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HEARINGS UNIT  
OFFICE OF  
INSURANCE COMMISSIONER

BEFORE THE STATE OF WASHINGTON  
OFFICE OF THE INSURANCE COMMISSIONER

IN THE MATTER OF  
KAISER FOUNDATION HEALTH PLAN  
OF THE NORTHWEST

Docket No. 15-0205  
OIC No. 702  
NAIC No. 95540

REPLY IN SUPPORT OF KFHPNW'S  
MOTION FOR STAY OF CEASE AND  
DESIST ORDER

**I. Introduction**

The stay sought by Kaiser Foundation Health Plan of the Northwest ("KFHPNW") is wholly appropriate and warranted by the circumstances. Absent a stay, KFHPNW and its customers will suffer irreparable injury -- harm that was not, as the Office of the Insurance Commissioner ("OIC") suggests, recklessly set in motion by KFHPNW's actions, but instead follows KFHPNW's continuing good faith attempts to receive clear guidance from the OIC. Conversely, the requested stay of the Cease and Desist Order ("the Order") issued by the OIC will not cause harm to KFHPNW's policyholders, enrollees or other members of the public.

**II. The OIC Applies the Wrong Standard to KFHPNW's Motion**

As a threshold matter, the OIC inaccurately asserts that the Presiding Officer must apply the standard set forth in RCW 34.05.550(3) to KFHPNW's Motion. See OIC's Response and Opposition to KFHPNW's Motion for Stay of Cease and Desist Order ("OIC's Opposition"), p.

REPLY IN SUPPORT OF KFHPNW'S MOTION FOR STAY OF CEASE AND DESIST ORDER - 1

1 7. That standard is simply not applicable here. RCW 34.05.510 *et seq.* are the provisions of the  
2 Administrative Procedure Act (“APA”) applicable to judicial review of agency decisions, not to  
3 adjudicative proceedings, which are instead governed by RCW 34.05.410 - 34.05.494. RCW  
4 34.05.550 applies exclusively to stays sought in the Superior Court following the filing of a  
5 petition for judicial review of a final agency decision.

6 The inapplicability of the judicial review provisions of the APA to proceedings before the  
7 Presiding Officer was recently confirmed by the previous Chief Presiding Officer with the OIC  
8 Hearings Unit, who soundly rejected application of the APA’s standing test set forth in RCW  
9 34.05.530, holding:

10 . . . RCW 34.05.530 . . . sets forth the criteria for judicial review of  
11 an agency’s decision by the Superior Court, i.e., this statute sets  
12 forth the criteria which must be met in order to appeal a final order  
13 of this agency’s (or any agency’s) quasi-judicial executive tribunal  
14 to the Superior Court. It does not set forth the criteria which must  
15 be met for a party aggrieved by an act of the Commissioner to  
16 contest that act before this agency’s (or any agency’s) quasi-  
17 judicial executive tribunal such as this one. While . . . RCW  
18 34.05.530 might be somewhat informative because it uses the same  
19 word “aggrieved” as RCW 48.04.010, it would be in error to grant  
20 summary judgment on this case based on a statute which applies to  
21 an entirely different type of review, and based on case law  
22 interpreting that inapplicable statute.

23 *In the Matter of Seattle Children’s Hosp. & Coordinated Care Corp.*, Dkt. No. 13-0293, Order  
24 on Intervenors’ Joint Motion for Summary Judgment (Feb. 20, 2014), p. 3 (emphases added).<sup>1</sup>  
25 Similarly, it would be error to deny a motion for a stay based on an inapplicable statute that  
26 applies to an entirely different type of review.

Nothing removes the decision whether to grant a stay from the Presiding Officer’s full  
discretion; the test articulated by the OIC is not applicable. KFHPNW respectfully asserts that  
the Presiding Officer’s decision should be founded on an equitable weighing of the interests at  
stake. Here, a stay is appropriate because not only will a stay protect the interests of the

<sup>1</sup> See <http://www.insurance.wa.gov/laws-rules/administrative-hearings/judicial-proceedings/documents/13-0293-order-intervenors-msj.pdf> (last visited Oct. 15, 2015).

