



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

Department of Managed Health Care
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May 8, 2015

SENT VIA FACSIMILE ONLY TO: (916) 447-0911

Terry German
 Associate General Counsel
 Blue Cross of California
 DBA: Anthem Blue Cross
 1121 L Street, Suite 500
 Sacramento, CA 95814

2015 MAY 22 PM 1:34
 DEPARTMENT OF MANAGED HEALTH CARE
 ACCOUNTING OFFICE

RE: ENFORCEMENT MATTER NUMBER: 11-371

LETTER OF AGREEMENT

Dear Mr. German:

The Office of Enforcement within the Department of Managed Health Care (the "Department") has concluded its investigation of Blue Cross of California (the "Plan") concerning the above matter. This investigation concerned the Plan's violations of the Knox-Keene Health Care Service Plan Act of 1975 ("Knox-Keene Act") and regulations promulgated thereunder. The relevant facts are fully set forth below.

In early 2010 the Department's Help Center began receiving complaints from Plan enrollees concerning the amounts the Plan paid for prenatal testing performed by the Department of Public Health ("DPH") under California's Expanded Alpha Feto Protein ("AFP") program. Health and Safety Code section 1367.54 requires health plans to provide coverage for their enrollees' AFP testing, and DPH is the only authorized provider for these services. In addition, as of January 17, 2010, section 1300.67.2.2(c)(7)(B), title 28, California Code of Regulations, requires that when covered specialty services are not available in-network, health plans must arrange for the provision of those services from an out-of-network provider, while limiting the enrollee's financial responsibility to payments that the enrollee would have paid if the services had been rendered by an in-network provider.

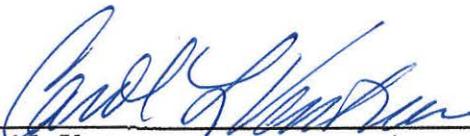
In the present matter, when Plan enrollees needed AFP services, the Plan was obligated to arrange for those services from DPH, and was obligated to limit the enrollees' financial responsibility in accordance with section 1300.67.2.2(c)(7)(B) because there was no in-network provider authorized under the AFP program to perform these services. The Plan failed to do so from January 17, 2010, through December 31, 2012. The Plan's failure resulted in approximately 27,000 enrollees being improperly billed for AFP services, and enrollees experienced adverse consequences as a direct result.

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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. The Department determined that a Corrective Action Plan ("CAP") and an administrative penalty of \$1,500,000 (One million five hundred thousand dollars) are warranted. The Department has accepted the CAP proposed by the Plan. The Plan completed a portion of the CAP when, in January 2013, it began processing claims for AFP services in compliance with 1300.67.2.2(c)(7)(B). In addition, the Plan will be required to make changes to policies and procedures to ensure that it continues to comply with California Code of Regulations, title 28, section 1300.67.2.2(c)(7)(B) regarding AFP services. Specifically, when DPH submits claims to the Plan for AFP services rendered to Plan enrollees, the Plan will ensure that an enrollee's costs are limited to the copayments, deductibles, and co-insurance applicable to in-network providers under the terms of the enrollee's Evidence of Coverage ("EOC"). In addition, the Plan will ensure that it pays the full charge, as required by Health and Safety Code section 124977, and California Code of Regulations, title 17, section 6540, for the APF services less each enrollee's responsibility under their particular EOC. The Department agrees that performance of the CAP 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: May 27, 2015



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

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MANAGED HEALTH CARE
ACCOUNTING OFFICE

KSD:saw

Accepted by Blue Cross of California

Dated: 5/8/15



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