



State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

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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

Security Health Plan of Wisconsin, Inc
1515 Saint Joseph Ave

Marshfield WI 54449

dated October 10, 2012, and served upon the company on April 7, 2015, 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 21st day of July, 2015.

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

**SECURITY HEALTH PLAN OF WISCONSIN, INC.
MARSHFIELD, WISCONSIN**

SEPTEMBER 10-28, 2012

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October 10, 2012

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Honorable Theodore K. Nickel
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Madison, WI 53702

Commissioner:

Pursuant to your instructions and authorization, a targeted market conduct examination was conducted September 10 to September 28, 2012, of:

SECURITY HEALTH PLAN OF WISCONSIN, INC.
Marshfield, Wisconsin

and the following report of the examination is respectfully submitted.

I. INTRODUCTION

Security Health Plan of Wisconsin, Inc. (SHP or the company) was originally incorporated, and commenced business on April 25, 1986, under ch. 613, Wis. Stat., as a nonstock service insurance corporation sponsored by Marshfield Clinic. Effective May 1, 1990, SHP merged with Greater Marshfield Community Health Plan, leaving SHP as the surviving company. SHP is a nonprofit network model health maintenance organization (HMO) insurer, which is controlled by Marshfield Clinic through representation on the board, contracts, and common management.

SHP is the third largest HMO doing business in Wisconsin, operating in 32 counties. In 2010, it ranked fifth in market share for group health insurance with 5.8% of the market and third for individual health insurance with 8.7% of the market. In 2011, SHP again ranked fifth in group health insurance with little change in market share at 5.5% of the market. The company saw some growth in market share for 2011 in individual health with 9.6% of the market share but ranked fifth in the individual line of business.

The company is a Wisconsin domestic that only writes business in Wisconsin. The company writes a Medicare supplement product in Wisconsin along with individual, small group and large group plans.

In August 2002, SHP began marketing and enrolling Medicare beneficiaries into its Medicare Advantage product named Advocare. The product is marketed through employed representatives and independent agents and features coordinated care, benefits in excess of Medicare, and a flat monthly or community rated premium regardless of age. This product is monitored by CMS through monthly reports, routine site visits, and member feedback. On January 1, 2006, SHP also offered coverage under Part D of Medicare as an additional drug benefit available to its Advocare members for an additional premium.

The company had 485 active agents as of October 14, 2011, and terminated 65 agent appointments during 2011. The company's agent sales force increased to 485 in 2011 from 356 in 2009.

For 2010 and 2011, the company reported written premium in Wisconsin only.

Premium and Loss Ratio Summary

2011				
Line of Business	Net Premium Income	% of Total Premium	Net Losses Incurred	Medical Loss Ratio
Comprehensive	\$460,380,959	49.0%	\$429,213,034	93.0%
Medicare Supplement	6,809,507	0.7	5,178,201	76.0
Dental Only	0	0.0	0	0.0
Vision Only	0	0.0	0	0.0
All Other Health	475,033,627	50.4	423,349,770	0.0
Total	\$942,224,093	100.0%	\$857,741,005	91.0%

2010				
Line of Business	Net Premium Income	% of Total Premium	Net Losses Incurred	Medical Loss Ratio
Comprehensive	\$489,921,274	53.8%	\$447,255,446	91.3%
Medicare Supplement	7,929,724	0.9	5,940,610	74.9
Dental Only	0	0.0	0	0.0
Vision Only	0	0.0	0	0.0
All Other Health	412,145,318	45.3	359,942,802	87.3
Total	\$909,996,316	100.00%	\$813,138,858	89.4%

The Office of the Commissioner of Insurance (OCI) received 25 complaints against the company from January 1, 2010, through October 31, 2011. A complaint is defined as “a written communication received by the OCI 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.