1 members of the public impacted by the Order (enrollees in KFHPNW’s plans), but it will prevent  
2 irreparable harm to KFHPNW.

3 **III. Enrollees in KFHPNW’s Large Group Plans Will be Harmed Absent a Stay**

4 The enrollees of the affected large group plans will be harmed if a stay is not granted.  
5 Requiring mid-contract cancellation of coverage will create significant disruption, confusion, and  
6 frustration. Declaration of Maryann Schwab in Support of KFHPNW’s Motion for Stay of  
7 Cease and Desist Order (“Schwab Decl.”), ¶ 6. Cancellation of coverage in all instances will  
8 completely disrupt enrollees’ medical care, given that KFHPNW’s primary provider network has  
9 no current contracts with other health plans. *Id.* at ¶ 7. Even sending out discontinuation notices  
10 prior to cancellation will cause disruption and confusion among enrollees.<sup>2</sup> *Id.* at ¶ 9. The OIC  
11 is incorrect that “discontinuation and termination notices are very common for consumers to  
12 receive” in this context. OIC’s Opposition, p. 8. Individual members of employer-sponsored  
13 group health plans generally do not ever receive discontinuation notices from insurance issuers  
14 based on the group’s determination of individual enrollee eligibility, but only receive such  
15 notices when an issuer discontinues offering a group plan altogether.<sup>3</sup> Schwab Decl., ¶ 9. The  
16 actions required by the Order are not limited to the members of the Bonneville Hot Springs  
17 Resort (“Bonneville”) group health plan, but extend to 81 policyholder employers and  
18 approximately 600 individual enrollees. *Id.* at ¶¶ 5, 9.

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20 <sup>2</sup> The OIC represents that the discontinuation “notices should have been issued on  
21 October 1, 2015, but these have not been issued due to the request to stay the Order to Cease and  
22 Desist,” insinuating that this “delay” has been solely caused by KFHPNW. OIC’s Opposition, p.  
23 9. Significantly, KFHPNW submitted the draft discontinuation letters to the OIC on September  
24 16, 2015, as required by the Order. Schwab Decl., ¶ 4. KFHPNW is precluded, by the express  
25 terms of the Order, from sending out the notices until they are approved by the OIC, which has  
26 not yet occurred. Lane Decl., ¶ 12.

<sup>3</sup> Indeed, the OIC’s standard discontinuation notice templates developed for issuers’ use,  
and on which KFHPNW was directed to model the discontinuation notices required by the  
Order, do not include any template that would be suitable for use in this context. Moreover, the  
statutory provision that would purportedly require issuers to deliver discontinuation notices does  
not address the disenrollment of certain members from a plan that is otherwise continuing in  
effect. *See* RCW 48.43.035.

1           The OIC attempts to justify the unnecessary harm enrollees will suffer by suggesting that  
2 “Kaiser caused this harm. Had Kaiser not sold plans to people out of its service area, these  
3 enrollees would not have a plan that provides inadequate coverage to enrollees who then must  
4 travel in order to receive medical care.” OIC’s Opposition, p. 9 (emphasis added). As an initial  
5 matter, even if the above were an accurate characterization, it would not change the fact that  
6 blameless members of the public will be significantly and negatively impacted by the Order. But  
7 the OIC’s representation of the circumstances does not comport with what actually occurred.

8           The OIC’s language throughout its Opposition emphasizes at least one fundamental basis  
9 for what seems clearly to have been an inadvertent miscommunication between KFHPNW and  
10 the OIC. Put simply, the OIC confuses the meaning of the terms “policyholders” and “enrollees”  
11 (or “people”) and the relationship and interactions that typically occur between an issuer and  
12 these two distinct groups in the large group context. Briefly, “policyholders” are the plan  
13 sponsors (usually employers) that purchase the actual policy of coverage from the issuer.  
14 Declaration of Megan Lane in Support of KFHPNW’s Motion for Stay of Cease and Desist  
15 Order (“Lane Decl.”), ¶ 2. Thus, Bonneville is a policyholder. “Enrollees” or “people,” in  
16 contrast, are the individuals enrolled under the policy sold by the issuer to the policyholder. *Id.*  
17 Thus, the Bonneville employees and their dependents who are enrolled in the KFHPNW plan are  
18 the enrollees.

