

REPORT ON EXAMINATION

OF

HEALTH NET INSURANCE OF NEW YORK, INC.

AS OF

DECEMBER 31, 2013

DATE OF REPORT

MAY 21, 2015

EXAMINER

CHRISTOPHER RUSHFORD, CFE

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NEW YORK STATE
DEPARTMENT *of*
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Anthony J Albanese
Acting Superintendent

May 21, 2015

Honorable Anthony J. Albanese
Acting Superintendent of Financial Services
Albany, New York 12257

Sir:

Pursuant to the requirements of the New York Insurance Law and acting in accordance with the instructions contained in Appointment Number 31210, dated August 26, 2014, attached hereto, I have made an examination into the condition and affairs of Health Net Insurance of New York, Inc., a for-profit stock accident and health insurer licensed pursuant to Article 42 of the New York Insurance Law, as of December 31, 2013. The following report is respectfully submitted thereon.

The examination was conducted at the home office of Health Net Insurance of New York, Inc., located at 185 Asylum St. Hartford, CT. The Company's administrative office is located at 48 Monroe Turnpike, Trumbull, CT.

Wherever the designations "HNINY" or the "Company" appear herein, without qualification, they should be understood to indicate Health Net Insurance of New York, Inc.

Wherever the designation "Oxford" appears herein, without qualification, it should be understood to indicate Oxford Health Plans, LLC, a Delaware corporation, the parent of HNINY.

Wherever the designation “UHG” appears herein, without qualification, it should be understood to indicate the operations of the UnitedHealth Group, Inc. holding company, the Company’s ultimate parent.

Wherever the designation the “Department” appears herein, without qualification, it should be understood to indicate the New York State Department of Financial Services.

A concurrent examination was made of UnitedHealthcare Insurance Company of New York and UnitedHealthcare of New York, Inc. A separate report has been submitted thereon.

1. **SCOPE OF THE EXAMINATION**

The prior examination was conducted as of September 30, 2008. This examination of the Company was a financial examination, as defined in the National Association of Insurance Commissioners (“NAIC”) *Financial Condition Examiners Handbook, 2014 Edition* (the “Handbook”) and covered the period October 1, 2008 through December 31, 2013. The examination was conducted observing the guidelines and procedures in the Handbook. Where deemed appropriate by the examiner, transactions occurring subsequent to December 31, 2013 were also reviewed. As of July 1, 2011, the Company has been in runoff and is no longer accepting new business.

The examination was conducted on a risk-focused basis in accordance with the provisions of the Handbook, which provides guidance for the establishment of an examination plan based on the examiner’s assessment of risk in the Company’s operations, and utilizes that evaluation in formulating the nature and extent of the examination. The examiner planned and performed the examination to evaluate the Company’s current financial condition, as well as identify prospective risks that may threaten the future solvency of HNINY.

The examiner identified key processes, assessed the risks within those processes and assessed the internal control systems and procedures used to mitigate those risks. The examination also included an assessment of the principles used and significant estimates made by management, an evaluation of the overall financial statement presentation, and determined management’s compliance with the Department’s statutes and guidelines, Statutory Accounting Principles, as adopted by the Department, and NAIC Annual Statement Instructions.

Information concerning the Company's organizational structure, business approach and control environment was utilized to develop the examination approach. The examination evaluated the Company's risks and management activities in accordance with the NAIC's nine branded risk categories.

These categories are as follows:

- Pricing/Underwriting
- Reserving
- Operational
- Strategic
- Credit
- Market
- Liquidity
- Legal
- Reputational

The Company was audited annually for the years 2008 through 2013 by the accounting firm of Deloitte & Touche, LLP ("D&T"). The Company received an unmodified opinion in each of those years. Certain audit work papers of D&T were reviewed and relied upon in conjunction with this examination. A review was also made of UHG's Internal Audit function and Enterprise Risk Management program, as they relate to the Company.

A review was made of the Company's compliance with the provisions of Insurance Regulation No. 118 (11 NYCRR 89), "Audited Financial Statements" which is based on the Model Audit Rule, as established by the NAIC. Furthermore, a review was made of compliance with Regulation 203 (11 NYCRR 82), "Enterprise Risk Management and Own Risk Solvency Assessment," which establishes the requirement that the ultimate controlling parent of an insurance company develop an Enterprise Risk function to define and mitigate risks within the organization. The examiner also reviewed the corrective actions taken by the Company with

respect to the financial comments and recommendations contained in the prior report on examination. The results of the examiner's review are contained in Item Six of this report.