Complaints

2011					
Coverage Type	Reason Type				
	Underwriting	Marketing and Sales	Claims	Policyholder Service	Other
Individual A&H	0	0	0	1	0
Group A&H	0	1	0	0	1
HMO	4	0	3	1	0
PPO	0	0	0	0	0
All Others	0	0	0	0	0
Total	4	1	3	2	1

2010					
Coverage Type	Reason Type				
	Underwriting	Marketing and Sales	Claims	Policyholder Service	Other
Individual A&H	0	0	0	0	0
Group A&H	0	0	0	0	0
HMO	4	0	9	3	0
PPO	0	0	0	0	0
All Others	0	0	0	0	0
Total	4	0	9	3	0

Grievances

The grievance report for 2010 indicates the company received 85 grievances, 31 or 36% of which were reversed. The majority of the grievances filed with the company in 2010 were related to Plan Administration (22) and Not Covered Benefit (20). The company experienced a slight reduction in grievances for 2011 receiving a total of 75 grievances, 35 or 46% of which were reversed. The majority of grievances filed in 2011 were related to the Plan Administration and the Not Covered Benefit categories.

2010	
Category	No.
Access to Care	0
Continuity of Care	0
Drug & Drug Formulary	2
Emergency Services	0
Experimental Treatment	3
Prior Authorization	11
Not Covered Benefit	20
Not Medically Necessary	7
Other	4
Plan Administration	22
Plan Providers	0
Request for Referral	16
Total	85

2011	
Category	No.
Access to Care	0
Continuity of Care	0
Drug & Drug Formulary	0
Emergency Services	0
Experimental Treatment	5
Prior Authorization	13
Not Covered Benefit	16
Not Medically Necessary	8
Other	4
Plan Administration	22
Plan Providers	0
Request for Referral	7
Total	75

Independent Review Organization

Independent review organizations (IROs) certified to do reviews in Wisconsin are required to submit to 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. IRO reports indicate that for 2010 the company had four IRO requests filed. For 2011 the company had no IRO requests filed involving the company.

Year	Total Review Requests Received	Independent Review Organizations			Number of Decisions that IRO:	
		IPRO	MCMC	Permedion	Upheld	Reversed
2011						
2010	4	2	1	1	3	1
Totals	4	2	1	1	3	1

II. PURPOSE AND SCOPE

A targeted examination was conducted to determine whether the company's practices and procedures comply with the Wisconsin insurance statutes and administrative code. The examination focused on the period from January 1, 2010, through May 31, 2012. In addition, the examination included a review of any subsequent events deemed important by the examiner-in-charge during the examination.

The examination included, but was not limited to, a review of compliance department issues to review the insurer's operations in claims; company operations and management; grievances and IRO; managed care; marketing and sales; producer licensing; policy forms; new business and underwriting; small employer; rate filings; terminations and cancellations; policyholder service and complaints; electronic commerce; provider contracting; and 2010 Wis. Acts.

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 May 25, 2001, contained seven recommendations. Following are the recommendations and the examiners' findings regarding the company's compliance with each recommendation.

Policy Forms

1. It is recommended that SHP develop a procedure that will ensure that all forms and revisions of those forms are submitted to OCI for review, and receive approval prior to use in order to comply with s. 631.20, Wis. Stat.
2. It is recommended that SHP revise the termination provision in policy form numbers INS-00007-04 (8/96), INS-00007-01 (8/96), and INS-00007-02 (8/96) to comply with s. 632.7495, Wis. Stat.

Marketing and Advertising

3. It is recommended that SHP provide written notice of termination of appointment to an individual intermediary in accordance with s. 628.11, Wis. Stat., and that the notice include a formal demand for the return of all indicia of agency to comply with s. Ins 6.57 (2), Wis. Adm. Code.
4. It is recommended that SHP attach a notation to each advertisement in the advertising file that indicates the manner and extent of distribution to comply with s. Ins 3.27 (28), Wis. Adm. Code.
5. It is recommended that SHP file with OCI all Medicare supplement advertisements, including those used during seminars, in connection with the sale of Medicare supplement policies, prior to use as required by s. Ins 3.39 (15), Wis. Adm. Code.

New Business and Underwriting

6. It is recommended that SHP develop a procedure to ensure that all applications for Medicare supplement coverage submitted to the plan are submitted with a supplementary form signed by the agent. The supplementary form shall list any other health insurance policies the submitting agent sold to the applicant that are still in force, and those policies sold in the past 5 years that are no longer in force. The procedure for submitting Medicare supplement applications shall ensure compliance with the requirements of s. Ins 3.39 (23) (b), Wis. Adm. Code.

