

STATE OF NEW JERSEY
DEPARTMENT OF BANKING AND INSURANCE

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| IN THE MATTER OF VIOLATIONS |) | |
| OF THE INSURANCE LAWS OF NEW JERSEY |) | ORDER DIRECTING |
| BY CIGNA HEALTHCARE OF NEW JERSEY, |) | REMEDATION AND |
| INC. AND CONNECTICUT GENERAL LIFE |) | ASSESSING PENALTIES |
| INSURANCE COMPANY |) | |

THIS MATTER having been opened by the Department of Banking and Insurance (Department) in accordance with the authority set forth at N.J.S.A. 17B:27A-17 et seq. and N.J.S.A. 17B:30-1 et seq.; and

WHEREAS CIGNA HealthCare of New Jersey, Inc. (CIGNA) is a health maintenance organization (HMO) licensed to transact business in New Jersey since December 1985, with authority to transact commercial business statewide; and

WHEREAS Connecticut General Life Insurance Company (CG) is an insurance company admitted to transact the business of life, health and annuity insurance in New Jersey since 1904; and

WHEREAS CG and CIGNA (hereinafter also referred to as the "Respondents") are affiliated companies, each of which has written small employer business in New Jersey for certain periods; and

WHEREAS carriers in the small employer market are required to offer the standard small health benefit plans developed by the Small Employer Health (SEH) Board of Directors on a guarantee issue guarantee renewable basis pursuant to N.J.S.A. 17B:27A-18 and -23; and

WHEREAS, at all times relevant to this matter, CIGNA has offered and continues to offer the standard small employer HMO plan and HMO POS plan; and

WHEREAS as an HMO in the small employer market, CIGNA is required to offer the standard small employer HMO plans, and had the option to also offer the standard HMO POS plan; and

WHEREAS N.J.S.A. 17B:27-19i permits carriers to attach nonstandard optional benefit riders to the standard SEH plans, provided that riders that increase benefits are filed with the SEH Board of Directors of and riders that decrease benefits are approved by the Department; and

WHEREAS all SEH optional benefit riders are guarantee issue and guarantee renewable; and

WHEREAS CIGNA has submitted various SEH optional benefit riders to the Department and the SEH Board since 1997; and

WHEREAS in letters finding those riders to be complete, CIGNA was advised by the SEH Board that "the standard health benefit plans must be offered both with and without optional benefit riders;" and

WHEREAS CG advised the Department that it intended to withdraw from the small employer market effective January 1, 2001 so that it could concentrate its efforts on providing small employer coverage through its HMO entities; and

WHEREAS CG non-renewed its last small employer policy pursuant to said withdrawal effective February 1, 2001; and

WHEREAS pursuant to N.J.S.A. 17B:27A-23e(3) CG was prohibited from writing new small employer health benefit plans until February 1, 2006 and therefore all

small employer health benefits plan following said withdrawal were issued by CIGNA;
and

WHEREAS, CG re-entered the small employer market in 2006; and

WHEREAS on March 10, 2006 CIGNA applied to withdraw 35 optional benefit riders used with the standard small employer HMO plans, including the HMO POS plan, pursuant to N.J.A.C. 11:21-20.3 in order to "focus marketing and sales efforts on indemnity and PPO plans underwritten by" CG; and

WHEREAS CIGNA stated in said application that it "will continue to offer the state designed HMO plan;" and

WHEREAS the 35 optional benefit riders provided vision and drug benefits and changed various cost sharing features (e.g. copay, coinsurance and deductible); and

WHEREAS said application included a specimen employer notice of nonrenewal of the riders as required by N.J.A.C. 11:21-20.3(b)1v, which notice stated that CIGNA will continue to offer the New Jersey state mandated HMO plans; and

WHEREAS following the withdrawal of the riders CIGNA remained obligated to offer small employers the standard HMO and HMO POS plans without riders; and

WHEREAS CIGNA began to nonrenew the riders as of July 1, 2006; and

WHEREAS the notices sent by CIGNA to advise small employers of the nonrenewal of the riders differed from the specimen notice submitted to and approved by the Department as part of CIGNA's application to withdraw the riders, with the most significant difference being the omission of the sentence in the specimen notice that reads; "We will of course continue to offer the New Jersey state mandated HMO plan";
and

WHEREAS CG and CIGNA provided small employer groups that were affected by the rider withdrawal with information encouraging them to select a CG PPO plan and failed to disclose the availability of a CIGNA HMO or HMO POS plan; and