This report on examination is confined to financial statements and comments on those matters which involve departures from laws, regulations or rules, or which require explanation or description.

2. DESCRIPTION OF THE COMPANY

Prior to December 11, 2009, the Company, an accident and health insurer domiciled in the State of New York, was a wholly owned subsidiary of Health Net of the Northeast, Inc. ("HNNE"). HNNE was a Delaware company and wholly owned subsidiary of Health Net, Inc. ("HNI"). Pursuant to a Stock Purchase Agreement, on December 11, 2009, HNI completed the sale of all of the outstanding shares of capital stock of its New York, New Jersey, Connecticut, and Bermuda subsidiaries, including the Company, which conducted HNI's Northeast business (the "Acquired Companies") to UHG. During this transaction, UHG paid HNI \$350,000,000, consisting of (i) a \$60,000,000 minimum payment for the commercial membership and the Medicare and Medicaid business of the Acquired Companies, and (ii) \$290,000,000 representing a portion of the adjusted tangible net equity of the Acquired Companies at closing. Under the Stock Purchase Agreement, HNI received one-half of the remaining amounts of the closing adjusted tangible net equity of the Acquired Companies on the first anniversary of December 11, 2009, and the other half on the second anniversary, subject to certain adjustments. Under the agreement, UHG was eligible to pay HNI additional consideration as its previous northeast commercial members, Medicare and/or Medicaid businesses transitioned to other UHG

products. The additional consideration portion of the agreement was completed in 2011 and the final settlement of approximately \$41,000,000 was made in September 2011. HNI also entered into a non-compete agreement with the Buyer at closing, pursuant to which it has agreed not to compete with the acquired business in the State of New York, New Jersey, Connecticut, and Rhode Island for a period of five years, and certain other restrictive covenants.

In addition, on December 11, 2009, HNI's subsidiary, Health Net Life Insurance Company, entered into a business transition agreement with certain affiliates of UHG, pursuant to which the UHG affiliates acquired certain membership renewal rights for the Health Net Life Insurance Company health care business in the states of Connecticut and New Jersey.

The Company paid the following returns of capital during the examination period to Oxford.

<u>Year</u>	<u>Return of Capital</u>
2013	\$ 37,500,000
2012	75,000,000
2011	0
2010	0
2009	0
2008	0

The returns of capital were approved by the Department and recorded as a reduction to unassigned surplus in the statutory-basis statements of admitted assets, liabilities, and capital and surplus.

A. Management and Controls

Pursuant to the Company's charter and by-laws, management of the Company is to be vested in a board of directors (the "Board") consisting of no less than seven and no more than fourteen directors. As of December 31, 2013, the Board was comprised of thirteen members.

As of December 31, 2013, the members of the board of directors and their principal business affiliations were as follows:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Jeffery D. Alter Belle Terre, NY	President, United Healthcare Services, Inc.
Craig C. Anderson Wethersfield, CT	Chief Operating Officer, United Healthcare Services, Inc.
James F. Bedard Glastonbury, CT	Chief Financial Officer of Northeast Region, United Healthcare Services, Inc.
Sanford P. Cohen M.D. Levittown, NY	Chief Medical Officer, United Healthcare Services, Inc.
William J. Golden Northport, NY	Chief Executive Officer of New York Health Plan, United Healthcare Services, Inc.
Rebecca E. Porter Madsen New York, NY	Director, United Healthcare Services, Inc.
Michael McGuire Wycoff, NJ	Chief Executive Officer of Health Plan, United Healthcare Services, Inc.
Thomas J. McGuire West Hartford, CT	Senior Deputy General Counsel, United Healthcare Services, Inc.
Dennis P. O'Brien Cos Cob, CT	Network Management of the Northeast Region, United Healthcare Services, Inc.
Michael A. Santoro Trumbull, CT	Vice President of the Northeast Region, United Healthcare Services, Inc.

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Allen J. Sorbo Palm Beach Gardens, FL	Chief Actuary, United Healthcare Services, Inc.
Michael James Specht Setauket, NY	National Director of Implementation; Key Accounts, UnitedHealthcare Insurance Company of New York
Vincent Joseph Zuccarello Sandy Hook, CT	Vice President of Healthcare Economics, United Healthcare Services, Inc.