Small Employer Health Insurance

7. It is recommended that SHP develop a procedure that requires each small employer to provide a complete list of eligible employees and dependents of the eligible employees during the application process, and ensure that it obtains acceptable documentation to verify the employee list during the application process as required by s. Ins 8.65 (1), Wis. Adm. Code.

IV. CURRENT EXAMINATION FINDINGS

Claims

The examiners reviewed the company's responses to OCI's claims interrogatory, ANSI codes, explanation of benefits (EOB) and remittance advice (RA) formats, claims procedure manual, claims training manual, and claims audit reports.

The examiners reviewed a random sample of 50 paid claims. The examiners found 4 clean claims that were not paid within 30 days of receipt and did not reflect interest payments. The company responded that the claims did not reflect interest payments because interest payments for 2012 had not been paid at the time of the examination review, or the annual interest accumulation was less than \$10. The company indicated that it paid interest on clean claims that were not processed timely within 30 days. Any interest owed its affiliated providers was paid annually and only if the accrued interest was at least \$10. The company stated that effective July 28, 2012, claims posted in the new system would pay interest with the claim payment on all eligible claims.

The examiners also found that the company used Ingenix for processing UCR claims for its POS and Marshfield Clinic indemnity plan members. It required that the services be from a non-affiliated provider and that no discount was available for that provider through a repricer. Claims for services with a non-affiliated provider for HMO members were paid in full, as long as there was a prior authorization on file.

The examiners found that the company had a process for tracing terminated providers in its database so that claims were processed and paid for members who needed to continue care with their primary care physician or specialist as provided by Wisconsin continuity of care requirements.

The company indicated that it did not outsource any claims processing. It also indicated that eighty-eight percent of its claims were submitted electronically and 64% of all claims were auto-adjudicated. Monthly, the company's claims auditors reviewed a random

sample of all claims processed for the prior month for payment, procedural, financial and turnaround accuracy. The company also performed focused audits on claims that had been previously identified as problem claims.

The examiners reviewed a random sample of 72 claims without payment. The examiners found 11 skilled nursing facility claims that were denied as non-covered services. The company's claim system indicated that the claims were denied only because Medicare denied coverage as the primary payer. Section 632.895 (3), Wis. Stat., provides that every disability insurance policy that provides coverage for hospital care shall provide coverage for at least 30 days for skilled nursing care to patients who enter a licensed skilled nursing care facility. Medicare supplement policies are considered disability insurance policies.

1. **Recommendation:** It is recommended that the company provide benefits for qualified skilled nursing care claims in order to comply with s. 632.895 (3), Wis. Stat.

Marketing, Sales and Advertising

The examiners reviewed the company's response to OCI's marketing, sales and advertising interrogatory. The examiners reviewed documents provided by the company related to short-range and long-range marketing plans, agent training materials, sales reports, A023 submission approval process for marketing and member materials, agency agreements, D240 handling agent complaints including internal sales reps misrepresentations, and agent/agency oversight policy and procedures. The examiners also interviewed the marketing and sales directors.

The company's marketing department was responsible for conducting market research for evaluating marketing and sales data to recommend new products, to make product changes, and create and distribute marketing and educational materials. The marketing department also assisted with the creation and distribution of policy documents; reviewing and approving agent advertising; and creating and approving correspondence to members,

providers, agents, employers, and prospects. Additionally, the marketing department maintained its Web site, which included establishing and maintaining the SHP brand.

The company marketed a number of insurance products during the period of review which included Advantage Plus, small group plans; large group plans, Senior Security Select plans, Advocare, and an indemnity plan offered by Marshfield Clinic, an affiliate of SHP.

The examiners reviewed the company's tracking system and found that the company tracked its advertising via an excel spreadsheet, and PDF copies of its advertisements were included in the file. However, the examiners found that the advertising files did not include a copy of the policy as advertised, amendments, riders and/or endorsements. In addition, the files did not include a required notation attached to each advertisement in the file indicating the manner and the extent of distribution. Agents that prepared their own advertising had to submit the advertising to the company for approval prior to use. The examiners documented that the company's agent contracts included a provision regarding agent responsibility for notifying the company of agent-created advertisements.

