

FINANCIAL SERVICES COMMISSION

**FLORIDA OFFICE OF INSURANCE REGULATION
MARKET INVESTIGATIONS**

MARKET CONDUCT FINAL EXAMINATION REPORT

OF

MEDNET BENEFITS, INCORPORATED

AS OF

SEPTEMBER 15, 2006

FLORIDA COMPANY CODE: 56024



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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 MedNet Benefits, Inc. ("MBI" or "Company") was performed. The scope of this examination was June 8, 2005 through June 30, 2006. The examination began September 11, 2006 and ended September 15, 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 that, 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 25 West Beaver Creek Road, Richmond Hill, Ontario, Canada L4B 1K2.

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 alien Company was licensed as a Discount Medical Plan Organization (DMPO) in Florida on June 8, 2005. MBI was incorporated in Ontario, Canada on January 3, 2002, as a financial service company called Saving Money Worxs. On September 5, 2003, the Company name was changed to MedNet Benefits, Inc.

There are approximately 20 full time employees and the Company utilizes temporary help when needed from one local service. The Company has a United States office located in Phoenix, Arizona with a toll free number for members who call from within the United States.

MBI is a wholesaler of medical discount services. It has 7 provider networks supporting the services that it offers. MBI is solely marketed through 5 private labels.

PROVIDER NETWORK AGREEMENT REVIEW

The Company has agreements with 7 provider networks, listed below. All the provider network agreements were produced for the examination. The networks contract with thousands of providers offering various specialty services:

- Auxiliary Health Benefits Corp
- Fonemed, LLC - Call center services-triage & assessment by registered nurses and health information library
- Outlook Vision Services
- Cyber Medical Service - Telephone medical consultation & health information services provided by physicians contacted by the service. Member pays \$15 registration fee + \$35 consultation fee.
- Galaxy Health Network
- Advanced PCS - Pharmaceutical network
- Cigna Dental

A review of the provider network agreements was performed to ensure compliance with Florida Statutes. Each of the following provider network agreements contained one or more violation(s) as follows:

<u>Provider Network</u>	<u>Section 636.214(3)(a), F.S.</u>	<u>Section 636.214(3)(c), F.S.</u>
Auxiliary Health Benefits Corp.	X	X
Outlook Vision Services	X	X
Galaxy Health Network	X	X
Cigna Dental	X	X

Corrective Action: The Company should ensure that all provider network agreements contain terms as required.

PROVIDER AGREEMENT REVIEW

The Company advised that it does not have direct relationships or agreements with providers. All providers are contracted through the provider networks.

MARKETER AGREEMENT REVIEW

The Company has agreements with the following 5 private label marketers in Florida:

- American Health Services
- Precis, Inc.
- Fiesta Marketing
- EQ Media Direct, LLC
- Berron Group, Inc.

A review of the marketer agreements was conducted. The following violations were noted:

- American Health Services and Precis Inc. - Under Article 2 of each agreement, the contract indicates that “all payments made by the marketers to MedNet are “earned and non-refundable”. If a member cancels their membership, the Company will be in

violation of cancellation provisions pursuant to Sections 636.208(2), (3) and (4), Florida Statutes.

- EQ Media Direct, LLC - Article 10 of the agreement regarding Marketing Materials, states, (a) that Med Net “shall have limited rights of approval over all advertising” which violates Section 636.228(2), Florida Statutes.

Corrective Action: The Company should ensure all marketer agreements contain terms as required.

ACTIVE MEMBERSHIP REVIEW

The Company has 1,025 active Florida memberships, 445 were enrolled between June 8, 2005 and June 30, 2006. MBI advised that its Florida memberships are less than 10% of its total business.

Enrollment Procedures

Depending on the marketer, consumer enrollments are completed via paper forms, electronically over the internet or by telephone. Most consumers enroll electronically or by telephone.

Memberships after June 8, 2005

A random sample of 50 membership files with effective dates of enrollment on or after June 8, 2005 was reviewed. Electronic screen printouts were provided to review member information and ensure the charges complied with Section 636.216(1), Florida Statutes, and Rule 690-203.204(1), Florida Administrative Code. No exceptions were noted.

