IN THE DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION STATE OF MISSOURI

In Re:	)	
	)	
HEALTHY ALLIANCE LIFE INSURANCE COMPANY (NAIC # 78972)	)	**Market Conduct Exam No. 1007-12-TGT**
	)	
and	)	
	)	
HMO MISSOURI, INC. (NAIC # 95358)	)	**Market Conduct Exam No. 1007-13-TGT**
	)	

ORDER

NOW, on this 1st day of August, 2014, Director John M. Huff, after consideration and review of the Stipulation of Settlement (hereinafter "Stipulation") entered into by the Division of Insurance Market Regulation (hereinafter "Division"), Healthy Alliance Life Insurance Company (hereinafter "Healthy Alliance") and HMO Missouri, Inc. (hereinafter "HMO Missouri") does hereby issue the following orders:

This order, issued pursuant to §374.046.15, RSMo. (Cum. Supp. 2013) is in the public interest.

IT IS THEREFORE ORDERED that Healthy Alliance, HMO Missouri and the Division having agreed to the Stipulation, the Director does hereby approve and agree to the Stipulation.

IT IS FURTHER ORDERED that Healthy Alliance and HMO Missouri shall fully comply with the terms of the Stipulation including any exhibits attached to the Stipulation.

IT IS SO ORDERED.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of my office in Jefferson City, Missouri, this 1st day of August, 2014.

John M. Huff

IN THE DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION STATE OF MISSOURI

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	)	

STIPULATION OF SETTLEMENT

It is hereby stipulated and agreed by the Division of Insurance Market Regulation (hereinafter "the Division"), Healthy Alliance Life Insurance Company (NAIC #78972) (hereinafter referred to as "Healthy Alliance"), and HMO Missouri, Inc. (NAIC #95358) (hereinafter referred to as "HMO Missouri") as follows:

WHEREAS, the Division is a unit of the Missouri Department of Insurance, Financial Institutions and Professional Registration (hereinafter, "the Department"), an agency of the State of Missouri, created and established for administering and enforcing all laws in relation to insurance companies doing business in the State in Missouri; and

WHEREAS, Healthy Alliance and HMO Missouri have been granted certificates of authority to transact the business of insurance in the State of Missouri; and

WHEREAS, the Division conducted a Market Conduct Examination of Healthy Alliance, No. 1007-12-TGT, and a Market Conduct Examination of HMO Missouri, No. 1007-13-TGT (collectively, the "Market Conduct Examinations"), but suspended the examinations and preparation of a market conduct examination report pending the negotiation of this Stipulation.

WHEREAS, prior to 2007, Healthy Alliance offered "Alliance" health benefit plans throughout its Missouri service area and offered "Alliance Choice" health benefit plans in only a portion of its Missouri service area. The "Alliance" and "Alliance Choice" health benefit plans historically had some different benefits and some different providers.

WHEREAS, by at least October 2006, the premium rates for the "Alliance" health benefit plans were higher than the premium rates for the "Alliance Choice" health benefit plans (the

"Premium Differential"). It is alleged by the Division that the Premium Differential was material.

WHEREAS, effective January 1, 2007, in connection with a claims system change, Healthy Alliance converted members and groups with "Alliance" health benefit plans to "Blue Access" health benefit plans and converted members and groups with "Alliance Choice" health benefit plans to "Blue Access Choice" health benefit plans. At the time of conversion, the service area for "Alliance Choice" and "Blue Access Choice" health benefit plans consisted of St. Louis City, St. Louis County, St. Charles County, Warren County, Franklin County, Jefferson County and St. Francois County (the "2007 Choice Service Area"). Subsequently, the service area for the "Blue Access Choice" health benefit plans was expanded to include Lincoln County, Ste. Genevieve County and Washington County (the "Expanded Choice Service Area").

WHEREAS, "Blue Access" health benefit plans also were sold to new subscribers who resided in the 2007 Choice Service Area prior to the January 1, 2007 conversion date, but Healthy Alliance asserts that this occurred between October 1, 2006 and December 15, 2006. "Blue Access" health benefit plans also were sold to new subscribers who resided in the 2007 Choice Service Area and the subsequent Expanded Choice Service Area after the January 1, 2007 conversion date; however, Healthy Alliance asserts no new enrollments into "Blue Access" health benefit plans occured after June 30, 2010.

WHEREAS, on or around January 1, 2007, the "Blue Access" individual health benefit plans became identical in benefits and substantially equivalent with respect to providers to the "Blue Access Choice" individual health benefit plans for "Alliance" and "Blue Access" members who resided in the 2007 Choice Service Area or the subsequent Expanded Choice Service Area.