19           Significantly, KFHPNW has not “sold plans to people out of its service area.” OIC’s  
20 Opposition, p. 9 (emphasis added). As described above, in the large group market, KFHPNW  
21 does not sell plans directly to individual enrollees. *Id.* at ¶ 2. All large group plans are instead  
22 sold to the employer groups ( policyholders). *Id.* Notably, 79 of the 81 policyholders at issue  
23 are, in fact, located within the service area. Schwab Decl., ¶ 5. KFHPNW relies on the  
24 employers to offer the plans only to those employees and their dependents who are actually  
25 eligible. Lane Decl., ¶ 3; Schwab Decl., ¶ 5. Only two policyholders are located outside the  
26

1 service area. Schwab Decl., ¶ 5. Of those two, only one of the plans, Bonneville, has renewed  
2 since KFHPNW began its communications with the OIC on this subject. Lane Decl., ¶ 4.

3 The OIC’s insinuation that KFHPNW somehow ignored a clear directive by renewing the  
4 Bonneville Plan is not accurate. KFHPNW provided Bonneville with the quote for the  
5 Bonneville Plan on February 19, 2015, and Bonneville accepted that quote, creating a binding  
6 contract with KFHPNW, on May 7, 2015. *Id.* at ¶ 6. Notably, KFHPNW attempted to  
7 communicate with the OIC in the weeks leading up to Bonneville’s acceptance of the quote,  
8 seeking guidance as to their differing interpretations of application of the service area definition  
9 to large group health plans.<sup>4</sup> *See* Declaration of Jennifer Kreitler in Support of Response and  
10 Opposition to KFHPNW’s Motion to Stay (“Kreitler Decl.”), Ex. 2; Lane Decl., ¶ 6. Only after  
11 Bonneville’s acceptance of that quote did the OIC confirm its position on May 11, 2015, but it  
12 nonetheless continued to suggest discussions with KFHPNW regarding “next steps” involving  
13 KFHPNW’s existing plans. Kreitler Decl., Ex. 3; Lane Decl., ¶ 6. KFHPNW clearly notified the  
14 OIC, on May 26, 2015, that the Bonneville Plan was set to renew on June 1, 2015. Kreitler  
15 Decl., Ex. 4; Lane Decl., ¶ 6. The OIC is not a stranger to the timelines inherent in renewal of  
16 group health plan policies, and it must have been aware that a June 1st renewal necessarily  
17 stemmed from a much earlier contract between the parties. Significantly, the OIC did not  
18 provide KFHPNW with guidance on disposition of that plan when it learned of the renewal.  
19 Lane Decl., ¶ 6.

20 Further, KFHPNW readily provided the OIC with exactly the information the OIC  
21 requested regarding how many renewal groups/policyholders were located outside the service  
22 area by identifying the only two policyholders located outside the service area. *Id.* Until the  
23 issuance of its Order, the OIC did not request information regarding policyholders located in the  
24

25 <sup>4</sup> KFHPNW also sought to clarify, more broadly, the OIC’s application of the “live or  
26 work rule.” Although the rule by its terms, and as typically applied, requires that plan enrollees  
live or work within the plan’s approved service area, OIC at times seemed to require that the  
employer – the policyholder in the large group context - be located within the service area.

1 service area but with employees who live and work outside the service area. *Id.* at ¶ 7. It seems  
2 plausible that the OIC may have experienced some confusion in its communications with  
3 KFHPNW with regard to the fact that policyholders are the groups themselves, rather than the  
4 individual enrollees.

5 Any perceived failure by KFHPNW to openly communicate with the OIC regarding its  
6 large group plans stemmed from miscommunication, not from any deliberate disregard of a clear  
7 directive. *Id.* at ¶ 8. KFHPNW believed, in good faith, that it was continuing to cooperate with  
8 and seek guidance from the OIC as to the disposition of its current large group plans, and it  
9 received no indication, prior to the Order, that the OIC would require mid-contract termination of  
10 any existing plan. *Id.* Indeed, even after the Bonneville renewal date -- which had already been  
11 communicated to the OIC in May 2015 -- the OIC told KFHPNW that it had “some additional  
12 questions regarding the two groups with enrollment outside of the Cowlitz and Clark counties  
13 service area” prior to providing guidance, and KFHPNW was continuing to actively seek  
14 guidance from the OIC in the ensuing months. *Id.*; Kreitler Decl., Exs 5-7.<sup>5</sup> In short, neither  
15 KFHPNW nor the members of its large group plans acted in defiance of any clear directive from  
16 the OIC, and they should not be unnecessarily subjected to irreparable harm on the basis of what  
17 was, at most, miscommunication.

