

FINANCIAL SERVICES COMMISSION

**FLORIDA OFFICE OF INSURANCE REGULATION
MARKET INVESTIGATIONS**

MARKET CONDUCT FINAL EXAMINATION REPORT

OF

VANTAGE AMERICA SOLUTIONS, INC.

AS OF

MAY 12, 2006

FLORIDA COMPANY CODE: 56029



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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 Vantage America Solutions, Inc. (Vantage or Company) was performed by Market Examinations, LLC. The scope of this examination was July 7, 2005 through January 15, 2006. The examination began May 8, 2006 and ended May 12, 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 1275 Milwaukee Avenue, Glenview, IL 60025.

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 foreign company was licensed as a Discount Medical Plan Organization (DMPO) in Florida on July 7, 2005. Vantage is a wholly owned subsidiary of Guarantee Trust Life Insurance Company (Guarantee Trust). Guarantee Trust has been a licensed insurer in the State of Florida since September 16, 1959.

Vantage offers several plans to individuals, organizations, and associations, which provide discounts on dental, chiropractic, pharmaceutical, vision, hearing, and physician services. Discounts are also made available for durable medical equipment, home medical equipment, disposable medical supplies and mail order prescription pharmacy products.

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

PROVIDER NETWORK AGREEMENT REVIEW

All discount medical products and services are offered through provider networks. Vantage has written provider agreements with the following networks:

- Better Living Now, Inc. - durable medical equipment (DME), disposable medical supplies (DMS), and mail order prescription pharmacy discounts;
- Careington International Corporation (Careington) - dental discounts;
- Discount Development Services, LLC. - dental, vision, hearing, chiropractic, and home medical equipment (HME) discounts; and
- Competitive Health (aka First Access, Inc.) - Physician discounts.

A review of the written network provider agreements with Careington, Discount Development Services, LLC and First Access, Inc. was conducted. The following violations were noted:

- 3 agreements failed to contain a provision that requires the network to maintain an up-to-date list of its contracted providers and to provide that list on a monthly basis to the Company as required by Section 636.214(3)(c), Florida Statutes;
- 3 agreements failed to require the provider network to have written agreements with its providers that list services and products to be provided at a discount, or 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
- 2 agreements failed to contain a provision that the provider will not charge members 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 does not contract directly with individual providers.

MARKETER AGREEMENT REVIEW

The Company has 2 marketers, Consumer Health Benefits Association (CHBA) and Guarantee Trust Life Insurance Company. CHBA markets the Company's plan as a private label. CHBA's discount medical plan is called "New Health Plan". Guarantee Trust markets and sells Vantage's discounted products.

The marketing agreements with CHBA and Guarantee Trust were reviewed for compliance with Section 636.228(2), Florida Statutes. The following violation was noted:

- The CHBA marketing agreement failed to prohibit the marketer from using advertisements and marketing material without the approval in writing by the Company as required by Section 636.228(2), Florida Statutes.

Corrective Action: The Company should ensure that marketer agreements require written approval of marketing and advertising materials by the discount medical plan prior to use.

ACTIVE MEMBERSHIP REVIEW

As of January 15, 2006, the Company had 828 active memberships, 241 of which had enrollment effective dates on or after July 7, 2005. Of the total memberships, 490 were enrolled through CHBA.

Enrollment and Fulfillment Procedures

Vantage is responsible for enrollment, billing, fulfillment, and customer service for members enrolled through Guarantee Trust; and CHBA is responsible for enrollment, billing, fulfillment, and customer service for members enrolled through CHBA.

Memberships on or after July 7, 2005

A random sample of 50 files with effective dates of enrollment on or after July 7, 2005 was reviewed. The membership files included call logs, subscriber history and payment history. Four (4) of the members were enrolled through Vantage while the remaining 46 were enrolled through CHBA.

Members enrolling in CHBA's plan can only do so over the telephone. The telephone enrollment process consists of the marketing and solicitation of the member and, if the member agrees to enroll, a verification phase is recorded. During the verification phase, the member confirms personal information, billing information, and that they understand they are not purchasing insurance.

During the review, the following violations were noted:

- The Company did not properly advise prospective members of their right to reimbursement by communicating that the \$100 one-time processing fee is not refundable as required by Rule 69O-203.202(1)(g), Florida Administrative Code.
- 50 files included application forms that had not been filed with and approved by the Office as required by Section 636.216(3), Florida Statutes.

Correction Action: The Company should provide members with the proper terms and conditions of membership at the time of enrollment and should ensure that members are enrolled on forms that have been filed with and approved by the Office.

Memberships prior to July 7, 2005

Between the April 1, 2005 effective date of Chapter 636 Part II, Florida Statutes, and July 7, 2005, the date Vantage America Solutions, Inc. was permitted to operate as a licensed DMPO, it enrolled 55 members. Enrolling members in a discount medical plan without a license violates Section 636.204(1), Florida Statutes.

The Company has been implementing a plan to bring all members enrolled prior to July 7, 2005, into compliance. All members enrolled prior to July 7, 2005 were not required to sign new Florida approved enrollment forms nor were the members provided Florida approved written agreements as required in Section 636.216(2), Florida Statutes.

