved on August 22, 2005. A review of the forms and charges revealed the following violations:

- 811 members enrolled between April 1, 2005 and August 22, 2005, were enrolled on forms that had not been first filed with and approved by the Office as required by Section 636.216(3), Florida Statutes;
- 811 members enrolled between April 1, 2005 and August 22, 2005, incurred charges that were not filed with the Office as required by Section 636.216(1), Florida Statutes;
- The Company is utilizing Spanish language forms that were not first filed with and approved by the Office as required by Section 636.216(3), Florida Statutes; and

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

The review revealed that the Florida form filing, number FLA 05-03711, was inconsistent. The cover letter submitted with the filing describes form number ENR0305 as HealthAllies Online Enrollment Form and form number ENR0304P as HealthAllies Enhanced Level Enrollment Form. The form bearing the description, HealthAllies Enhanced Level Enrollment Form stamped approved in the filing contains form number level ENR0305.

**Corrective Action:** The Company should re-file the form bearing the description HealthAllies Enhanced Level Enrollment Form to ensure consistency between the form description and form number on the cover letter and the stamped approved form number.

The Company's discount medical plan is also bundled with products of its affiliates, Unimerica and UnitedHealthcare. The bundled product is sold to employer groups. Depending on the plan, fees for employer group members are free or deducted from payroll. The Company is in compliance with Section 636.230, Florida Statutes.

## CANCELLATION REVIEW

During the scope period, the Company reported that 12 members cancelled their memberships within the first 30 days of the enrollment effective date. A review of the cancellation files for these 12 members revealed no violations.

## COMPLAINT/GRIEVANCE REVIEW

The Company advised that neither it, nor any of its marketers, had any complaints from Florida consumers to report. 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

A review was conducted of the Company website, [www.healthallies.com](http://www.healthallies.com). Currently, HealthAllies does not provide enrollment access directly to the consumer. All of the memberships originate through employer and wholesale groups. An employee or wholesale member is provided a new member number from their employer or wholesaler. The website for Sam's Club, the Company's largest wholesaler, contains a link allowing a member access to the Company's website to enroll online as a HealthAllies member. A member may also access HealthAllies website directly.

A review of the Sam's Club website, [www.samsclub.com](http://www.samsclub.com) was performed to ascertain online member enrollment procedures and compliance with Section 636.226, Florida Statutes. No violations were noted.

The Company plans on enrolling members directly in the near future and will have to revise its website to incorporate the Company's online enrollment form to be in compliance with Section 636.226, Florida Statutes.

## ADVERTISING REVIEW

The Company's advertising file was provided and a sample of the documents was reviewed with the following violation noted:

- 2 advertising "flyers" reviewed did not contain any of the disclosures required by Section 636.212, Florida Statutes. The advertising documents for Sam's Club were available in both English and Spanish.

**Corrective Action:** The Company should ensure that all advertising and marketing materials contain all required disclosures.

Subsequent to the examination, the Company reported that the 2 advertising materials referenced above are no longer in use.

## **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.