STATE OF MISSOURI
DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

FINAL MARKET CONDUCT EXAMINATION REPORT
Of the Health Business of

AETNA HEALTH INC.
NAIC # 95810

MISSOURI EXAMINATION #s 0612-45-TGT and 0904-17-TGT
NAIC EXAMINATION TRACKING # MO268-M39 and MO268-M120

October 8, 2010

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TABLE OF CONTENTS

FOREWORD

This is a targeted market conduct examination report of Aetna Health Inc., (NAIC Code # 95810). This examination was conducted at the offices of the Missouri Department of Insurance, Financial Institutions and Professional Registration (DIFP).

This examination report is generally a report by exception. However, failure to criticize specific practices, procedures, products or files does not constitute approval thereof by the DIFP.

During this examination, the examiners cited errors made by the Company. Statutory citations were as of the examination period unless otherwise noted.

When used in this report:

- "Company" or "Aetna" refers to Aetna Health Inc.
- "Covansys" refers to Covansys (CSC-Computer Sciences Corporation), the claim designee for the Missouri Department of Elementary and Secondary Education (DESE) as described in 20 CSR 400-2.170(4)(C);
- "CSR" refers to the Code of State Regulations;
- "Department" refers to the Missouri Department of Insurance, Financial Institutions and Professional Registration;
- "DESE" refers to the Missouri Department of Elementary and Secondary Education;
- "Director" refers to the Director of the Missouri Department of Insurance, Financial Institutions and Professional Registration:
- "First-Steps" refers to Missouri's early intervention system as eligible for services under Part C of the Individuals with Disabilities Education Act, 20 U.S.C. Section 1431, et seq and Section 376.1218 RSMo.;
- "NAIC" refers to the National Association of Insurance Commissioners; and
- "RSMo" refers to the Revised Statutes of Missouri.

SCOPE OF THE EXAMINATION

The authority of the Department to perform this examination includes, but is not limited to, Sections: 354.190, 374.110, 374.190, 374.205, 375.445, 375.938, 375.1009 and 376.1218, RSMo.

The purpose of this examination was to determine if the Company complied with Missouri statues, DIFP regulations and to consider whether the Company's operations are consistent with the public interest. The primary period covered by this review is January 1, 2003, through December 31, 2005, unless otherwise noted. However, errors discovered outside of this time period may also be included in the report.

This examination was a targeted examination involving the following business functions and lines of business:

- Claims – Denied Colon Cancer Screening
- Claims – Denied Child Immunization
- Claims – Denied Emergency/Ambulance
- Claims – Denied Mammograms
- Claims – Denied Pap (Papanicolaou Test)
- Claims – Denied PSA (Prostate-Specific Antigen)
- Claims – Denied "First-Steps" (Coverage for Early Intervention Services)
- Complaints, Grievances and Appeals

This examination was conducted in accordance with the standards established in the NAIC *Market Regulation Handbook.* As such, the examiners utilized the benchmark error rate guidelines from the *Market Regulation Handbook* when conducting reviews. The NAIC benchmark error rate for claims practices is seven percent (7%), five percent (5%) for prompt pay reviews of health claims, and ten percent (10%) for all other trade practices. Error rates exceeding these benchmarks are presumed to indicate a general business practice. The benchmark error rates were not utilized, however, for reviews not applying the general business practice standard.

In performing this examination, the examiners only reviewed a sample of the Company's practices, procedures, products, and files. Therefore, some noncompliant practices, procedures, products and files may not have been discovered. As such, this report may not fully reflect all of the practices and procedures of the Company. As indicated previously, failure to identify or criticize improper or noncompliant business practices in this state or other jurisdictions does not constitute acceptance of such practices.

COMPANY PROFILE

The Company is licensed by the DIFP under Chapter 354, RSMo, to write Health Maintenance Organization business as set forth in its Certificate of Authority. The following information was obtained by the examiners from the Company's web site at:

http://www.aetna.com/about-aetna-insurance/aetna-corporate-profile/aetna_mission_statement.html

"The Aetna mission:

Aetna is dedicated to helping people achieve health and financial security by providing easy access to safe, cost-effective, high-quality health care and protecting their finances against health-related risks. Building on our 156-year heritage, Aetna will be a leader cooperating with doctors and hospitals, employers, patients, public officials and others to build a stronger, more effective health care system."

