

NOV 13 1995

STATE OF ARIZONA

DEPARTMENT OF INSURANCE

DEPARTMENT OF INSURANCE  
By                     

In the Matter of	)	Docket No. 95-118
	)	
<b>PMH HEALTH SERVICES</b>	)	<b>ORDER</b>
<b>NETWORK,</b>	)	
	)	
Respondent.	)	
_____	)	

On September 11, 1995, the Director of the Arizona Department of Insurance (the "Department") issued an Order in the above-captioned matter wherein the Director denied the Application of PMH Health Services Network ("PMH") to be a third party administrator. The basis of the denial was the impermissible indirect ownership interest which PMH had in a life or health insurer.

On October 11, 1995, Low & Childers, P.C., counsel for PMH, filed a Request for Rehearing or Review of the September 11, 1995 Order. On October 26, 1995, Assistant Attorney General W. Mark Sendrow, counsel for the Department, filed a Request for Extension of Time to File Response to Petitioner's Request for Rehearing or Review. On November 3, 1995, Kathy A. Steadman of Low & Childers, P.C. filed a Response to the Department's Request for Extension of Time. On November 6, 1995, a telephonic conference was held between Chief Administrative Law Judge Lewis D. Kowal, Mr. Sendrow and Ms. Steadman at which time the Department's request was granted and the Department was given until November 7, 1995 to file its Response to Petitioner's Request for Rehearing or Review. On November 7, 1995, Mr. Sendrow filed the Department's Response.

1           Petitioner asserts the following grounds for rehearing  
2 or review: a) errors of law in admitting evidence; b) errors of  
3 law in interpreting operative statutes; and c) the September 11,  
4 1995 Order is not justified by the evidence and is contrary to  
5 law. Petitioner maintains that the Department reached an  
6 incorrect conclusion that because Premier is a life or health  
7 insurer the conflict of interest provisions of A.R.S.  
8 §20-485.11(C) apply to the corporate relationship between PMH  
9 and Premier. Petitioner also asserts that the Director reached  
10 an incorrect conclusion that PMH holds an indirect ownership  
11 interest in Premier. Further, according to the Petitioner, the  
12 September 11, 1995 Order contains flawed Findings of Fact and  
13 Conclusions of Law.

14           In its Response, the Department contends that the  
15 September 11, 1995 Order is justified by the evidence and  
16 supported by law. The Department opposes the Petitioner's  
17 Request for Rehearing or Review.

18           Based upon a review of the record of this matter,  
19 Petitioner's Request for Rehearing or Review and the Department's  
20 Response,

21           The conclusion has been made that the September 11,  
22 1995 Order contains clerical errors in paragraph 3 of the  
23 Findings of Fact and paragraph 12 of the Conclusions of Law but  
24 in all other respects the September 11, 1995 Order is fully  
25 supported by law and fact.

26           THEREFORE, IT IS ORDERED that:

27           1. Paragraph 3 of the Findings of Fact be amended to  
28 read:

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

Resources, a not-for-profit Arizona corporation, is the sole statutory member of PMH and of the other corporations comprising the PMH healthcare system within the meaning of A.R.S. §10-1002(20). The term "member" as defined in A.R.S. §10-1002(20) means "any person having membership rights in a corporation in accordance with its articles of incorporation or bylaws."


2. Paragraph 12 of the Conclusions of Law be amended to read:

If the Application is granted and PMH acts as an administrator for Premier, the organizational structure of the PMH healthcare system and Premier creates economic motivation for PMH to prefer the interests of Premier over those of Premier's enrollees. Such a conflict of interest is prohibited by A.R.S. §20-485.11(C).

3. Petitioner's Request for Rehearing or Review is denied.

EFFECTIVE this 13th day of November, 1995.

  
CHRIS HERSTAM  
Director of Insurance

  
LEWIS D. KOWAL  
Chief Administrative Law Judge

NOTIFICATION OF RIGHTS

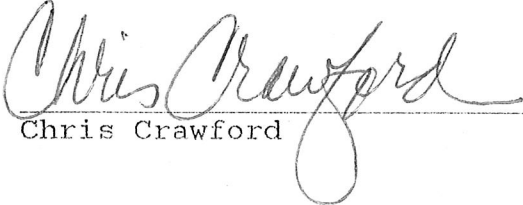
The final decision of the Director may be appealed to the Superior Court of Maricopa County for judicial review pursuant to A.R.S. §20-166.

1 COPY of the foregoing mailed/delivered/faxed  
2 this 13th day of November, 1995, to:

3 Charles R. Cohen, Deputy Director  
4 Gregory Y. Harris, Executive Assistant Director  
5 Gary Torticill, Assistant Director  
6 Deloris Williamson, Assistant Director  
7 Department of Insurance  
8 2910 N. 44th Street, Suite 210  
9 Phoenix, Arizona 85018

10 W. Mark Sendrow  
11 Assistant Attorney General  
12 1275 W. Washington  
13 Phoenix, Arizona 85007

14 J. Michael Low  
15 Kathy A. Steadman  
16 Low & Childers, P.C.  
17 2999 N. 44th Street, Suite 250  
18 Phoenix, Arizona 85018

19   
20 Chris Crawford

21  
22  
23  
24  
25  
26  
27  
28