

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

STATE OF ALASKA

DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT

DIVISION OF INSURANCE

In the Matter of)
Principal Life Insurance Company)
Respondent.)

Case No. D 01-02

STIPULATED AGREEMENT AND ORDER

The Division of Insurance, Department of Community and Economic Development (division), and Principal Life Insurance Company (Principal) stipulate and agree, in lieu of an administrative hearing, to resolve the issues arising out of the cease and desist order signed by the director on February 12, 2001 that related to the geographical adjustments for paying health insurance claims as required under 3 AAC 26.110(a)(1). This matter is resolved as follows:

1. Beginning with claims submitted on and after ^{July 1, SA MC} ~~May 1~~, 2002, Principal will pay claims using revised prevailing fees that reflect three different zip code areas (geozips). Zip codes beginning with 995 and 997 will constitute one geozip; zip codes beginning with 996 and 998 will constitute another geozip; and zip codes beginning with 999 will constitute another geozip. However, zip codes beginning with 996, 998, and 999 may be combined for purposes of paying anesthesia claims.

2. In addition to updating its statistically credible profile of medical care provider charges, Principal will analyze and make necessary changes every six months to the geozips in order to reflect general cost differences between the geographical area where services are

DEPARTMENT OF LAW
OFFICE OF THE ATTORNEY GENERAL
ANCHORAGE BRANCH
1031 W. FOURTH AVENUE, SUITE 200
ANCHORAGE, ALASKA 99501
PHONE: (907) 269-5100

1 performed and the other geographical areas used in establishing the profile of charges as
2 required under 3 AAC 26.110.

3 3. Every six months through calendar year 2004 Principal will submit to the
4 director documentation showing that the geozips meet the requirements under 3 AAC 26.110.

5 4. To reflect geographical cost differences on past claims, Principal agrees to pay
6 additional amounts on all surgical claims submitted from October 28, 1998 through May 15,
7 2001 that were reduced by more than \$50 because the prevailing fee used by Principal at the
8 time of service, which reflected only one geozip, was less than the billed charge. The
9 additional amount to be paid on these claims will be the difference between the amount that
10 was actually paid on each claim and the amount that would have been paid on each claim if the
11 claim were paid using the prevailing fee at the time of the service:
12

- 13 • times 1.04 if the service was performed in zip codes beginning with 995; and
- 14 • times 1.08 if the service was performed in zip codes beginning with 997.

15 According to Principal's calculation, approximately 120 claims will be adjusted for additional
16 claim payments totaling \$16,095.97.

17 5. The division agrees that it will not require additional claim payments based on
18 geographical adjustment for claims submitted during May 16, 2001 through May 1, 2002, since
19 Principal represents that these claims have been paid using revised prevailing fees reflecting
20 two geozips.
21

22 6. By signing this agreement, Principal understands and agrees that any failure to
23 comply with the insurance code and regulations or with the conditions of this agreement will be
24 grounds for revocation or suspension of Principal's certificate of authority in Alaska and
25 grounds for imposition of civil fines.
26

DEPARTMENT OF LAW
OFFICE OF THE ATTORNEY GENERAL
ANCHORAGE BRANCH
1031 W. FOURTH AVENUE, SUITE 200
ANCHORAGE, ALASKA 99501
PHONE: (907) 269-5100

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

7. This agreement contains all the terms and agreements agreed upon between the parties with respect to the geographical adjustment required by 3 AAC 26.110(a)(1). This agreement shall not be altered, amended, or modified except in writing and duly executed by all parties to it.

DATED: 6/20/02

BRUCE M. BOTELHO
ATTORNEY GENERAL
Attorney for Division staff

By: Signe P. Andersen
Signe P. Andersen
Assistant Attorney General

DATED: 6/24/02

PRINCIPAL LIFE INSURANCE COMPANY

By: Martha Crist
Martha Crist
Counsel - Government Relations

ORDER

IT IS ORDERED that this Stipulated Agreement and Order is adopted in full resolution of the issues in this case, and shall constitute the final order in this matter.

DATED this 3rd day of July, 2002.