The Company has not conducted Board meetings during the past several years in accordance with its amended by-laws and since the Company started its runoff process and all membership was migrated effective the second quarter of 2011.

The principal officers of the Company as of December 31, 2013 were as follows:

<u>Name</u>	<u>Title</u>
Jeffery D. Alter	President
Robert W. Oberrender	Treasurer
James F. Bedard	Chief Financial Officer
Craig C. Anderson	Chief Operating Officer
Carmel Colica	Secretary
Michelle M. Huntley	Assistant Secretary
Juanita B. Luis	Assistant Secretary

B. Territory and Plan of Operation

The Company's products included exclusive provider organization ("EPO") health, point of services ("POS") health, preferred provider organization ("PPO") health, and Medicare Part D Prescription Drug ("Medicare Part D") products.

HNNE continued to serve the members of the Acquired Companies under the December 11, 2009 Administrative Services Agreement ("ASA") until all members were either transitioned to UHG or non-renewed. At the end of the second quarter of 2011, the Company did not have any

remaining membership. A claims servicing agreement between HNNE and UHG to administer any remaining claims from prior to the transition date remains in effect as of the report date.

The Department allowed the Company to provide 180 days' notice to non-renew the remaining policies effective July 1, 2011. Therefore, the Company did not have any premium paying business after July 1, 2011.

C. Company in Runoff

As of December 31, 2013, the Company had zero members. The following schedule shows the membership decrease by number and percentage during the examination period:

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Members	0	0	0	64,295	176,615
Growth	0.00%	0.00%	0.00%	(63.70%)	3.25%

The following schedule, obtained from information contained in annual statements for the period currently under review, reflects the Company's results:

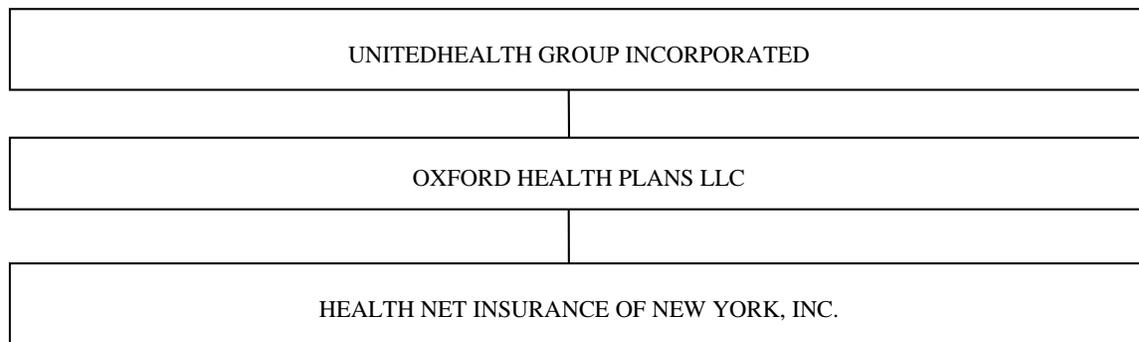
<u>Year</u>	<u>Net Premiums Written</u>	<u>Net Paid Hospital and Medical Claims</u>	<u>Net Income</u>	<u>Policyholders Surplus</u>	<u>Ratio of Net Premiums Written to Surplus</u>
2013	\$ 0	\$ (518,349)	\$ 962,479	\$ 16,200,241	0.00
2012	0	1,042,638	(2,284,404)	52,499,961	0.00
2011	39,824,973	40,427,437	(30,201,212)	124,327,203	32.03
2010	596,664,040	553,575,214	(42,993,963)	152,664,552	390.83
2009	448,372,522	391,917,724	(12,414,547)	124,881,982	359.04

D. Holding Company System

HNINY NY is a wholly-owned subsidiary of Oxford Health Plans LLC, and its ultimate parent is UHG, a publicly traded corporation domiciled in the State of Minnesota.

As a member of a holding company system, HNINY is required to file registration statements pursuant to the requirements of Section 1503 of the New York Insurance Law and Department Regulation No. 52 (11 NYCRR 80). All pertinent filings made regarding the aforementioned statutes during the examination period were reviewed, and no exceptions were noted.

The following is an excerpt of the organizational chart of the Company's holding company system as of December 31, 2013:



The following is a summary of HNINY's relationship with its affiliates shown above:

- UnitedHealth Group Incorporated is a Minnesota corporation, and the ultimate parent of UHIC, UHIC NY, United HealthCare Services, Inc. ("UHS"), and over one hundred and fifty (150) other affiliated companies.
- Oxford Health Plans, LLC is a Delaware corporation and the parent corporation of the Company.