The examiners reviewed 50 advertisements utilized during the period of review. The examiners found 8 of the company's Medicare supplement advertisements were not listed as filed by the company in the System for Electronic Rate and Form Filing (SERFF) database. The examiners requested the company to demonstrate compliance with s. Ins 3.39 (15), Wis. Adm. Code, which provides that, prior to use in Wisconsin, every insurer shall file with the commissioner a copy of any advertisement used in connection with the sale of Medicare supplement plans. The company indicated that its marketing department would develop and implement a policy to ensure all Medicare supplement advertising materials were appropriately filed with OCI prior to use as required by s. Ins 3.39 (15), Wis. Adm. Code.

2. **Recommendation:** It is recommended that the company develop a process to ensure that all advertisements used in connection with the sale of Medicare supplement policies are filed with OCI prior to use to demonstrate compliance with s. Ins 3.39 (15), Wis. Adm. Code.

The advertising file review also included a review of the company's compliance with the requirements of s. Ins 3.27 (28), Wis. Adm. Code, which provides that each insurer shall maintain at its home or principal office a complete file containing every printed, published, or prepared advertisement of its policies. The file shall include a notation attached to each advertisement in the file indicating the manner and extent of its distribution. The examiners found that the company's advertising file did not include a notation attached to each advertisement in the file indicating the manner and extent of distribution and the form number of any policy, amendment, rider, or endorsement form advertised.

3. **Recommendation:** It is recommended that the company develop and implement a written procedure for maintaining and tracking its advertisements to document compliance with s. Ins 3.27 (28), Wis. Adm. Code.

The company utilized an oversight committee that consisted of legal, compliance, and sales departments. The committee met on an ad hoc basis to review any concerns or issues including, but not limited to, those OCI administrative actions and escalated complaints identified by the compliance, legal, and sales departments.

Electronic Commerce

The examiners reviewed the company's response to OCI's electronic commerce interrogatory, the company's creative communication and design marketing agreement, eHealth Insurance Service Inc. agreement, submission-approval process for marketing and member materials, electronic claim submission, and remittance setup. The examiners also reviewed the company's main portal Web site, securityhealth.org.

The company's marketing department was responsible for overseeing the company's internet activities. The company had 21 URLs, with the securityhealth.org URL being the main hub for information on the products and services offered by the company.

The company required its producer agents to complete the company's online agent access request form in order to have access to the agent portal. The agent portal provided contact information, quotes for new business, and the ability to review existing business. The

Web site also allowed application submission. The examiners' review of the Web site indicated that customers were allowed electronic submission via its Web site for the company's Advantage Plus, Medicare supplement plan and the Medicare Advantage plan. The Web site also allowed providers to submit claims electronically via the provider portal.

No exceptions were found regarding the electronic commerce review.

Policy Forms and Rates

The examiners reviewed the company responses to OCI's policy forms and rates interrogatory. The examiners also interviewed the compliance officer and staff.

The examiners reviewed 105 forms submitted to OCI during the period of review or as file and use after July 1, 2008, when s. 631.20, Wis. Stat., was amended to allow most forms, excluding Medicare supplement forms, to be submitted to OCI on a file and use basis rather than the prior approval basis.

The examiners reviewed the company's conversion policy INS-00064 (12/10), the conversion policy amendment-indemnity coverage INS-00007-03-01 (3/11), and conversion benefits summary HP-00011-08 (01/08). The examiners found that the conversion policy did not provide the required benefits for maternity, did not comply with mental health parity regulations, and did not comply with the requirement that coverage be provided until age 26. Section Ins 3.43 (1) (f), Wis. Adm. Code, requires payment of benefits for maternity if maternity was covered under the prior policy. Section Ins 3.43 (1) (g), Wis. Adm. Code, provides for benefits for outpatient treatment of mental illness.

4. **Recommendation:** It is recommended that the company revise and file with OCI the conversion policy and the conversion benefits summary to document compliance with s. Ins 3.43 (1) (f) and (g), Wis. Adm. Code, and the dependent coverage of children requirements.

During the review of the conversion benefits summary, the examiners requested the SERFF tracking number and copy of transmittal sheet for the form submission. The company was unable to produce a SERFF tracking number or a transmittal sheet.

5. **Recommendation:** It is recommended that the company develop a mechanism for identifying and maintaining the SERFF filing number or transmittal form for policy form submissions in order to document compliance with s. 631.20 (1) (a), Wis. Stat.