Robert A. Lohr
Robert A. Lohr
Director of Insurance

STATE OF ALASKA
DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT
DIVISION OF INSURANCE
3601 C STREET, SUITE 1324
ANCHORAGE, ALASKA 99503-7900
PHONE (907) 269-7900
FAX (907) 269-7910
TDD (907) 465-5437

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

STATE OF ALASKA
DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT
DIVISION OF INSURANCE

In the Matter of:)
)
PRINCIPAL LIFE INSURANCE COMPANY,)
)
Respondent.)
_____)

Case No. D 01-02

**ORDER TO STAY CEASE AND DESIST ORDER AND
TO POSTPONE HEARING PENDING SETTLEMENT EFFORTS**

On February 13, 2001, the Division of Insurance issued a Cease and Desist Order in the above-referenced matter. By letter dated February 23, 2001, Principal Life Insurance Company requested a stay of the Cease and Desist Order in hopes that the matter could be resolved with the division without an administrative hearing. As an alternative, Principal also submitted a Request for Hearing in the event that Principal's request for a stay was not granted. The letter also stated that Principal's counsel, Martha Crist, had spoken with Katie Campbell, Life/Health Actuary with the division, who is agreeable to discussing methods to resolve this matter short of a hearing.

Under AS 21.06.180, which allows the director to hold hearings, a hearing is required to be held within 30 days after the director receives such a request unless postponed by mutual consent or for good cause.

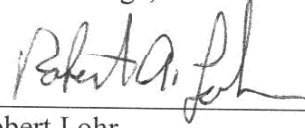
The director accepts the February 23, 2001 letter as the necessary indication of mutual consent and demonstration of good cause to postpone a hearing in this matter.

STATE OF ALASKA
DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT
DIVISION OF INSURANCE
3601 C STREET, SUITE 1324
ANCHORAGE, ALASKA 99503-7900
PHONE (907) 269-7900
FAX (907) 269-7910
TDD (907) 465-5437

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

IT IS ORDERED that the Cease and Desist Order in this matter is stayed and any hearing in this matter is postponed until after April 13, 2001. During this period, the parties are encouraged to seek a mutually agreeable settlement of this matter to propose to me.

Dated this 27th day of February, 2001 at Anchorage, Alaska.



Robert Lohr
Director

STATE OF ALASKA
DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT
DIVISION OF INSURANCE
3601 C STREET, SUITE 1324
ANCHORAGE, ALASKA 99503-7900
PHONE (907) 269-7900
FAX (907) 269-7910
TDD (907) 465-5437

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

STATE OF ALASKA
DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT
DIVISION OF INSURANCE

In the Matter of:)
)
PRINCIPAL LIFE INSURANCE COMPANY,)
)
Respondent.)
_____)

Case No. D 01-02

CEASE AND DESIST ORDER

TO: Principal Life Insurance Company
711 High Street
Des Moines, IA 50392-0220

Attn: Martha Crist, Counsel-Government Relations

Upon investigation of two consumer complaints, the Division of Insurance has determined that Principal Life Insurance Company (Principal) has engaged in violation of the Alaska insurance code (AS 21). Specifically, Principal's claims administration for health insurance policies violates AS 21.36.125 and regulations adopted under it. 3 AAC 26.110(a)(1) requires that "... the final basis for payment shall be adjusted to reflect the general cost differences between the geographical area where the service was performed and other geographical areas used in establishing the statistically credible profile" In paying claims under health policies covering Alaska insureds, Principal has not been to making the geographical adjustment as required by the regulation. This practice has resulted in insureds receiving benefits at reduced rates in certain geographical areas.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

Principal is hereby ordered to cease and desist from further violating Alaska law as addressed in this order. Principal's violation of Alaska law subjects Principal to civil penalties under AS 21.36.320, including not more than \$2,500 for each violation or \$25,000 for engaging in a general business practice. Continued administration of Alaska health claims without the appropriate geographic adjustment will be considered a knowing violation of applicable law, and will subject Principal to all remedies available to the Division of Insurance under AS 21, including enhanced civil penalties under AS 21.36.320.

Principal is further ordered to provide to the division by March 16, 2001 in an electronic format a list of all health insurance claims paid in Alaska in which the required geographical adjustment was not made. The list must include

- the name of the claimant;
- the claimant's policy or certificate number;
- city and zip code where the service was performed;
- the date the claim was received by Principal;
- the amount of the claim (provider charge);
- the allowed charges for the claim;
- the date Principal made payment; and
- the amount Principal paid on the claim.

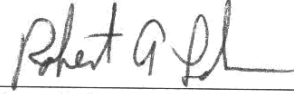
Principal is further ordered to provide to the division by March 2, 2001 a detailed description of the geographical adjustments and the methodology used to determine the geographical adjustments that will be used to pay claims in Alaska in compliance with 3 AAC 26.110(a)(1).

STATE OF ALASKA
DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT
DIVISION OF INSURANCE
3601 C STREET, SUITE 1324
ANCHORAGE, ALASKA 99503-7900
PHONE (907) 269-7900
FAX (907) 269-7910
TDD (907) 465-5437

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

This order is effective immediately.

Dated this 12th day of February, 2001 at Anchorage, Alaska.



Robert Lohr
Director