E. Intercompany Agreements

The Company is a party to intercompany agreements with its affiliates, which are subject to the Department's review and approval. These agreements include the following:

Subordinated Revolving Credit Agreement

Effective June 1, 2012, the Company entered into an amended and restated Subordinated Revolving Credit Agreement (the "Credit Agreement") with UHG. Pursuant to the Credit Agreement, UHG provides HNINY with a short-term borrowing facility where HNINY may borrow funds upon demand from UHG up to a maximum of \$50,000,000 at an interest rate equal to LIBOR plus 50 basis points. This Credit Agreement replaces and supersedes the Addendum to the Subordinated Revolving Credit Agreement effective August 20, 2010. The Credit Agreement was submitted for review and approval to the Department on April 11, 2012 and was approved on May 21, 2012. There was no borrowing in 2013 under the Credit Agreement.

Tax Sharing Agreement

On December 11, 2009, the Company entered into an amendment and addendum to the First Restated Tax Sharing Agreement (the "Agreement") with UHG. The Agreement establishes a formal method for the allocation and payment of federal, state and local income tax liabilities related to the consolidated federal income tax returns filed each year. The Agreement was submitted for review to the Department and was approved on January 14, 2010.

F. Internal Controls

The NAIC risk-focused approach to financial examinations relies on the review of mitigating controls applicable to the inherent risks of the companies being examined. In the case of HNINY, the mitigating controls are documented in “eGRC”, an application that, among other functions, documents the internal controls applicable to HNINY, as well as the testing that was performed on those controls.

The examiner reviewed and evaluated a sample of HNINY’s internal controls and related testing thereon and identified some areas for which improvement is suggested in the current structure and/or design. The independent financial auditor’s report did not note any internal control material weakness, and none of the examiner’s identified improvements led to material weaknesses or to inaccuracies in the filed financial statements.

G. Fidelity Bond and Other Insurance

At December 31, 2013, the Company was covered by a financial institution bond naming UHG and all of its subsidiaries as the insured. This coverage was sufficient to meet minimum computed coverage amounts suggested by the NAIC. The Company also maintains other customary insurance policies, including but not limited to automobile, property and equipment, general liability, workers’ compensation and directors’ and officers’ liability.

H. Reinsurance

Effective June 1, 2007 and through December 31, 2009, the Company was a party to a 50% quota share reinsurance agreement with Health Net Services (“Bermuda”) Ltd., an affiliate. Effective January 1, 2010, the Department approved the termination of the reinsurance agreement.

The obligations under the reinsurance agreement would continue, until completely fulfilled, for the run out of claims. For the year ended December 31, 2013, the Company did not cede any premiums, health care costs or administrative expenses.

L. Pensions, Stock Ownership and Insurance Plans

The Company has no defined benefit plans, defined contribution plans, multi-employer plans, consolidated/holding company plans, post-employment benefits, and compensated absence plans and is not impacted by the Medicare Modernization Act on post-retirement benefits, since all personnel are employees of UHS, which provides services to the Company under the terms of a management agreement.

3. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, and capital and surplus as of December 31, 2013, as contained in the Company's 2013 filed annual statement, a condensed summary of operations and a reconciliation of the capital and surplus account for the years under review. The examiner's review of a sample of transactions did not reveal any differences which materially affected the Company's financial condition as presented in its December 31, 2013 filed annual statement.

Independent Accountants

The firm of D&T was retained by the Company to audit the Company's combined statutory basis financial statements of financial position as of December 31st for each year in the examination period, and the related statutory-basis statements of operations, surplus, and cash flows for the year then ended.

D&T concluded that the statutory financial statements presented fairly, in all material respects, the financial position of the Company at the respective audit dates. Balances reported in these audited financial statements were reconciled to the corresponding years' annual statements with no discrepancies noted.

