FINANCIAL SERVICES COMMISSION

FLORIDA OFFICE OF INSURANCE REGULATION
MARKET INVESTIGATIONS

MARKET CONDUCT FINAL EXAMINATION REPORT

OF

ORGANIZACION GAMMA, INC.
d/b/a MEDICAL PASS

AS OF

October 6, 2006

FLORIDA COMPANY CODE: 56034

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PURPOSE AND SCOPE OF EXAMINATION

Under the 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 Organizacion Gamma, Inc. d/b/a Medical Pass (Company) was performed. The scope of this examination was September 1, 2005 to July 31, 2006. The onsite examination began October 3, 2006 and ended October 6, 2006.

The purpose of this examination was to review the Company's compliance with Chapter 636, Part II, Florida Statues as effective on April 1, 2005. Chapter 636, Part II, Florida Statutes regulates discount medical plan organizations. A discount medical plan organization is an entity which, in exchange for fees, dues, charges, or other consideration, provides 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 2050 NE 163rd Street, North Miami Beach, FL 33162.

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 in Florida as a Discount Medical Plan Organization (DMPO) effective September 1, 2005.

The Company's discount medical plan offers primary physician, dermatology, pediatric, pulmonary, urology, cardiology, surgical, gastroenterology, dermatology, gynecology, ophthalmology, psychotherapy, podiatry, chiropractic, orthopedic, OB/GYN, diagnostic imaging, dental surgery, radiology, and prescription discounts to members. The plan is available to individuals living in the Dade and Broward County area.

Chapter 636, Part II, Florida Statutes does not regulate pharmaceutical supplies, prescriptions, and medical information storage and retrieval services.

PROVIDER NETWORK AGREEMENT REVIEW

The Company uses its own network of providers, which it contracts with directly. A list of network providers can be accessed on the Company's website, http://www.medicalpassusa.com. New providers are updated on the website after 90 days of using the provider or once the Company knows their services are satisfactory. The provider name listing is up-to-date as required by Section 636.226, Florida Statutes.

PROVIDER AGREEMENT REVIEW

The Company provided 21 provider agreement files which were reviewed for compliance with Section 636.214, Florida Statutes. The following violations were noted:

- 1 provider agreement file failed to contain a copy of the written agreement between the Company and the provider as required by Section 636.214(4), Florida Statutes;
- 3 provider agreements failed to 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(2)(a) and (b), Florida Statutes; and
- 21 provider agreements failed to state that the provider will not charge members more than the discounted rates as required by Section 636.214(2)(c), Florida Statutes.

Corrective Action: The Company should maintain copies of the signed agreements with all of its providers. The Company's written agreement with its providers should require the provider agreements contain a list of the services and products to be provided at a discount; the amount or amounts of the discounts or alternatively, a fee schedule which reflects the provider's discounted rates; and a statement that the provider will not charge members more than the discounted rates.

MARKETER AGREEMENT REVIEW

Pursuant to Section 636.228, Florida Statutes, the discount medical plan organization shall have an executed written agreement with a marketer prior to the marketer's marketing, promoting, selling, or distributing of the discount medical plan.

The Company's employees perform the marketing activities for its discount medical plan. No violations were noted.

ACTIVE MEMBERSHIP REVIEW

As of July 31, 2006, the Company had 889 active members in Florida, 373 of which had enrollment effective dates on or after September 1, 2005.

Memberships after September 1, 2005

Several requests were made to the Company to provide the requested sample of 50 membership application files in order to determine if the Company was in compliance with Florida Statutes. The requested membership files were not received from the Company in a timely manner, and the applications omitted membership numbers and member's signature.

A random sample of 50 membership files with application dates on or after September 1, 2005 were reviewed. The effective date of enrollment was omitted from the entire sample of files reviewed. The following violations were noted:

- 22 files contained evidence of a $10 fee for monthly billing and collection that was not filed with the Office as required by Section 636.216(1), Florida Statutes;
- 50 files did not contain a copy of a written agreement between the Company and the member specifying the benefits under the discount medical plan as required in Section 636.216(2), Florida Statutes; and
- 50 files contained evidence of the use of forms that had not been filed with and approved by the Office as required by Section 636.216(3), Florida Statutes.