18 While the OIC has argued that “[g]ranting a stay would allow Kaiser to continue to sell  
19 plans to Washington consumers without the safeguards of the Insurance Code,”<sup>6</sup> KFHPNW does  
20 not seek to sell additional large group plans outside the service area, as defined by the OIC,  
21 during the pendency of the stay, but instead merely seeks to preserve the *status quo* as to its  
22 existing large group plans. Lane Decl., ¶ 11.

23 Nor has the OIC offered any evidence to support the conclusion that enrollees outside the  
24 service area will, in reality, lack access to an adequate network of medical providers within a

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25 <sup>5</sup> There are two exhibits to the Kreitler Declaration labeled as “Exhibit 6.” KFHPNW  
26 refers to the second “Exhibit 6” as “Exhibit 7.”

<sup>6</sup> OIC’s Opposition, p. 9.

1 short distance of their residences or places of work. Indeed, many employees of policyholders  
2 live just over the border from Clark or Cowlitz counties. Schwab Decl., ¶ 10.

3 Finally, the OIC's assertion that a stay will truncate the amount of notice consumers will  
4 receive prior to the need to change plans rests on the assumption that the OIC will prevail in its  
5 mandate to cancel enrollees' coverage mid-contract.<sup>7</sup> See OIC's Opposition, p. 9. Requiring  
6 discontinuation notices and mid-contract cancellation of coverage will unnecessarily alarm and  
7 confuse policyholders and enrollees and will irreparably damage KFHPNW's business  
8 relationships -- all unnecessarily and unjustifiably if KFHPNW prevails. Significantly, the  
9 OIC's claimed harm to consumers could be neutralized by the OIC itself: by allowing coverage  
10 to continue for a period beyond December 31, 2015 in order to allow additional time for  
11 consumers to secure alternate coverage. In contrast, the harm to KFHPNW and to consumers if  
12 the stay is not imposed cannot be cured.

#### 13 **IV. KFHPNW Will Suffer Irreparable Harm Absent a Stay**

14 Not only will enrollees be harmed if a stay is not granted, but KFHPNW will also be  
15 irreparably harmed. The OIC attempts to dismiss the harm KFHPNW will incur, arguing that  
16 there is no evidence of "a concrete impact on Kaiser's business." OIC's Opposition, p. 8. To the  
17 contrary, KFHPNW has articulated the reality that "forced discontinuation of coverage  
18 (especially mid-contract) will irreparably harm KFHPNW by impacting its business, reputation,

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19 <sup>7</sup> The OIC suggests that KFHPNW is precluded from challenging the Order because it  
20 "corrected" its contract documents to include the OIC's interpretation of "service area." See  
21 OIC's Opposition, pp. 4, 7-8. In May 2015, KFHPNW made the business decision to align the  
22 service area for its large group plans to the same area as that utilized for its individual and small  
23 group plans. Lane Decl., ¶ 9. KFHPNW has continued to believe that the OIC's interpretation  
24 of "service area," as applied to large group plans, is too broad, and at no point has KFHPNW  
25 acquiesced on that point. *Id.* Its attempts to work cooperatively and in good faith with the OIC  
26 did not translate into waiver of KFHPNW's ability to challenge the OIC's position.

