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

UNITY HEALTH PLANS INSURANCE CORPORATION
840 CAROLINA ST
SAUK CITY WI 53583

dated May 17, 2013, and served upon the company on September 2, 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 1st day of December, 2015.

Theodore K. Nickel
Commissioner of Insurance

STATE OF WISCONSIN
OFFICE OF THE COMMISSIONER OF INSURANCE

MARKET CONDUCT EXAMINATION

OF

UNITY HEALTH PLANS INSURANCE CORPORATION
SAUK CITY, WISCONSIN

APRIL 29–MAY 17, 2013

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May 17, 2013

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

Commissioner:

Pursuant to your instructions and authorization, a targeted market conduct examination was conducted April 29 to May 17, 2013, of:

UNITY HEALTH PLANS INSURANCE CORPORATION
Sauk City, Wisconsin

and the following report of the examination is respectfully submitted.

I. INTRODUCTION

Unity Health Plans Insurance Corporation (the company) is a for-profit network model health maintenance organization (HMO). An HMO insurer is defined by s. 609.01 (2), Wis. Stat., as "a health care plan offered by an organization established under ch. 185, 611, 613, or 614, Wis. Stat., or issued a certificate of authority under ch. 618, Wis. Stat., that makes available to its enrolled participants, in consideration for predetermined fixed payments, comprehensive health care services performed by providers selected by the organization." Under the network model, the company provides care through agreements with two or more clinics. HMOs compete with traditional fee-for-service health care delivery.

The company was incorporated October 1, 1983, and commenced business on January 1, 1984, as HMO of Wisconsin Insurance Corporation. In 1994, Unity Health Plans Insurance Corporation was formed by combining membership of HMO of Wisconsin Insurance Corporation and U-Care HMO, Inc. In 2005, the company became a wholly owned subsidiary of

University Health Care, Inc., an affiliate of University of Wisconsin Hospital and Clinics and the University of Wisconsin Medical Foundation. The company provider network was associated solely with University of Wisconsin Hospital and Clinics facilities. Company headquarters was located in Sauk City, Wisconsin, with a satellite sales office in Middleton. The company administered health care benefits to more than 113,000 people in its service area and served as a third-party administrator (TPA) for the University of Wisconsin Athletics Department, which was its only TPA contract.

At the time of examination, the company offered its plans in 20 counties located in south central and southwest Wisconsin. The company provided care to its members through a network of 956 primary care providers and 3,315 specialty care providers. As the company was primarily a group model HMO, the physicians were retained through contracts with clinics and independent practice associations (IPAs).

In 2012, the company ranked 6th for market share in managed care health plans in the state of Wisconsin, with its primary focus on the large and small group market. The following tables summarize the premium written and benefits paid in Wisconsin for 2011 and 2010 broken down by line of business. The table also includes premium and loss ratio summaries.

Premium and Loss Ratio Summary

2010				
Line of Business	**Net Premium Income**	**Percent of Total Premium**	**Net Losses Incurred**	**Medical Loss Ratio**
Comprehensive	$347,037,021	92.1%	$312,415,068	90%
Medicare Supplement	900,994	.3	931,265	103
All Other Health	28,662,482	7.6	27,500,408	96
Total	**$376,600,497**	**100.0%**	**$340,846,741**	**96%**

2011				
Line of Business	Net Premium Income	Percent of Total Premium	Net Losses Incurred	Medical Loss Ratio
Comprehensive	$371,278,040	92.6%	$338,548,726	91%
Medicare Supplement	1,189,740	.3	1,098,038	92
All Other Health	28,409,952	7.1	24,943,055	88
Total	**$400,877,732**	**100.0%**	**$364,589,819**	**90%**

The Office of the Commissioner of Insurance received 21 complaints against the company between January 1, 2011, through December 31, 2012. 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.

Complaints Received

2011						
Coverage Type	Total	Underwriting	Marketing & Sales	Claims	Policyholder Service	Other
Group A&H	18	1	0	14	0	3
Individual A&H	2	0	0	2	0	
Misc. Health & Life	1	0	0	1	0	0
Total	**21**	**1**	**0**	**17**	**0**	**3**

2010						
Coverage Type	Total	Underwriting	Marketing & Sales	Claims	Policyholder Service	Other
Group A&H	26	1	0	22	0	3
Individual A&H	5	1	0	3	1	0
Misc. Health & Life	2	0	0	2	0	0
Total	**33**	**2**	**0**	**27**	**1**	**3**

Grievances

The company submitted annual grievance reports to the Office of the Commissioner of Insurance (OCI) for 2010 and 2011 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 company reported 160 grievances in 2010 and 172 grievances in 2011.

