



State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Scott Walker, Governor
Theodore K Nickel, Commissioner

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Notice of Adoption and Filing of Examination Report

Take notice that the proposed report of the market conduct examination of the

NETWORK HEALTH PLAN
1570 MIDWAY PLACE
MENASHA WI 54952

dated January 26, 2011, and served upon the company on July 8, 2011, has been adopted as the final report, and has been placed on file as an official public record of this Office.

Dated at Madison, Wisconsin, this 9th day of November, 2011.

A handwritten signature in black ink, appearing to read 'Theodore K Nickel', written over a horizontal line.

Theodore K Nickel
Commissioner of Insurance

**STATE OF WISCONSIN
OFFICE OF THE COMMISSIONER OF INSURANCE**

MARKET CONDUCT EXAMINATION

OF

**NETWORK HEALTH PLAN
MENASHA, WISCONSIN**

JANUARY 18, 2011 - JANUARY 26, 2011

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February 9, 2011

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Honorable Theodore K. Nickel
Commissioner of Insurance
Madison, WI 53702

Commissioner:

Pursuant to your instructions and authorization, a targeted market conduct examination was conducted January 18, 2011 to January 26, 2011 of:

NETWORK HEALTH PLAN
Menasha, Wisconsin

and the following report of the examination is respectfully submitted.

I. INTRODUCTION

Network Health Plan (NHP) is a for-profit network model health maintenance organization (HMO) insurer. Under the network model, NHP provides care through contracts with clinics and other independent practitioners operating out of separate offices. The major product lines for the insurer are a network model closed-panel HMO and a point-of-service (POS) plan.

NHP was incorporated on September 30, 1982, and commenced business on April 1, 1983, as a not-for-profit HMO. As of December 31, 1986, NHP was reincorporated as a for-profit HMO. Effective October 31, 1995, the company received an amended certificate of authority as an indemnity insurer. NHP is owned by Network Health System, Inc. (NHS). On September 1, 1998, Affinity Health System (AHS) acquired the common and preferred stock of NHS. AHS is co-sponsored by Wheaton Franciscan Services, Inc., and Ministry Health Care,

Inc. Effective December 6, 2001, the company received an amended certificate of authority as an HMO. Also in 2001, NHP established Network Health Insurance Corporation (NHIC) as a wholly owned subsidiary that provides indemnity health insurance coverage to NHP's POS members and insurance coverage to Medicare Advantage members. The company is licensed to write only in Wisconsin.

The majority of the premium written by the company in 2008 and 2009 was Group Policies with premiums written in the amount of \$269,249,238 and \$285,571,719 respectively. Per company data call, all individual policies are conversions. The company also has written premiums for Title XIX Medicaid and XVIII Medicare. The company did not write Medicare Supplement business. The following tables summarize the lines of business, premium written and benefits paid in Wisconsin for 2008 and 2009:

Wisconsin Premium and Benefits Paid Summary

2009		
Line of Business	Premium Written	Benefits Paid
Group Policies	\$285,571,719	\$243,953,526
Title XIX Medicaid	\$141,809,502	\$130,256,071
Other Individual Policies	\$15,870	\$45,374
Total	\$427,397,091	\$374,254,971

2008		
Line of Business	Premium Written	Benefits Paid
Group Policies	\$269,249,238	\$237,052,014
Title XVIII Medicare	(\$297,444)	(\$18,125)
Title XIX Medicaid	\$85,588,517	\$74,661,926
Other Individual Policies	\$38,779	\$52,152
Total	\$354,579,090	\$311,747,967

The following tables summarize the premium written and incurred losses in Wisconsin for 2008 and 2009 broken down by line of business.

Premium and Loss Ratio Summary

2009				
Line Of Business	Net Premium Income	% of Total Premium	Net Losses Incurred	Medical Loss Ratio
Comprehensive	282,623,781	66.6%	243,289,995	86.1%
Medicare Supplement	0	0.0%	0	0.0%
Dental Only	0	0.0%	0	0.0%
Vision Only	0	0.0%	0	0.0%
All Other Health	141,809,502	33.4%	130,256,071	91.9%
Life and P&C	0	0.0%	0	0.0%
Total	424,433,283		373,546,066	88.0%
2008				
Line Of Business	Net Premium Income	% of Total Premium	Net Losses Incurred	Medical Loss Ratio
Comprehensive	267,700,514	75.8%	228,055,597	85.2%
Medicare Supplement	0	0.0%	0	0.0%
Dental Only	0	0.0%	0	0.0%
Vision Only	0	0.0%	0	0.0%
All Other Health	85,291,073	24.2%	74,643,801	87.5%
Life and P&C	0	0.0%	0	0.0%
Total	352,991,587		302,699,398	85.8%

In 2008, NHP ranked as the 8th largest writer of group accident and health insurance in Wisconsin and in 2009, the company ranked 7th largest writer of group accident and health insurance.