Memberships prior to June 8, 2005

Between the April 1, 2005 effective date of Chapter 636, Florida Statutes, and the June 8, 2005 date MBI was permitted to operate as a licensed DMPO, 7 members were enrolled. Enrolling members in a discount medical plan without a license violates Section 636.204(1), Florida Statutes. Prior to April 1, 2005, 573 Florida members enrolled in the plan. MBI advised that they had executed a “mass” mailing to bring the old members into compliance.

Corrective Action: Members enrolled prior to June 8, 2005 should be provided Florida approved enrollment forms and written agreements upon renewal.

FORMS/CHARGES REVIEW

The following form and rate filings in connection with the Company’s application for licensure as a DMPO in Florida were reviewed:

<u>Plan</u>	<u>Approved</u>	<u>Description</u>
MedPlus Basic	July 7, 2005	Enrollment, Member Guide & Agreement
MedPlus Enhanced	July 7, 2005	Enrollment, Member Guide & Agreement

MBI uses these 2 approved forms with all 5 private label marketers. The Company provided samples of membership kits for private label marketers: American Health Services (American Health Services), Precis, Inc. (USA HealthCare), Fiesta Marketing (Platinum Health Plus), EQ Media Direct, LLC (Mission Health), and Berron Group, Inc. (MedPlus). These 5 membership kits were reviewed and were in compliance with Sections 636.216(2) and (3), Florida Statutes, and Rule 69O-203.202, Florida Administrative Code.

A review of online member enrollment files uncovered forms that have not been filed with and approved by the Office. The review revealed the following violations:

- Fiesta Marketing has a Spanish language telephone line for membership enrollment. The Company has not filed Spanish language enrollment forms with the Office as required by Section 636.216(3), Florida Statutes, and Rule 69O-203.204(1)(a), Florida Administrative Code; and
- The Company could provide no telephone enrollment scripts in either English or Spanish.

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

MBI does not have periodic charges over \$30 per month or \$360 per year, therefore, no approval by the Office is required.

CANCELLATION REVIEW

One (1) membership file was produced for review where the member cancelled within the first 30 days of their enrollment effective date. A refund, as required by Section 636.208(2), Florida Statutes, could not be confirmed by the Company.

Corrective Action: The Company should ensure that refunds are made to all members that cancel within 30 days of the effective enrollment date.

COMPLAINT/GRIEVANCE REVIEW

MBI provided a copy of its complaint and grievance procedure directive. The Company tracks customer calls by ticket number assignment. The numbers are assigned for "service calls" and for "grievance calls". There were no complaints filed for Florida.

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 as required by Section 636.226, Florida Statutes. The following websites were reviewed:

- American Health Services www.americanhealthservices.us
- Precis, Inc. www.usahealthcaresavings.com
- Fiesta Marketing www.platinumhealthplus.com
- EQ Media Direct, LLC www.missionhealthcard.com
- Berron Group, Inc. www.ushealthcaresavings.com
- MedNet Benefits, Inc. www.mednetbenefits.com

The MedNet Benefits, Inc. website was not in compliance with Section 636.226, Florida Statutes, as it did not maintain an up-to-date list of the names and addresses of its providers as required.

The following table identifies additional violations for each website reviewed:

Statute	MedNet	American Health Services	Precis, Inc	Fiesta Marketing	EQ Media	Berron Group
636.210(1)(a)	X	X		X		X
636.212	X					
636.212 (1)	X	X		X		X
636.212 (2)						
636.212 (3)	X					
636.212 (4)	X					
636.212 (5)	X					
636.216 (3)	X	X	X	X	X	X

Corrective Action: The Company should ensure that its website maintains an up-to-date list of the names and addresses of its providers. The Company should ensure that its website and the websites of its marketers contain the required disclosures, that the required disclosures are printed in not less than 12-point type, and that the term “insurance” is not used in a manner that could mislead a consumer.

ADVERTISING REVIEW

The Company provided the following 9 advertisements for review:

- American Health Service - Brochure
- Precis, Inc. - Brochure

- Fiesta Marketing - TV commercial which was reviewed on screen
- EQ Media Direct, LLC - TV commercial which was reviewed on screen
- Berron Group, Inc. - Brochure

The review revealed the following violations:

- The brochures did not identify MedNet as the DMPO, nor did the brochures provide MedNet's address as required by Section 636.212(5), Florida Statutes.
- All disclosures were not in less than 12-point type as required by Section 636.212, Florida Statutes.

Corrective Action: The Company should ensure that all advertisements contain the required disclosures and that all 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.