FINANCIAL SERVICES COMMISSION

FLORIDA OFFICE OF INSURANCE REGULATION
MARKET INVESTIGATIONS

MARKET CONDUCT FINAL EXAMINATION REPORT

OF

PRO-MED HEALTH NETWORK, INC.

AS OF

November 16, 2006

FLORIDA COMPANY CODE: 56043

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 2
Enrollment and Fulfillment Procedures 2
Enrollment Effective Date 2
Memberships after January 30, 2006 3
Memberships prior to January 30, 2006 3
FORMS/CHARGES REVIEW 3
CANCELLATION REVIEW 4
COMPLAINT/GRIEVANCE REVIEW 4
WEBSITE REVIEW 4
ADVERTISING REVIEW 4
EXAMINATION FINAL REPORT 5

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 Pro-Med Health Network, Inc. (PMHN or Company) was performed. The scope of this examination was January 30, 2006 through August 31, 2006. The onsite examination began November 13, 2006 and ended November 16, 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 1130 South Semoran Blvd., Ste. B, Orlando, FL 32807.

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 licensed as a Discount Medical Plan Organization (DMPO) in Florida effective January 30, 2006, offering discount medical plans for both individuals and families.

PMHN discount medical plan offers vision, hearing, dental care, chiropractic, and prescription drug discounts to members. The Company was writing discount medical plans prior to their licensure date of January 30, 2006; and was issued a Consent Order by the Office. Subsequent to the Consent Order, the Company has made substantial adjustments in their operations.

Chapter 636, Part II, Florida Statutes does not regulate pharmaceutical supplies or prescription services.

PROVIDER NETWORK AGREEMENT REVIEW

The Company contracts with one provider network, CAREington International Corporation. The provider network agreement was reviewed for compliance with Section 636.214, Florida Statutes. The provider network agreement contained all the terms as required. No violations were noted.

PROVIDER AGREEMENT REVIEW

The Company contracts directly with individual providers for discounted medical services. As of October 23, 2006, the Company reported 12 providers participating in the Pro-Med Health Network discount medical plan. A review of the 12 provider agreements was conducted for compliance with Section 636.214, Florida Statutes. The provider agreements contained all the terms as required. No violations were noted.

MARKETER AGREEMENT REVIEW

The Company did not use any outside marketers as of October 27, 2006. They also have no present or future plans to use any outside marketers. As a result, no review was performed in this area.

ACTIVE MEMBERSHIP REVIEW

As of August 31, 2006, the Company had 555 active members, 347 of which had enrollment effective dates on or after January 30, 2006. Of the 347 active members enrolling on or after licensure, 168 were additional family members added to existing contracts. Therefore, only 179 of the 347 members noted in the Company's active members listing were new memberships. The random sample for memberships after January 30, 2006, focus on these new memberships.

Enrollment and Fulfillment Procedures

Potential plan members initially enroll in the plan at one of PMHN's contracted providers using forms that were filed with and approved by the Office. At the time of payment, potential members are advised of the discount medical plan and offered the opportunity to enroll to reduce their various medical costs in the absence of having a health insurance plan. Once a new member elects to join the plan via this offering, they return their enrollment form and initial payment and the Company sends the new member various fulfillment documents, including their member agreement and discount cards. The fulfillment documents are mailed to the member's home address.

Enrollment Effective Date

The effective date for plan members is the date their payment is received by the Company. Also, a plan member's enrollment date was observed to be the same as the member's application date. In every instance reviewed in the active membership sample, the enrollment date and application date were the same.

Memberships after January 30, 2006

A random sample of 50 files for active membership with effective dates on or after January 30, 2006 was reviewed. PMHN provided a copy of each file for active memberships reviewed in the sample. The following violation was noted:

- 27 files evidence membership enrollment using forms that had not been filed with and approved by the Office as required by Section 636.216(3), Florida Statutes.

Corrective Action: The Company should ensure members are enrolled on forms that have been filed with and approved by the Office.

Memberships prior to January 30, 2006

Between the April 1, 2005 effective date of Chapter 636, Part II, Florida Statutes, and the January 30, 2006 date Pro-Med Health Network, Inc. was permitted to operate as a licensed DMPO, 147 members were enrolled. Enrolling members in a discount medical plan without a license violates Section 636.204(1), Florida Statutes.

This issue was addressed in Consent Order # 84266-05 executed in January 2006 as a condition of licensure.

Corrective Action: Members enrolled prior to January 30, 2006 should be provided Florida approved enrollment forms, written agreements, and fulfillment materials upon renewal.

FORMS/CHARGES REVIEW

A review of the application, member agreement, and various other forms submitted with the Company's form filing, approved May 16, 2006, was conducted. The following violations were noted:

- Members enrolled prior to May 16, 2006 were enrolled on forms that were not filed with and approved by the Office as required by Section 636.216(3), Florida Statutes.

With regard to this issue, the Company advised that information on the application form, other than the format, was unchanged, and the decision was made not to require members to complete an approved application form.

Corrective Action: The Company should ensure enrollment of members on forms that have been filed with, and approved by the Office. The Company should provide members enrolled prior to May 16, 2006 Florida approved enrollment forms and member agreements.

- The discount card failed to contain the Company's website address as required by Section 636.226, Florida Statutes.

Corrective Action: The Company should revise its discount card to reflect the Company's website address, file with and obtain approval of the revised form with the Office, and furnish all active members with the approved discount card.

CANCELLATION REVIEW

During the scope of the examination, the Company reported that 6 members cancelled their membership within the first 30 days after the effective date of enrollment in the plan. The 6 cancellations were reviewed to verify refunds of all periodic charges were made as required by Section 636.208 (2), Florida Statutes. No violations were noted.

COMPLAINT/GRIEVANCE REVIEW

The Company reported no complaints of any type during the scope of the examination.

The Company has policies and procedures 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 discount medical plan organization is to establish an internet website page where it must maintain an up-to-date list of the names and addresses of its providers in order to comply with Section 636.226, Florida Statutes. The Company's website, www.promedhealthnetwork.com was reviewed. The following violation was noted:

- The list of providers on the Company website was not maintained up-to-date as required by Section 636.226, Florida Statutes.

Corrective Action: The Company should ensure that it maintains an up-to-date list of the names and addresses of providers on its website.

ADVERTISING REVIEW

The Company does not currently have any advertising pieces in use 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.