WHEREAS, the Premium Differential continued for the "Blue Access" and "Blue Access Choice" health benefit plans after the conversion. Healthy Alliance asserts that the Premium Differential was due to, among other things, the historical differential in provider network discounts and different rating pools.

WHEREAS, the Division alleges that Healthy Alliance failed to fully inform individual members with the "Blue Access" health benefit plans who resided in the 2007 Choice Service Area or the subsequent Expanded Choice Service Area of the substantially equivalent "Blue Access Choice" health benefit plans.

WHEREAS, Healthy Alliance and HMO Missouri expressly deny any wrongdoing in general in connection with the foregoing or in connection with the conversion (which Healthy Alliance and HMO Missouri allege was appropriately disclosed to the Division), and, in particular deny any failure to provide information.

WHEREAS, collectively, the foregoing "WHEREAS" clauses comprise the "Choice/Non-Choice Issue" for definitional purposes of this Stipulation.

WHEREAS, the Division, Healthy Alliance, and HMO Missouri have agreed to resolve the issues raised in the Market Conduct Examinations and set forth in this Stipulation as set forth below in lieu of the Division proceeding further with and conducting the Market Conduct Examinations and issuing examination reports, and to avoid the cost and expense of potential litigation with the Division thereafter.

A. **Scope of Stipulation.** This Stipulation embodies the entire agreement and understanding of the signatories with respect to the subject matter contained herein. The signatories hereby declare and represent that no promise, inducement or agreement not herein expressed has been made, and acknowledge that the terms and conditions of this agreement are contractual and not a mere recital.

B. **Refund.** Healthy Alliance will create a $7,800,000 (seven million eight hundred thousand dollars) total pool of funds for use in providing refunds of premiums paid by "Alliance" individual subscribers who resided in the 2007 Choice Service Area and who were converted to "Blue Access" individual health benefit plans on January 1, 2007 in accordance with the Refund Plan. Attached to this Stipulation as Exhibit A is the Refund Plan that has been agreed upon by the parties.

C. **Reporting.** Healthy Alliance agrees to file documentation with the Division reporting on its progress in implementing compliance with the terms of this Stipulation and documenting the payment of Refunds required by this Stipulation and the Refund Plan. The first report to be filed with the Division will be due 90 days after the date of a final order approving this Stipulation. Subsequent reports will be filed with the Division every 90 days thereafter, and a final report will be filed on or before May 30, 2015.

D. **No Penalties or Other Relief.** The Division agrees that it will not seek penalties or any relief whatsoever authorized by any Missouri laws, any implementing regulations, or the common law, including but not limited to Mo. Rev. Stat. §§374.046, 374.049, 374.280, 375.145,

or 375.930-948, against Healthy Alliance or HMO Missouri for the conduct alleged in this Stipulation (including relating to the group or individual market), all claims as alleged herein, or which relate to the Choice/Non-Choice Issue.

E. **Final Settlement and Release.** This Stipulation resolves all issues between Healthy Alliance, HMO Missouri and the Division arising from the Market Conduct Examinations, as those issues are set forth in this Stipulation, all claims as alleged herein, or which relate to the Choice/Non-Choice Issue. In addition, the parties hereby release and discharge each other and each of their respective subsidiaries, affiliates, officers, directors, employees, attorneys, agents and representatives from any claim(s), demand(s), or cause(s) of action, based on the conduct alleged in this Stipulation (including relating to the group or individual market), all claims as alleged herein, or which relate to the Choice/Non-Choice Issue. This release, however, shall not be construed any more broadly than as set forth herein and shall not operate as a release or waiver of any claim(s) not specifically described herein. Notwithstanding the foregoing, nothing herein shall be construed as a waiver, releasing or preventing any party from pursuing an action to enforce this Stipulation and the Order approving this Stipulation, or from pursuing conduct of any kind that occurs after the date of the Stipulation.

F. **Non-Admission.** Nothing in this Stipulation, which is a final resolution of a disputed issue(s), shall constitute or be construed as an admission of fact or of law. Further, Healthy Alliance and HMO Missouri specifically deny any wrongdoing or activity that violates any Missouri laws, regulations or the common law.

G. **Waivers.** Healthy Alliance and HMO Missouri, after being advised by legal counsel, do hereby voluntarily and knowingly waive any and all rights for procedural requirements, including the issuance by the Division of any findings or reports, and notice and an opportunity for a hearing, and review or appeal by any trial or appellate court, which may have otherwise applied to the above referenced Market Conduct Examinations.

H. **Attorney Fees and Expenses.** The parties will bear their own attorneys' fees and/or costs, if any, pertaining to the subject matter addressed herein, including such fees and costs related to Reporting (Section C hereto), and any examination expenses not already paid as of April 1, 2014. If any party should fail to fulfill their obligations under this Stipulation,

however, the parties acknowledge and agree that any future costs incurred by the other party to enforce the terms of this Stipulation shall be paid as provided by law.

