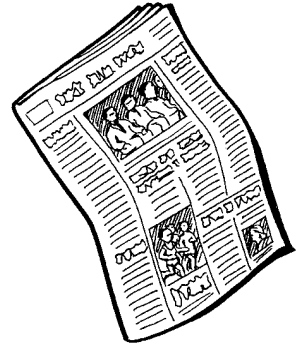


# California and National News



## Is DMHC Finally *Beginning To Fulfill Its Mandate?*

After a long history of inaction or ignoring abuses by health insurers, the Department of Managed Health Care fined Health Net \$1 million for lying to investigators about linking employee compensation to the cancellation of individual insurance policies. Health Net cancelled 1,600 policies between 2000 and 2006, avoiding paying \$35 million in medical expenses, while providing bonuses greater than \$20,000 to its senior analyst in charge of policy cancellations for meeting annual targets. This was the first fine levied against an insurer for withholding information about employee bonuses. Health Net accepted a consent agreement to no longer link compensation to policy cancellations. DHMC's ongoing investigations could find more fodder for additional penalties, and the Department of Insurance also is investigating this matter. Blue Cross and Shield of California, PacifiCare, and Kaiser Foundation also are under investigation for policy cancellations. California already has fined WellPoint, Blue Cross's parent company, \$1.2 million, and Kaiser Permanente \$325,000 for improper cancellation of coverage. This action by DMHC, based on facts, validates that the managed care industry is less concerned about patients than their unsubstantiated rhetoric has claimed. The CSA has cosponsored with CMA legislation (AB 1155, Huffman) to increase DMHC penalties to levels that are sufficient to make transgressions no longer an acceptable cost of doing business. (Based on a *California Healthline* report, November 16, 2007.)

**Nursing Homes More Profitable with Less Care:** The *New York Times* examined more than 1,200 nursing homes purchased by large private investment groups since 2000, and 14,000 other nursing homes. A pattern was detected of investors acquiring nursing homes, reducing costs, increasing profits, and reselling for large gains. But, by regulatory benchmarks, residents at those nursing homes were worse off than they were under previous owners. In many the nursing staff had been cut to below minimum legal requirements. Residents at facilities owned by private investment firms have fared more poorly than occupants of other homes in common problems like depression, loss of mobility, and ability to dress and bathe themselves. These facilities also scored worse than national rates in 12 of 14 indicators, including bedsores, easily prevented infections, need to be restrained, administration of wrong medicines, and inadequacy of nutrition and hydration. Yet, before purchase, these same homes scored at or above the national average. The graying of America has presented financial opportunities for many businesses, but nursing homes, which

received more than \$75 billion in 2006 from taxpayer programs, gathered big financial rewards. Investment chains in 2005 earned \$1,700 per resident. These homes were 41 percent more profitable than the average facility. Nurses are often residents' primary medical providers, and residents need at least 1.3 hours of RN or LPN care per day. Although the national average was 1.3, large investment company homes provided only 1.0 hours. For RN/patient ratios, the investment homes were 35 percent below the national average. (Charles Duhigg, *New York Times*, September 23, 2007.)

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