The grievance report for 2010 indicated the company received 160 grievances, of which 34 were reversed, in 11 a compromise was reached, 113 were denied, and 2 were withdrawn. In 2010, 98 of the grievances filed with the company were categorized as prior authorization and 27 grievances were related to not a covered benefit. The grievance report for 2011 indicates the company received 172 grievances, of which 43 were reversed, in 9 a compromise was reached, 115 were denied, and 5 were withdrawn. In 2011, 119 of the grievances filed with the company were categorized as prior authorization and 24 grievances were categorized as not a covered benefit.

The following table summarizes reported grievances for 2010 and 2011

Category	2010	2011
Access to Care	0	0
Continuity of Care	0	1
Drug and Drug Formulary	15	6
Emergency Services	0	0
Experimental Treatment	5	4
Prior Authorization	98	119
Not Covered Benefit	27	24
Not Medically Necessary	3	1
Other	0	0
Plan Administration	12	17
Plan Providers	0	0
Request for Referral	0	0
Total	**160**	**172**

Independent Review

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 name of the insurance company and whether action on the claims was upheld or reversed. Issues eligible for independent review included adverse and experimental treatment determinations. The IRO reports indicated that for 2011 the company had seven IRO requests and for 2012 the company had one IRO request.

The following tables summarize the IRO review requests for the company for the period of review:

2011											
Total Review Requests Received	Adv. Med. Review	IPRO	Maximus-CHDR	MCMC	Med. Cons. Network	Medical Review Inst. Of America	National Medical Reviews	Permedion	Prest	Upheld	Reversed
7	0	2	1	0	0	1	1	2	0	6	1
2012											
1	0	0	1	0	0	0	0	0	0	1	0

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 rules. The examination focused on the period from January 1, 2011, through December 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 a review of the company's practices in the areas of claims; company operations and management; grievance and IRO; managed care; producer licensing; policy forms; small employer; marketing, sales, and advertising. The report was 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 September 5, 2001, contained ten recommendations. Following are the recommendations, and examiner findings regarding the company's compliance with each recommendation.

Managed Care

1. It is recommended that Unity notify OCI when it has hired a permanent medical director for the plan, as required by s. 609.34, Wis. Stat.

   Action: Compliance

2. It is recommended that Unity at the renegotiating of its provider agreements and no later than one year after the examination report is adopted, redraft its provider agreements to include the correct section of the Wisconsin Administrative Code regarding the grievance procedure and continuity of care language, as required by s. Ins. 9.33, Wis. Adm. Code, and s. 609.24. Wis. Stat.

   Action: Compliance

3. It is recommended that Unity update its agreements with CNR Health, Inc. to include grievance language and continuity of care language that complies with s. Ins. 9.33, Wis. Adm. Code, and s. 609.24. Wis. Stat.

   Action: Compliance

Claim Administration

4. It is recommended that Unity amend its claim processing procedures to ensure the most appropriate ANSI codes are used, as required by s. Ins 3.651 (3), Wis. Adm. Code.

   Action: Compliance

Policy Forms

5. It is recommended that Unity submit form filings to OCI with the exact form number that will appear on the certificate, policy, or application. A list should be submitted to OCI within 60 days of the adoption of the report indicating those forms that have been assigned different form numbers than were approved by OCI.

   Action: Compliance

Small Employer Health Insurance

6. It is again recommended that Unity develop a separate form to notify small employers when a policy is issued that the protections of the small employer regulations will no longer apply on the renewal date that the employer ceases to be a

small employer. A copy of the form and procedures for its use should be submitted to OCI for review within 30 days of the adoption of the examination report [s. Ins 8.44 (2), Wis. Adm. Code].

Action: Compliance

7. It is again recommended that Unity develop written procedures for disclosing to a small employer information on the plan's rating and renewal restrictions before a small employer applies for coverage and to provide OCI with a copy of the written procedures within 30 days of the adoption of the examination report [s. 635.11, Wis. Stat., and s. Ins 8.48, Wis. Adm. Code].

   Action: Compliance

8. It is again recommended that Unity develop procedures to identify a set of midpoint rates to document that new business rates and renewal business rates comply with the rate variance restrictions in s. 635.05, Wis. Stat. A copy of its written procedures should be submitted to OCI within 30 days of the adoption of the examination report.