The Company provided a sample letter sent to members advising that effective January 1, 2006, due to a new Florida law, the DMPO must provide a membership agreement to all members who purchased their plans prior to the law's effective date, April 1, 2005. The Company enclosed a membership agreement with this letter to each member. The member was not instructed to sign and return the membership agreement, they were instructed to read it and retain it for their records.

Corrective Action: Members enrolled prior to July 7, 2005 should be provided Florida approved enrollment forms and written agreements upon renewal.

FORMS/CHARGES REVIEW

On April 8, 2005, Vantage submitted forms and charges to the Office for approval. That approval was declined on June 1, 2005, because the fees were in excess of \$30.00 a month and according to the Office, could not be justified. In addition, the Company failed to disclose the discount medical plan fees when the plan was bundled.

On June 21, 2005, Vantage resubmitted the forms and rates. Vantage stated that it was no longer offering discount medical plans for fees in excess of \$30.00. These rates and forms were approved on August 8, 2005.

Between April 8, 2005, and June 21, 2005, Vantage redefined its discount medical plan. It took the original plan that was submitted in April and divided it into two plans; Plan A and Plan B. The Company reports that Plan A is not a discount medical plan and, therefore, not subject to approval by the Office. On June 21, 2005, Vantage submitted Plan B to the Office and on August 8, 2005, the forms were approved.

A review of the forms being utilized by Vantage revealed that members were being enrolled on forms that had not been approved by the Office as required by Section 636.216(3), Florida Statutes.

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

The Company provides members with a booklet called "America's Best Dental Plan!". This booklet contains the fee schedule and schedule of benefits for dental discounts. This booklet was not filed with the Office and is not part of the membership agreement as required by Section 636.216(3), Florida Statutes, which requires the benefits under the plan to be part of the membership agreement.

Corrective Action: The membership agreement for the discount medical plan should be revised to contain all the benefits under the plan. This revised membership agreement should be filed with and approved by the Office.

CANCELLATION REVIEW

During the scope period, the Company reported that 56 members cancelled their membership within the first 30 days after the effective date of their enrollment. All 56 files were reviewed to verify that full refunds of periodic charges were made as required by Section 636.208(2), Florida Statutes. Fourteen (14) members received the appropriate refund. The remaining 42 members did not receive the refund as required by Section 636.208(2), Florida Statutes.

An additional sample of 7 members that had cancelled their membership within the first 30 days after the effective date of their enrollment was reviewed. Four (4) members received the appropriate refund while 3 members did not receive the appropriate refund.

Corrective Action: The Company should ensure that all members who cancel their membership receive a refund of charges when applicable. The Company should also implement a procedure to ensure that appropriate refunds are processed.

COMPLAINT/GRIEVANCE REVIEW

A total of 22 consumer complaints were reviewed during the examination. Seventeen (17) complaints were filed through the Florida Department of Financial Services, Division of Consumer Services with the remaining complaints filed directly with the Company. Vantage was not able to produce files on 4 of these complaints, as those complaints failed to contain enough information to identify the member.

Of the 22 complaints, 11 allege that the product was misrepresented to them when the consumer enrolled. Several of these complaints were allegations of misrepresentation by the marketer, Consumer Health Benefits Association. Seven (7) complaints allege the consumer had trouble terminating the program and stopping payment of the program. Two (2) complaints were informational inquiries regarding the Company. One (1) complaint stated that the Company withdrew fees from a member's account without authorization. The member's plan was cancelled and they received a full refund. One (1) complaint stated that a member's plan had lapsed or been cancelled by the Company. The Company provided an explanation for its actions to the member. No violations were noted.

WEBSITE REVIEW

Section 636.226, Florida Statutes, requires a DMPO to maintain an up-to-date list of providers on an Internet website page. The Company's website, www.vantageamerica.com, contains only a partial list of providers. No other issues regarding this website were noted.

Corrective Action: The Company should develop a procedure to ensure that an up-to-date list of all providers is maintained on its Internet website.

CHBA's website, www.ourchba.com, is an information only website. To learn more about the CHBA plan, members are linked to www.nbchealth.com. This site is maintained by CHBA's marketer, National Benefits Consultants ("NBC"). This site provides members with links to the provider list that is maintained by the appropriate provider network.

The home page of www.nbchealth.com fails to contain the disclosures as required by Section 636.212(1)-(5), Florida Statutes. There is a link on the bottom of the page to "Additional Disclosures." This page does contain the disclosures as required by Florida Statutes.

Corrective Action: The Company should ensure that the website displays the disclosures on the proper pages.

ADVERTISING REVIEW

Advertising and marketing by the Company and/or its marketers was reviewed to determine compliance with Sections 636.210 and 636.212, Florida Statutes.

The Company reported two brochures as part of its advertising report. The Senior Life Services brochure and Legacy Vantage Prime brochure were reviewed. While onsite, an additional advertisement entitled "Medical Savings Plan" was provided and reviewed. There were no errors noted.

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.