In 2008, NHP ranked as the 8th largest writer of small employer in Wisconsin and ranked 6th in 2009. The company's total small employer premiums reported increased from \$48,062,037 million in 2008 to \$49,516,825 million in 2009, an increase of 3%.

COMPLAINTS

The Office of the Commissioner of Insurance received 32 complaints against the company between January 1, 2009 through September 30, 2010. A complaint is defined as 'a

written communication received by the Commissioner's Office that indicates dissatisfaction with an insurance company or agent.

The following table categorizes the complaints received against the company by type of policy and complaint reason. There may be more than one type of coverage and/or reason for each complaint. The majority of complaints involved claim handling, which included issues with medically necessity, exclusions, referrals, and coordination of benefits. The company was not listed on the above average complaint list published by the OCI for 2009.

2009										
Reason Type	Total		Underwriting		Marketing & Sales		Claims		Plcyhldr Service	
Coverage Type	No.	% Total	No.	% Total	No.	% Total	No.	% Total	No.	% Total
Group A&H	2	%		%		%	1	10%	1	50%
HMO	11	%	1	50%		%	9	90%	1	50%
PPO	1	%	1	50%		%		%		%
Total	14		2				10		2	

2010 (9/30/2010)										
Reason Type	Total		Underwriting		Marketing & Sales		Claims		Plcyhldr Service	
Coverage Type	No.	% Total	No.	% Total	No.	% Total	No.	% Total	No.	% Total
Health	1	5.56%		%		%	1	7.14%		%
HMO	16	88.89%	3	100%		%	12	85.71%	1	100%
PPO	1	5.56%		%		%	1	7.14%		%
Total	18		3				14		1	

GRIEVANCES

The company submitted annual grievance experience reports to OCI for 2009 as required by s. Ins. 18.06, Wis. Adm. Code. A grievance is defined as, "any dissatisfaction with the provision of services or claims practices of an insurer offering a health benefit plan, or administration of a health benefit plan by the insurer that is expressed in writing to the insurer by, or on behalf of, an insured."

The grievance report for 2009 indicated the company received 277 grievances, 136 or 49% were reversed. The majority of the grievances filed with the company in 2009 were

related to Not Covered Benefits. The following table summarizes the grievances for the company for 2009:

2009	
Category	No.
Access to Care	2
Continuity of Care	1
Drug & Drug Formulary	18
Emergency Services	1
Experimental Treatment	11
Prior Authorization	4
Not Covered Benefit	191
Not Medically Necessary	8
Other	32
Plan Administration	5
Plan Providers	4
Request for Referral	0
Total	277

Independent Review Organizations

Independent review organizations (IROs) certified to do reviews in Wisconsin are required to submit to the OCI annual reports for the prior calendar year's experience indicating the names of the insurance companies and whether the action on the claims was upheld or reversed. Issues eligible for independent review include adverse and experimental treatment determinations. The IRO reports indicate that for 2009 the company had five IRO requests filed and for 2010 the company had five IRO requests filed involving the company. The following tables summarize the IRO review requests for the company for the last two years:

2009									
Total Review Requests Received	IPRO	Maximus -CHDR	MCMC	Medical Inst. Of America	National Medical Reviews	Permedion	Prest	Upheld	Reversed
5	0	0	2	1	0	2	0	4	0

2010									
Total Review Requests Received	IPRO	Maximus -CHDR	MCMC	Medical Inst. Of America	National Medical Reviews	Permedion	Prest	Upheld	Reversed
5	2	2	0	0	1	0	0	3	1

II. PURPOSE AND SCOPE

A targeted market conduct examination was conducted to determine compliance with recommendations made in the previous market conduct examination dated April 4-8, 2005 and served upon the company on November 30, 2005. The examination will determine whether the company's practices and procedures comply with the Wisconsin insurance statutes and rules. The examination focused on the period from January 1, 2009 through September 30, 2010. In addition, the examination included a review of any subsequent events deemed important by the examiner-in-charge during the examination.

The examination was limited to a review of the company's operations in the areas of claims; electronic commerce; grievances and IRO; marketing, sales and advertising; policy forms; producer licensing and company operations and management. The examination also included a review of compliance with 2009 Wisconsin Acts 14, 28, 218, 282, 346, and the Federal Patient Protection and Affordability Care Act (PPACA).

