

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



DRAFT MARKET CONDUCT EXAMINATION REPORT
Of the Life and Health Business of

Group Health Plan Inc
NAIC # 96377
MISSOURI EXAMINATION # 0903-09-TGT
NAIC EXAM TRACKING SYSTEM # MO268-M106

September 9, 2010

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FOREWORD

This is a targeted market conduct examination report of Group Health Plan Inc (NAIC Code # 96377). 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” and “GHP” refers to Group Health Plan, Inc.;
- “CHL” refers to Coventry Health and Life Insurance Company, NAIC number 81973, and benefits administered by GHP;
- “Covansys” refers to Covansys (CSC - Computer Sciences Corporation), the claim designee for the Missouri Department of Elementary and Secondary Education as described in 20 CSR 400-2.170(4) (C);
- “CSR” refers to the Missouri Code of State Regulation;
- “DESE” refers to the Missouri Department of Elementary and Secondary Education;
- “DIFP” refers to the Missouri Department of Insurance, Financial Institutions and Professional Registration;
- “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 §376.1218 RSMo;
- “NAIC” refers to the National Association of Insurance Commissioners; and
- “RSMo” refers to the Revised Statutes of Missouri.

SCOPE OF EXAMINATION

The DIFP has authority to conduct this examination pursuant to, but not limited to, §§374.110, 374.190, 374.205, 375.445, 375.938, 375.1009, RSMo.

The purpose of this examination was to determine if the Company complied with Missouri statutes and DIFP regulations pursuant to Missouri's First Steps program. The primary period covered by this review is January 1, 2006, through December 31, 2008, unless otherwise noted. Errors outside of this time period discovered during the course of the examination, however, may also be included in the report.

The examination was a targeted examination involving the following business functions and lines of business: Equitable claim payments for Early Childhood Intervention Services, "First Steps."

The examination was conducted in accordance with the standards in the NAIC's *Market Regulation Handbook*. As such, the examiners utilized the benchmark error rate guidelines from the *Market Regulation Handbook* when conducting reviews that applied a general business practice standard. The NAIC benchmark error rate for claims practices is seven percent (7%), for electronically submitted health claims is five percent (5%), ten percent (10%) for other trade practices. Error rates exceeding these benchmarks are presumed to indicate a general business practice contrary to the law. 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 related to First Steps claims. 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

Group Health Plan is licensed by the DIFP under Chapter 354, RSMo, to write Health Maintenance Organization (HMO) business as set forth in its Certificate of Authority. Coventry Health and Life Insurance Company is licensed by the DIFP under Chapter 376, RSMo, to write Accident and Health insurance business as set forth in its Certificate of Authority. GHP administers contracts and benefits for CHL. The following was obtained by examiners from the Company's web site at: <http://chcmisouri.coventryhealthcare.com/about-us/index.htm>

“Group Health Plan (GHP) was founded on March 2, 1978, as Group Health Plan of Greater St. Louis, a non-profit health services corporation. GHP became operational in January of 1982 as a staff model HMO with one medical center serving St. Louis, St. Louis County, and a portion of Jefferson County. In 1985, GHP was licensed as a for-profit corporation and changed its name to Group Health Plan, Inc.

“During the late 1990's and early 2000's, GHP strengthened its presence within the marketplace by merging with two other health maintenance organizations within the St. Louis area. Today, GHP's service area has grown to include not only the St. Louis/Metro East area, but also Mid-Missouri, and Central and Southern Illinois. GHP's significant growth in recent years has positioned it as one of the top three health plans in the St. Louis market with over 330,000 members.

“GHP is a wholly owned subsidiary of Coventry Health Care, Inc., one of the top managed care firms in the nation. Headquartered in Bethesda, Maryland, Coventry provides health benefits and services to a broad section of employer and government-funded groups in all 50 states and Puerto Rico. Coventry's disciplined business principles and commitment to excellence have earned the company a noteworthy reputation. Coventry holds a place on the Standard & Poor's 500 Index (the S&P 500) and has been named to the *Fortune* 500 every year since 2002.”

EXECUTIVE SUMMARY

The DIFP conducted a series of targeted market conduct examinations of 14 insurance companies providing First Steps benefits. For the Company, the examiners found the following principal areas of concern.

- The Company improperly reduced payments for First Steps benefits in 758 claim files.
- The targeted examination revealed an overall error ratio of 49.5%.

The insurance coverage mandate for First Steps began as on January 1, 2006. This is the first examination targeting First Steps benefits and claim payments. The Company administered and processed all First Steps claim benefits for CHL underwritten contracts.