   Action: Compliance

9. It is again recommended that Unity develop written procedures to ensure that it is in compliance with all small employer health insurance regulations in ch. 635, Wis. Stat., and subsection III of ch. 8, Wis. Adm. Code, and to provide OCI with a copy of the procedures within 30 days of the adoption of the examination report.

   Action: Compliance

10. It is recommended that Unity's Underwriting Department check the maximum increase which is calculated once a month for all groups renewing that month and ensure that the new rates fall within the prescribed percentage of the manual rates, subject to s. 635.05, Wis. Stat., and s. Ins 8.52, Wis. Adm. Code.

    Action: Compliance

IV. CURRENT EXAMINATION FINDINGS

Claims

The examiners reviewed the company response to OCI's claims interrogatory; claims administration processes and procedures; explanation of benefit (EOB) and remittance advice (RA) forms; claim adjustment (ANSI) codes; and claim methodology. The examiners also interviewed the company's vice president of operations.

The company indicated that in October 2011 it implemented a new claims processing system named Health Link. It also indicated that it had not experienced any significant implementation issues nor claims backlog. The company received 90% of claims electronically and 88.4% of claims were auto-adjudicated. The company's quality department was responsible for all claim function audits.

The company had contracts that capitated both professional and hospital services as well as contracts that paid fee-for-service for both professional and hospital services. All network chiropractors were capitated. The company contracted with pharmacy benefit manager MedImpact Healthcare Systems, Inc., to process pharmacy claims; Meridian Resource Company, LLC, to settle subrogation claims; and Momentum Insurance Plans, Inc., and Delta Dental of Wisconsin, Inc., to process dental claims.

The examiners reviewed a random sample of 50 paid claims and 60 denied claims to document compliance with claim payment requirements for state mandated benefits and to document that claims were paid timely as defined by s. 628.46, Wis. Stat. The examiners found that the company had policies and procedures for processing Wisconsin mandated benefits. No exceptions were noted regarding the claims sample reviews.

The examiners reviewed the company's explanation of benefits (EOB) form and its list of EOB codes. The examiners found that the company's EOB did not indicate to whom payment was issued. During the claims interview the company acknowledged that the EOB format did not provide claim payment information. Section Ins 3.651 (4) (a) 3., Wis. Adm. Code,

provides that the explanation of benefits form for insureds shall include a statement as to whether payment accompanies the form, payment has been made to the health care provider, or payment has been denied.

1. **Recommendation:** It is recommended that the company update the information on its explanation of benefits (EOB) form to include a statement indicating whether payment accompanies the form, payment is being made to the provider, or payment is being denied to comply with s. Ins 3.651 (4) (a) 3, Wis. Adm. Code.

Grievance and IRO

The examiners reviewed the company's response to OCI's grievance and independent review interrogatory; grievance and appeal policy and procedure; complaints and grievance language in certificates of coverage; notice of appeal rights on explanation of benefits forms and benefit denial letters; grievance committee minutes; the annual grievance experience report for 2011 and 2012; and the complaint process benefit manual. The examiners also interviewed the company's general counsel and member advocates regarding grievance and independent review procedures.

The examiners reviewed a random sample of 50 grievance files and 9 independent review files for 2011 and 2012. The examiners found that the company had categorized 35 grievances as prior authorization and reported them as such to OCI in the company's annual grievance experience report. The files included 21 benefit denial letters that indicated coverage had been denied based on a determination that the services were not medically necessary, 1 file indicated the services were experimental, 5 files indicated the services were specifically excluded, and 8 files indicated the services were provided by a non-participating provider. The company stated it categorized a grievance as prior authorization if it denied authorization for services, regardless if the services were pre-service or post-service. The examiners found the way the company categorized its grievances for reporting in the annual grievance experience report to OCI was not compliant. Section Ins 18.06 (2), Wis. Adm. Code, provides that an

insurer offering a health benefit plan shall submit a grievance experience report in a form prescribed by the commissioner.

2. **Recommendation:** It is recommended that the company categorize grievances for reporting to OCI in its annual grievance report according to the definitions on the annual grievance reporting form to comply with s. Ins 18.06 (2), Wis. Adm. Code.

