FOR IMMEDIATE RELEASE

$400,000 Penalty Imposed
CAREFIRST BLUECROSS BLUESHIELD ENTERS INTO CONSENT AGREEMENT WITH MARYLAND INSURANCE COMMISSIONER

Baltimore, MD (February 25, 2003) -- Maryland Insurance Commissioner Steven B. Larsen announced today that the Maryland Insurance Administration (MIA) has entered into a consent agreement with two CareFirst BlueCross BlueShield companies stemming from four market conduct examinations conducted over the last three years. The Commissioner cited numerous violations in a wide range of categories, including the claims handling practices of CareFirst of Maryland, Inc. (the Maryland BlueCross Blue Shield company) and CareFirst BlueChoice HMO. The company has agreed to pay an administrative penalty of $400,000.

The Consent Order references four market conduct examinations that show CareFirst "committed various violations of Maryland laws and the Code of Maryland regulations."

"This Consent Order shows once again the significance of the market conduct examination process," Commissioner Larsen said. "It is through market conduct exams that the MIA can take a close look at the business practices of a company and determine whether Maryland laws are being followed and consumers protected."

The first case involved a complaint filed with the MIA by the Maryland State Medical Society ("MedChi") regarding CareFirst of Maryland’s handling of claims that contained modifier 25. Modifier 25 is used on claims to indicate a significant, separately identifiable service by the same provider during the same medical visit. MedChi alleged

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that CareFirst of Maryland was wrongfully denying claims that contained Modifier 25.

The examination found that CareFirst of Maryland was inappropriately denying Modifier 25 claims for additional information. Maryland’s recently enacted Clean Claims Regulations prohibit a carrier from asking for additional information for Modifier 25 claims. The examination found that from January 1, 2001 through May 31, 2002, approximately 68% of Modifier 25 claims were wrongfully denied for additional information. CareFirst of Maryland has been ordered to reprocess the claims in accordance with applicable Maryland regulations.

"CareFirst and other health plans are constantly manipulating the way they pay physician claims and this situation is just one example of such activity," said Michael Preston, Executive Director of MedChi. "We are grateful to Commissioner Larsen and his staff for pursuing this so diligently."

The second examination investigated the pharmacy claims handling practices of CareFirst BlueChoice HMO and its pharmacy vendor AdvancePCS Health, L.P. between January 1 and June 30, 2001. The examination found that AdvancePCS was acting as a Private Review Agent (PRA) by making utilization review determinations on behalf of CareFirst BlueChoice. AdvancePCS is not certified by the MIA as a PRA. Under Maryland law, anyone making utilization review decisions on behalf of a carrier must be certified by the MIA as a PRA.

The third examination reviewed the Medicare Supplement operation of CareFirst of Maryland. The examination found the carrier inappropriately required pre-authorization of pharmacy claims on certain Medicare Supplement policies between January 1 and December 31, 2000.

The fourth examination reviewed the claims handling practices of CareFirst BlueChoice HMO between January 1, 2001 and June 30, 2002. CareFirst BlueChoice was known as CapitalCare prior to July 1, 2001. The examination found CareFirst BlueChoice failed to pay 52% of the claims received within 30 days as required by Maryland law.

Additionally, based on a review conducted by the MIA, it was determined that CareFirst of Maryland and CareFirst BlueChoice inappropriately denied claims for rapid
CareFirst Consent Order  
Add Two  

strep throat tests. The MIA's review was based on a complaint and resulted in the entities reprocessing 3,452 claims. It is estimated that more than $51,598 has been paid to providers as a result of the re-processing of the claims.

The consent order and market conduct reports are available on the MIA web site, www.mdinsurance.state.md.us. Click on News Center and then News Releases.

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