



Class-Action Suits Vs Health Net Are Settled

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(Adds UnitedHealth comment in 12th paragraph.)

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A federal judge on Thursday approved a settlement of three class-action suits that alleged that health insurer Health Net Inc. (HNT) underpaid members for certain claims, ending a case that could have broader implications for the managed-care industry.

Health Net said the action finalized a settlement it announced late last year, for which the company recorded a \$216 million after-tax charge that caused a net loss in the third quarter of 2007.

Health Net will pay \$215 million to settle claims, and make changes to its business practices valued at \$40 million, according to the plaintiffs' law firm.

The lawsuits, which involved more than 2 million people in several states, charged Health Net with using a flawed database produced by Ingenix, a subsidiary of UnitedHealth Group Inc. (UNH), to inadequately reimburse members for insurance claims for out-of-network medical treatment, law firm Wilentz Goldman & Spitzer P.A. said.

Much of the U.S. health insurance industry uses the Ingenix database to determine usual and customary charges for services rendered by physicians and hospitals that are out plans' networks.

Earlier this year, New York Attorney General Andrew Cuomo said his office planned to sue UnitedHealth as part of a broader probe into the way health insurers reimburse hospitals and doctors outside their networks. At least sixteen health insurers, including Health Net, have received subpoenas in connection with that investigation.

The lawsuit against Health Net and a similar one that the plaintiffs' attorneys filed against UnitedHealth and Ingenix, pending now in federal court in New York, prompted Cuomo's probe, according to Barry Epstein of the Wilentz Goldman & Spitzer firm.

A separate case against UnitedHealth unit Oxford is pending before U.S. District Court Judge Faith S. Hochberg in New Jersey, who gave final approval to the Health Net settlement, Epstein said.

The database the industry uses "is invalid for paying out of network claims," Epstein said in an interview. Insurers are supposed to pay members accurately and honestly, he said.

A member of Cuomo's healthcare industry task force earlier this year characterized the Ingenix database as "garbage in, garbage out," and Cuomo said insurers were setting the supposed going rates too low, leaving patients responsible for large gaps between reimbursed levels and actual doctor charges.

A UnitedHealth spokesman at the time disputed claims that the Ingenix database might be excluding higher physician fees in coming up with a usual and customary charge. UnitedHealth said it was using dependable database tools, with "rigorously developed" reference data.

On Thursday, UnitedHealth spokesman Tyler Mason said the insurer wasn't party to the Health Net case and has no obligations because of the settlement. Regarding Cuomo's probe, he said, "we continue to work with the attorney general's office to exchange information."

The plaintiffs in the Health Net case alleged violations of the Employee Retirement Income Security Act, New Jersey's employer health plan law, and the U.S. Racketeer Influenced and Corrupt Organizations Act.

The class period in the Health Net case extends back to 1997. By entering the settlement, Health Net doesn't admit liability.

Cuomo's office didn't immediately return a call for comment. Epstein said Cuomo hasn't yet filed a lawsuit against UnitedHealth over the Ingenix database.

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(Jonathan Vuocolo and Victoria Knight contributed to this report.)