The examiners found one grievance where a member requested coverage for services of a non-participating provider and stated that the participating provider did not have sufficient experience to provide necessary covered services. The examiners found that the grievance committee's determination letter upholding the denial did not include a notice of the member's right to request an independent review. Section Ins 18.10 (1), Wis. Adm. Code, stated that an adverse determination eligible for independent review includes the denial of a request for a referral for out-of-network services when the insured requests health care services from a provider that does not participate in the insurer's provider network because the clinical expertise of the provider may be medically necessary.

3. **Recommendation:** It is recommended that the company modify its process and procedure to ensure that members are provided a notice of the right to request an independent review every time the company makes an adverse determination for any of the reasons defined in s. Ins 18.10 (1), Wis. Adm. Code.

The examiners found the company's definition of a complaint was not consistent in internal process and procedure and training manuals. The company grievance and appeal policy and procedure stated in its definition of a complaint that "appeal rights do not apply if a customer's complaint was not in regard to an organization's decision." Examples included emergency room wait times and staff or physician conduct. The company stated it considered a complaint to be a verbal expression of dissatisfaction and was not able to be appealed since it was not written. The examiners reviewed a copy of the company Complaint Process Benefit Manual. The manual defined a complaint as a written or verbal expression of dissatisfaction

expressed by the member. The examiners found that the definition of a complaint was not compliant with s. Ins 18.01 (2), Wis. Adm. Code.

4. **Recommendation:** It is recommended that the company modify its grievance and appeal policy and procedure and its Complaint Process Benefit Manual to ensure that its definitions are consistent and that its definition of complaint is compliant with s. Ins 18.01 (2), Wis. Adm. Code.

Managed Care

The examiners reviewed the company response to OCI's managed care interrogatory; its provider directory; provider manual; member handbook; committee agendas and minutes; referral and prior authorization procedures; quality improvement plan; utilization management standards; credentialing and re-credentialing procedures; case management procedures; access standards; audit procedures; and compliance program. Unity had been accredited by the National Committee for Quality Assurance (NCQA) since 2002 and had earned a rating of "Excellent" each time it was accredited.

The company delegated its referrals, prior authorization/pre-certification, utilization management review and case management responsibilities to the University of Wisconsin Medical Foundation (UWMF). The company delegated its behavioral health review and management to the University of Wisconsin Behavioral Health Services. Alcohol and other drug abuse (AODA) management were delegated to the University of Wisconsin Behavioral Health and Gateway Recovery Clinic. The company required referrals to network providers for behavioral health services, but these referrals were maintained indefinitely.

The company had an internal hierarchy of committees responsible for performing medical management and oversight, quality assurance, continuity of care, access standards, and provider credentialing. These committees reported to either an executive committee or the board of directors. The examiners reviewed the structure and purpose of each committee as well as meeting minutes of each committee. The examiners found that the materials reviewed

demonstrated that the company had a comprehensive compliance program in place and met the requirements in s. Ins 9.42, Wis. Adm. Code.

The company quality improvement plan included a quality program; HEDIS measurements; clinical practice guidelines; preventive health care guidelines and wellness initiatives; continuity and coordination of care; and patient safety. The company compliance plan consisted of an annual audit plan; standards for provider access; review of provider access standards; continuity of care language; provider disclosure language; an annual quality improvement plan description and evaluation; a medical director that chaired or participated in clinical and utilization management committees; a confidentiality committee; and an internal grievance procedure. The company provided, and examiners reviewed, all policies and procedures for quality improvement and compliance plans.

The company did not require credentialing for practitioners who practiced exclusively in an inpatient setting. Examples of practitioners that practiced exclusively in an inpatient setting were physician assistants; nurse practitioners; physical, speech and occupational therapists; anesthesiologists (unless they provide pain management services); radiologists (unless they provide radiation oncology services); pathologists; emergency room physicians; and urgent care practitioners.

The company utilized the Rural Wisconsin Health Cooperative (RWHC) as a credentialing verification organization (CVO). RWHC gathered information for monthly credentialing committee meetings. RWHC did not make final credentialing decisions but provided credentialing recommendations to the company. Re-credentialing took place every three years. Provider credentialing was delegated to contracted in-network facilities such as MercyCare, the Monroe Clinic, ProHealth Care Medical Associates, University of Wisconsin Hospitals and Clinics, and Chartwell (Home Health Agencies). Any other credentialing was performed internally by the company.

The examiners documented that the company had a process and had filed annually with OCI the required certification of access standards, certification of managed care plan types, and its quality assurance plan.

