



News

For Immediate Release

CONTACT: Matthew Stark, Principal Policy Associate, OHIC
(401) 222-5424 mstark@ohic.ri.gov

Blue Cross accepts responsibility for influence peddling on Smith Hill

\$20 million settlement held in trust at the Rhode Island Foundation; ongoing monitoring of Blue Cross ethics and conduct.

Providence, RI, December 13, 2007 – The Office of the Health Insurance Commissioner (OHIC) applauds the U.S. Attorney Corrente for bringing to light Blue Cross senior executives' bribing of public officials.

With the U.S. Attorney's settlement agreement, Blue Cross acknowledges and accepts responsibility for its employees' illegal activities and influence peddling on Smith Hill between 1997 and 2003.

While Health Insurance Commissioner Christopher F. Koller believes that this settlement is appropriate, more work is needed by Blue Cross in order to regain the public's trust.

Commissioner Koller said, "The illegal activities of Blue Cross executives were a gross betrayal of the company's mission and the public trust. I remain concerned

that Blue Cross has not sufficiently addressed the culture of indifference to the public interest that led to today's settlement.”

Koller continued, “The delayed firing of four senior executives – two of whom were recently promoted - and the apparent conflict of interest by Frank Montanaro, the Board Chair of Blue Cross, in serving as a member of a board that steered business to Blue Cross, clearly indicate that efforts by the Board of Directors to improve corporate ethical standards have been ineffective.”

The signing of the U.S. Attorney's settlement agreement marks a milestone in the long road Blue Cross faces in improving its corporate culture to meet its publicly chartered mission. The Commissioner noted, “The settlement agreement charts a path to better governance, public accountability and community investment”.

The key elements of the agreement are the following:

- 1) Acceptance of Responsibility - Blue Cross accepts responsibility for bribery of three state officials by former Blue Cross executives between 1997 and 2003.
- 2) Monetary Payment - \$20 million penalty paid to the U.S. Attorney's Office to fund a trust administered by the Rhode Island Foundation, “for the purpose of supporting projects which are designed and intended to have the greatest impact on the provision of quality and affordable health care services in Rhode Island.” The \$20 million payment will come from Blue Cross' surplus. Blue Cross will continue to make contributions to its surplus as approved by this Office to ensure its solvency. Such contributions will be consistent with standards enforced by this Office and will not be constructed to recoup the \$20 million paid into the trust.
- 3) Enhanced Ethics and Compliance Program – Blue Cross must augment existing corporate compliance policies in order to satisfy, in all respects, the requirements of the U.S. Sentencing Guidelines. These Guidelines require, among other things,

that Blue Cross establish standards and procedures to prevent and detect criminal conduct.

4) Continuing Obligation to Cooperate - Blue Cross must continue to cooperate with the continuing criminal investigation for three years after the signing of the settlement agreement, or until all related prosecutions are final.

5) Monitoring – Blue Cross’ compliance with the settlement agreement will be supervised by an independent monitor for a period of two years. The monitor will implement the terms of the agreement, ensure Blue Cross’ adherence to the compliance requirements of the agreement and the U.S. Sentencing Guidelines, and share information with the U.S. Attorney’s Office and other designated agencies, including the Office of the Health Insurance Commissioner. “We believe the first area of investigation for the monitor should be to take a close look at the actions of the Blue Cross Board Chair,” noted Commissioner Koller.

The U.S. Attorney reached out the Office of the Health Insurance Commissioner to play a role in monitoring Blue Cross' compliance with the terms of their settlement agreement. The Office will work closely with the monitor and the U.S. Attorney’s Office to ensure proper governance of Blue Cross.

After the agreement was executed, the Commissioner stated, "The legislative reforms of 2004 that led to the formation of this Office, to the tightening of Blue Cross’ governance structure, and to the replacement of executives involved in this influence peddling were necessary, but insufficient first steps. This agreement sets a new standard for Blue Cross. But this agreement and the culture of indifference to the public interest that necessitated the agreement make it clear that the Blue Cross has a long way to go."

About the Office of the Health Insurance Commissioner

The Office of the Health Insurance Commissioner (OHIC) was established by legislation in 2004 to broaden the accountability of health insurers operating in the state of Rhode Island. Under this legislation, the Office is dedicated to:

1. Protecting consumers
2. Encouraging fair treatment of medical service providers
3. Ensuring solvency of health insurers
4. Improving the health care system's quality, accessibility and affordability

The Office sets and enforces standards for health insurers in each of these four areas.