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Insurer fined for improperly denying health claims

(Salem) —An Oregon woman who complained to the state after PacifiCare Life Assurance Company denied six of her seven medical claims helped launch an Oregon Department of Consumer and Business Services investigation that overturned nearly 5,000 other claim denials.

Department Director Cory Streisinger today signed an order fining PacifiCare Life Assurance \$46,000 for failing to conduct reasonable investigations before denying claims, making policyholders with pre-existing conditions wait more than six months for coverage of those conditions, and for failing to act promptly on a claim.

In its investigation, the department's Insurance Division discovered that PacifiCare Life Assurance was denying claims without contacting the people who made the claims or their health care providers to determine whether the services were covered.

"Oregon law requires insurers to conduct a reasonable investigation before refusing to pay claims, and that didn't happen here," Streisinger said.

As a result of the investigation, PacifiCare Life Assurance reviewed more than 10,000 claims it denied during a 21-month period that started in September 2005. The company determined that it should have paid 4,928 of the denied claims. It also discovered that it erred in denying some claims involving pre-existing conditions. Oregon law requires coverage of these conditions after an employee has been enrolled in a group plan for six months. The company was basing coverage decisions on a federal law that allows pre-existing condition claims to be denied for up to 12 months. The insurer notified the department of the error.

The third part of the order -- failure of the company to act promptly on a claim -- stemmed from the case of a policyholder who complained after he twice faxed a claim to PacifiCare Life Assurance and finally sent a copy by certified mail, only to be told multiple times that the company didn't have a record of the claim. He waited 236 days to learn that the claim for non-emergency medical services from a non-participating provider wasn't covered.

PacifiCare Life Assurance has been licensed in Oregon since 1999 and has administrative offices in California. It is one of a number of companies that is part of the United Healthcare Group. The company insured nearly 13,000 Oregonians and earned \$42 million in health premiums in Oregon in 2007, the most recent year for which data is available.

The company already has paid the fine, paid all valid health claims, and changed its practices to avoid future problems.

The department's insurance advocates can be reached at 888-877-4894. The department's enforcement order against PacifiCare Life Assurance is at:

http://www.cbs.state.or.us/external/ins/admin_actions/actions_2008/insurer_2008/marketplace_2008/08-11-003.pdf

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