The company contracted with Pacific Interpreters to handle non-English speaking customer service calls and evaluated the diversity and cultural needs of its membership through a consumer assessment health plan study, as well as annual census bureau data.

The company conducted new member surveys and random monthly member satisfaction surveys. The company provided a Pharmacy Services Help Line for members and practitioners to call with questions about formularies, status of medications, prior authorization requests, reasons for claims rejections, and benefits questions. The company had a 24/7 nurse line and delegated management of after-hour calls to each individual clinic through its provider contracts. The company published a quarterly electronic member newsletter.

The examiners reviewed 2 network agreements, a random sample of 25 active provider agreements, and 25 terminated provider agreements. The examiners found that 10 active provider agreement files for specialty providers did not contain a provision that required providers to post notification of termination in their office. The affected providers were contracted through University Health Care, Inc., or the Watertown Network. 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 the requirements of s. 609.24, Wis. Stat., and require the provider to post a notification of termination with the plan in the provider's 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.

5. **Recommendation:** It is recommended that the company update its provider agreements to include language that requires specialty providers to post notification of termination in their offices upon termination by the insurer to comply with s. Ins 9.35 (1) (a) 3., Wis. Adm. Code.

Marketing, Sales, and Advertising

The examiners reviewed the company response to OCI's marketing, sales and advertising interrogatory; its advertising file; company business plan; oversight of agents/agencies; and marketing committee meeting minutes.

The company had detailed business plans and timelines for study and/or implementation of strategies for each area of business. The examiners reviewed the company's business plans for 2011 and 2012 for its legal, customer relations, facilities, actuarial services, marketing, operations support, internet development, pharmacy program, and provider relations areas. The examiners also reviewed the company's marketing committee minutes and PowerPoint presentations. Throughout, the company emphasized that the primary purpose of its Web site was sales growth and was used as its primary marketing tool. The company did not contract with any vendors to develop leads for marketing.

The company provided a list of 102 insurance agencies contracted during the period of review. The agency contracts were uniform for all agencies. The agency contracts barred agencies and agents from creating marketing materials without obtaining written approval from a company officer. The company also required that a principal of each agency sign a business associate agreement to comply with HIPAA regulations. The company indicated it did not solicit agency business; rather agencies approached the company to sell its products. Individual agents within each agency were appointed with the company when their first sale was completed, or when the agent was a replacement agent of record for an existing group account. The company delegated all external agent training to its agencies through the agency contract.

The company used its Web site, www.unityhealth.com, to provide information to current and prospective members, employers, agents and health care providers. The company also used its Web site for direct sales of individual health plans. It included plan information and the ability to obtain a price quote and apply for individual insurance. The company indicated the majority of its individual insurance business was obtained through the company Web site.

Applications for individual coverage or insurance questions generated from the Web site were assigned to internal agents who were licensed and appointed but were employees of the company.

During their review of company marketing, sales, and advertising materials the examiners found the company did not have a formal agent/agency oversight process and procedure in place. Company oversight of contracted agents and agencies was required in order to document compliance with s. 628.40, Wis. Stat., which stated a company was responsible for the acts of its agents; s. 628.34, Wis. Stat., which described unfair marketing practices; and s. Ins 6.60, Wis. Adm. Code, which described prohibited business practices. The company acknowledged no documented policy and procedure existed, although the company felt it had monitored agent activity in accordance with insurance law requirements. The company agreed to document its oversight activities.

6. **Recommendation:** It is recommended that the company create and implement a policy and procedure for agent and agency oversight to demonstrate compliance with ss. 628.40 and 628.34, Wis. Stat.; s. Ins 6.60, Wis. Adm. Code; and as part of its overall corporate compliance program.

The examiners reviewed a random sample of 25 advertisements. The examiners found that the advertisements and the company advertising file met the requirements of s. Ins 3.27, Wis. Adm. Code, regarding health insurance advertisements. No exceptions were noted regarding the advertising file review.

The examiners reviewed social medial network Web sites such as Facebook, LinkedIn, Twitter, and YouTube for company information and advertisements. The examiners found the main social media presence the company maintained was its Facebook page, where the company had several commercials, as well as educational videos and articles posted for healthy living. The posted commercials were also contained in the company advertising file. The company maintained a minimal presence on all other social media sites that were reviewed, and the content of all other social media sites (if any) was substantially similar to what was

posted on the company Facebook page. The company indicated it was continuing to refine its social media strategy which emphasized its corporate Web site design. The company Web site had links to its online presence on Facebook, Twitter, and LinkedIn, as well as an RSS feed blog.

