

**BEFORE THE INSURANCE COMMISSIONER  
FOR THE STATE OF ARKANSAS**

**IN THE MATTER OF PREMIER HEALTH INSURANCE COMPANY  
D/B/A MERCY HEALTH PLANS**

A.I.D. 2010-[0]77

**CONSENT AGREEMENT AND ORDER**

Now on this day, the matter of Premier Health Insurance Company d/b/a Mercy Health Plans ("Mercy Health"), comes before Jay Bradford, Insurance Commissioner of the State of Arkansas ("Commissioner"). This Consent Agreement and Order (the "Consent Order") is entered into among Mercy Health, the Arkansas Insurance Department ("Department") and Sisters of Mercy Health System ("SMHS"). Mercy Health, the Department and SMHS are collectively referred to herein as the "Parties." The Department was represented by General Counsel, John Morris, Mercy Health was represented by the law firm Mitchell, Williams, Selig, Gates & Woodyard, P.L.L.C. of Little Rock, Arkansas, and SMHS was represented by the law firm Thompson Coburn LLP of St. Louis, Missouri. The Parties hereto stipulate to the following:

1. The Commissioner has jurisdiction over the Parties and the subject matter herein.
2. SMHS is the sole owner of MHP, Inc. ("MHP"). MHP is the sole owner of Mercy Health. Mercy Health is domiciled in the State of Missouri, and is a licensed foreign insurer in the State of Arkansas admitted to write accident and health insurance.
3. Mercy Health's offices in Arkansas are located at First Security Center, 521 President Clinton Avenue, Suite 700, Little Rock, Arkansas 72201.

4. Mercy Health provides individual health insurance to approximately 6,600 Arkansans (hereinafter "Policyholders") through its individual major medical insurance policy—AR INDIV COC/LT-2010—"Policy").
5. In connection with the Policy, Mercy Health has and continues to incur significant monetary losses.
6. As a result, Mercy Health desires to exercise its rights under both the federal Health Insurance Portability and Accountability Act ("HIPAA") and Ark. Code Ann. § 23-79-119(c)(4) to terminate coverage in the individual health insurance market upon the giving of 180 days' advance written notice to the Commissioner (and the execution of this Consent Order acknowledges receipt by the Commissioner of such notice) and each Policyholder (the "Notice"). A copy of the Notice is attached hereto as Exhibit A and incorporated herein by this reference. In addition to the Notice, Mercy Health will advise its agents in Arkansas of the termination of the *MercyOne* individual health coverage policies. A copy of the letter to such agents is attached hereto as Exhibit B and incorporated herein by this reference.
7. The Notice will be sent to Policyholders no later than September 15, 2010 ("Notice Date").
8. SMHS recently entered into an agreement with Coventry Health Care, Inc., a Delaware corporation ("Coventry"), whereby Coventry will become the owner of MHP. In connection with that transaction, the Department has been advised by SMHS that Coventry or a subsidiary thereof will be submitting, on or before October 1, 2010, an application to the Department for a new individual major medical product in the State of Arkansas (with such new product to become effective January 1, 2011).

9. The Department will make all reasonable efforts to approve Coventry's individual product filing on or before November 1, 2010.

10. The Commissioner has contested the right of Mercy Health to give the Notice in the absence of this Consent Order and SMHS and Mercy Health dispute the Commissioner's position with respect to the Notice. In settlement and compromise of such dispute, SMHS hereby agrees to contribute the amounts referenced in paragraph 12 below to the Arkansas Comprehensive Health Insurance Pool ("CHIP"). All contribution and other funding obligations pursuant to this Consent Order will be the sole responsibility of SMHS.

11. In no event later than 250 days following the Notice Date, the Department will provide to SMHS a list of Policyholders ("List") who: (i) were provided the Notice, (ii) qualified for admission to CHIP (including, without limitation, having been unable to obtain or access health insurance coverage in the private market due to the existence or history of a medical condition), and (iii) elected to become a participant in CHIP.

12. Within 15 days following confirmation by SMHS that each Policyholder on the List meets the requirements set forth in paragraph 11 above, SMHS will contribute to CHIP an amount equal to the product of (i) \$3,500, times (ii) the number of Policyholders who meet the requirement set forth in paragraph 11 above. Such contribution may be utilized as determined by the Department and CHIP including, without limitation, to offset any administrative expenses incurred by CHIP.