EXECUTIVE SUMMARY

The Department conducted a targeted market conduct examination of Aetna Health Inc. The contents of the examination report reflect the errors and violations that the examiners discovered during their review of the Company's records. The principal issues of concern found in this examination are as follows:

1. The Company wrongfully denied 13 emergency-room/ambulance claims without proper cause. Although the Company initially denied these claims, it subsequently reversed its position and paid the claims when the examination team requested it to reevaluate all denied claims that fell into this category.

Reference: Sections 354.400 (1), (5), and (6), and 375.1007 (4), RSMo.

2. The Company failed to produce one claim file as requested, which contained the inception, handling and disposition of that claim, so that the examiners could readily ascertain the Company's claims handling and payment.

Reference: Sections 375.205, RSMo, and 20 CSR 100-8.040.

3. The Company wrongfully denied 36 child immunization claims without proper cause. Although the Company initially denied these claims, it subsequently reversed its position and paid the claims when the examination team requested it to reevaluate all denied claims that fell into this category.

Reference: Sections 375.1007 (4) and 376.1215, RSMo.

4. The Company improperly re-processed 11 claims that were initially denied due to referral issues, services deemed not medically necessary and timely filing. Although the Company wrongfully denied and improperly re-processed these claims, it subsequently reversed its position and properly paid the claims when the examination team requested it to reevaluate all claims that fell into this category.

Reference: Sections 375.1007 (4) and 376.1218.4, RSMo.

EXAMINATION FINDINGS

I. COMPANY AUTHORIZATION

Missouri law determines which companies may sell insurance and the lines of insurance these companies may sell by requiring that each obtain the appropriate authority to transact the business of insurance. To protect the consumer, Missouri enacted laws and regulations to ensure that companies provide fair and equal treatment in its business dealings with Missouri citizens. An insurance company receives a Certificate of Authority that allows it to operate within the state only after it complies with certain application requirements regulated by the Department.

Aetna Health Inc., a Missouri corporation, has current authority to transact business in Missouri as a HMO carrier identified under Sections 354.400-354.636, RSMo.

II. CLAIMS PRACTICES

This section of the report is designed to provide a review of the Company's claims handling practices. Examiners reviewed how the Company handled claims to determine the accuracy of payment, adherence to contract provisions, and compliance with Missouri statutes and regulations.

To minimize the duration of the examination, while still achieving an accurate evaluation of claim practices, the examiners restricted the claim review process to only those claims denied by the Company. The review consisted of Missouri claims denied by the Company with a closing date from January 2004 through December 2005.

A claim file is determined in accordance with 20 CSR 100-8.040 and the NAIC *Market Regulation Handbook.* Error rates are established when testing for compliance with laws that apply a general business practice standard (e.g; Sections 375.1000-375.1018 and Section 375.445, RSMo) and compared with the NAIC benchmark error rate of seven percent (7%). Error rates in excess of the NAIC or statutory benchmark error rates are presumed to indicate a general business practice contrary to the law.

Errors indicating a failure to comply with laws that do not apply to the general business practice standard are separately noted as errors and are not included in the error rates.

For purposes of this targeted report, a claim error will include, but not be limited to, any of the following:

- An unreasonable or wrongful denial of a claim.
- A failure to calculate claim benefits correctly.
- A failure to comply with Missouri law regarding claim settlement practices.

Missouri statutes require the Company to disclose to first-party claimants all pertinent benefits, coverage or other provisions of an insurance policy under which a claim is presented. Claim denials must be given to the claimant in writing, and the Company must maintain a copy in its claim files.

A. Unfair Settlement of Claims

The examiners reviewed the Company's claim handling processes to determine compliance with contract provisions and adherence to unfair claims statutes and regulations. Whenever a claim file reflected that the Company failed to meet these standards, the examiners cited the Company for noncompliance.

The results of this review are as follows:

1. Denied Ambulance/Emergency Room Claims

Field Size:	1,274
Sample Size:	1,274
Type of Sample:	Census
Number of Errors:	13
Error Ratio:	1.02 %

The following errors were cited in this review:

Claim documentation indicates that the Company wrongfully denied the following 13 emergency-room/ambulance claims without proper cause. Although the Company initially denied these claims, it subsequently reversed its position and paid the claims

when the examination team requested it to reevaluate all denied claims that fell into this category.

Reference: Sections 354.400 (1), (5), and (6), and 375.1007 (4), RSMo.