Policy Forms and Rates

Section 631.20, Wis. Stat., was amended effective July 1, 2008, to allow most policy forms to be submitted to OCI on a file-and-use basis rather than prior-approval basis. Section Ins 6.05, Wis. Adm. Code, provides that companies are required to submit a certificate of compliance with their policy form submissions.

The company stated the legal department was responsible for creating new policy forms. The examiners compared the policy form listing provided by the company to the products that it marketed or that were in force during the period of review.

The examiners compared the policy form listing provided by the company with OCI's approved policy forms database, as well as the filing information provided in the SERFF database. The examiners found that the company correctly coded its policy forms that were submitted in the SERFF database.

The examiners verified the company utilized the PPACA Uniform Compliance Summary form for all of its filings that were submitted based on PPACA market reforms. The examiners found that the PPACA Uniform Compliance Summary forms were correctly utilized for the period of review. All forms reviewed by the examiners were found to be compliant with state of Wisconsin insurance law, and no exceptions were noted.

The company stated it had an actuarial department that was responsible for developing and determining rates, as well as submitting rate filings to OCI. The actuarial department was led by the assistant vice president Actuarial and Small Group Business, who reported directly to the president and CEO. The actuarial department developed rates for all company products and did not have an affiliation with a third-party actuarial firm.

The company stated its legal department monitored changes in insurance law and regulation based on OCI bulletins, trade association bulletins and ETF communications. Changes in insurance law were communicated to staff via the Benefit Coordination Committee and weekly departmental meetings.

Producer Licensing

The examiners reviewed the company appointment and termination procedures, agent and agency contracts, commission reports, and process for monitoring compliance with continuing education requirements.

The examiners compared the agent data provided by the company for the period of review with OCI's database of agents appointed to represent the company. The examiners found the following:

a) The company's agent database showed 4 agents were appointed by the company but were not reported to OCI.

b) Company records for 1 agent showed the termination date for the agent was not reported to OCI.

c) There were 4 agent numbers incorrectly entered in the company database when compared to OCI's database.

d) There were 15 agents listed as appointed in the company database but were terminated in OCI's database. The company stated the agents remained in the company database because staff did not complete all steps of its agent termination procedure. The examiners found that on average it took the company more than 100 days to internally terminate an agent after submitting a termination request to OCI.

e) There were 9 agents not appointed in company records but were appointed in OCI's database. The company indicated it researched each record before

terminating an agent, but notification was not consistently sent to OCI when it terminated an agent.

Section 628.11, Wis. Stat., provides that an insurer shall report to the commissioner all appointments, including renewals of appointments and all terminations of appointment of agents.

7. **Recommendation:** It is recommended that the company develop, document, and implement procedures to ensure that all producers appointed by OCI are recorded in the company database to comply with s. 628.11, Wis. Stat.

The examiners determined the company used incorrect terminology for agent termination date when compared to OCI's definition of agent termination date. The company definition of terminated agent date applied only to an agent that was terminated by the company for cause, retirement, death, or the agent moved out of the company service area. OCI's definition of an agent appointment termination date was defined in s. Ins 6.57 (2), Wis. Adm. Code, as the date which the insurer effectively severs the agency relationship with its intermediary agent and withdraws the agent's authority to represent the company in any capacity. The company stated it removed agents from its internal database instead of following termination guidelines pursuant to s. Ins 6.57 (2), Wis. Adm. Code, s. 628.11 Wis. Stat., and s. 628.40, Wis. Stat. The examiners found agents had not been given proper notice of termination of appointment by the company.

The examiners reviewed a random sample of 25 active agent files. In the agent sample, 7 of the agents were direct company employees. The 18 remaining agents were affiliated with agencies under contract with the company. The company did not directly sign contracts with these 18 agents. Each agent file included a copy of the company contract with the agency and the business associate's agreement that was signed by the company and a principal of the agency. The examiners found the company was unable to document that 1 agent was ever appointed with the company, although he had written business and been paid

commissions. The company acknowledged that it had accepted business from the agent, which does not comply with s. Ins 6.57 (1) and (5), Wis. Adm. Code. Section Ins 6.57 (1), Wis. Adm. Code, states 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, states 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 and appointed by the company.