13. No Policyholder will hold any rights in or to, or become a third party beneficiary of, the contribution made by SMHS to CHIP and no communications, whether written or oral, will be inconsistent with the foregoing.

14. To aid SMHS in confirming that each Policyholder on the List meets the requirements set forth in paragraph 11 above, upon no less than ten days advance written notice to CHIP, SMHS will have the right to audit all files and records of CHIP related to Policyholders on the List.

15. In exchange for, and in consideration of, the contributions, benefits, and other commitments described above, the Department accepts the terms hereunder as a full and complete compromise, settlement, resolution and accord and satisfaction of any and all claims, rights, demands, debts, liabilities, damages, expenses, fees, interest, penalties, actions or causes of action of whatsoever nature, past, present or future, whether known or unknown, asserted or unasserted, liquidated or unliquidated, which the Department or the State of Arkansas may have against Mercy Health, MHP or SMHS, including, without limitation, their respective officers, directors, shareholders, employees, agents, administrators, attorneys, servants, affiliates, subsidiaries, parent companies, predecessors, successors, assigns, and their reinsurers, if any, arising from or pertaining in any manner to any matters discussed in this Consent Order and the Department hereby releases Mercy Health, MHP and SMHS from any liability for any of the foregoing (other than the payment of valid claims which accrued under the Policy prior to the effective date of termination).

16. This Consent Order is executed and delivered as a compromise only to avoid the expense of further administrative action and/or litigation, and that the making of this settlement is not to be construed as and does not constitute an admission of liability or wrongdoing on the part of Mercy Health, MHP or SMHS, including, without limitation, their respective officers, directors, shareholders, employees, agents, administrators,

attorneys, servants, affiliates, subsidiaries, parent companies or predecessors, by each of whom liability is expressly denied.

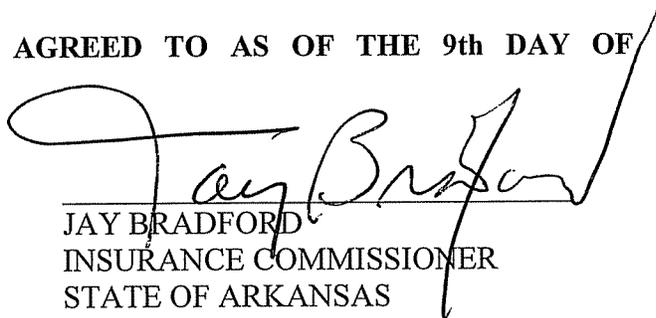
17. Neither this Consent Order nor any related negotiations, statements or court proceedings will be offered by Mercy Health, MHP, SMHS or the Department as evidence of or an admission, denial or concession of any liability or wrongdoing whatsoever on the part of any person or entity, including but not limited to Mercy Health, MHP and SMHS, or any affiliates thereof, or as a waiver by Mercy Health, MHP or SMHS or any affiliates thereof of any applicable defense, including without limitation any applicable statute of limitations or statute of frauds.

18. This Consent Order may be executed in one or more counterparts, each of which will, for all purposes, be deemed an original, and all of which will, for all purposes, constitute one and the same instrument.

(Remainder of page left intentionally blank –

Signature page follows)

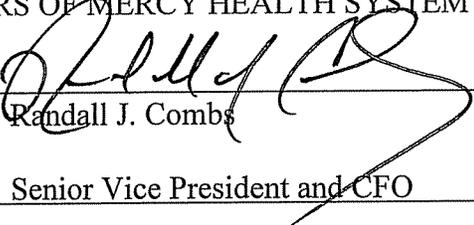
IT IS SO ORDERED, DIRECTED AND AGREED TO AS OF THE 9th DAY OF  
SEPTEMBER, 2010.