Producer Licensing

The examiners reviewed the company's response to OCI's producer licensing interrogatory; agent agreements; and the company's procedures and practices related to producer licensing, appointments, terminations, training and recruiting.

The examiners requested from the company a listing of all Wisconsin agents who represented the company as of the end of the examination review period. The examiners compared these records with the agent database maintained by OCI.

The examiners found that OCI records indicated four licensed insurance agents included in the company's database were not listed as appointed with the company during the period of review. In two instances, the company documented that it attempted to appoint the agents, but due to errors in the information entered, the appointments were not activated. The examiners found that one agent, who was not appointed by the company, sold one policy and was paid commissions. Section Ins 6.57 (1), Wis. Adm. Code, provides that an application for appointment of a producer shall be submitted to OCI and entered in the OCI licensing system within 15 days after the earlier of the date the producer contract is executed or the date the first insurance application is submitted. Section Ins 6.57 (5), Wis. Adm. Code, provides that no insurer shall accept business directly from any producer or enter into an agency contract with a producer unless that individual is a licensed producer appointed by the company.

6. **Recommendation:** It is recommended that the company develop and implement procedures to verify that agent appointment entries are accepted and activated in order to document compliance with s. Ins 6.57 (1), Wis. Adm. Code.
7. **Recommendation:** It is recommended that the company develop and implement procedures to ensure that no business is accepted from an individual who is not properly licensed with the State of Wisconsin and appointed with the company in order to comply with the requirements of s. Ins 6.57 (5), Wis. Adm. Code.

The examiners reviewed a random sample of 25 active agent files and 25 terminated agent files, including a review of termination letters. No exceptions were noted regarding the file review.

Policyholder Service and Complaints

The examiners reviewed the company's response to OCI's policyholder service and complaint interrogatory, its free look and cancellation processes, the company's complaint handling procedures, OCI complaints, and the company complaint log.

The examiners reviewed a random sample of 30 complaints from the company's complaint log for the period of review of January 1, 2010, through May 31, 2012. The examiners also reviewed a random sample of 30 complaints the company had received from OCI. No exceptions were noted regarding the file review.

The company received 778 complaints in 2010, 574 complaints in 2011, and 154 complaints through May 31, 2012, for a total of 1,506 complaints. The examiners asked the company about the decrease of approximately 27% in complaints the company received from 2011 to 2012. The company indicated that it had experienced the loss of a large group that went from being fully insured to self-insured. In addition, in 2010 and years prior the company had complex preventative benefit options from which employers could choose. Providers would commonly bill the company for a diagnostic code rather than a preventative code. To resolve any misunderstanding by providers and certificate holders, the company created a preventative benefit package that could be better administered and understood. No exceptions were noted regarding the policyholder service review.

Managed Care

The examiners reviewed the company's responses to OCI's managed care interrogatory, the company's provider and network agreements, the board of directors and committee meeting minutes, and policies and procedures regarding plan administration,

compliance, quality assurance, access, and credentialing. The company was credentialed with the National Committee for Quality Assurance (NCQA) and achieved an excellent accreditation status for commercial, Medicare, and Medicaid products.

The examiners verified that the company had annually filed with OCI its certification of managed care plan types, quality assurance plan, and certification of access standards as required by ss. Ins 9.34 and 9.40, Wis. Adm. Code.

The company indicated that its quality improvement committee and its compliance committee were chaired by its chief medical officer and reported to the board of directors. The compliance committee met quarterly, advised the compliance officer, and assisted in the implementation of the compliance program. The compliance officer reported quarterly to the board of directors regarding issues identified, investigated, and resolved by the compliance program.

The appeals/grievance committee, credentialing committee, quality performance improvement committee, disease management committee, wellness workgroup and behavioral health advisory committee all reported to the quality improvement committee. The company performed an annual evaluation of its quality improvement program, listing achievements and limitations in meeting goals. This evaluation was reviewed by the quality improvement committee.

The company performed the credentialing function for most provider categories and all facilities. It delegated credentialing of chiropractors and for Essential and Aspirus providers. The company had a credentialing committee which met twice a month and also performed peer review activities. If quality issues were referred to the credentialing committee, they were also referred to the quality improvement committee.

The examiners found that the company had established access standards and goals. It also had a process for the periodic review, evaluation, and updating of its access standards and goals.