8. **Recommendation:** It is recommended that the company develop and implement a process and procedure to ensure that business is not accepted from an agent who is not appointed with the company, to comply with s. Ins 6.57 (1) and (5), Wis. Adm. Code.

The examiners asked the company for its process and procedure for providing all terminated Wisconsin agents with written notice of termination and return of indicia required by s. Ins 6.57 (2), Wis. Adm. Code, and s. 628.40, Wis. Stat. The examiners also asked the company for a sample copy of all agent termination letters or notices. The company indicated it did not have samples of agent termination letters or notices and indicated it had never terminated any agents.

The examiners reviewed a random sample of 25 company agent records for agent termination notifications as required by s. Ins 6.57 (2), Wis. Adm. Code, and s. 628.11, Wis. Stat. The examiners found that the company files included 9 agents whose terminations were not reported to OCI within 30 days as required by s. Ins 6.57 (2), Wis. Adm. Code. Additionally, the examiners found 13 agents whose termination date in OCI's database was reported before the date the agents were terminated in the company database. Of the 25 records reviewed, the examiners only found 2 terminations reported timely.

9. **Recommendation:** It is recommended that the company revise its policy and procedure to comply with OCI's definition of a termination date to comply with s. Ins 6.57 (2), Wis. Adm. Code.

10. **Recommendation:** It is recommended that the company update its process and procedure for agent appointment and termination to include sending termination notices to terminated agents as required by s. Ins 6.57 (2), Wis. Adm. Code, and s. 628.40, Wis. Stat.

11. **Recommendation:** It is recommended that the company develop an agent appointment and termination process and procedure to notify OCI of an agent termination within 30 days of termination to comply with s. 628.11, Wis. Stat.

Small Employer

The examiners reviewed the company's response to OCI's small employer interrogatory, the company underwriting procedures, and application process.

The company stated it did not propose a rate increase of 10% or more for any small group business for the period of review. The company's medical loss ratio exceeded 80% for its individual and small group markets and exceeded 85% for its large group market. Because loss ratios exceeded 80% for its individual and small group business, the company did not owe consumer rebates for 2011.

The examiners verified that the company provided a written disclosure form to small employers that described its rating methodology, employer's renewability rights and the rights to increase premiums. The company also provided a notice of Wisconsin protections for small employer groups. These forms were required to be signed by an authorized representative of the employer and were required to be submitted with its application for small group insurance.

The company required employers to utilize the state of Wisconsin small employer uniform employee application for all employees upon initial enrollment. The company indicated that its quality assurance department audited 100% of new group member submissions and 7% of new member submissions.

The company stated it did not allow agents to perform field underwriting. Aside from submitting various requests for quotes, renewals, and reporting, agents did not have an active role in the underwriting process.

The examiners reviewed the company's procedure for ensuring that applications were not accepted from agents who were not licensed or appointed with the company. The company indicated its internal sales account executives and service personnel were licensed agents with the state of Wisconsin and appointed with the company. If an external agent working with a prospective group was not appointed with the company, a licensed account executive or service personnel would submit quotes and applications as a direct sale on behalf of the non-appointed agent. If the sale was finalized, the Sales Business Coordinator would appoint the external agent and transfer the agent of record from the internal agent to the external agent upon completion of the contracting and appointment process.

The examiners reviewed a random sample of 25 small employer, new business issued files. The examiners found in 4 files the agent listed on the employer group application was not appointed with the company at the time the application was signed and was not appointed with the company within 15 days of the application being signed. The company acknowledged that applications to appoint these agents were not timely and agreed to update its documented policy and procedure.

12. **Recommendation:** It is recommended that the company update its policy and procedure for appointing agents to require that agents be appointed within 15 days of receipt of applications to comply with s. Ins 6.57 (1), Wis. Adm. Code.

13. **Recommendation:** It is recommended that the company implement a process and procedure to ensure it does not accept applications from agents not appointed with the company to comply with s. Ins 6.57 (5), Wis. Adm. Code.

Company Operations and Management

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

The examiners reviewed the board of directors' meeting minutes for the period of review. The minutes reflected a broad spectrum of oversight and the board provided direction to various committees and departments under its supervision and control. The board minutes indicated the company was preparing to implement the federal Affordable Care Act (ACA). The compliance officer kept the board informed of the status of ACA initiatives.