  
\_\_\_\_\_  
JAY BRADFORD  
INSURANCE COMMISSIONER  
STATE OF ARKANSAS

Date: September 9, 2010

SISTERS OF MERCY HEALTH SYSTEM

By: \_\_\_\_\_

  
Randall J. Combs

Its: Senior Vice President and CFO  
\_\_\_\_\_

Date: September 9, 2010  
\_\_\_\_\_

PREMIER HEALTH INSURANCE COMPANY  
D/B/A MERCY HEALTH PLANS

By: \_\_\_\_\_

  
Christopher Knackstedt

Its: President  
\_\_\_\_\_

Date: September 9, 2010  
\_\_\_\_\_

Exhibit A  
Notice Letter



September 15, 2010

<Member Full Name>  
<Member Mailing Address1>  
<Member Mailing Address2>  
<Member Mailing City> <State> <zip>

Dear *MercyOne* Member:

The purpose of this letter is to notify you that Mercy Health Plans (MHP) will no longer offer *MercyOne* individual health coverage in the state of Arkansas, effective March 16, 2011, in accordance with the provisions of the federal Health Insurance Portability and Accountability Act (HIPAA) and Arkansas statutory requirements. Under HIPAA and the Arkansas requirements, each insured person must be given notice at least 180 days prior to the date of coverage non-renewal. Therefore, any *MercyOne* coverage for you and any covered dependents will end at 11:59 P.M. local time on March 15, 2011, unless earlier terminated by you.

Please be assured that medical claims for dates of service on or before March 15, 2011 (or your earlier date of termination) will be processed in accordance with your current policy or Certificate of Coverage Policy document. Proof of loss for claims should be submitted within 90 days after the end of coverage, if reasonably possible. In any event, written proof must be submitted within one year after the date coverage ends, unless you are legally incapacitated.

We cannot accept premium that would pay your policy beyond the non-renewal date. Benefits will not be paid for claims incurred after the non-renewal date or after the period for which premium was last paid, unless otherwise provided by your policy or applicable insurance law. A certificate of creditable coverage will be provided to you shortly after your coverage ends, which you can provide to other insurance companies as proof of prior coverage.

We encourage you to contact your insurance agent for assistance in securing coverage through another insurance company. Even if you have difficulty in obtaining replacement coverage, your agent is best suited to review the range of alternatives available to you at this time. If you or your spouse are eligible for coverage through an employer plan, you and any dependents may be eligible for special enrollment opportunities for that employer coverage, which would allow you to obtain that coverage sooner than the employer plans' next open enrollment period and with creditable coverage credit for your *MercyOne* coverage. If your or your spouse's employer provides an employer sponsored plan, we recommend you contact the benefits administrator to discuss your enrollment options.

If you or your spouse has an individual health insurance policy with another insurance company, you may be able to enroll your family members on that policy. If the *MercyOne* insured is a dependent child under age 19, you may be able to add that dependent, regardless of health status, to your in force individual policy, pursuant to new federal requirements that may apply to that policy after September 23, 2010. If you have such an individual policy, we recommend that you contact the insurance company to discuss your coverage options. The following is a list of some, not all, of the insurance companies that write individual health coverage in the state of Arkansas.

## **Companies That Offer Individual Major Medical Coverage in Arkansas**

- Arkansas Blue Cross Blue Shield
- (800) 238-8379
- <http://www.arkansasbluecross.com/>
- Arkansas Comprehensive Health Insurance Pool –CHIP -- (state risk health pool)
- (800) 285-6477
- <http://www.chiparkansas.org/>
- Assurant Health
- (800) 800-1212
- <http://www.assurant.com/>
- Celtic Insurance Co.
- (800) 477-7990
- <http://www.celtic-net.com/>
- Empire Fire and Marine Insurance Co.
- (800) 842-6797
- <http://www.zurichna.com/zna/home/welcome.htm>
- Golden Rule
- (618) 943-5064
- <http://goldenrule.com/>
- Freedom Life Insurance Company of America
- (800) 387-9027
- <http://www.freedomlife.net/>
- United Security Life & Health Insurance Co. (Illinois)
- (800) 875-4422
- <http://www.unitedsecuritylandh.com/>
- World Insurance Company
- (800) 786-7557
- <http://www.worldinsco.com/>

## **Companies That Offer Short Term Major Medical & Limited Benefits in Arkansas**

- Arkansas Blue Cross Blue Shield
- (800) 854-7199 or (501) 378-2010
- <http://www.arkansasbluecross.com/>
- Assurant Health
- (800) 800-1212
- <http://www.assurant.com/>
- Chesapeake Life Insurance Company
- (800) 733-1110
- <http://healthmarkets.com/>
- Continental Life Insurance Company of Brentwood
- (800) 264-4000 or (615) 377-1300
- <http://cont-life.com/>
- Golden Rule Insurance Company
- (317) 715-7644
- <http://goldenrule.com/>