WHEREAS the information provided by CG and CIGNA did not explain to small employers the significant differences in benefits between the standard small employer HMO and HMO POS plans that were issued by CIGNA and the small employer PPO plans offered by CG that the information described as "exciting new options"; and

WHEREAS the standard small employer HMO and HMO POS plans required to be offered by CIGNA provide unlimited home health visits and unlimited durable medical equipment while the PPO plans offered by CG provide only 60 days of home health services per year and \$1,000 in durable medical equipment benefits per year; and

WHEREAS in October 2006 the Fiedler & Schepis law firm, a small employer group, complained to the SEH program that it had a small employer HMO POS plan with CIGNA with unlimited home health benefits, but that on renewal in July 2006 CIGNA advised Fiedler & Schepis that the HMO POS plan was no longer available; and

WHEREAS CIGNA advised Fiedler & Schepis that they would have to move to a PPO plan issued by CG, but failed to inform Fiedler & Schepis that PPO plans offered by CG included a restrictive rider containing a 60 day limit on home health benefits as well as other restrictions on benefits not contained in the Fiedler & Schepis' current CIGNA HMO POS plan; and

WHEREAS CG was required pursuant to N.J.S.A. 17B:27A-18 to make its PPO plan available without restrictive riders but failed to do so with Fiedler & Schepis, and with all of the approximately 1332 small employers who were effectively required by

Respondents to renew their CIGNA HMO POS plan into a CG PPO plan containing restrictive riders, and new business from approximately 791 small employers that were offered and issued CG PPO plans containing restrictive riders; and

WHEREAS SEH staff contacted CIGNA in October 2006 and advised that CIGNA had to make the standard HMO and HMO POS plans available as only the riders were withdrawn, not the base plans; and

WHEREAS CIGNA agreed to renew the HMO POS plan for the Fiedler & Schepis firm on November 27, 2006, yet despite the fact that the CIGNA HMO POS plan did not contain a 60 day limit on home health benefits, on at least two occasions, in January and April 2007, the Department received complaints that CIGNA had denied authorization requests on behalf of Fiedler & Schepis covered members for home health benefits on the basis that coverage was exhausted, contrary to the express terms of the CIGNA HMO POS contract; and

WHEREAS in January 2007 a complaint was received from Yes Ventures, LLC, a small employer that had been covered under a HMO POS plan issued by CIGNA with unlimited benefits for durable medical equipment but that on renewal, based on the information CG provided, elected a PPO plan issued by CG that had a limited benefit for durable medical equipment; and

WHEREAS CIGNA had similarly not advised Yes Ventures, LLC of the availability of the HMO POS plan without the withdrawn riders or of the difference in benefits between the HMO POS plan issued by CIGNA and the PPO plan issued by CG; and

WHEREAS in February 2007 a complaint was received from Three Sixty Surveying, Inc., another small employer that had been covered by a CIGNA HMO POS plan, regarding limited home health benefits being imposed by CG, and subsequently Respondents assured the Department's SEH Unit that the situation would be corrected and this small employer's benefits would not contain the 60 day limitation; and

WHEREAS despite these assurances, on March 13, 2007, CIGNA wrote to the Department's Consumer Assistance Unit responding to a member's complaint, and stated that the member's home health benefits under the plan in effect for Three Sixty Surveying, Inc. were subject to the 60 day limitation, a statement that ran contrary to Respondents' prior assurances to the Department; and

WHEREAS in February 2007 a broker for Elite Tennis Academy contacted the Department's SEH Unit regarding CIGNA's refusal to provide information about the availability of SEH HMO and HMO POS plans and regarding CG's refusal to provide information about the availability of a PPO plan without a restrictive rider; and

WHEREAS on or about April 19, 2007 another complaint was received on behalf of Fiedler & Schepis regarding the home health benefits for two children, indicating that CIGNA had not restored the benefits and coverages that were in place prior to the renewal and that home health benefits for these children were to be terminated because CIGNA informed the medical providers that the benefit maximum had been exceeded; and

WHEREAS CIGNA had 1,332 small employer HMO and HMO POS contracts in force as of June 30, 2006, which employers were advised that they only had the option to renew into CG, and in addition, as of March 26, 2007, CG has offered and issued CG

PPO plans containing restrictive riders to approximately 791 new small employer groups;
and

NOW, THEREFORE, it is on this ^{5th} day of ~~April~~ ^{April}, 2007 ordered that:

1. CG and CIGNA shall contact, in a written form approved by the Department, each of the 1,332 small employers that renewed or that may renew after July 1, 2006 and retroactively issue the previously in force standard small employer HMO or HMO POS plan to the small employer as of its date of renewal, which plan may include a prescription drug rider. In addition, benefits to covered employees shall be enhanced for the current contract year to the extent that the CG PPO plan issued to the small employer may have contained richer benefits for certain coverages. The offer shall be accompanied by a detailed description, in a form approved by the Department, of the difference in benefits between the standard small employer HMO/HMO POS plans available through CIGNA and the small employer PPO plans offered by CG and the rates therefor. CIGNA/CG shall charge these groups their current rate applicable to the CG PPO plan with the restrictive rider until such time as CIGNA provides the small employer with 60 days' prior notice of a rate increase as required by N.J.S.A. 17B:30-40b. Members affected by this remediation shall receive reimbursement for medical services and supplies that were previously limited by the rider, accompanied by a notice, the form of which shall be submitted to the Department for its review and approval. In addition, Respondents shall issue a notice to members, the form of which shall be submitted to the Department for its review and approval, setting forth a procedure by which members may submit claims for CIGNA benefits that were previously not authorized, denied or limited based on the operation of the restrictive rider.

2. In the case of the new employer groups (791 as of March 26, 2007), CG shall contact, in a written form approved by the Department, each of the small employers and offer to retroactively modify the plan to eliminate the restrictive rider. In addition, benefits to affected covered employees shall be enhanced for the current contract year to the extent that the restrictive rider may have contained richer benefits for certain coverages. The offer shall be accompanied by a detailed description, in a form approved by the Department, of the difference in benefits between the small employer PPO plans offered by CG with and without the restrictive rider and the rates therefor. CIGNA/CG shall charge these groups their current rate applicable to the CG PPO plan with the restrictive rider until such time as CG provides the small employer with 60 days' prior notice of a rate increase as required by N.J.S.A. 17B:30-40b. Members affected by this remediation shall receive reimbursement for medical services and supplies that were previously limited by the rider accompanied by a notice, the form of which shall be submitted to the Department for its review and approval. In addition, CG shall issue a notice to members, the form of which shall be submitted to the Department for its review and approval, setting forth a procedure by which members may submit claims for benefits that were previously not authorized, denied or limited based on the operation of the restrictive rider.

3. CG and CIGNA shall pay a fine of \$2,123,000 in one lump sum, made payable by check or money order to "Treasurer, State of New Jersey," no later than 60 days after the date of this Order, to Lee Barry, Assistant Commissioner, Consumer Protection Services, Department of Banking and Insurance, P, O, Box 329, Trenton, NJ

08625-0329 for violations of N.J.S.A. 17B:27A-18 (guarantee issue), 17B:27A-23 (guarantee renewability), and 17B:30-6 (twisting), calculated as follows:

- a. \$1,061,500 for 2123 violations of N.J.S.A. 17B:27A-18 and 23; and
- b. \$1,061,500 for 2123 violations of N.J.S.A. 17B:30-6.

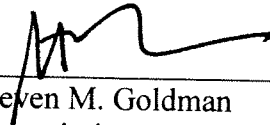
4. Obligations under this Order are imposed pursuant to the police powers of the State of New Jersey for the enforcement of law and the protection of public health, safety, and welfare and are not intended to constitute a debt or debts subject to limitation or discharge in a bankruptcy proceeding.

5. If CG and CIGNA wish to request an administrative hearing, they shall submit its request in writing no later than 30 days following the date of this Order to Lee Barry, Assistant Commissioner, Consumer Protection Services, P.O. Box 329, Trenton, NJ 08625-0329, or by fax at (609) 292-5333. A request for a hearing shall include:

- a. the name, address, daytime telephone number, and fax number of a contact person familiar with the matter;
- b. a statement requesting a hearing; and
- c. a concise statement with a separate response to each of the specific facts set forth in this Order and describing the basis for CG's and CIGNA's contention that the findings of fact set forth in this Order are erroneous.

6. If no hearing is requested within 30 days of the date of this Order, this Order constitutes a final agency decision and become effective immediately on that date. Any appeals from this Order must be filed with the New Jersey Superior Court, Appellate Division, within 45 days from that date.

Questions regarding this Order should be submitted to Lee Barry, Assistant Commissioner, Consumer Protection Services.



Steven M. Goldman
Commissioner