Claim Item	Date of Claim Adjustment	Claim Adjustment Amount
051006E0333601	11/09/2007	$176.11
050412E1436100	11/13/2007	$254.73
050428E8113200	11/02/2007	$125.43
050802E0559100	11/02/2007	$164.23
05020846340800	11/02/2007	$146.06
050118E2758500	11/08/2007	$138.47
051102E9042800	11/05/2007	$45.48
050106E4406900	11/02/2007	$84.84
05040520008200	11/08/2007	$495.03
051223E3353600	11/08/2007	$466.64
050531Y0195600	12/18/2007	$78.74
050405Y1128800	11/08/2007	$224.59
05040520008200	11/08/2007	$115.03

2. Denied Pap-Smear Claims

Field Size:	207
Sample Size:	207
Type of Sample:	Census
Number of Errors:	1
Error Ratio:	.48%

The following error was cited in this review:

For the following claim, the Company was unable to produce a record of payment to a lab so that the examiners could readily ascertain claims handling practices of the insurer relative to this claim file.

Reference: Section 375.205, RSMo, and 20 CSR 100-8.040

Claim Item	Date Claim Denied	Billed Amount of Claim
050310E1446401	03/28/2005	$50.00

3. Denied Mammogram Claims

Field Size:	390
Sample Size:	390
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0 %

No errors were cited in this review.

4. Denied Colon Cancer Screening Claims

Field Size:	173
Sample Size:	173
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0%

No errors were cited in this review.

5. Denied PSA (Prostate-Specific Antigen) Claims

Field Size:	207
Sample Size:	207
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0%

No errors were cited in this review.

6. Denied Child Immunization Claims

Field Size:	373
Type of Sample:	Census
Number of Errors:	36
Error Ratio:	9.65%

The following errors were cited in this review:

Claim documentation indicates that the Company wrongfully denied the following 36 child immunization claims without proper cause. Although the Company initially denied these claims, it subsequently reversed its position and paid said claims when the examination team requested it to reevaluate all denied claims that fell into this category.

Reference: Sections 375.1007(4) and 376.1215, RSMo.

Claim Item	Date of Claim Adjustment	Claim Adjustment Amount
050915E236440	12/05/2007	$10.03
050915E0912701	11/29/2007	$10.01
05082204436700	11/29/2007	$10.06
051111E3708100	11/29/2007	$9.86
050922E3215500	11/29/2007	$10.00
051005E3394900	11/29/2007	$9.96
051122E7113900	11/29/2007	$9.84
051228E4005500	11/30/2007	$9.74
050930E0689600	11/29/2007	$1.25
051116E6087400	11/29/2007	$9.85
051109E4026601	11/29/2007	$19.73
051122E7947300	11/02/2007	$39.34
051129E1208801	11/29/2007	$2.45
051109E4026601	11/29/2007	$19.73
051122E7947300	11/29/2007	$39.34
051117E7517100	11/29/2007	$19.69

Claim Item	Date of Claim Adjustment	Claim Adjustment Amount
051118E5301600	11/29/2007	$39.39
051103E6513400	06/14/10	$12.32
050913E9945900	11/29/2007	$10.02
051130E0045300	11/29/2007	$9.81
050822E3541000	11/29/2007	$29.27
050317E7602400	12/03/2007	$10.54
050822E1586200	12/04/2007	$10.08
051108E5184300	12/03/2007	$9.88
050915E2364400	11/29/2007	$10.00
051122E7947300	11/29/2007	$39.34
051117E7517100	11/29/2007	$19.69
051118E5301600	11/29/2007	$39.39
05111E2687700	12/03/2007	$9.87
051222E7501700	11/29/2007	$29.27
05061301622100	12/03/2007	$10.54
051122E7947300	11/29/2007	$39.39
050915E2364400	11/30/2007	$33.87
051118E5301600	11/29/2007	$39.39
051118E5301600	11/29/2007	$39.39
051129E1427401	12/03/2007	$9.82

7. Denied “First-Step” Claims

Field Size:	1,783
Sample Size:	1,783
Type of Sample:	Census
Number of Errors:	11
Error Ratio:	.62%

The following errors were cited in this review:

Claim documentation indicates that the Company improperly re-processed 11 claims that were initially denied due to referral issues, services deemed not medically necessary, and timely filing.

The Company explains that it encountered claim payment issues in the beginning of the examination period. Once the Company started processing claims and issuing checks, Covansys notified the Company that the checks were made payable to the incorrect payee, and therefore, returned the checks to the Company to be reissued. The Company encountered provider matching issues related to the Missouri Tax Identification Number (TIN). The Company worked with Covansys to correct the check payee issue and to void and reissue all checks to the correct payee. This issue was resolved in May 2007.