The report is prepared on an exception basis and comments on those areas of the company's operations where adverse findings were noted.

III. PRIOR EXAMINATION RECOMMENDATIONS

The previous market conduct examination of the company, as adopted November 30, 2005, contained 28 recommendations. Following are the recommendations and the examiners' findings regarding the company's compliance with each recommendation.

Grievance and Independent Review (IRO)

1. It is recommended that the company ensure the actual receipt date of the grievances is recorded in its grievance experience report, as required by s. Ins 18.06, Wis. Adm. Code.

Action: Compliance

2. It is recommended that the company develop and implement written procedures to ensure compliance with s. Ins 18.06, Wis. Adm. Code, with respect to the documentation of the date that a grievance is received.

Action: Compliance

3. It is recommended that the company ensure that grievances are acknowledged with a letter to the grievant within five business days of the actual receipt date as required by s. Ins 18.03 (4), Wis. Adm. Code.

Action: Compliance

4. It is recommended that the company update its grievance procedure to ensure that the date of the resolution letter is recorded as the resolution date in its grievance experience report, as required by s. Ins 18.03, Wis. Adm. Code.

Action: Compliance

5. It is recommended that the company modify the definition of adverse determination in its policy and procedure to clarify that a member has the right to request an independent review each time the company makes an adverse determination, as defined by s. 632.835 (1) (a), Wis. Stat.

Action: Compliance

6. It is recommended that the company develop and implement a procedure to ensure it refunds the \$25 IRO filing fee whenever the insured prevails on the review, as required by s. 632.835 (3) (a), Wis. Stat.

Action: Compliance

7. It is recommended that the company develop a process to ensure that the informational brochure developed by the Office be included with the notice it provides members of the right to request an independent review as required by s. Ins 18.11 (2) (a), Wis. Adm. Code.

Action: Compliance

8. It is recommended that the company develop and implement a procedure to provide information to an IRO within the time periods required by s. 632.835 (3) (g), Wis. Stat., if an IRO determines that a review should be done on an expedited basis.

Action: Compliance

9. It is recommended that the company develop and implement a process, including a written procedure, to update the list of independent review organizations it provides to its members to ensure that the list is current as required by s. 632.835 (2) (b), Wis. Stat.

Action: Compliance

10. It is recommended that the company develop and implement a procedure to offer members enrolled in its Medicare cost plan the right to request an independent review of an adverse or experimental treatment determination in non-Medicare-related coverage determinations as required by s. Ins 18.11 (1), Wis. Adm. Code.

Action: Compliance

11. It is recommended that the company revise its grievance resolution letter language for grievances involving an adverse determination or an experimental treatment determination to include reference to each enclosure pertaining to the independent review process to document compliance with s. Ins 18.11 (2) (a) 1, 2, and 3, Wis. Adm. Code.

Action: Compliance

Claims

12. It is recommended that the company develop and implement a procedure to ensure that NHP's name appears on the remittance advice form as the insurer pursuant to s. Ins 3.651 (3) (b), Wis. Adm. Code.

Action: Compliance

13. It is again recommended that the company develop and implement claims administration procedures to ensure that the usual, customary, and reasonable data received from its vendor is in compliance with s. Ins 3.60 (4), Wis. Adm. Code, and provide OCI with a copy of these procedures within 60 days of the adoption of the examination report.

Action: Compliance

14. It is again recommended that the company institute an internal auditing mechanism to ensure that the usual, customary, and reasonable data used to process claims is in compliance with s. Ins 3.60 (4), Wis. Adm. Code, and provide OCI with a copy of the audit guides within 60 days of the adoption of the examination report.

Action: Compliance

Marketing, Sales and Advertising

15. It is again recommended that the company include a form number on all printed advertisements that distinguishes them from other advertisements, policies, and other forms used by the insurer, as required by s. Ins 3.27 (26), Wis. Adm. Code.

Action: Compliance

16. It is recommended that the company develop and implement a procedure that would ensure the manner and extent of distribution is recorded for each advertising file pursuant to s. Ins 3.27 (28), Wis. Adm. Code.

Action: Compliance

17. It is again recommended that the company maintain screen prints of Web site advertisements in its advertising files pursuant to s. Ins 3.27 (28), Wis. Adm. Code.

Action: Compliance

18. It is recommended that the company develop and implement written procedures for maintaining its advertisement files to ensure compliance with s. Ins 3.27 (28), Wis. Adm. Code.

Action: Compliance

19. It is again recommended that the company develop and implement written procedures for the monitoring of agent advertisements on the Internet, as required by s. Ins 3.27 (27), Wis. Adm. Code.

