

FINANCIAL SERVICES COMMISSION

**FLORIDA OFFICE OF INSURANCE REGULATION
MARKET INVESTIGATIONS**

MARKET CONDUCT FINAL EXAMINATION REPORT

OF

PATRIOT HEALTH FLORIDA, INC.

AS OF

NOVEMBER 16, 2007

FLORIDA COMPANY CODE: 56054



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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 Patriot Health Care Florida, Inc. (Company or Patriot) was performed by Greenfield Consultants, LLC. The scope of this examination was March 15, 2007 through September 30, 2007. The examination began November 13, 2007 and ended November 16, 2007.

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 their administrative offices located at 160 Eileen Way, Syosset, NY 11791.

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

Patriot Health Florida, Inc. is a domestic company licensed as a Discount Medical Plan Organization (DMPO) in Florida effective March 15, 2007. The Company is part of the Cost Containment Group, Inc., the holding company for United Health Programs of America, Inc. (UHP); Patriot Health, Inc. (Plainview, New York) and Ocean Consulting Group, Inc. The Company is a subsidiary of UHP. Patriot provides reduced fee for service network access and services to client members and their families. The Company entered into an agreement with UHP whereby UHP provides access to a number of third party provider networks and services to Company members.

The DMPO plan is only available to members of the Local 629 Union. The program is paid for by Local 629 and provided to members as a benefit of membership. Local 629 is domiciled in New Jersey and represent approximately 5,000 members across the nation. The Company maintains an agreement with Local 629.

PROVIDER NETWORK AGREEMENT REVIEW

The Company's parent, UHP, has agreements with external network providers for the Company's discount medical plan. Patriot is not a named party in the agreements. Medical services discounts are available through written agreements with the following 8 network providers:

1. Beltone Electronics Corporation, LLC - Hearing aids network
2. Eye Care International, Inc. – Vision aides
3. CHCS Services, Inc. - Elderly Care
4. Global Affiliates, Inc. DBA GlobalFit - Health clubs
5. Hear PO Corp. – Hearing aides
6. Galaxy Health Network - Doctors and hospitals
7. Beech Street Corporation - Doctors
8. United Networks of America, Inc. - Dental

The written provider network agreements were reviewed to ensure they contained the provisions required by Section 636.214(3), Florida Statutes. The following violations were noted:

- 8 agreements were not between the DMPO and the provider network as required by Section 636.214(3), Florida Statutes;
- 7 agreements failed to require the network to maintain an up-to-date list of its contracted providers and to provide that list on a monthly basis to the DMPO as required by Section 636.214(3)(c), Florida Statutes;
- 4 agreements failed to require the network to maintain a list of services and products to be provided at a discount as required by Section 636.214(3)(a), Florida Statutes;
- 6 agreements failed to contain 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; and
- 4 agreements failed to require that the provider will not charge more than the discounted rates as required by Section 636.214(3)(a), Florida Statutes.

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

PROVIDER AGREEMENT REVIEW

The Company has not entered into any individual provider agreements.

MARKETER AGREEMENT REVIEW

The Company maintains an agreement with the Local 629 Union. The DMPO plan is only available to members of Local 629. This plan is bundled with an insurance product underwritten

by AEGIS Security Insurance Company. The insurance and discount package are provided to all union members. The agreement was reviewed for compliance with 636.228, Florida Statutes. No violations were noted.

ACTIVE MEMBERSHIP REVIEW

As of September 30, 2007, the Company had 46 active members in Florida, all enrolled after March 15, 2007.

Enrollment Procedures

All enrollments are done in accordance with the terms of the agreement between the Local 629 and the Company. Local 629 enrolls new members, submits all marketing and fulfillment materials to the Company for review and pays the Company a per member per month fee of \$14.95 per individual, \$19.95 per individual plus 1 and \$24.95 per family.

Memberships after March 15, 2007

A random sample of 15 active members with effective dates on or after March 15, 2007 was reviewed. There were no membership files, call logs, or subscriber history provided. A monthly report is issued by Local 629 which lists the member's identification number, effective date, first and last name, coverage (individual, couple or family), and the amount payable to the DMPO.

Memberships prior to March 15, 2007

Between the April 1, 2005 effective date of Chapter 636, Florida Statutes, and the March 15, 2007 date Patriot was permitted to operate as a licensed DMPO, no members were enrolled.

FORMS/CHARGES REVIEW

The Company was advised on March 16, 2007 by the Office that it could not enroll any new members in Florida until its forms and rates have been approved. The forms were submitted on October, 31, 2007 and withdrawn on November 2, 2007, which is after the scope of this examination. The Office had advised the Company that because the plan is provided to members in Florida free of charge and fees are paid by an out of state association, located in New Jersey, this filing was not required to be reviewed.

CANCELLATION REVIEW

The Company reported 9 membership cancellations between March 15, 2007, and September 30, 2007. Of the 9 reported cancellations, 5 were within the first 30 days. Under the terms of the

agreement between the Company and Local 629, there was no provision for refunds as the individual member does not pay for the discount medical plan. No violations were noted.

COMPLAINT/GRIEVANCE REVIEW

The Company recorded no consumer complaints to its discount medical plan during the scope of the examination. There were no complaints reported to the Florida Department of Financial Services, Division of Consumer Services, or the Office, related to this discount medical plan during the scope of the examination.

The Company's complaint policy states that member calls will be logged in on the Microsoft.Net platform. If the complaint is submitted in writing the company policy states that the complaint will be "logged in" with the date received, service person assigned and how the complaint was resolved. 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 of licensure, a DMPO must maintain and establish an internet website page that complies with Section 636.204(4), Florida Statutes. The Company maintains 1 website: www.patriohealth.com. The website maintains a list of providers that is updated by the Company on a monthly basis as required by Section 636.226, Florida Statutes. The disclosures were printed in 12-point type as required by Section 636.212, Florida Statutes. A review of the website revealed no violations.

ADVERTISING REVIEW

The Company has advised that it does not advertise in Florida and that the information on the website currently indicates that the product is not available in Florida.

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.