Examiners requested that the Company make refunds concerning claim underpayments found for amounts greater than \$5.00 during the examination. Examiners criticized the Company for delaying claim payments by requesting information from the “provider” that had been satisfied by an established statute or regulation.

The Company is directed to take immediate corrective action to demonstrate its ability and intention to conduct business according to the Missouri insurance laws and regulations. When applicable, corrective action for other jurisdictions should be addressed.

This market conduct examination was performed as a desk audit at the DIFP offices:

HST State Office Building
301 W. High Street
Jefferson City, MO 65101

EXAMINATION FINDINGS

I. UNDERWRITING AND RATING PRACTICES

The examiners reviewed the Company's forms filed by or on behalf of the Company with the DIFP.

An error can include, but is not limited to, any miscalculation of the premium based on the information in the file, an improper acceptance or rejection of an application, the misapplication of the Company's underwriting guidelines, incomplete file information preventing the examiners from readily ascertaining the Company's rating and underwriting practices, and any other activity indicating a failure to comply with Missouri statutes and regulations.

A. Forms and Filings

The examiners reviewed the Company's policy and contract forms to determine its compliance with filing, approval, and content requirements to ensure that the contract language is not ambiguous or misleading and is adequate to protect those insured.

The examiners discovered no issues or concerns.

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 timeliness of handling, accuracy of payment, adherence to contract provisions, and compliance with Missouri statutes and regulations.

The examiners requested a listing of claims paid and claims closed without payment during the examination period for the line of business under review. The review consisted of claims from First Steps providers with a date of closing from January 1, 2006, through December 31, 2008.

A. Unfair Settlement and General Handling Practices

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

The examiners reviewed denied claims for adherence to Missouri's First Steps mandated benefit. For the following reviews the examiners eliminated claims that were subsequently paid and those that did not involved the parameters specified. They reviewed records to determine that the Company's claims process is fair, reasonable, prompt and equitable according to the laws and regulations of Missouri.

The examiners asked for the computer processing specifications that control the requirements and payment levels for handling claims. The Company provided information and contracts related to claims clearinghouses and claim processing procedures.

Field Size:	1650 total 702 files for GHP, 948 files for CHL
Type of Sample:	Census
Number of Errors:	818 total 327 errors for GHP, 491 errors for CHL
Percent of Errors:	49.5% total 46.5% of files for GHP, 51.8% of files for CHL
Within Dept. Guidelines:	No

1. Improperly Underpaid Claims.

The examiners noted the following issue during their review:

Examiners discovered that payments for 818 claim files were wrongfully underpaid because the Company felt the charges exceeded the First Steps provider Medicaid rate. The reduced payment reasons given to the examination staff by the Company were that the Company based its payment on the *published* fee schedule and stated that “claims were paid according to the Medicaid fee schedule posted on the Missouri Department of Social Services website.”

As advised by DESE and Mo HealthNet, the applicable Medicaid rate and applicable provider manuals are related to the HCY/EPSDT program and discussed in 13 CSR 70-70.010. Subsection (5) of this regulation states, “Reimbursement. Payment will be made in accordance with the fee per unit of service as defined and determined by the MO HealthNet Division.” The Mo HealthNet Therapy Manual indicates that POS codes may “have a higher...maximum allowable amount.”

Reference: §§160.900, 208.144, 376.1218.4 and .5 RSMo, and 20 CSR 400-2.170(3)(B) and (4)(E).

The 818 claims applicable to this error may be found in Appendix 1 and 2. These claims have been reprocessed and paid at the billed amount.

II. CRITICISMS AND FORMAL REQUESTS 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 examiners. If the response was not received within that time period, the response was not considered timely.

A. Criticism Time Study

<u>Calendar Days</u>	<u>Number of Criticisms</u>	<u>Percentage</u>
Received w/in time-limit, incl. any extensions	0	0%
Received outside time-limit, incl. any extensions	1	100 %
<u>No Response</u>	<u>0</u>	<u>0%</u>
Total	1	100 %

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

B. Formal Request Time Study

<u>Calendar Days</u>	<u>Number of Requests</u>	<u>Percentage</u>
Received w/in time-limit, incl. any extensions	7	87.5%
Received outside time-limit, incl. any extensions	1	12.5%
<u>No Response</u>	<u>0</u>	<u>0%</u>
Total	8	100 %

Reference: §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 Group Health Plan, Inc. (NAIC #96377), Examination Number 0903-094-TGT. This examination was conducted by John S. Korte, E. Jack Baldwin, John T. Clubb, Mike Woolbright and David Pierce. The findings in the Final Report were extracted from the Market Conduct Examiner's Draft Report, dated June 15, 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.

Jim Mealer
Chief Market Conduct Examiner

Date