Action: Compliance

20. It is again recommended that the company require, with an adopted written procedure, its agents to submit their personal Web sites for approval prior to use as required by s. Ins 3.27 (27) (b), Wis. Adm. Code, and that NHP maintain a copy of such advertisements in its advertising file as required by s. Ins 3.27 (28), Wis. Adm. Code.

Action: Compliance

21. It is recommended that the company develop written procedures that communicate law changes and product changes to the departments responsible for marketing, sales and advertising.

Action: Compliance

22. It is again recommended that the company establish, maintain, administer, and enforce a compliance program to ensure that NHP, its employees, and its agents comply with the insurance regulations of the state.

Action: Compliance

Electronic Commerce

23. **Recommendation:** It is recommended that the company develop and implement a procedure to update the online provider directory in compliance with s. 609.22 (3), Wis. Stat.

Action: Compliance

Producer Licensing

24. It is recommended that the company maintain its agent licensing and listing data in an accessible manner so that it can make these records available to the OCI when a request is made in order to document compliance with s. Ins 6.57 (2), Wis. Adm. Code.

Action: Compliance

25. It is recommended that the company revise its procedures to ensure that terminated agents are sent the notice required by s. Ins 6.57 (2), Wis. Adm. Code, prior to or within 15 days of filing the termination notice with OCI.

Action: Compliance

26. It is recommended that the company revise its procedures to ensure that agents who have their license revoked by OCI for failure to obtain continuing education requirements are sent the notice required by s. Ins 6.57 (2), Wis. Adm. Code.

Action: Compliance

27. It is recommended that the company revise its procedures to ensure that agents who are revoked by OCI for failure to pay licensing fees are sent the notice required by s. Ins 6.57 (2), Wis. Adm. Code.

Action: Compliance

28. It is again recommended that the company develop, implement and finalize written procedures for terminating an agent's listing with NHP, which includes providing a written notification to the agent that the agent no longer represents NHP and requesting return of all indicia of agency, as required by s. Ins 6.57 (2), Wis. Adm. Code. The finalized written procedures should be submitted to the OCI within 60 days of the adoption of the examination report.

Action: Compliance

IV. CURRENT EXAMINATION FINDINGS

Claims

The examiners reviewed the company's response to the OCI claim interrogatory, its claim administration processes and procedures, explanation of benefits (EOB), remittance advice (RA) forms, claim adjustment (ANSI) codes, and claim methodology. The examiners also interviewed the claims manager. The company indicated that 88% of the claims were submitted electronically and 12% in paper format. The company's external vendors did not have claim processing authority. The company processed claims in-network under NHP and non-network under Network Health Insurance Corporation (NHIC). The point of service plans were underwritten by both entities and only NHIC for member that resided out of the service area.

The company indicated that it did not pay any provider on a capitation basis. It also indicated that effective December 28, 2006, it discontinued using the usual, customary and reasonable claim methodology for processing claims. The company paid claims based on fee for service or based on a contracted vendor's discount amount. Members were not liable for the difference between the amount billed and the discounted amount. The company indicated it paid the claim in full if no discount was available.

The examiners reviewed the company's process and procedures for paying Wisconsin health mandated benefits, including mandates involving coverage of autism, cochlear implants, licensed mental health professionals, and dependents to age 27.

The examiners also reviewed a random sample of 50 paid and 45 denied claims involving payment of mandated benefits and documentation that claims were paid timely and in compliance with policy form language and provider agreements. No exceptions were noted.

The examiners also reviewed a random sample of 25 paid and 25 denied chiropractic claims, including documentation of timely payment and compliance with policy form

language and provider agreements. The claims were paid based on an agreed case rate amount per member. No exceptions were noted.

The examiners reviewed four of the company's dental denial letters. The examiners found that the company's dental non-plan provider letter did not contain oral surgical procedure lists as indicated in the letter. The examiners also found that the company's HMO-POS denial letter did not contain benefit information or denial reason for temporomandibular (TMJ) disorder. Section Ins 6.11 (3) (a) 5, Wis. Adm. Code., states that an insurer shall promptly provide a reasonable explanation of the basis in the policy contract or applicable law for denial of a claim or the offer of a compromise settlement. The company indicated that the claim denial letters were being reviewed and updated.

1. **Recommendation:** It is recommended that the company comply with s. Ins 6.11 (3) (a) (5), Wis. Adm. Code, and provide a reasonable explanation of denial in the non-plan provider and HMO-POS provider denial letter.

