



Edmund G. Brown Jr., Governor
State of California
Health and Human Services Agency

Department of Managed Health Care
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December 8, 2014

SENT VIA FACSIMILE ONLY TO (925) 948-4210

Mary V. Anderson, Western Regional General Counsel
Aetna Health of California, Inc.
2850 Shadelands Drive
Walnut Creek, CA 94598

RE: ENFORCEMENT MATTER NUMBER 13-361

LETTER OF AGREEMENT

Dear Ms. Anderson:

The Office of Enforcement of the Department of Managed Health Care (the Department) has concluded its investigation of Aetna Health of California, Inc., (the Plan) concerning the above-referenced matter. The Department has concluded that there is sufficient evidence that violations of the Knox-Keene Health Care Service Plan Act of 1975, as amended (Knox-Keene Act), and its associated regulations, have occurred, thereby justifying the reinstatement of the remainder of the penalty that the Plan previously stipulated to on November 25, 2010, in the amount of \$150,000, and the imposition of an administrative penalty in the amount of \$50,000.

In December 2012, the Department began a routine examination of the Plan. The examination reviewed the Plan's claims settlement practices and provider dispute resolution mechanisms for the three month period ending September 30, 2012. The Department issued a Preliminary Report to the Plan on July 17, 2013, and issued its Final Report on October 10, 2013. As reported in the Final Report, the Department found numerous instances where the Plan violated the following provisions of the Knox-Keene Act:

- Claims Payment: Failure to accurately pay interest on late claims:
 - Health and Safety Code section 1371;
 - California Code of Regulations, title 28, section 1300.71, subdivisions (i) and (j).
- Claims Payment: Incorrect claim denials:
 - California Code of Regulations, title 28, section 1300.71, subdivision (d)(1).
- Provider Dispute Resolution: Failure to accurately pay interest on late claims (***Repeat Violation – See 2009 Final Examination Report***):
 - Health and Safety Code section 1371;
 - Health and Safety Code section 1371.35;
 - California Code of Regulations, title 28, section 1300.71, subdivisions (i) and (j);
 - California Code of Regulations, title 28, section 1300.71.38, subdivision (g).

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- Provider Dispute Resolution: Late claim payment on provider disputes:
 - o California Code of Regulations, title 28, section 1300.71.38, subdivision (g).

Each of these violations is described in greater depth in the Department's Final Report.

The Plan has acknowledged its failure to comply with the Knox-Keene Act and Title 28 of the California Code of Regulations in this enforcement matter and warrants that it has accurately reported the corrective actions it has taken to the Department. The Plan represents that the corrective actions have been completed and have been effective in resolving the violations described herein.

The November 2010 Settlement Agreement between the Department and the Plan states the following: "The Department will suspend \$150,000 of the penalty amount contingent upon the next financial examination demonstrating the Plan's full compliance with the relevant claims payment and PDR provisions of the Knox-Keene Act." As demonstrated by the Final Report, the Plan has failed to comply with the relevant claims payment and PDR provisions of the Knox-Keene Act. Based upon the above noted *repeat* violation, as well as the numerous additional violations of the claims payment and provider dispute resolution mechanism provisions of the Knox-Keene Act, the Department hereby reinstates the \$150,000 remainder of the \$300,000 penalty that the Plan previously agreed to in November 2010.

In addition to reinstatement of the \$150,000 penalty, the Department has determined that an administrative penalty of \$50,000 is warranted for the Plan's 2012 violations of the Knox-Keene Act. The Plan acknowledges and agrees to the reinstatement of the \$150,000 penalty for its repeat violation from 2009, and stipulates to payment of the \$50,000 penalty for its 2012 violations. The Department agrees that performance of the corrective action to the Department's satisfaction and payment of the penalty will settle all issues, accusations, and claims pertaining to this enforcement matter. This Letter of Agreement may not be used as an admission by the Plan in any other civil or criminal proceedings; however, it may be used by the Department in future administrative proceedings.

Sincerely,

Dated:

12/22/14



Carol L. Ventura
Deputy Director | Chief Counsel
Office of Enforcement

CBL: klj

Accepted by AETNA HEALTH OF CALIFORNIA, INC.

Dated:

December 10, 2014



MARY V. ANDERSON
Western Region General Counsel
Aetna Health of California, Inc.

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