A review of the member's payment history revealed that the Company charged a $10.00 billing and collection fee on accounts with a monthly mode of payment in lieu of paying semiannually or annually. On September 22, 2006, the Company credited the $10.00 fee back to some of the accounts reviewed in the membership files sample. No credit was given on accounts that indicated a delinquent balance.

Corrective Action: The Company should establish a system to better maintain its membership files to include all documents relating to the member's application, billing, and other correspondence. The Company should ensure that complete files are provided to the Office upon request. The Company should ensure that all membership files contain a copy of the executed written agreement between the Company and the member. The Company should ensure all forms used have been filed with and approved by the Office, and all charges have been filed with the Office.

Memberships prior to September 1, 2005

Between the April 1, 2005 effective date of Chapter 636, Part II, Florida Statutes, and the September 1, 2005 date the Company was permitted to operate as a licensed DMPO, 99 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 September 1, 2005 should be provided Florida approved enrollment forms, written agreements, and fulfillment materials upon renewal.

FORMS/CHARGES REVIEW

The Office approved the membership application and the membership agreement on September 29, 2006. It could not be determined when the Company began using the approved application because the membership applications reviewed were not completed until after the date the Office approved the forms. Of the forms reviewed, the following violation was noted:

- The application form failed to contain a space for charges and fees as required by Rule 69O-203.202(1)(e), Florida Administrative Code.

Corrective Action: The Company should ensure that it only uses forms that have been filed with and approved by the Office prior to use. The Company should revise the membership application to include a space for charges and any one-time processing fee.

CANCELLATION REVIEW

During the scope of the examination, the Company reported that 1 member cancelled their membership within the first 30 days of the enrollment effective date. A review of the cancellation file was conducted. No violation was noted.

COMPLAINT/GRIEVANCE REVIEW

The Company has recorded 2 consumer complaints related to its discount medical plan since licensure. One (1) complaint was resolved with the member receiving a partial credit, while the resolution of the other complaint could not be determined because of the limited amount of information contained in the complaint file.

The Company has written procedures to facilitate the resolution of member complaints; however, it is not possible to determine whether the procedures are being followed. The investigation of the complaints are not documented, complaint logs are not dated by the grievance officer, and there is no written evidence of how the complaint was resolved. The complaint log does not include the name of the member or a date the complaint was received. The Company does not document phone conversations or record resolutions.

Corrective Action: The Company should ensure compliance with its procedures to resolve member grievances and complaints.

WEBSITE REVIEW

As a condition of licensure, a discount medical plan organization must establish an internet website on which it maintains an up-to-date list of the names and addresses of its providers for compliance with Section 636.226, Florida Statutes. The Company maintains one website: http://www.medicalpassusa.com. The website is presented in both English and Spanish and the viewer is prompted to choose the language that is preferred. A review of the website was conducted. The following violation was noted:

- The first page of the website fails to contain the name and address of the Company as required by Section 636.212(5), Florida Statutes.

Corrective Action: The Company should include the name and address of the Company on the first page of its website.

ADVERTISING REVIEW

The Company produced 4 advertisement pieces used during the scope of the examination. A review of the 4 advertisement pieces was conducted. The following violations were noted:

- The tri-fold brochure contained the proper disclosures but failed to print the disclosures in not less than 12-point type on the first page of the brochure as required by Section 636.212, Florida Statutes; and
- The web advertisement does not contain any of the disclosures as required by Section 636.212, Florida Statutes; and
- The web advertisement includes the term "coverage" which is prohibited by Section 636.210(1)(b), Florida Statutes.

Corrective Action: The Company should ensure that all advertisements, marketing materials, and brochures contain the required disclosures and do not contain prohibited language.

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.