The examiners reviewed the company's remittance advice format policy, remittance advice (RA) form and Unified Life Insurance Company (ULIC) remittance advice form. ULIC had a reinsurance contract with NHP that paid only sterilization claims. The examiners found that ULIC's remittance advice format is compliant with the requirements. The company's remittance advice format is not compliant with the format specified in Appendix as required by s. Ins 3.651 (3) (d) 2, Wis. Adm. Code.

2. **Recommendation:** It is recommended that the company comply with s. Ins 3.651 (3) (d) 2, Wis. Adm. Code, and format the order of the Remittance Advice columns as required and shown in Appendix A.

Electronic Commerce

The examiners reviewed the company's response to the OCI electronic commerce interrogatory, the company's public website, and company's oversight of agent/agency websites.

The company's marketing department has responsibility for overseeing the company's internet and World Wide Web activities. The company utilized Skyline Technologies and Blue Door Consulting for the development of its latest website. The company's marketing department managed the ongoing maintenance of its website.

The company's public website (www.networkhealth.com) was designed for members, brokers, employers, and providers. The home page contained a provider directory search section, a contact information section, a latest news section, and a commercial product information section. The company indicated that it did not generate sales leads from the website. The broker portal section allowed agents to obtain small group quotes, access to the uniform small employer group application, and other forms necessary to write health insurance coverage.

The examiners reviewed the company's process for removing terminated providers from its online provider directory. The examiners found that the company had a policy and procedure to remove terminated providers from the online provider directory. The examiners requested a listing of terminated providers within the last six months. The company provided 537 terminated providers. The examiners reviewed a random sample of 100 terminated providers to document that they were not listed in the online provider directory after termination. No exceptions were noted.

Grievances & IRO

The examiners reviewed the company's response to the OCI grievance and independent review interrogatory, its grievance procedures, its grievance meeting minutes, and its annual grievance experience report for 2009. The examiners also reviewed a grievance sample and an IRO sample.

The company's customer service department was responsible for its grievance and IRO procedures. The company held weekly grievance meetings. It monitored and tracked the

trends of grievances and IRO in a central database. The compliance department provided quarterly summaries to the board of directors for any trends seen in the grievances received.

The examiners found that the company developed a pre-service claim grievance process that used NCQA timelines for prior authorization and a post-service claim grievance to comply with the OCI timelines requirements.

The examiners reviewed the company's 2009 Annual Grievance report. The examiners requested a copy of the internal definitions used by the company to categorize a grievance. The examiners found that the company received 191 grievances categorized as "not covered benefit" in the grievance report. The examiners found 8 grievances that based on the description should have been categorized as "experimental." The company agreed it were categorized incorrectly.

The examiners also found 110 grievances that based on the description should have been "prior authorization." The company stated that 98 of the grievances were initiated by a claims denial as an authorization request was not received prior to the member seeking services and were a direct exclusion in the certificate of coverage. The company acknowledged that four grievances should have been coded as "prior authorization," two should have been "experimental treatment" and two should have been "drug and drug formulary."

The examiners found that the company developed an audit process for grievances received. The company indicated it reviewed 25% of the grievances received quarterly to ensure that the invitation and delay letter was sent timely. It reviewed 10% of the received grievances quarterly to ensure that the receive date and closed date were accurate. The company did not audit its grievances to ensure coding were in the correct category.

The examiners found one grievance file that was date stamped March 2, 2009 but was reported in the company system and in the annual grievance report as February 2, 2009. The company did not have an audit process to ensure the correct category was entered into its

system prior to submitting the annual grievance report as required by s. Ins 18.06 (2), Wis. Adm. Code.

The examiners reviewed a random sample of 50 grievances during the period of review. The examiners found that as part of the company's grievance procedure, the company requested the member or the authorized representative sign a new confidentiality statement when NHP receive a grievance. The examiners found that this caused ten grievances to be delayed and not completed within 30 days.

The examiners reviewed seven independent review organization (IRO) requests the company received during the period of review. The examiners found one file that the company did not notified the OCI of receipt of the IRO request within two business days as required by s. Ins 18.11 (3) (a), Wis. Adm. Code.

Marketing, Sales & Advertising

The examiners reviewed the company's response to the OCI marketing, sales and advertising interrogatory, advertising files, agent agreement, agent/agency website review, and agent audits. The examiners also interviewed the marketing director. Affinity Health Systems was responsible for the marketing and advertising activities of Network Health Plan (NHP). This included developing content for advertisements, selecting appropriate media, and preparing content for marketing brochures. The commercial sales department was responsible for activities associated with the solicitation of new and in force business. This included recruiting agents, providing quotes, underwriting/applications, and answering questions in enrollment and renewal process. The commercial sales department assigned form numbers to each advertisement and maintains records of every printed, published, or prepared advertisement. The company did not generate its own sales leads or purchase from a vendor. All lead generation activity was performed by the agents and agencies independently.