A. Balance SheetAssets

Bonds	\$ 531,853
Cash and short-term investments	10,590,736
Receivable for securities	198
Investment income due and accrued	7,705
Accrued retrospective premium	328,925
Amounts receivable relating to uninsured plans	1,021,321
Current federal and foreign income tax recoverable and interest thereon	186,996
Net deferred tax asset	8
Aggregate write-ins for other than invested assets	<u>4,118,776</u>
Total assets	<u>\$ 16,786,518</u>

Liabilities

Claims unpaid	\$ 2,195
General expenses due or accrued	104,560
Amounts due to parent, subsidiaries and affiliates	1,351
Aggregate write-ins for other liabilities	<u>478,171</u>
Total liabilities	<u>\$ 586,277</u>

Capital and surplus

Common capital stock	1,000,000
Gross paid in and contributed surplus	36,454,241
Unassigned funds (surplus)	(21,254,000)
Total capital and surplus	<u>\$ 16,200,241</u>
Total liabilities, capital and surplus	<u>\$ 16,786,518</u>

Note 1: The Internal Revenue Service has not conducted any audits of the income tax returns filed on behalf of the Company through tax year 2013. The examiner is unaware of any potential exposure of the Company to any tax assessments and no liability has been established herein relative to such contingency.

Note 2: HNINY files its tax returns on a consolidated basis with other affiliated companies within the UHG holding company.

B. Statement of Revenue, Expenses and Capital and Surplus

Capital and surplus decreased (\$74,536,522) during the examination period, October 1, 2008 through December 31, 2013, detailed as follows:

Revenue

Net premium income	\$ 1,188,888,006	
Change in unearned premium reserves and reserve for rate credits	(5,752,376)	
Aggregate write-ins for other non-health revenues	<u>10</u>	
Total revenues		1,183,135,640

Hospital and Medical Expenses

Hospital/medical benefits	\$ 1,171,969,018	
Other professional services	26,884,706	
Prescription drugs	219,120,401	
Net reinsurance recoveries	<u>(344,243,419)</u>	
Total medical and hospital expenses	1,073,730,706	
Claims adjustment expenses	55,826,530	
General administrative expenses	<u>183,592,703</u>	
Total underwriting deductions		<u>1,313,149,939</u>
Net underwriting loss		\$ (130,014,299)
Net investment income earned		3,711,588
Net realized capital gains		2,984,804
Aggregate write-ins for other income or expenses		(661,773)
Net loss before federal income taxes		(123,979,680)
Federal and foreign income taxes incurred		<u>(35,021,933)</u>
Net loss		\$ <u>(88,957,747)</u>

Change in Capital and Surplus

Capital and surplus per report on examination as of September 30, 2008			\$ 90,736,763
	<u>Gains in Surplus</u>	<u>Losses in Surplus</u>	
Net loss		\$ 88,957,747	
Change in net deferred income tax		5,647,423	
Change in nonadmitted assets	13,324,683		
Change in surplus notes		26,321,000	
2008 report on examination adjustment *	15,797,318		
Paid in (surplus adjustments)	17,967,647		
Write ins for losses in surplus		700,000	
Net decrease in capital and surplus			<u>(74,536,522)</u>
Capital and surplus per report on examination as of December 31, 2013			\$ <u>16,200,241</u>

* The report on examination as of September 30, 2008 recorded two liability adjustments (\$5,897,318 of additional unpaid claims reserves and a \$9,900,000 premium deficiency reserve) for a total decrease in surplus of \$15,797,318 that were never recorded in any of the Company's subsequent annual statements. These adjustments needed to be added back to surplus in order for the capital and surplus balance to roll forward.

4. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report on examination as of September 30, 2008 contained the following thirty-nine (39) comments and recommendations (page number refers to the prior report on examination).

<u>ITEM NO.</u>		<u>PAGE NO.</u>
	<u>Management and Controls</u>	
1.	Thus, it is recommended that the board of directors meet, at a minimum, on a quarterly basis.	6
	<i>The recommendation is no longer applicable.</i>	
2.	It is recommended that the Company comply with the requirements of Section 1201(a)(5)(B)(v) of the New York Insurance Law and have at least the minimum required number of members on its board of directors.	8
	It was noted that a similar recommendation was made in the prior report on examination.	
	<i>The recommendation is no longer applicable.</i>	
3.	It is also recommended that the Company exercise greater prudence relative to the accuracy of the jurat page included within its filed annual statement.	8
	<i>The Company has complied with this recommendation.</i>	
4.	It is recommended that the Company obtain approval from this Department prior to the implementation of its by-law amendments.	9
	<i>The Company has complied with this recommendation.</i>	

ITEM NO.**PAGE NO.**

5. It is recommended that all officers, directors and key employees of the Company submit signed conflict of interest statements during each calendar year and that the Company establish a procedure for enforcing such policy. 9

The Company has complied with this recommendation.

