

News

For Immediate Release

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OHIC Negotiates \$2.5 Million Settlement Resulting from examination of the MEGA Life and Health Insurance Company – funds to go to consumers

Cranston, RI October 17, 2011. Health Insurance Commissioner Christopher F. Koller announced today that he has issued an Examination Report and Order in connection with The MEGA Life and Health Insurance Company ("MEGA"). The examination concluded that MEGA had engaged in a number of health insurance underwriting practices in violation of the Rhode Island Small Employer Health Insurance Availability Act (R. I. Gen. Laws 27-50-1 et seq.), including the following:

1. Improper use of medical underwriting; for example, declining coverage to employees who did not meet MEGA's health underwriting standards. Rhode Island law requires that all products be available to all small employers and their employees.
2. Improper rating practices; for example, charging small employers premiums higher than the 4:1 ratio required by Rhode Island law.
3. Imposition of membership fees in excess of the amounts permitted by Rhode Island law.
4. Failure to offer coverage equally to all eligible small employers.

Based on the Findings, Conclusions and Recommendations of the Examination Report, the Commissioner made the following orders directing MEGA to correct the violations and provide restitution to Rhode Island small businesses:

- A. MEGA will make restitution to Rhode Island small businesses for excessive premiums paid from October 1, 2004, for health care claims improperly denied by

MEGA since October 1, 2004, and for excessive subscriber fees. An estimated 5,500 Rhode Island small businesses will be involved in the restitution programs, with estimated aggregate restitution amount of \$2.3 million.

B. MEGA will non-renew its existing R.I. health plans with 90 days advance Notice, and will suspend the conduct of its health insurance business in Rhode Island for three (3) years.

C. MEGA will pay to the State of Rhode Island a penalty of \$225,000.

The entire MEGA market conduct examination report and order can be found on OHIC's website www.ohic.ri.gov.

“MEGA’s practices were in clear violation of Rhode Island’s small group insurance underwriting laws,” said Commissioner Christopher F. Koller. “These laws are intended to protect consumers from insurers who use pricing strategies to identify and avoid sick people. Our rules in Rhode Island are clear - health insurance is about protecting people from catastrophic medical expenses and improving the health care system, not shifting costs to others.”

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.

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