Furthermore, KFHPNW has not yet issued new certificates of coverage. *Id.* at ¶ 10.  
KFHPNW has continued to seek guidance from the OIC regarding whether the change has a  
retroactive effect, but has not yet received an answer. *Id.* While the certificates of coverage are  
ready to be issued, KFHPNW has not done so without the requisite guidance from the OIC. *Id.*

1 and goal to provide premier customer service.” Schwab Decl., ¶ 8. While the OIC argues that  
2 “[t]he allegation of business harm is unsupported by any facts,”<sup>8</sup> it is a common sense conclusion  
3 that requiring KFHPNW to completely discontinue coverage for certain enrollees will impact its  
4 business. Similarly, being required to send discontinuation notices to enrollees will inevitably  
5 cause those enrollees to search for alternate coverage from another issuer, impacting KFHPNW’s  
6 business. *See id.* at ¶ 8-9.

7 Notably, in the context of analyzing the existence of an alleged injury-in-fact impacting  
8 standing, “[t]he United States Supreme Court routinely recognizes probable economic injury  
9 resulting from agency actions that alter competitive conditions as sufficient to satisfy the injury-  
10 in-fact requirement.” *Seattle Bldg. & Constr. Trades Council v. Apprenticeship & Training*  
11 *Council*, 129 Wn.2d 787, 794, 920 P.2d 581 (1996) (emphasis added; internal quotation marks  
12 and citation omitted); *see also Snohomish Cnty. Pub. Transp. Benefit Area v. Pub. Emp.*  
13 *Relations Comm’n*, 173 Wn. App. 504, 513, 294 P.3d 803 (2013) (“Economic losses, such as  
14 harm to competitive positioning in a commercial market . . . have consistently been recognized  
15 as injuries sufficient to establish standing.” (internal quotation marks and citation omitted)). The  
16 probable economic injury articulated by KFHPNW is no less valid in the context of a requested  
17 stay.

18 In attempting to minimize KFHPNW’s anticipated harm, the OIC argues:

19 [T]he Order will have no impact on Kaiser’s business because it  
20 merely requires Kaiser to stop offering [sic] plans out of its service  
21 area. No enrollees in its service area will be impacted, only  
potentially those where Kaiser will not be conducting business in  
the future, therefore there can be no business harm.

22 OIC’s Opposition, p. 8. But even under the OIC’s broad interpretation of the applicable service  
23 area, large group health plans may be sold to: (1) policyholders (employers) located outside the  
24 service area, but with enrollees (employees and their dependents) who live or work within the  
25 service area; and (2) policyholders located within the service area, even though some of those

26 <sup>8</sup> OIC’s Opposition, p. 8.

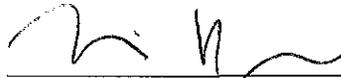
1 policyholders' employees live and work outside the service area. KFHPNW has current  
2 customers who have the real potential to be continuing customers even though they will be  
3 impacted by the Order: policyholders with a mix of employees who are located outside and  
4 within the service area. *See* Schwab Decl., ¶¶ 5, 9. Specifically, KFHPNW currently has two  
5 large group plans located outside of the service area, and it additionally offers coverage to 79  
6 large group employers located in the service area, but with employees living outside the service  
7 area (some of whom may work within the service area). *Id.* at ¶ 5. The Order will negatively  
8 impact KFHPNW's business relationships with 81 large group employers. *Id.*

9 **V. Conclusion**

10 For the reasons set forth above and in KFHPNW's Motion, KFHPNW respectfully  
11 requests that the Presiding Officer stay the Order until such time as the merits of KFHPNW's  
12 Demand for Hearing are determined.

13 Dated this 16th day of October, 2015.

14 STOEL RIVES LLP

15 

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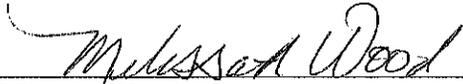
1 **CERTIFICATE OF SERVICE**

2 I, Melissa Wood, certify under penalty of perjury under the laws of the State of  
3 Washington that, on October 16, 2015, I caused the foregoing document to be served on the  
4 persons listed below in the manner shown:

5 Hearings Unit  hand delivery  
6 Office of the Insurance Commissioner  facsimile transmission  
7 P.O. Box 40255  overnight delivery  
8 Olympia, WA 98504-0255  first class mail  
9 Email: [hearings@oic.wa.gov](mailto:hearings@oic.wa.gov)  e-mail delivery