The examiners reviewed a random sample of 35 advertisements. The examiners found one scanned advertisement contained missing form numbers. The company provided a digital copy that showed the form numbers on the advertisement.

The examiners reviewed the agent agreement, agent/agency website review (policy 03564) and a listing of agents/agency websites provided by the company. The examiners found that the agent agreement required agent/agency to submit advertising for written approval prior to use. In addition, the examiners found that the agent/agency website review (policy 03564) provided the company oversight of agent/agency advertisements on the internet. The regulatory compliance department conducted quarterly audits of agency websites. The examiners reviewed the quarterly audits of agency websites to ensure compliance with company policy and procedures.

The company indicated that only independent brokers sold its products. It did not have captive agents. The agency that contracted/employed the agents was responsible for monitoring agent sales activity. The company indicated that it had not conducted any agent investigations or audits during the period of review. The examiners found that the company had an informal process but no written procedures for monitoring and oversight of its agents' sales activity.

- 3. Recommendation:** It is recommended that the company establish a written procedure for proactive monitoring and oversight of its agents' sales activities in order to document compliance with s. Ins 6.61, Wis. Adm. Code and s. 628.34, Wis. Stat.

The examiners reviewed and searched various social media network websites such as Facebook, LinkedIn, Twitter, and YouTube for company information and advertisements. The examiners did not find any social media network that contained NHP information or advertisements. The examiners did not review for agent/agency use of social media networking. The examiners found that Affinity Health System contained social media network on Facebook, Twitter, and YouTube. The examiners interviewed the sales and marketing

department regarding the use of social media networking. The company indicated that it had no immediate plans for social media networking and was unaware of the use of social media by Affinity Health System.

Policy Form Filings

The examiners reviewed the company's response to the policy forms and rates interrogatory, PPACA Uniform Compliance Summary filings, and company's list of policy forms that included new mandated benefits to document compliance with 2009 Wisconsin Acts 14, 28, 218, 282, and 356.

The commercial compliance administrator was responsible for all policy form filings with the OCI. The commercial compliance department was responsible for the company's regulatory compliance activities in implementing new state and federal health insurance legislation. All filings were maintained in the compliance department and the commercial compliance administrator conducts periodic audits of the file. The company did not outsource the responsibility for rates and form filings.

The examiners reviewed the PPACA Uniform Compliance Summary forms it submitted to the OCI utilizing SERFF (system for electronic rate and form filing), a web-based application that allows companies to submit electronically its policy form submissions. The examiners found that the company completed the PPACA uniform compliance summary forms it submitted in SERFF filing NHPC-126831015 and NHPC-126831031. The provisions eliminated pre-existing conditions for enrollees under age 19, eliminated annual dollar limits, eliminated lifetime dollar limits, prohibited rescissions, included preventive services, extended dependent coverage to age 26, covered emergency services, access to pediatricians, and access to obstetrical/gynecological care. The examiners found that company policy form submissions were coded correctly in SERFF and that the PPACA form was accurate and complete.

The examiners compared a policy form listing provided by the company of products it marketed or that were in-force during the period of review with the OCI's approved policy form database. The examiners reviewed 50 policy forms that are subject to file and use under s. 631.20 (1) (c) and 1(m), Wis. Stat. This provided that policy forms be submitted on a "file and use" basis rather than prior approval basis, effective July 1, 2008. The policy form filings were submitted to OCI with a certificate of compliance, as required by s. Ins. 6.05, Wis. Adm. Code, and a signed certification form executed by an officer of the insurer in charge of the form filing as required by s. 631.20 (1m) (a) 3., Wis. Stat., indicating forms were in compliance with all applicable provisions of the Wisconsin insurance laws and regulations. The examiners noted the following exceptions:

Conversion Policy B1CONVERT (194)

On page 13 of the policy, the examiners found that the company acknowledged the grievance within 10 days. Section Ins. 18.03 (4) Wis. Adm. Code, provides that an insurer offering a health benefit plan shall, within 5 business days of receipt of a grievance, mail a written acknowledgment to the insured or insured's authorized representative confirming receipt of the grievance.

4. **Recommendation:** It is recommended that the company correct the time frame on page 13 of conversion policy B1CONVERT (194) to comply with s. Ins 18.02 (4), Wis. Adm. Code.

