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Insurer fined for mishandling claims

(Salem) — The Department of Consumer and Business Services (DCBS) recently fined Providence Health Plans \$30,000 for mishandling nearly 7,000 claims.

“In this tough economy, with health care costs continuing to rise, it is especially important to hold insurers accountable to ensure consumers receive the benefits they pay for,” said Insurance Division Administrator Teresa Miller.

Providence contracts with a claims administrator to process many of its claims. As part of the company’s procedure, members are supposed to send their claims to the claims administrator. Over a two-year period, about 7,000 claims were sent to Providence, instead of the claims administrator. Providence sent a confusing response to these members. While the company told its members to resend their claims to a claims administrator, it also indicated that the claims were not covered. In reality, the claims hadn’t yet been reviewed.

Because of the confusion that resulted from Providence’s communication, many members did not send their claims to the claims administrator. After the state began investigating, Providence determined that 2,583 of the nearly 7,000 claims had not been resent. In the end, Providence paid approximately \$53,500 to consumers who had submitted valid claims from mid-2006 to mid-2008. The company also changed its procedures to ensure the situation does not happen again.

State law prohibits insurers from refusing to pay claims without conducting a reasonable investigation, which was the basis for the fine.

The department found out about the mishandled claims because of a complaint to its Insurance Division Consumer Advocacy Unit.

“Thanks to one consumer’s complaint, many others were able to recover the benefits they were entitled to as part of their health plan,” Miller said.

Providence is among the largest health insurers in Oregon with roughly 9 percent of premiums in 2007, the last year for which data is available.

The Department of Consumer and Business Services insurance advocates can be reached at 888-877-4894. The department’s enforcement order against Providence can be found at:

http://www.cbs.state.or.us/ins/admin_actions/actions_2009/insurer_2009/marketplace_2009/09-09-005.pdf.

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