The examiners reviewed a random sample of 25 provider agreement files and 4 network agreements. The examiners found that the company's specialty provider agreements reviewed did not include a continuity of care notification clause. Section Ins 9.35 (1) (a) 3., Wis. Adm. Code, provides that if the terminating provider is a specialist and the insurer offering a defined network plan does not require a referral, the provider's contract with the insurer shall comply with s. 609.24, Wis. Stat., and require the provider to post a notification of termination with the plan's provider office no later than 30 days prior to the termination or 15 days following the date the insurer received the provider's termination notice, whichever is later.

8. **Recommendation:** It is recommended that the company update its provider agreements for specialists to include continuity of care language whereby terminating plan providers are required to post a notification of termination in their offices as required by s. Ins 9.35 (1) (a) 3., Wis. Adm. Code.

Grievance and IRO

The examiners reviewed the company's response to OCI's grievance and independent review interrogatory, its grievance procedures, annual grievance experience reports, company explanation of benefits (EOB) and remittance advice (RA) forms, and its procedures for handling independent review requests from Wisconsin insureds. The examiners also reviewed the company's complaint log and complaint files.

Grievance

The company had an appeals and grievance investigation group and an appeal and grievance committee. The appeals and grievance investigation group met weekly to evaluate and investigate each appeal and grievance. The group had the authority to overturn a previous denial decision but did not have the authority to maintain a denial. Appeals and grievances that were not resolved by the appeals and grievance investigation group were automatically referred to the appeal and grievance committee.

The company's appeal and grievance committee met bi-weekly to review all appeals/grievances that were not resolved in the member's favor by the appeals and grievance

investigation group. The examiners found that the committee's processes complied with s. Ins 18.03, Wis. Adm. Code.

The examiners reviewed a random sample of 50 grievance files. The majority of the grievances filed with the company in 2010 and 2011 were related to plan administration, followed by grievances involving not a covered benefit. The company indicated that for the most part these were related to a complex benefit that was not coded correctly by many providers submitting claims. The company also found that the benefit was not understood by many certificate holders. The company took corrective action in order to provide clearer benefit information for the providers and certificate holders.

The examiners review of the grievance sample also included documenting that the company provided grievants with information regarding a grievant's right to independent review as required by s. 632.835, Wis. Stat., and ch. Ins 18, subchapter III, Wis. Adm. Code. No exceptions were noted regarding the sample review.

New Business and Underwriting

The examiners reviewed the company response to OCI's new business and underwriting interrogatory; underwriting guidelines; and rating and underwriting procedures manuals.

The examiners reviewed the company's D108-Application or Premium Received From Non-Listed Agent regarding a description of the company's procedure to determine whether agents who were not appointed or whose licenses were suspended or revoked could obtain quotes from the company or submit applications that would be accepted by the company. The examiners found that the company's D108-Application did not comply with s. Ins 6.57 (1), Wis. Adm. Code, which provides that appointment shall be submitted to OCI within 15 days after the earlier of the date the agent contract is issued or the first insurance application is submitted.

9. **Recommendation:** It is recommended that the company develop and implement a procedure and update its D108-Application or Premium Received From Non-Listed Agent to comply with s. Ins 6.57 (1), Wis. Adm. Code.

The examiners reviewed SHP attachment 212, DLR 57 preexisting claim review and attachment 675 DLR200, enrollment rep individual preexisting condition exclusions. The examiners found that the company did not have a process to review and adjudicate a claim for a preexisting condition that was disclosed on the application. Section 632.76 (2), Wis. Stat., and s. Ins 3.28 (6), Wis. Adm. Code, provide that if existence of a preexisting condition is disclosed on the application, preexistence defense cannot be used unless it is excluded from coverage by name.

10. **Recommendation:** It is recommended that the company develop and implement a procedure to review and adjudicate claims for a preexisting condition that is disclosed on the application and a preexistence defense cannot be used unless it is excluded from coverage by name in order to document compliance with s. 632.76 (2), Wis. Stat., and s. Ins 3.28 (6), Wis. Adm. Code.

The examiners requested a random sample of 25 individual new business issued files for review. The examiners found during the file review that 2 files did not include applications, 12 files did not include complete applications, including the medical questions section, and 3 files did not include replacement forms. The examiners requested these specific documents, but the company indicated it was unable to locate the requested documents.