2011 Certificate of Coverage NHPC-126831015

2011 Certificate of Coverage NHPC-126831031

- a) The examiners found each of the certificates contained usual, customary and reasonable (UCR) language. The company indicated that effective December 28, 2006, the company no longer applied UCR. The company stated that NHP's certificates defined UCR as an option to apply UCR if it chose to do so. If NHP chose to apply UCR, re-filing the Certificate of Coverage with the OCI will not be needed. Section Ins.

3.60 (5), Wis. Adm. Code, provides that each policy and certificate include a clear statement that the insurer settles claims based on a specific methodology.

5. Recommendation: It is recommended that the company remove the usual, customary and reasonable (UCR) language from the certificates of coverage to comply with s. Ins 3.60 (5), Wis. Adm. Code.

b) The examiners found that the certificate of coverage did not include the cancer clinical trials and colorectal cancer screening. The examiners documented that the company paid these claims and reviewed its policies titled, "Experimental-Investigational Treatment Determination, and Preventive Services Guide and Preventive Coverage."

6. Recommendation: It is recommended that the company re-draft the certificate of coverage to have positive language to comply with s. 632.87 (6), Wis. Stat. and s. 632.895 (16m), Wis. Stat.

Enrollment Application 51-99 (SF-005-02-7/09)

The examiners found that the application contained questions requesting the applicant to provide information on dependents age 19 or over and full-time student status. Effective January 1, 2010, s. 632.885, Wis. Stat., provides that an insurer must provide coverage to an adult child of the applicant if the child is over 17 but less than 27 years of age, not married, and the child is not eligible for coverage under a group health benefit plan. The company indicated that the last revision date on this form was October 2008 and that it failed to update the form to comply with the state law requiring coverage to age 27.

7. Recommendation: It is recommended that the company update application 51-99 to comply with s. 632.885, Wis. Stat.

The examiners reviewed the notification of a person's right to file a complaint with the commissioner as required by s. Ins. 6.85, Wis. Adm. Code, Appendix 1. The examiners found the contact phone number area code was incorrect. It contained an area code 612 not 608 for the complaint department's direct number. The company acknowledged the non-compliance and indicated that the member handbook contained incorrect phone number since September

2001. The company provided a corrected notice of a person's right to file a complaint and indicated that the notice will be included in the member packets starting January 21, 2011.

8. **Recommendation:** It is recommended that the company provide correct OCI complaint telephone number in the notification of a person's right to file a complaint with the commissioner to comply with s. Ins 6.85, Wis. Adm. Code, Appendix 1.

Producer Licensing

The examiners reviewed the company's response to the OCI producer licensing interrogatory, agency agreements, agent agreements, agent listing, and termination procedures.

The regulatory compliance department was responsible for the management of agent contracts, agent appointments and terminations. The examiners reviewed the company's group marketing agency and agent agreement. The company contracted with insurance agencies and appoints agents through the agreement. The company did not hire captive agents and did not allow sub-agents to an agent or agency. Commissions were paid directly to the agency. The examiners found that the company did not have direct supervision of agents. The company indicated that supervisory responsibility was handled by the contracting agency.

The examiners reviewed a random sample of 26 terminated and 29 active agent files. No exceptions were noted.

The examiners compared company agent data to the OCI agent licensing database. The following exceptions were noted:

- a) The examiners found five agent records that did not match the OCI licensing data. The company indicated that each agent license number contained a one digit error due to human error when enter into its agent database.
- b) The examiners found 32 agents were appointed by the company, but did not have agent appointments in OCI's records. The company indicated that 18 were Medicare and terminated commercial agents, and 14 were terminated

commercial agents. The company provided documentation to support that NHP's agents were appropriately appointed and terminated through SIRCON.

- c) The examiners found 11 agents who were not active in OCI records but active in company records. The company provided documentation to show that the agent listed were terminated during the period of review, with the exception of agent 486332. The agent was active under both commercial and Medicare lines of business.
- d) The examiners found 110 agents who had at least one appointment with the company in OCI's records, but were not found in the company's agent data. The company reviewed the agent database and found the 110 agent records. The company provided screen print for each agent listed. The company noted that some agents on the list were appointed outside of the examination period and would not have been included on the agent data pull report.

Company Operations & Management

The examiners reviewed the company's response to the company operations and management interrogatory, commercial regulatory compliance plan, compliance & privacy committee minutes, board of director minutes, audit reports, and provider agreement. The examiners also interviewed the compliance director.