I. **Changes.** No changes to this Stipulation shall be effective unless made in writing and agreed to by all signatories to the stipulation.

J. **Governing Law.** This Stipulation shall be governed and construed in accordance with the laws of the State of Missouri.

K. **Authority.** The signatories below represent, acknowledge and warrant that they are authorized to sign this Stipulation on behalf of the parties.

L. **Effect of Stipulation.** This Stipulation shall not become effective until entry of a Final Order by the Director of the Department of Insurance, Financial Institutions and Professional Registration (hereinafter the "Director") approving this Stipulation, in a form substantially identical to the agreements reached by the parties herein.

M. **Request for an Order.** The signatories below request that the Director issue an Order, in the public interest, approving this Stipulation and ordering the relief agreed to in the Stipulation, in a form substantially identical to the agreements reached by the parties herein, and consent to the issuance of such Order.

DATED: 7/15/2014

Stewart Freilich
Senior Regulatory Affairs Counsel

DATED: 7/14/2014

President
Healthy Alliance Life Insurance Company

DATED: 7/14/2014

President
HMO Missouri, Inc.

REFUND PLAN

The $7,800,000 pool of funds shall be distributed pursuant to the Stipulation of Settlement to "Alliance" individual subscribers who resided in the 2007 Choice Service Area and who were converted to a "Blue Access" health benefit plan on January 1, 2007 (the "Affected Subscribers"), but only as set forth below.

Distribution Methodology

Any refund amount payable to an Affected Subscriber pursuant to this Refund Plan will be determined by Healthy Alliance using factors such as the length of time his or her "Blue Access" health benefit plan was in effect, contract characteristics (i.e., single vs. family coverage), benefit levels, geographical location, risk tiers, and other factors that impact member premium. The methodology for calculating each refund amount must be provided to and approved by the Division in advance of any distribution as part of the reports required pursuant to the "Reporting" (Section C) provision of the Stipulation and shall be treated as confidential pursuant to §374.205.4, RSMo 2000.

Other Relevant Terms/Explanations

Eligible Times/Limitations

Refunds will only be made for the time an Affected Subscriber was enrolled in the "Blue Access" health benefit plan. Any terminations, cancellations, or conversions of coverage, can terminate that subscriber's accrual of any reimbursement right pursuant to this Refund Plan. A move out of the applicable service area (i.e., the 2007 Choice Service Area or the Expanded Choice Service Area) also would limit the reimbursement right to the time period when the Affected Subscriber resided in the applicable service area. Further, premium refund payments otherwise made to an Affected Subscriber (stemming from administrative appeals, settlements or otherwise) which meet or exceed the refund amount under the Refund Plan will terminate the right to payment under the Refund Plan.

Applicable Service Areas

The 2007 Choice Service Area included the following: St. Louis City, St. Louis County, St. Charles County, Warren County, Jefferson County, St. Francois County and Franklin County.

The Expanded Choice Service Area included the 2007 Choice Service Area and the following: Lincoln County, Ste. Genevieve County and Washington County.

Confirmation of Addresses for Payments/Unclaimed Payments

Healthy Alliance will make reasonable efforts to locate updated addresses for Affected Subscribers entitled to refunds under this Refund Plan, including but not limited to, engaging an outside vendor to assess whether there are updated addresses for such Affected Subscribers as compared to company records.

Payees

Refunds will be made only to subscribers of record pursuant to Healthy Alliance's records (or their lawful representatives) who qualify as Affected Subscribers entitled to refunds under this Refund Plan. Healthy Alliance will reasonably attempt to ensure that, if appropriate, the refunds are issued to the correct party. With that in mind, if someone would like Healthy Alliance to reissue the check, the person will be requested to provide any necessary updates to Healthy Alliance. Healthy Alliance may request proof of identification to reissue the check to the proper party.

Unclaimed or Remaining Funds

Any monies remaining in the pool of funds as of May 31, 2015 that have not been paid to Affected Subscribers in accordance with this Refund Plan will escheat to the Missouri Treasurer as unclaimed property. Healthy Alliance will also provide the Treasurer with identifying information reasonably within its possession for those Affected Subscribers who qualified for refunds pursuant to this Refund Plan but did not receive a refund. If, for any reason, the Treasurer is unable to accept any of these funds or returns said funds to Healthy Alliance, then Healthy Alliance will donate such funds to a charitable or non-profit organization selected by Healthy Alliance and subject to the approval of the Department of Insurance, Financial Institutions and Professional Registration. Healthy Alliance shall make payment to the charitable organization selected within 30 days after receiving written approval from the Department.