

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
OFFICE OF THE HEALTH INSURANCE COMMISSIONER
233 RICHMOND STREET
PROVIDENCE, RHODE ISLAND 02903**

FINAL ORDER (OHIC-2007-1)

The Market Conduct Examination of Blue Cross & Blue Shield of Rhode Island

THIS MATTER comes before the Health Insurance Commissioner (the “Commissioner”) as a result of a targeted market conduct examination of Blue Cross & Blue Shield of Rhode Island (“Blue Cross”). The examination was conducted on behalf of the Commissioner by HinckleyAllenTringale, LP, (the “Examiners”) pursuant to R.I.G.L. §§ 27-13.1-1, *et seq.*, and 27-50-9. The Commissioner has reviewed the Examiners’ report dated September 11, 2006 (the “2006 Blue Cross Examination Report”), relevant Examiner work papers, all written submissions and rebuttals, and the recommendations of Commissioner’s staff. After full consideration of the above-referenced report and other materials and recommendations, the Commissioner orders as follows:

FINDINGS OF FACT

1. At all relevant times, Blue Cross operated as a nonprofit hospital and medical service corporation pursuant to R.I.G.L. §§ 27-19-1, *et seq.*, and 27-20-1, *et seq.*
2. In accordance with R.I.G.L. §§ 27-13.1-1, *et seq.*, and 27-50-9, the Examiners completed a targeted market conduct examination of Blue Cross.
3. The Commissioner scheduled the examination in furtherance of his statutory duty under R.I.G.L. § 27-50-9 to prepare a periodic market evaluation. This examination was conducted to determine the extent of Blue Cross’ compliance with R.I.G.L. § 27-50-1, *et seq.*, as a basis for determining the effectiveness, efficiency and fairness of the small group health insurance marketplace and for determining whether Blue Cross and its producers are fairly and actively marketing or issuing health benefit plans to small employers in fulfillment of the purposes of R.I.G.L. § 27-50-1, *et seq.*
4. In conducting the examination, the Examiners observed those guidelines and procedures set forth in the most recent available edition of the examiners’ handbook adopted by the National Association of Insurance Commissioners. The Commissioner also employed other guidelines and procedures that he deemed appropriate, pursuant to R.I.G.L. § 27-13.1-4(a).
5. The Examiners prepared the 2006 Blue Cross Examination Report. This report comprises only the facts appearing upon the books, records, or other documents of Blue Cross, its agents or other persons examined, or as ascertained from the testimony of its officers or agents or other persons examined concerning its affairs, and the conclusions and recommendations as the Examiners reasonably warranted from the facts.

6. Blue Cross was provided an opportunity to review the 2006 Blue Cross Examination Report. After that review, Blue Cross delivered to the Commissioner written submissions and rebuttals to the report.
7. The Commissioner has fully considered and reviewed the 2006 Blue Cross Examination Report, all of Blue Cross' submissions and rebuttals, and all relevant portions of the Examiners' work papers.
8. Unless expressly modified in this Final Order ("Order"), the Commissioner adopts the facts, conclusions and recommendations contained in the 2006 Blue Cross Examination Report. A copy of the 2006 Blue Cross Examination Report is attached to this Order and is incorporated by reference.
9. Any Conclusion of Law that is also a Finding of Fact is hereby adopted as a Finding of Fact.

CONCLUSIONS OF LAW AND ORDER

10. The preceding sections 1 through 9 of this Final Order are incorporated into these Conclusions of Law.
11. The OHIC has jurisdiction in this matter pursuant to R.I.G.L. §§ 42-14.5-1 *et seq.*, 42-14-5(d), 27-13.1-1 *et seq.* and 27-50-1 *et seq.*
12. The examination was conducted in accordance with the provisions of R.I.G.L. § 27-13.1-1 *et seq.*
13. Pursuant to R.I.G.L. § 27-13.1-5(d), Blue Cross shall, within thirty (30) days of the issuance of the 2006 Blue Cross Examination Report and this Order, file affidavits executed by each of its directors stating under oath that they have received a copy of the adopted report and this Order.
14. Unless otherwise specified in this Order, all requirements with this Order shall be completed within thirty (30) days of the date of this Order. Blue Cross shall submit written evidence of compliance within the thirty (30) day time frame, except where Blue Cross has already complied, as noted in this Order.
15. With respect to Recommendation 6, R.I.G.L. § 27-50-5(h)(2) requires that Blue Cross file an annual actuarial certification that certifies that the company is in compliance with R.I.G.L. § 27-50 and that the rating methods of the small employer carrier are actuarially sound. In the 2006 Blue Cross Examination Report, the Examiners noted that Blue Cross' certifications were not in compliance. Blue Cross is hereby notified that its actuarial certifications must comply fully with all statutory and regulatory requirements and all written agency guidance. Commencing on the date of this Order, Blue Cross' actuarial certifications will be subject to rejection if not fully compliant.
16. This Order shall not prevent the Commissioner from commencing future action relating to conduct of Blue Cross not specifically addressed in the Report, not resolved according to the terms and conditions in this Order, or occurring before or after the examination period. Failure by Blue Cross to comply with the terms of this Order may result in additional actions, penalties and sanctions, as provided for by law.

25. Copies of the 2006 Blue Cross Examination Report, Blue Cross' response, and this final Order will be made available to the public no earlier than thirty (30) days after the date of this Order, subject to the requirements of R.I.G.L. § 27-13.1-5.

WHEREFORE: It is hereby ordered that the findings and conclusions contained in the final examination report dated September 11, 2006 are hereby adopted and filed and made an official record of this Office, and the above Order is hereby approved this 22nd day of February, 2007.



Christopher F. Koller
Health Insurance Commissioner