

FINANCIAL SERVICES COMMISSION

**FLORIDA OFFICE OF INSURANCE REGULATION
MARKET INVESTIGATIONS**

MARKET CONDUCT FINAL EXAMINATION REPORT

OF

**HEALTH CHOICE NETWORK, INCORPORATED
d/b/a CARENET**

AS OF

June 1, 2006

FLORIDA COMPANY CODE: 56015



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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 Health Choice Network, Inc. d/b/a CareNet, ("Company" or "CareNet") was performed. The scope of this examination was April 28, 2005 through February 28, 2006. The onsite examination began May 30, 2006 and ended June 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 9064 NW 13th Terrace, Miami, FL 33172.

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 28, 2005. Since 1994, Health Choice Network has been providing medical services to low income individuals in the Miami area. Health Choice Network is made up of 5 clinics in the Miami area that are Federally Qualified Health Clinics. These clinics are part of the network that makes up the CareNet discount medical plan network.

CareNet's discount medical plan offers dental, medical, vision, hearing, behavioral health, and chiropractic discounts to members.

PROVIDER NETWORK REVIEW

CareNet's only provider network is Vision Select. A copy of the network agreement was requested for review for compliance with Section 636.214, Florida Statutes. The Company did not maintain a copy of an executed agreement with Vision Select as required by Section 636.214(4), Florida Statutes.

Corrective Action: CareNet should maintain a copy of an executed agreement with all provider networks.

PROVIDER REVIEW

A review of 16 provider agreements was conducted to determine compliance with Section 636.214, Florida Statutes. The following issues were noted:

- 2 of the agreements were for pharmacy services, which are not regulated by the Office; and
- The agreement with Omega Medical Group did not identify the types of services to be provided at a discount as required by Section 636.214(2)(a), Florida Statutes.

Corrective Action: The Company should ensure that all provider agreements include a list of all services and products to be provided at a discount.

MARKETER REVIEW

Four (4) marketer agreements were reviewed for compliance with Section 636.228, Florida Statutes, with no errors noted.

During the review of the membership files, it was discovered that members were being enrolled by employees of Miami Beach Community Health Center. The clinic provided the customer with the registration form, assisted in filling out the form, collected the initial membership fee, and forwarded the fee and the form to the Company. Section 636.202(3), Florida Statutes, defines a marketer as “a person or entity which markets, promotes, sells, or distributes a discount medical plan, including a private label entity which places its name on and markets or distributes a discount medical plan but does not operate a discount medical plan.”

Based on the above definition, this provider was acting as a marketer. The provider agreements do not contain any language with regards to providers acting as marketers and none of the providers have executed a separate marketing agreement as required by Section 636.228(2), Florida Statutes.

Corrective Action: CareNet should require all providers that distribute the CareNet discount medical plan to enter into an agreement prior to marketing, promoting, selling or distributing the discount medical plan.

ACTIVE MEMBERSHIP REVIEW

As of February 28, 2006, the Company had 273 active members in Florida, all of which enrolled after April 1, 2005.

A random sample of 50 memberships was reviewed. The Company provided copies of the registration forms, payment history, and customer notes for review.

ENROLLMENT PROCEDURES

Members are enrolled on paper applications. The Company submitted an enrollment form to the Office which was stamped approved on March 30, 2005. A review of the enrollments received by the Company after April 1, 2005, revealed 38 members enrolled on application forms that were not filed with and approved by the Office 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.

FORMS/CHARGES REVIEW

A review of the forms being utilized by the marketers for enrollment revealed the following:

- The registration form that was originally filed with and approved by the Office had been modified three times by the Company. The first modification was to change the mailing address of the Company. The second modification was to add a space for the monthly periodic fee. The third modification was to add a sentence in the box under Dependent Information. None of these modifications were submitted to the Office for approval as required by Section 636.216(3), Florida Statutes;
- The Company created and used a Spanish enrollment form that was identical to the final modified form being used by the Company. The Spanish form had its own unique form number in the lower left hand corner. This form should have been filed with and approved by the Office as required by Section 636.216(3), Florida Statutes; and
- Once enrolled in the plan, members receive a handbook. The handbook that is provided to members does not have the unique form number in the lower left hand corner that was on the handbook that was approved by the Office as required by Section 636.216(3), Florida Statutes.

