



**DEPARTMENT OF INSURANCE, FINANCIAL  
INSTITUTIONS AND PROFESSIONAL REGISTRATION**

P.O. Box 690, Jefferson City, Mo. 65102-0690

In re: )  
Coventry Health Care of Kansas (NAIC #95489) ) Examination No. 0904-18-TGT

**CURATIVE ORDER OF THE DIRECTOR**

NOW, on this 30<sup>th</sup> day of August, 2010, Director John M. Huff, after consideration and review of the market conduct examination report of Coventry Health Care of Kansas (NAIC #95489), report number 0904-18-TGT, prepared and submitted by the Division of Insurance Market Regulation pursuant to §374.205.3(3)(a), RSMo, does hereby adopt such report as filed. After consideration and review of such report, relevant workpapers, and any written submissions or rebuttals, the findings and conclusions of such report are deemed to be the Director's findings and conclusions accompanying this order pursuant to §374.205.3(4), RSMo.

This order, issued pursuant to §374.205.3, RSMo and §374.046.15, RSMo (Cum. Supp. 2009), is in the public interest.

IT IS THEREFORE ORDERED that the Company shall CURE the violations of law and regulations revealed in such report and shall take remedial action to bring the Company into compliance with the statutes and regulations of the State of Missouri and to maintain those corrective actions at all times, including, but not limited to, taking the following actions:

1. The Company shall corrective action to assure that the errors noted in the above-referenced market conduct examination reports do not recur.

2. The Company agrees to review all denied claims dated January 1, 2006, to the date a final Order is entered closing this examination, to assure that the claim was properly adjudicated, in accordance with §376.1218, RSMo. If the claim was not properly adjudicated, the Company agrees to reopen and reprocess the claim. If the claim should have been paid, the Company will issue any payments that are due to the claimant, bearing in mind that an additional payment of one per cent (1%) interest per month is also required, per §376.384, RSMo, for any delayed payments from the date the claim was first received with a letter stating that the payments are being made "as a result of a Missouri Market Conduct examination." Additionally, evidence should be provided to the Department within 90 days of the date a final Order is entered closing this examination that such notice has been sent to the claimants.

3. Documentation of all remedial actions taken by the Company to implement compliance with the terms of this Order and to assure that the errors noted in the examination report do not recur, including explaining the steps taken and the results of such actions, shall be filed with the Director within 30 days of the entry of this Order.

So Adopted, Found, Concluded and Ordered.

9-30-10

Date

  
John M. Huff  
Director

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



**FINAL MARKET CONDUCT EXAMINATION REPORT**  
**Of the Life and Health Business of**

**Coventry Health Care of Kansas**  
**NAIC # 95489**

**MISSOURI EXAMINATION # 0904-18-TGT**

**NAIC EXAM TRACKING SYSTEM # MO268-M121**

**August 13, 2010**

**Home Office**  
**8320 Ward Parkway**  
**Kansas City, MO 64114**

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## **FOREWORD**

This is a targeted market conduct examination report of Coventry Health Care of Kansas, Inc (NAIC # 95489). 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” refers to Coventry Health Care of Kansas;
- “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, and 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%), and for other trade practices is ten percent (10%). 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 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**

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

<http://chckansas.coventryhealthcare.com/about-us/index.htm>“Coventry

“Health Care of Kansas provides health benefit products and services. We offer a full spectrum of HMO, Point-of-Service, PPO, and Medicare Advantage plans, as well as policies for individuals and families. We serve individuals and employers of all sizes throughout the states of Kansas, Missouri and Oklahoma.

“We were first established in Kansas and Missouri in 1988, and have local offices in Kansas City, Missouri and Wichita, Kansas.

“Coventry Health Care of Kansas is a subsidiary of Coventry Health Care, Inc., one of the country's largest health care companies providing a full range of risk- and fee-based health care products and services in all 50 states. Coventry Health Care directly administers coverage for over 4.6 million members including over 34,000 employer group customers. Because of its strong bottom line and consistent financial performance, Coventry is ranked on the list of top performers by *Forbes Platinum 400*, *Fortune 500*, *Fortune 40*, and *Barron's 500*, and *The Wall Street Journal*.”