11. **Recommendation:** It is recommended that the company update its existing procedures to require that all new business files include complete applications, and a copy of the replacement form when appropriate in order to comply with OCI requests for the production of documents under s. 601.42, Wis. Stat.

Terminations, Nonrenewals and Cancellations

The examiners reviewed the company's response to OCI's terminations, nonrenewals, and cancellations interrogatory. The examiners also reviewed a random sample

of 25 issued business files and a random sample of 25 not issued business files. No exceptions were noted regarding the file review.

The examiners verified that the company filed its annual report of individual health cancellations and rescissions for 2010 and 2011 as required by s. 601.428, Wis. Stat. The company reported no rescissions, and all cancellations were related to nonpayment of premiums.

The examiners reviewed the Advantage Plus policy amendment INS-00007-21 (03/06) and Advantage Plus policy amendment INS- 00007-39 (08/11), which identified parameters of particular age requirements of dependent student coverage. The examiners asked the company how the consumer could determine which policy amendment language, regarding eligible dependent age, was applicable to the policy. The company responded that all policy language included would be applicable. However, the examiners found the language obscure and confusing. Section 632.885 (2) (a) and (b), Wis. Stat., provides that an insurer shall provide coverage for any child of an applicant or insured as a dependent of the applicant or insured if the child is under the age of 26 and the adult child meets the requirements thereof.

- 12. Recommendation:** It is recommended that the company either combine amendments INS-00007-21 (03/06) and INS-00007-39 (08/11) and file a new amendment or revise and file the Advantage Plus individual policy with language that is compliant with s. 632.885, Wis. Stat., in order to avoid consumer confusion as to the language that is applicable to their policy.

Small Employer

The examiners reviewed the company's response to OCI's small employer insurance interrogatory, enrollment and waiver forms. The company indicated that during the period of review it had not marketed to trusts or associations.

The examiners reviewed a sample of 24 small employer new business issued group files. The examiners found that 20 group files did not include employee waiver forms. In addition, 16 group files did not contain supporting documentation, such as the state unemployment or worker's compensation quarterly reporting forms, which verified the number of

employees eligible for coverage and their dependents. None of the files reviewed included complete copies of the small employer uniform employee application for group health insurance. Of the 235 enrolled employees for the groups reviewed, the company was unable to provide 38 employee applications, which was the difference between the number of employees and applications received. The company indicated that employee waiver forms and other supporting documentation were not kept on file during the period of review. Section Ins 8.65 (2), (3) and (4), Wis. Adm. Code, provides that companies require small employers to provide documentation to establish that waivers of coverage are voluntary and permitted. Section Ins 8.65 (1), Wis. Adm. Code, requires companies to obtain and retain supporting documentation that eligible employees and their dependents have waived coverage.

13. **Recommendation:** It is recommended that the company obtain and retain employee waiver forms and supporting documentation, such as the state unemployment or worker's compensation quarterly reporting forms, to establish that waivers are voluntary and permitted and document compliance with s. Ins 8.65 (1), (2), (3) and (4), Wis. Adm. Code.
14. **Recommendation:** It is recommended that the company obtain and retain complete copies of all Small Employer Uniform Employee Applications For Group Health Insurance, which provides the information needed to determine compliance with ch. Ins 8, Subchapter III, Wis. Adm. Code.

The examiners verified that the company provided to new groups the appropriate rating and renewability notice and small employer notice. The examiners also verified that the company provided members with continuation and conversion information when member coverage under a small employer group plan was terminating.

Company Operations and Management

The examiners reviewed the company's response to OCI's company operations and management interrogatory, its policies and procedures, and minutes of the board of directors' meetings. The examiners also interviewed the company's compliance officer. The company's compliance officer was responsible to the board of directors and reported compliance concerns directly to the board's compliance committee.

The examiners reviewed the board of directors meeting minutes generated during the period of review. The minutes reflected a broad spectrum of board oversight and direction to the various departments under its supervision and control. The examiners also noted that the board minutes indicated that the company was preparing for upcoming Affordable Care Act (ACA) initiatives.

The company had a written compliance program document that covered its plan categories and each of its operational areas. The examiners review of information regarding the company's overall compliance program indicated that the company's chief administrative officer (CAO) was assigned overall responsibility for the company's compliance and ethics program. The CAO reported directly to the board of directors. The company's compliance officer was delegated day-to-day operational responsibility.