Corrective Action: The Company should file all forms when forms are modified and receive approval from the Office prior to their use. All forms should have a unique form number in the lower left hand corner of the form as required by Section 636.216(3), Florida Statutes.

The review of the membership files demonstrated that all members were charged fees that had been filed with and approved by the Office as required by Section 636.216(1), Florida Statutes.

CANCELLATION REVIEW

The Company reported 246 cancellations between April 28, 2005 and February 28, 2006. A sample of 25 cancellations within 30 days of the enrollment effective date was reviewed for compliance with Section 636.208, Florida Statutes.

A review of the files revealed 1 member received a refund; however, the Company deducted \$5.00 for credit card refund processing. Therefore, this member did not receive a full reimbursement of all periodic charges as required by Section 636.208(2), Florida Statutes.

A review of the Company's complaint and grievance logs revealed that 1 member who had cancelled within 30 days of their enrollment effective date failed to receive a full reimbursement of all periodic charges as required by Section 636.208(2), Florida Statutes. This member was not listed on the cancellation report provided by the Company.

Corrective Action: The Company should ensure that members receive a full refund of all periodic charges when canceling their plan within 30 days of their enrollment effective date. The Company should also maintain records that accurately reflect all cancellations and refunds.

COMPLAINT/GRIEVANCE REVIEW

A review of documentation regarding complaints and grievances submitted by the Company revealed that the Company is following its policies and procedures to facilitate the resolution of member grievances and complaints as required by Section 636.205(1)(d), Florida Statutes. No errors were noted.

WEBSITE REVIEW

A review was conducted of the Company's website: www.mycarenet.com which contains general information about the Company and its various products and services. The following errors were noted:

- The main page does not contain the name and address of the Company in the disclosures as required by Section 636.212(5), Florida Statutes;
- The main page contains a "Provider" link to access plan providers as required by Section 636.226, Florida Statutes. However, only the Company's providers are available. Vision Select providers are not available from the "Provider" link. A link to the Vision Select providers is available from the "Benefits" link; however, that link takes the user to a page that does not contain a provider list or information regarding the Vision Select benefit. Therefore, the Company does not maintain an up-to-date provider list as required by Section 636.226, Florida Statutes; and
- The web page contained benefit information regarding vision discounts that are no longer accurate. In October 2005, Vision Select changed the vision fees to reflect a discount of 20% of the doctor's normal charge for services. Rule 69O-203.203(2)(b), Florida Administrative Code, states that "no advertising shall give false information, contain untrue, deceptive, or misleading words, phrases, statements, references, or illustrations as to the contract benefits, health conditions covered, charges or processing fee."

Corrective Action: The Company should ensure that all required disclosures are on the first page of the website. The language on the website should reflect the accurate benefits that are provided to plan members. The Company should also update their website to ensure that the "Provider" list on the website includes an up-to-date list of all providers participating in the plan.

ADVERTISING REVIEW

CareNet submitted 4 advertisements for review. The following errors were noted:

- None of the advertisements contained the name and address of the licensed discount medical plan organization as required by Section 636.212(5), Florida Statutes;
- 1 flyer failed to have the required disclosures in not less than 12-point type as required by Section 636.212, Florida Statutes; and
- 2 brochures failed to state that the plan provides discounts at certain health care providers for medical services as required by Section 636.212(2), Florida Statutes.

Corrective Action: The Company should ensure that all advertisements contain the required disclosures and that those disclosures are printed in not less than 12-point type.

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.