The compliance department was responsible for the operations of the commercial and regulatory compliance plan. The compliance plan consisted of an annual work plan, compliance and privacy committee meeting minutes, commercial and regulatory compliance plan policy. The company indicated that the work plan was reviewed and revised each year and approved by the board of directors. The compliance and privacy committee meeting minutes were approved by the board. Compliance policies were reviewed every other year or more frequently if needed. The policies were either approved by the business operations committee

or quality management committee. The compliance manual consisted of approved policies and the annual work plan.

The compliance and privacy committee was responsible for assuring accountability of the compliance director and to assist in implementation of the commercial regulatory compliance policy. The committee consisted of senior level managers and directors. The board of director minutes indicated that the compliance director reported to the board on a quarterly basis.

The examiners reviewed the commercial compliance 2009 and 2010 work plan. The examiners found that the work plan was separated by compliance issues. It consisted of internal audits of company operations and audits of company compliance with Wisconsin law. The examiners found that the company performed an audit on autism, hearing aid & cochlear implant, and coverage to age 27 to ensure compliance with Wisconsin mandated benefits.

The examiners found that the compliance department completed an autism audit in its small and large group of business for compliance with the Mental Health Parity and Addiction Equity Act of 2008. On November 5, 2010, the company audited 30 randomly selected claims that reflected an accuracy rate of 98.8%. The company also removed the day/visit limits or dollar limits on applicable employer benefit plans.

The examiners reviewed the autism provider agreement and company process for contracting providers of autism spectrum disorder to comply with s. 632.895 (12m), Wis. Stat. Autism provider selection was selected based on certain criteria. Providers were evaluated based on their location of services, their specialties, their format of how services are delivered (home based), their compliance with coverage of autism spectrum disorders as required by Ins. 3.36, Wis. Adm. Code, and their proof of clinic certification. The Behavior Health Care Department manager was responsible for evaluating the criteria and for making the determination to prospect the autism provider. No exceptions were noted.

V. CONCLUSION

This targeted market conduct examination was conducted to determine compliance with recommendations made in the previous market conduct examination adopted on November 30, 2005, and to determine compliance with 2009 Wisconsin Acts 14, 28, 218, 282, 346.

The examiners found that the company complied with all 28 recommendations from the prior market conduct examination. This compliance examination resulted in eight additional recommendations in the areas of claims, marketing, sales & advertising, and policy form filings.

VI. SUMMARY OF RECOMMENDATIONS

Claims

- Page 12 1. It is recommended that the company comply with s. Ins 6.11 (3) (a) (5), Wis. Adm. Code, and provide a reasonable explanation of denial in the non-plan provider and HMO-POS provider denial letter.
- Page 12 2. It is recommended that the company comply with s. Ins 3.651 (3) (d) 2, Wis. Adm. Code, and format the order of the Remittance Advice columns as required and shown in Appendix A.

Marketing, Sales & Advertising

- Page 16 3. It is recommended that the company establish a written procedure for proactive monitoring and oversight of its agents' sales activities in order to document compliance with s. Ins 6.61, Wis. Adm. Code and s. 628.34, Wis. Stat.

Policy Form File & Use Filing

- Page 18 4. It is recommended that the company correct the time frame on page 13 of conversion policy B1CONVERT (194) to comply with s. Ins 18.02 (4), Wis. Adm. Code.
- Page 19 5. It is recommended that the company remove the UCR language from the certificates of coverage to comply with s. Ins 3.60 (5), Wis. Adm. Code.
- Page 19 6. It is recommended that the company re-draft the certificate of coverage to have positive language to comply with s. 632.87 (6), Wis. Stat. and s. 632.895 (16m), Wis. Stat.
- Page 19 7. It is recommended that the company update application 51-99 to comply with s. 632.885, Wis. Stat.
- Page 20 8. It is recommended that the company provide correct OCI complaint telephone number in the notification of a person's right to file a complaint with the commissioner to comply with s. Ins 6.85, Wis. Adm. Code, Appendix 1.

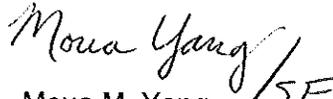
VII. ACKNOWLEDGEMENT

The courtesy and cooperation extended to the examiners during the course of the examination by the officers and employees of the company is acknowledged.

In addition, to the undersigned, the following representatives of the Office of the Commissioner of Insurance, state of Wisconsin, participated in the examination.

<u>Name</u>	<u>Title</u>
Linda R. Low	Insurance Examiner
Lynn Pink	Insurance Examiner
Darcy Paskey	Insurance Examiner
Marshall Dixon	Insurance Examiner

Respectfully submitted,

Handwritten signature of Moua M. Yang in cursive script.

Moua M. Yang
Examiner-in-Charge