9 Mandy Weeks  hand delivery  
10 Office of the Insurance Commissioner  facsimile transmission  
11 P.O. Box 40255  overnight delivery  
12 Olympia, WA 98504-0255  first class mail  
13 Email: [MandyW@oic.wa.gov](mailto:MandyW@oic.wa.gov)  e-mail delivery

14 Dated this 16th day of October, 2015, at Seattle, Washington.

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18 Melissa Wood  
19 Practice Assistant to Karin Jones  
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HEARINGS UNIT  
OFFICE OF  
INSURANCE COMMISSIONER

BEFORE THE STATE OF WASHINGTON  
OFFICE OF THE INSURANCE COMMISSIONER

IN THE MATTER OF  
KAISER FOUNDATION HEALTH PLAN  
OF THE NORTHWEST

Docket No. 15-0205  
OIC No. 702  
NAIC No. 95540

DECLARATION OF MEGAN A. LANE  
IN SUPPORT OF KFHPNW'S  
MOTION FOR STAY OF CEASE AND  
DESIST ORDER

1. I am employed by Kaiser Foundation Health Plan of the Northwest ("KFHPNW") as a Regulatory Consultant II, a position I have held for approximately three years. I have been employed by KFHPNW for a total of approximately five years. Prior to July 2015, my legal name was Megan L. Ochs. I am above the age of 18 and competent to testify to the matters set forth herein.

2. In the large group market, KFHPNW does not sell health insurance plans directly to individual enrollees. Instead, KFHPNW sells large group plans to the plan sponsors (usually employers). Those large group plan sponsors are the "policyholders" that purchase the actual policies of coverage from KFHPNW. "Enrollees" are the individuals (usually employees and their dependents) enrolled under the policies sold by KFHPNW to the policyholders.

DECLARATION OF MEGAN A. LANE IN SUPPORT OF KFHPNW'S MOTION FOR STAY OF  
CEASE AND DESIST ORDER - 1

1           3.       KFHPNW informs policyholders that only eligible employees and dependents  
2 may be offered enrollment in KFHPNW's plans. KFHPNW relies on the policyholders to offer  
3 the large group plans only to those employees and their dependents who are actually eligible.

4           4.       One of the two current large group plan policyholders who are located outside the  
5 service area, Bonneville Hot Springs Resort ("Bonneville"), experienced a renewal date for its  
6 large group plan ("the Bonneville Plan") during the pendency of KFHPNW's communications  
7 with the Office of the Insurance Commissioner ("OIC") on the subject of the OIC's current  
8 interpretation of "service area" as applied to large group plans. The Bonneville Plan renewed on  
9 June 1, 2015. KFHPNW, like most issuers, typically provides quotes to current and prospective  
10 large group policyholders well in advance of the plan's effective date.

11           5.       KFHPNW provided Bonneville with the quote for the Bonneville Plan on  
12 February 19, 2015, and Bonneville accepted that quote, creating a binding contract with  
13 KFHPNW, on May 7, 2015.

14           6.       KFHPNW attempted to communicate with the OIC in the weeks leading up to  
15 Bonneville's acceptance of the quote for the Bonneville Plan, seeking guidance as to their  
16 differing interpretations of application of the service area definition to large group health plans.  
17 Only after Bonneville's acceptance of that quote did the OIC confirm its position on May 11,  
18 2015, but it nonetheless continued to suggest discussions with KFHPNW regarding "next steps"  
19 involving KFHPNW's existing plans. KFHPNW notified the OIC, on May 26, 2015, that the  
20 Bonneville Plan was set to renew on June 1, 2015. The OIC did not provide KFHPNW with  
21 guidance on disposition of that Plan when it learned of the renewal.

22           7.       KFHPNW readily provided the OIC with exactly the information the OIC  
23 requested regarding how many renewal groups/policyholders were located outside the service  
24 area by identifying the only two policyholders located outside the service area. Until the  
25 issuance of its Cease and Desist Order ("the Order"), the OIC did not request information  
26

DECLARATION OF MEGAN A. LANE IN SUPPORT OF KFHPNW'S MOTION FOR STAY OF  
CEASE AND DESIST ORDER - 2

1 regarding policyholders located in the service area but with employees who live and work  
2 outside the service area.

