FINANCIAL SERVICES COMMISSION

FLORIDA OFFICE OF INSURANCE REGULATION
MARKET INVESTIGATIONS

MARKET CONDUCT FINAL EXAMINATION REPORT

OF

ASSOCIATION HEALTH CARE MANAGEMENT, INC.
DBA FAMILY CARE

AS OF

NOVEMBER 3, 2006

FLORIDA COMPANY CODE: 56037

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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 Association Health Care Management, Inc. d/b/a Family Care (Family Care or Company) was performed by Huff, Thomas and Company. The scope of this examination was October 7, 2005 to August 31, 2006. The onsite examination began October 31, 2006 and ended November 3, 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. A discount medical plan organization is an entity which, in exchange for fees, dues, charges, or other consideration, provides 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 11111 Richmond Ave., Suite 200, Houston, TX 77082

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

Association Health Care Management, Inc. was first incorporated in Texas on November 3, 1987. It has been in operation since 1983.

This foreign Company was licensed as a Discount Medical Plan Organization (DMPO) in Florida on October 7, 2005. The Company is also licensed as a DMPO in Connecticut, Indiana, Nevada, Oklahoma, South Dakota and Utah. The Company is licensed as a Health Care Card Supplier in Kansas, has a prescription discount card registration in New Hampshire and a license for a prescription drug card plan in South Carolina. The Company has applications pending in California, Illinois, Rhode Island and Tennessee. The plan provides discounts to its members for services rendered by healthcare providers contracted with the Company. The members are obligated to pay the healthcare providers directly for all health services received.

PROVIDER NETWORK AGREEMENT REVIEW

The Company has agreements with 10 provider networks. One provider network, Premier Provider Network, Inc. (PPNI), is owned by and sited in the same location as the Company but is a stand-alone entity. This network includes medical and dental providers. A list of network

providers can be accessed on the Company's websites: www.floridamedicalsavings.com, www.floridadentalsavings.com and www.familycarecard.com. New providers are updated on this website on a daily basis by the network provider. The agreements between the DMPO and the provider networks were reviewed with the following violations noted:

- 5 provider network agreements failed to contain language requiring that the agreement between the network and its providers contain both a description of the service and products to be offered and/or the amounts of discount or a fee schedule as required by Section 636.214(3)(a), Florida Statutes; and
- 5 provider network agreements did not 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; and
- 9 provider network agreements did not require the network to maintain an up-to-date list of its contracted providers and to provide that list on a monthly basis to the discount medical plan organization, as required by Section 636.214(3)(c), Florida Statutes.

Two (2) prescription drug agreements were also provided for review. Chapter 636, Part II, Florida Statutes does not regulate prescription drugs, therefore; these provider network agreements were not reviewed.

Corrective Action: The Company should ensure that all provider network agreements contain the required provisions.

PROVIDER AGREEMENT REVIEW

The Company provided 25 agreements between the provider and the network, PPNI, for review which revealed the following:

- 23 files contained provider agreements that failed to contain a list of services and products to be provided at a discount.
- 25 files contained provider agreements that failed to state specifically that the provider will not charge members more than the discounted rates.

Recommended Corrective Action: The Company should ensure that the network provider revises its written provider agreements to include the services and products to be provided at a discount and a provision that the provider will not charge the members more than the discounted rates.

MARKETER AGREEMENT REVIEW

The Company provided 30 marketer agreements which were reviewed for compliance with Section 636.228, Florida Statutes. Three (3) marketer agreements had been terminated and the remainder of the marketer agreements reviewed revealed no violations.

ACTIVE MEMBERSHIP REVIEW

The Company's list of active members contains a separate line for each plan. If a member purchased more than one plan, there is a listing for each plan. Therefore, it is difficult to determine the total number of members. However, it was determined that 79 members enrolled after the licensing date of October 7, 2005.

Memberships after October 7, 2005

A random sample of 35 active membership files with effective dates of enrollment on or after October 7, 2005 was reviewed. The following violations were noted:

- 35 files contained no evidence of a written agreement between the Company and the member as required by Section 636.216(2), Florida Statutes. The Company advised that the agreement had been provided to the member after enrollment with the fulfillment materials.

- 11 files contained membership application forms that had not been filed with and approved by the Office prior to use as required by Section 636.216(3), Florida Statutes.

Seven (7) files contained an approved application form, however, the application form was not signed by the applicant and was marked "phone sale." The remaining 17 files did not contain evidence of an application form.

Corrective Action: The Company should ensure enrollment on forms that have been filed with and approved by the Office prior to use. The Company should maintain a copy of the signed application form and the written agreement between the Company and the member.

FORMS/CHARGES REVIEW

Two (2) application forms that were approved by the Office were reviewed for compliance with Section 636.216, Florida Statutes.

The Company explained that it is using approved forms for new and reinstated members; however, the plans are on a month-to-month term, with no "renewal" date, so the plans were not brought into compliance on what might otherwise be considered the member's renewal date. The Company has begun the process of converting all Florida members into approved plans, with a goal of finishing the process no later than December 31, 2006.

A review of the member transaction run indicated the Company is using the charges that were filed with and approved by the Office.

Corrective Action: The Company should ensure that all Florida members are converted into approved plans.

CANCELLATION REVIEW

Forty-six (46) files with memberships cancelled within the first 30 days after the effective date of enrollment in the plan were reviewed for compliance with Section 636.208, Florida Statutes. Twenty (20) files revealed the membership was cancelled due to non-payment by the member; therefore, no refund was due. Twenty-six (26) files revealed members had received the appropriate refund. No violation was noted.

COMPLAINT/GRIEVANCE REVIEW

Eight (8) consumer complaints that were filed with the Company during the examination scope period were reviewed. All complaints are logged into the member's profile upon receipt and the progress is recorded in the same way. All complaints reviewed were resolved in a timely manner and in favor of the member.

The Company has written complaint procedures in place to facilitate the resolution of subscriber grievances as required by Section 636.205(1)(d), Florida Statutes.

WEBSITE REVIEW

As a condition of licensure, a discount medical plan organization must maintain an internet website page that complies with Section 636.226, Florida Statutes. The Company maintains three web sites: www.familycarecard.com, www.floridamedicalsavings.com and www.floridadentalsavings.com. A review of these websites was conducted with no violations noted.

ADVERTISING REVIEW

The Company provided 3 advertisement pieces for review: Florida Select Medical Membership Guide, Florida Select New Medical Membership Guide, and Florida Select Dental Membership Guide. No violations were 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.