6. It is also recommended that the Company exercise greater care in providing correct responses to the general interrogatories in its filed annual statements. 10

The Company has complied with this recommendation.

Holding Company System

7. It is recommended that the Company comply with the provisions of Section 1505(c) of the New York Insurance Law by obtaining the Superintendent's prior approval for all of the administrative services agreements that the Company enters into with other members of its holding company system that involve five percent or more of its prior year-end admitted assets. 15

The Company has complied with this recommendation.

Accounts and Records

8. It is recommended that the Company's board of directors authorize and approve the Company's investment transactions in accordance with the requirements of Section 1411(a) of the New York Insurance Law and that documentation supporting its actions be appended to the minutes of its meetings. 16

A similar recommendation was made in the prior report on examination.

The Company has complied with this recommendation.

9. It is recommended that the Company amend its custodial agreements with the Bank of New York and the Bank of America to include the requisite safeguards as set forth in the Department's Rules and in the guidelines of the *Financial Condition Examiners Handbook of the National Association of Insurance Commissioners*. 17

The Company has complied with this recommendation.

<u>ITEM NO.</u>		<u>PAGE NO.</u>
10.	It is recommended that HNINY record direct expenses in accordance with Paragraph 9 of SSAP No. 70 of the NAIC Accounting Practices and Procedures Manual. <i>The Company has complied with this recommendation.</i>	19
11.	It is also recommended that expenses incurred be allocated to the Company on an equitable basis in accordance with the requirements of Section 1505(a) of the New York Insurance Law. <i>The Company has complied with this recommendation.</i>	19
12.	It is recommended that HNNE and HNINY continue to review and refine the allocation methodologies used to distribute expenses across cost centers. <i>The Company has complied with this recommendation.</i>	19
13.	It is recommended that HNINY comply with Paragraph 12(b) of SSAP No. 47 of the NAIC Accounting Practices and Procedures Manual by disclosing all required financial information relative to its ASC business, including the gross reimbursement for medical costs incurred relative to its ASC business, within the “Notes to the Financial Statements” section of its annual statement filings. <i>The Company has complied with this recommendation.</i>	20
14.	It is recommended that HNINY comply with its own policy by issuing premium refunds and resolving credits for its premium receivable accounts within specified timeframes. <i>The Company has complied with this recommendation.</i>	21
15.	It is also recommended that the Company review its premium receivable accounts and refund all monies owed plus any accrued interest thereon. <i>The Company has complied with this recommendation.</i>	21

ITEM NO.**PAGE NO.**Department Regulation No. 164

16. It is recommended that HNINY comply with Part 101.4(c) of Department Regulation No. 164 (11 NYCRR 101.4(c)) by signing a written agreement with CCN and filing the agreement with the Department for approval. 22

This recommendation is no longer applicable.

17. It is also recommended that HNINY implement procedures to ensure that contracts are reviewed and approved before obtaining services from its vendors. 22

This recommendation is no longer applicable.

Abandoned Property Law

18. It is recommended that the Company comply with the requirements of Section 1315(1-a) of the New York Abandoned Property Law by filing a separate report for miscellaneous unclaimed property. 23

This recommendation is no longer applicable.

19. It is also recommended that the Company maintain documentation showing that it published the information required by Section 1316(3) of the New York Abandoned Property Law. 23

The recommendation is no longer applicable.

20. It is recommended that HNINY maintain copies of its filed Reports, as evidence of its compliance with Section 1316(2) of the New York Abandoned Property Law. 24

The recommendation is no longer applicable.

Premium Deficiency Reserve

21. It is recommended that HNINY comply with the provisions of Paragraph 18 of SSAP No. 54 of the NAIC Accounting Practices and Procedures Manual by establishing the requisite liability. 29

This recommendation is no longer applicable.

ITEM NO.**PAGE NO.**Prompt Pay Law

22. It is recommended that HNINY take the necessary steps to ensure compliance with Sections 3224-a(a) and (c) of the New York Insurance Law. 32

This recommendation is no longer applicable.

23. It is recommended that HNINY take the necessary steps to ensure compliance with Section 3224-a(b) of the New York Insurance Law. 34

This recommendation is no longer applicable.

24. It is recommended that HNINY refrain from denying POS claims for lack of authorization without consideration of the member's POS out-of-network benefits. 35

This recommendation is no longer applicable.

