PacifiCare®
A UnitedHealthcare Company

SENT ELECTRONIC MESSAGE

June 13, 2007

Nicoleta Smith
Supervising Compliance Officer
State of California
Department of Insurance
300 South Spring Street
Los Angeles, CA 90013

RE: Follow-Up Questions

Dear Ms. Smith:

On behalf of PacifiCare Life and Health Insurance Company ("PLHIC" or "the Company"), I would like to take this opportunity to respond to the questions that you asked on our conference call on June 6, 2007 which can be discussed further during our conference call today.

1. **Have you finished all of the rework projects which you initially advised would be completed by the end of April, and then moved to the end of May?**

We previously communicated that we would provide a listing of the specific claims to be reviewed and a date upon which the reprocessing would be completed by the end of May. Related to retro contracts, we will complete all reprocessing by July 31, 2007 and will provide a list of those claims that were reviewed (not all of them may require additional payment) at that time. We have already provided all of the claims detail related to a significant portion of the rework project.

2. **How many physicians were involved with the rework projects stated in issue #1 and the resolution?**

On June 15, 2007, we will produce a file for the CDI (Craig Dixon, Chief Field Claims Bureau) that lists all physicians contracted with United from January 1, 2006 to March 31, 2007. This file will also show the number of physicians impacted by retroactive contract loads.

3. **Please provide a copy of flowchart and P&P for Provider Dispute Resolution Process**

Enclosed as Attachment 1 are copies of flowcharts and P&P related to Provider Dispute Resolution Process.

4. **Please provide a copy of flowchart for COCC process**

Enclosed as Attachment 2 is a copy of flowchart for the COCC process.

5. **Please provide an explanation of the 1799 report received on June 1, 2007.**

We had previously sent spreadsheets related to reworks for the COCC. In those spreadsheets, there were numerous claims that did not have any claim payment information. The CDI requested further research on this missing information to determine if a payment was made or not. If not, also provide the reason why. The spreadsheet sent on June 1, 2007 by Valerie Ridge, provides the requested information.

6. **Please provide copy of the final EOB version**

Enclosed as Attachment 3 is a copy of the final EOB (version 3) which was put into production as of June 8th.

7. **Please provide a report of all CAPs completed**

Enclosed as Attachment 4 is a draft report of CAPs completed. This report will be updated periodically and provided to the CDI.

8. **Please provide copies of contracts, EOBs, and list of claim rework details as requested in the specific CDI letters**

We are pulling the previously received CDI letters which were specific provider issues and attempting to pull copies of EOBs and list of claim rework details.

Thank you once again for the opportunity to update me on the above issues. If you have any questions or would like additional information, please feel free to contact me at (714) 226-3081.

Thank you,

Jean Diaz
Director, Regulatory Affairs, PacifiCare

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PacifiCare®

Life and Health Insurance Company

KNOW YOUR RIGHTS

An Insured or the Insured's authorized representative (" Insured"), has the right to appeal adverse decisions regarding (1) contractual relationships, coverage, payment or reimbursement for health care services, or (2) Medical Necessity, effectiveness or efficiency.

The Company offers Standard review levels. For detailed information related to the review levels, please refer to your Certificate.

Insureds may have other voluntary alternative dispute resolution options, such as mediation. One way to find out what may be available is to contact the local U.S. Department of Labor Office and/or Insured's employee benefits representative. Insureds may have the right to bring civil action under Section 502(a) of the Employee Retirement Income Security Act if all required reviews of the claim have been completed and the claim has not been approved. Participation in any appeal process waives any privilege of confidentiality the Insured may have regarding medical records that any person examines or may examine in connection with the reviewed condition during the appeal process.

To request an Appeal:

1. Insureds must make an oral or written appeal request at the telephone number or address provided below within one year of the receipt date of the adverse decision notice. Insureds making oral requests will be sent a form (the "Appeal Form") to complete and return.
2. The Company will evaluate appeals of adverse decisions. A physician, in consultation with appropriate clinical peers, will evaluate all requests regarding Medical Necessity.
3. Insureds are responsible for providing any additional documentation supporting their reconsideration request with the written appeal request. The Company will evaluate a request based on the information in its possession.
4. The Company will issue a written determination notice to the Insured within 30 days of receiving a written appeal request. The notice will include the reason(s) for the Company's decision, the documentation on which the decision is based and the process for filing a formal appeal.

To request an Independent Medical Review (IMR)

You may also apply to the California Department of Insurance ("CDI") for an Independent Medical Review ("IMR") if you believe a health care service has been improperly denied, modified, or delayed by the Company and and the Company's decision involves the following: a) the medical necessity of a treatment; b) an experimental or investigational therapy for certain medical conditions; or c) a claims denial for emergency or urgent medical services. You or any person that you have designated to act as your advocate can request an IMR. No application or processing fees fees are charged for an IMR. A decision not to participate in the IMR process may cause you to forfeit any statutory right to pursue legal action against the Company regarding the disputed health care service. The IMR process is in addition to any other procedures or remedies that may be available.

Contact and Other Important Information:

Insureds may call the Company with questions regarding the claim determination. Additionally, the Department of Insurance can assist with questions about the health care appeals process or if an Insured believes that there has been a violation of the State's unfair practices or other similar state laws.

To contact the Company concerning Suspected Fraud or Irregular Billing Practices, call 1-866-686-6350.

Insurance Company

Appeals Department
P.O. Box 400046
San Antonio, TX 78229
(866) 316-9776
Monday - Friday (7:00 AM to 9:00 PM CST)

State Insurance Regulatory Agency

California Department of Insurance
Consumer Services Division
300 South Spring Street
Los Angeles, CA 90013
Toll Free Number (800) 927-4357
Phone Number (213) 897-8921
TDD (800) 482-4833 Web Site www.insurance.ca.gov

Underwritten by Pacificare Life and Health Insurance Company