The examiners reviewed the company's compliance plan and interviewed its compliance officer. The company had a compliance committee and three subcommittees that reported to the compliance officer. The committees formed the compliance program for the company. The company had an internal audit process that included evaluation of many of its functional areas annually in addition to quarterly reports to the board. It also utilized its complaint and grievance data to identify trends and policy and procedures that may have needed updates or clarification. The examiners found that the company had a system in place for monitoring its health care operations and to ensure compliance with insurance rules and regulations in the state of Wisconsin. However, based on the findings in this examination report, the examiners also found that the company did not consistently demonstrate oversight of its producer licensing functions to ensure that agents were appointed timely and terminated in compliance with Wisconsin insurance statutes and rules.

14. **Recommendation:** It is recommended that the company develop and document as part of its compliance program a plan for identifying and addressing any issues relating to its producer licensing, appointment and termination process and procedures.

V. CONCLUSION

This market conduct examination involved a targeted review of Unity Health Plans Insurance Corporation for the period January 1, 2011, to December 31, 2012. The examination report makes 14 recommendations regarding the company's business practices involving claims; managed care; grievances and IROs; small employer; marketing; producer licensing; and company operations and management.

VI. SUMMARY OF RECOMMENDATIONS

Claims

Page 10 1. It is recommended that the company update the information on its explanation of benefits (EOB) form to include a statement indicating whether payment accompanies the form, payment is being made to the provider, or payment is being denied to comply with s. Ins 3.651 (4) (a) 3., Wis. Adm. Code.

Grievance and IRO

Page 11 2. It is recommended that the company categorize grievances for reporting to OCI in its annual grievance report according to the definitions on the annual grievance reporting form to comply with s. Ins 18.06 (2), Wis. Adm. Code.

Page 11 3. It is recommended that the company modify its process and procedure to ensure that members are provided a notice of the right to request an independent review every time the company makes an adverse determination for any of the reasons defined in s. Ins 18.10 (1), Wis. Adm. Code.

Page 12 4. It is recommended that the company modify its grievance and appeal policy and procedure and its Complaint Process Benefit Manual to ensure that its definitions are consistent and that its definition of complaint is compliant with s. Ins 18.01 (2), Wis. Adm. Code.

Managed Care

Page 14 5. It is recommended that the company update its provider agreements to include language that requires specialty providers to post notification of termination in their offices upon termination by the insurer to comply with s. Ins 9.35 (1) (a) 3, Wis. Adm. Code.

Marketing, Sales, and Advertising

Page 16 6. It is recommended that the company create and implement a policy and procedure for agent and agency oversight to demonstrate compliance with ss. 628.40 and 628.34, Wis. Stat., and s. Ins. 6.60, Wis. Adm. Code, and as part of its overall corporate compliance program.

Producer Licensing

Page 19 7. It is recommended that the company develop, document and implement procedures to ensure that all producers appointed by OCI are recorded in the company database to comply with s. 628.11, Wis. Stat.

Page 20 8. It is recommended that the company develop and implement a process and procedure to ensure that business is not accepted from an agent who is not appointed with the company, to comply with s. Ins 6.57 (1) and (5), Wis. Adm. Code.

Page 20 9. It is recommended that the company revise its policy and procedure to comply with OCI's definition of a termination date to comply with s. Ins 6.57 (2), Wis. Adm. Code.

Page 21 10. It is recommended that the company update its process and procedure for agent appointment and termination to include sending termination notices to terminated agents as required by s. Ins 6.57 (2), Wis. Adm. Code, and s. 628.40, Wis. Stat.

Page 21 11. It is recommended that the company develop an agent appointment and termination process and procedure to notify OCI of an agent termination within 30 days of termination to comply with s. 628.11, Wis. Stat.

Small Employer

Page 22 12. It is recommended that the company update its policy and procedure for appointing agents to require that agents be appointed within 15 days of receipt of applications to comply with s. Ins 6.57 (1), Wis. Adm. Code.

Page 22 13. It is recommended that the company implement a process and procedure to ensure it does not accept applications from agents not appointed with the company to comply with s. Ins 6.57 (5), Wis. Adm. Code.

Company Operations and Management

Page 23 14. It is recommended that the company develop and document as part of its compliance program a plan for identifying and addressing any issues relating to its producer licensing, appointment and termination process and procedures.

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.

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Darcy Paskey	Insurance Examiner
Jody Ullman	Insurance Examiner
Mary Richardson	Insurance Examiner
Barbara Belling	Insurance Examiner
Moua Yang	Insurance Examiner

Respectfully submitted,

William Strelow
Examiner-in-Charge