- Guarantee Trust Life Insurance Company
- (800) 338-7452 or (708) 699-0600
- <http://www.gtlic.com/>
- MEGA Life & Health Insurance Company
- (800) 733-1110
- <http://healthmarkets.com/>
- Mid-West National Life Insurance Company of Tennessee
- (817) 255-3100
- <http://healthmarkets.com/>
- Physicians Mutual Insurance Company
- (800) 228-9100 or (402) 633-1000
- <http://www.physiciansmutual.com/>
- Union Security Insurance Company
- (800) 733-7879 or (816) 881-6097
- <http://www.assurant.com/>
- United American Insurance Company
- (800) 331-2512
- <http://www.unitedamerican.com/>

If you are unable to access employer coverage or cannot qualify for individually underwritten coverage with another insurance company, you may qualify for the Arkansas Comprehensive Health Insurance Pool (CHIP). If you are declined for individual coverage by another insurance company, please contact our toll free number so that we may assist you in discussing possible coverage options, including CHIP.

You may be aware from public announcements that Coventry Health Care, Inc. is purchasing Mercy Health Plans. For your information, Coventry will be offering a new individual major medical product in the State of Arkansas. That product is currently pending approval by the Arkansas Insurance Department. However, you or your insurance agent should feel free to contact Coventry for more information by telephone at 1-866-795-3995, extension 4179 or via e-mail: [Coventryoneppokc@cvty.com](mailto:Coventryoneppokc@cvty.com).

This was not an easy decision for Mercy Health Plans. It was reached only after it became clear that the company could not continue in the current *MercyOne* individual health coverage market in Arkansas. We regret having to take this action, but we hope that this advance notice of discontinuance will provide you the opportunity to seek other coverage.

If you have any questions, please contact us at our toll free number, 1-866-450-3249. We have appreciated the opportunity to provide service to you and wish you good health.

Sincerely,

Mercy Health Plans

Exhibit B  
Agent Letter



<Agent Mailing Address1>  
<Agent Mailing Address2>  
<Agent Mailing City> <State> <zip>

Re: Notice of Intent to Exit the *MercyOne* Individual Health Coverage Market

Dear *MercyOne* Agent:

The purpose of this letter is to notify you that Mercy Health Plans (MHP) will no longer offer *MercyOne* individual health coverage in the state of Arkansas, effective March 16, 2011, in accordance with the provisions of the federal Health Insurance Portability and Accountability Act (HIPAA) and Arkansas statutory requirements. Under HIPAA and the Arkansas requirements, each insured person must be given notice at least 180 days prior to the date of coverage non-renewal. On or about September 15, 2010, MHP will notify all individual Arkansas policyholders of its decision to exit the *MercyOne* individual health coverage market in Arkansas. Coverage for the individual insureds will terminate 180 days after that notice is mailed, which termination date we anticipate to be on or about March 15, 2011.

We will recommend to the insureds that they contact their insurance agent for assistance in accessing either available employer plan coverage or new individual coverage. We appreciate your assistance in helping them explore new health insurance options, which may include the Arkansas Comprehensive Health Insurance Pool (CHIP). If an insured qualifies for inclusion in CHIP (including due to the insured's inability to obtain employer sponsored coverage or individual coverage with another insurance company due to the existence or history of a medical condition), that insured can either contact CHIP or MHP at the toll free number listed below for specific guidelines concerning the CHIP enrollment process.

You may be aware from public announcements that Coventry Health Care, Inc. is purchasing Mercy Health Plans. For your information, Coventry will be offering a new individual major medical product in the State of Arkansas. That product is currently pending approval by the Arkansas Insurance Department. However, you or any *MercyOne* policyholder should feel free to contact Coventry for more information by telephone at 1-866-795-3995, extension 4179 or via e-mail at: [coventryoneppokc@cvty.com](mailto:coventryoneppokc@cvty.com).

This was not an easy decision for Mercy Health Plans. It was reached only after it became clear that the company could not continue in the current *MercyOne* individual health coverage market in Arkansas. We regret having to take this action, but we hope that this advance notice of discontinuance will provide time for you and our insureds to seek other coverage.

If you have any questions, please contact us at our toll free number, 1-866-450-3249. Thank you for your support.

Sincerely,

Mercy Health Plans