3 8. Any perceived failure by KFHPNW to openly communicate with the OIC  
4 regarding its large group plans stemmed from miscommunication, not from any deliberate  
5 disregard of a clear directive. KFHPNW believed, in good faith, that it was continuing to  
6 cooperate with and seek guidance from the OIC as to the disposition of its current large group  
7 plans, and it received no indication, prior to the Order, that the OIC would require mid-contract  
8 termination of any existing plan. Even after the Bonneville Plan renewal date, the OIC told  
9 KFHPNW that it had additional questions regarding the two groups with enrollment outside of  
10 the service area prior to providing guidance, and KFHPNW continued to actively seek guidance  
11 from the OIC in the ensuing months. In telephone conversations with Jennifer Kreitler of the  
12 OIC in August 2015, Ms. Kreitler stated that the OIC was leaning towards allowing termination  
13 at the time of renewal for the large group plans. In late August 2015, KFHPNW requested a  
14 meeting with the OIC, as it still had not received guidance from the OIC as to its large group  
15 plans. At the meeting requested by KFHPNW, the OIC notified KFHPNW that it would be  
16 issuing the Order.

17 9. In May 2015, KFHPNW made the business decision to align the service area for  
18 its large group plans to the same area as that utilized for its individual and small group plans.  
19 KFHPNW has continued to believe that the OIC's interpretation of "service area," as applied to  
20 large group plans, is too broad, and at no point has KFHPNW acquiesced on that point.

21 10. KFHPNW has not yet issued new certificates of coverage to large group plan  
22 policyholders. KFHPNW has continued to seek guidance from the OIC regarding whether the  
23 change has a retroactive effect, but has not yet received an answer. While the certificates of  
24 coverage are ready to be issued, KFHPNW has not done so without the requisite guidance from  
25 the OIC.

26

DECLARATION OF MEGAN A. LANE IN SUPPORT OF KFHPNW'S MOTION FOR STAY OF  
CEASE AND DESIST ORDER - 3

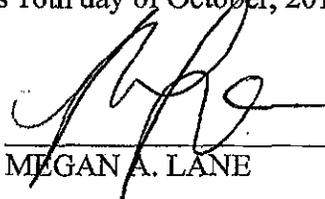
1           11.     KFHPNW does not seek to sell additional large group plans outside the service  
2 area, as defined by the OIC, during the pendency of the stay, but instead merely seeks to preserve  
3 the *status quo* as to its existing large group plans.

4           12.     KFHPNW provided the OIC with draft discontinuation notices on September 16,  
5 2015, and subsequently provided revised drafts in response to the OIC's comments. The OIC  
6 has not yet approved those discontinuation notices.

7           I declare under penalty of perjury under the laws of the State of Washington that the  
8 foregoing is true and correct to the best of my knowledge.

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SIGNED at Vancouver, WA this 16th day of October, 2015.

  
\_\_\_\_\_  
MEGAN A. LANE

DECLARATION OF MEGAN A. LANE IN SUPPORT OF KFHPNW'S MOTION FOR STAY OF  
CEASE AND DESIST ORDER - 4

1 **CERTIFICATE OF SERVICE**

2 I, Melissa Wood, certify under penalty of perjury under the laws of the State of  
3 Washington that, on October 16, 2015, I caused the foregoing document to be served on the  
4 persons listed below in the manner shown:

5 Hearings Unit  hand delivery  
6 Office of the Insurance Commissioner  facsimile transmission  
7 P.O. Box 40255  overnight delivery  
8 Olympia, WA 98504-0255  first class mail  
9 Email: hearings@oic.wa.gov  e-mail delivery

9 Mandy Weeks  hand delivery  
10 Office of the Insurance Commissioner  facsimile transmission  
11 P.O. Box 40255  overnight delivery  
12 Olympia, WA 98504-0255  first class mail  
13 Email: MandyW@oic.wa.gov  e-mail delivery

14 Dated this 16th day of October, 2015, at Seattle, Washington.

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16 \_\_\_\_\_  
17 Melissa Wood  
18 Practice Assistant to Karin Jones

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DECLARATION OF MEGAN A. LANE IN SUPPORT OF KFHPNW'S MOTION FOR STAY OF  
CEASE AND DESIST ORDER - 5