V. CONCLUSION

This market conduct examination involved a targeted review of company's practices and procedures for the period January 1, 2010, through May 31, 2012. The examination report makes 14 recommendations regarding the company's business practices involving claims; policyholder service and complaints; managed care; grievances and IROs; new business and underwriting; small employer; marketing, sales, and advertising; producer licensing; and policy forms and rates.

VI. SUMMARY OF RECOMMENDATIONS

Claims

- Page 9** 1. It is recommended that the company provide benefits for qualified skilled nursing care claims in order to comply with s. 632.895 (3), Wis. Stat.

Marketing, Sales and Advertising

- Page 10** 2. It is recommended that the company develop a process to ensure that all advertisements used in connection with the sale of Medicare supplement policies are filed with OCI prior to use to demonstrate compliance with s. Ins 3.39 (15), Wis. Adm. Code.
- Page 11** 3. It is recommended that the company develop and implement a written procedure for maintaining and tracking its advertisements to document compliance with s. Ins 3.27 (28), Wis. Adm. Code.

Policy Forms and Rates

- Page 12** 4. It is recommended that the company revise and file with OCI the conversion policy and the conversion benefits summary to document compliance with s. Ins 3.43 (1) (f) and (g), Wis. Adm. Code, and the dependent coverage of children requirements.
- Page 13** 5. It is recommended that the company develop a mechanism for identifying and maintaining the SERFF filing number or transmittal form for policy form submissions in order to document compliance with s. 631.20 (1) (a), Wis. Stat.

Producer Licensing

- Page 13** 6. It is recommended that the company develop and implement procedures to verify that agent appointment entries are accepted and activated in order to document compliance with s. Ins 6.57 (1), Wis. Adm. Code.
- Page 13** 7. It is recommended that the company develop and implement procedures to ensure that no business is accepted from an individual who is not properly licensed with the State of Wisconsin and appointed with the company in order to comply with the requirements of s. Ins 6.57 (5), Wis. Adm. Code.

Managed Care

- Page 16** 8. It is recommended that the company update its provider agreements for specialists to include continuity of care language whereby terminating plan providers are required to post a notification of termination in their offices as required by s. Ins 9.35 (1) (a) 3., Wis. Adm. Code.

New Business and Underwriting

- Page 18** 9. It is recommended that the company develop and implement a procedure and update its D108-Application or Premium Received From Non-Listed Agent to comply with s. Ins 6.57 (1), Wis. Adm. Code.
- Page 18** 10. It is recommended that the company develop and implement a procedure to review and adjudicate claims for a preexisting condition that is disclosed on the application and a preexistence defense cannot be used unless it is excluded from coverage by name in order to document compliance with s. 632.76 (2), Wis. Stat., and s. Ins 3.28 (6), Wis. Adm. Code.
- Page 18** 11. It is recommended that the company update its existing procedures to require that all new business files include complete applications, and a copy of the replacement form when appropriate in order to comply with OCI requests for the production of documents under s. 601.42, Wis. Stat..

Terminations, Nonrenewals and Cancellations

- Page 19** 12. It is recommended that the company either combine amendments INS-00007-21 (03/06) and INS-00007-39 (08/11) and file a new amendment or revise and file the Advantage Plus individual policy with language that is compliant with s. 632.885, Wis. Stat., in order to avoid consumer confusion as to the language that is applicable to their policy.

Small Employer

- Page 20** 13. It is recommended that the company obtain and retain employee waiver forms and supporting documentation, such as the state unemployment or worker's compensation quarterly reporting forms, to establish that waivers are voluntary and permitted and document compliance with s. Ins 8.65 (1), (2), (3) and (4), Wis. Adm. Code.
- Page 20** 14. It is recommended that the company obtain and retain complete copies of all Small Employer Uniform Employee Applications For Group Health Insurance, which provides the information needed to determine compliance with ch. Ins 8, Subchapter III, Wis. Adm. Code.

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.

Name	Title
Darcy Paskey	Insurance Examiner
Mary Kay Rodriguez	Insurance Examiner
Moua Yang	Insurance Examiner

Respectfully submitted,



Kevin Zwart
Examiner-in-Charge