Usual, Customary and Reasonable Fees

25. It is recommended that HNINY comply with Part 216.6(a) of Department Regulation No. 64 (11 NYCRR 216.6(a)) and process claims in accordance with contract provisions. The Company reported that it performed remediation of the affected claims in 2009. 36

This recommendation is no longer applicable.

Explanation of Benefits Statements

26. It is recommended that HNINY issue EOBs that are in compliance with the requirements of Sections 3234(b)(3), (6) and (7) of the New York Insurance Law. 39

This recommendation is no longer applicable.

Utilization Review

27. It is recommended that HNINY comply with the provisions of Section 4903(b) of the New York Insurance Law. 39

This recommendation is no longer applicable.

ITEM NO.**PAGE NO.**

28. It is recommended that HNINY update its policy on concurrent utilization reviews to effectuate compliance with Section 4903(c) of the New York Insurance Law. It is also recommended that HNINY process its concurrent utilization reviews in accordance with Section 4903(c) of the New York Insurance Law.

40

This recommendation is no longer applicable.

29. It is recommended that HNINY update its policy on retrospective appeals to effectuate compliance with Section 4904(a) of the New York Insurance Law.

41

The recommendation is no longer applicable.

Grievances

30. It is recommended that HNINY respond to grievance filings in a timely manner (60 days), in compliance with its own policy.

42

The recommendation is no longer applicable.

31. It is recommended that HNINY comply with its own policy and procedures by responding to its ERU complaints in a timely manner (30 days).

42

The recommendation is no longer applicable.

Retro-termination of Policies

32. It is recommended that HNINY promptly terminate policies when premiums are not received within the allowed grace period. In this regard, it is recommended that the Company review and pay all appropriate claims between the period premiums were paid and the date the policy was terminated.

43

The recommendation is no longer applicable.

ITEM**PAGE NO.**Disclosure of Information

33. It is recommended that HNINY comply with Section 3217-a(a)(3)(D) of the New York Insurance Law by including the member's right to reconsideration in the Company's description of its utilization review policy and procedures within its disclosure information. 44

The recommendation is no longer applicable.

Agents and Brokers

34. It is recommended that HNINY comply with Section 4235(h)(1) of the New York Insurance Law by filing its commission schedules with this Department. 45

The recommendation is no longer applicable.

Schedule H – Aging Analysis of Claims Unpaid

35. It is recommended that HNINY exercise due care to ensure that the information reported in its Schedule H is complete and accurate. It is also recommended that the Company comply with Department Circular Letter No. 12 (2000) by including applicable prompt pay violations for its TPA and IPA claims in its filed Schedule H. 46

The recommendation is no longer applicable.

Department Circular Letter No. 9 (1999)

36. It is recommended that HNINY obtain the annual certifications as required by Department Circular Letter No. 9 (1999). 46

The recommendation is no longer applicable.

Out-of-network Claims

37. It is recommended that HNINY comply with Section 2601(a) of the New York Insurance Law by revising its policy and discontinuing its practice of covering in-network facilities under the out-of-network benefits when the service was arranged by an out-of-network provider. 47

The recommendation is no longer applicable.

ITEM**PAGE NO.**Record Retention

38. It is recommended that the Company comply with Parts 243.1(b)(8) and 243.3(A)(2) of Department Regulation No. 152. 48

The Company has complied with this recommendation.

Passport Contracts

39. It is again recommended that HNINY eliminate unenforced contract provisions from its policy contracts. 49

The recommendation is no longer applicable.

Respectfully submitted,

_____/S/_____
Christopher Rushford, CFE

STATE OF NEW YORK)
) SS
)
COUNTY OF NEW YORK)

Christopher Rushford, being duly sworn, deposes and says that the foregoing report submitted by him is true to the best of his knowledge and belief.

_____/S/_____
Christopher Rushford, CFE

Subscribed and sworn to before me
this _____ day of _____ 2015.

APPOINTMENT NO. 31210

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, **BENJAMIN M. LAWSKY**, Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:

Risk & Regulatory Consulting, LLC

as a proper person to examine the affairs of

Health Net Insurance of New York, Inc.

and to make a report to me in writing of the condition of said

Company

with such other information as it shall deem requisite.

In Witness Whereof, I have hereunto subscribed my name
and affixed the official Seal of the Department
at the City of New York

this 26th day of August, 2014

BENJAMIN M. LAWSKY
Superintendent of Financial Services

By:



Lisette Johnson
Bureau Chief
Health Bureau

