

SANTA ANA, Calif.--([BUSINESS WIRE](#))--PacifiCare Life and Health Insurance Company (PacifiCare) today sued California Insurance Commissioner Dave Jones, seeking to overturn an egregious, overreaching action against the company stemming from a series of long-resolved administrative errors.

The lawsuit filed by PacifiCare in Orange County Superior Court seeks judicial review of a multiyear action by the California Department of Insurance (CDI), and of the Commissioner's decision to impose a fine of \$173.6 million against the company. That decision ignored the state administrative law judge's August 2013 finding the penalty should be \$11.5 million, sharply lower than the Commissioner's proposal.

By treating errors in standard health insurance paperwork more severely than errors directly affecting patient health or the integrity of their policies, the Commissioner threatens to make California's health care system slower, less efficient, more bureaucratic and more expensive.

The needlessly long case involved largely technical and administrative issues that arose in 2007 that PacifiCare self-disclosed to the CDI, caused no harm to members or providers, and were resolved within months. The Commissioner's unprecedented decision to pursue an enforcement action even though all of the issues had been resolved resulted in more than three years of hearings on the matter, hearings that included hundreds of hours of testimony, the review of thousands of pages of exhibits, and more than \$10 million in Californians' tax money spent by CDI on outside lawyers. After all that, even the Commissioner acknowledged there is no basis for paying restitution either to members or providers.

The Commissioner, who did not attend one day of the three-year hearing, has not explained why he waited nearly a year – until June 9, 2014 – to issue a fine fifteen times what the California administrative law judge determined.

"This ruling threatens to paralyze the health care system in the state, resulting in more costs and bureaucracy for Californians," said Stephen Scheneman, president of PacifiCare Life and Health Insurance Company.

“We are taking this action to protect the interests of our customers who depend on the availability of affordable health insurance. Access to affordable health care depends on balanced regulation that does not impose irrational costs and are potentially disruptive to the market.

“As we have done since 2008, we plan to continue to vigorously defend ourselves and our members in this matter.”

PacifiCare Life and Health Insurance Company offered group and individual PPO health plans, Medicare Supplemental plans and specialty benefit plans in California.