While the Company worked with Covansys, the examiners discovered that claims were being denied inappropriately for lack of referral, services not medically necessary, timely filing, etc. The Company identified that the pending code was not set correctly which resulted in claims not pending appropriately, and therefore, being incorrectly denied. The pending code issue was corrected approximately January 2008. The Company worked with Covansys to have the inappropriately denied claims reprocessed.

Although the Company wrongfully denied and improperly re-processed these claims, they subsequently reversed their position and properly paid the claims when the examination team requested it to reevaluate all claims that fell into this category.

Reference: Sections 375.1007(4) and 376.1218.4, RSMo.

Claim Item	Date of Claim Adjustment	Claim Adjustment Amount
080612E2101500	02/17/2010	$36.16
080612E1491500	02/17/2010	$17.04
080612E0875800	02/17/2010	$39.42
080612E2713600	02/17/2010	$56.31
080612E0262300	02/17/2010	$39.42

Claim Item	Date of Claim Adjustment	Claim Adjustment Amount
080612E0262400	02/17/2010	$39.42
080612E0875900	02/17/2010	$56.31
080612E2713700	02/17/2010	$39.42
070301E9220001	02/17/2010	$10.28
080719E1179000	02/17/2010	$27.88
081122E2122900	02/17/2010	$26.84

B. General Handling Practices

Apart from the review of determining those claims that were improperly denied, reduced or delayed by the Company, the examination staff reviewed the carrier's procedures for maintaining proper control over the usage of Coordination of Benefits (COB), deductible and coinsurance provisions.

There were no errors noted in this review.

III. COMPLAINTS

This section of the report is designed to provide a review of the Company's complaint handling practices. Examiners reviewed how the Company handled complaints to ensure it was performing according to its own guidelines and Missouri statutes and regulations.

Section 375.936(3), RSMo, requires companies to maintain a registry of all written complaints received for the last three years. The registry must include all Missouri complaints, including those sent to the DIFP and those sent directly to the Company.

The examiners verified the Company's complaint registry, dated January 1, 2003, through December 31, 2005. The registry contained a total of 222 complaints. They reviewed all 31 complaints that went through DIFP and all 191 complaints that did not come through the Department, but went directly to the Company.

The review consisted of an evaluation of the nature of each complaint, the disposition of the complaint, and the time taken to process the complaint as required by Section 375.936(3), RSMo, and 20 CSR 300-2.200(3)(D) (As amended 20 CSR 100-8.040, effective 1/30/09).

There were no errors noted in this review.

IV. CRITICISM AND FORMAL REQUEST TIME STUDY

This study is based upon the time required by the Company to provide the examiners with the requested material or to respond to criticisms. Missouri law requires companies to respond to criticisms and formal requests within 10 calendar days. Please note that in the event an extension was requested by the Company and granted by the examiners, the response was deemed timely if it was received within the time frame granted by the examination team. If the response was not received within that time period, the response was not considered timely.

The amount of time taken by the Company to respond is noted below.

A. Criticism Time Study

Calendar Days	Number of Criticisms	Percentage
Received within time limit, including any extensions.	5	100%
Received outside time-limit, including any extensions.	0	0%
No Response:	0	0%
Total:	5	100%

In this review, the Company responded to all criticisms within a timely manner.

Reference: Section 374.205.2(2), RSMo, and 20 CSR 100-8.040

B. Formal Request Time Study

Calendar Days	Number of Criticisms	Percentage
Received within time limit, including any extensions.	14	100%
Received outside time-limit, including any extensions.	0	0%
No Response:	0	0%
Total:	14	100%

In this review, the Company responded to all formal requests within a timely manner.

Reference: Section 374.205.2(2), RSMo, and 20 CSR 100-8.040

EXAMINATION REPORT SUBMISSION

Attached hereto is the Division of Insurance Market Regulation's Final Report of the examination of Aetna Health Inc. (NAIC #95810), Examination Number 0612-45-TGT and 0904-17-TGT. This examination was conducted by E. Jack Baldwin, John Korte, David Pierce, and John Clubb. The findings in the Final Report were extracted from the Market Conduct Examiner's Draft Report, dated March 31, 2010. Any changes from the text of the Market Conduct Examiner's Draft Report reflected in this Final Report were made by the Chief Market Conduct Examiner or with the Chief Market Conduct Examiner's approval. This Final Report has been reviewed and approved by the undersigned.

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Jim Mealer Date
Chief Market Conduct Examiner