## **EXECUTIVE SUMMARY**

The DIFP conducted a targeted market conduct examination of Coventry Health Care of Kansas. The Company is licensed by the DIFP under Chapter 354, RSMo, to write HMO business as set forth in its Certificate of Authority. The DIFP conducted a series of targeted market conduct examinations of fourteen insurance companies providing First Steps benefits. For Coventry Health Care of Kansas the examiners found the following principal areas of concern:

- The examiners found that the Company re-adjudicated 31 claims after the examination warrant was issued.
- The targeted examination revealed an overall error ratio of 3.5%.

The insurance coverage mandate for First Steps began as on January 1, 2006. Therefore, this is the first examination targeting First Steps benefits and claim payments.

Examiners requested that the Company make refunds concerning claim underpayments found for amounts greater than \$5.00 during the examination if any were found.

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 Missouri claims selected from a listing furnished by the Company 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: 878  
 Type of Sample: Census  
 Number of Errors: 31  
 Percent of Errors: 3.5%  
 Within Dept. Guidelines: Yes

The examiners noted the following issue during their review:

1. Improperly Denied Claims.

The Company initially denied claims based on coding indicating medical necessity or a clinical decision. 20 CSR 400-2.170(4)(C)3.C indicates that First Steps payments shall not be denied based on a health carriers own determination of medical necessity or diagnosis. The Company indicates that the denials were not specifically based upon a medical necessity decision but were initially denied claims due to incorrect correct coding methodologies. The calling for this examination prompted the Company to review all First Steps claims. These claims have been readjudicated at 100% billed charges.

Reference: §376.1218.5, RSMo.

ClmNo1	DxCode	CPTCode	BillAmt
2810611068	315.9	92507	\$ 37.50
2810611070	315.9	92507	\$ 37.50
2810611071	315.9	92507	\$ 37.50
2810611076	315.9	92507	\$ 37.50
2810611057	315.9	92507	\$ 37.50
2810611059	315.9	92507	\$ 37.50
2810611147	783.42	92507	\$ 37.50
2810611060	315.9	92507	\$ 37.50
2810611149	783.42	92507	\$ 37.50
2810611064	315.9	92507	\$ 37.50
2810611065	315.9	92507	\$ 37.50
2810611150	783.42	92507	\$ 37.50
2736510221	315.9	97530	\$ 50.00
2804917227	315.9	97530	\$ 50.00
2804917229	315.9	92507	\$ 50.00

<b>ClmNo1</b>	<b>DxCode</b>	<b>CPTCode</b>	<b>BillAmt</b>
2804917232	315.9	92507	\$ 50.00
2804917233	315.9	92507	\$ 50.00
2804917235	315.9	97530	\$ 50.00
2804917237	315.9	92507	\$ 50.00
2804917239	315.9	92507	\$ 50.00
2804917241	315.9	97530	\$ 50.00
2804917242	315.9	92507	\$ 50.00
8904822792	315.31	92507	\$ 50.00
8904822793	315.31	92507	\$ 50.00
8904822794	315.31	97003	\$ 50.00
8904822795	315.31	92507	\$ 50.00
8904822796	756	97530	\$ 50.00
8904822797	756	97530	\$ 50.00
8904822798	756	92507	\$ 62.50
19142936		97530	\$ 25.00
19142938		97530	\$ 50.00

### **III. 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	0	0 %
<u>No Response</u>	<u>0</u>	<u>0%</u>
Total	0	0 %

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	5	100%
Received outside time-limit, incl. any extensions	0	0 %
<u>No Response</u>	<u>0</u>	<u>0%</u>
Total	5	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 Coventry Health Care of Kansas (NAIC #95489), Examination Number 0904-18-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 May 27, 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  
Chief Market Conduct Examiner

Date



August 11, 2010

Carolyn H. Kerr  
Senior Counsel  
Market Conduct Section  
Department of Insurance, Financial Institutions and Professional Registration  
PO Box 690  
Jefferson City, MO 65102-0690

Re: Missouri Market Conduct Examination #0904-18-TGT  
Coventry Health Care of Kansas

Dear Ms. Kerr,

Thank you for forwarding a copy of the examiner's draft market conduct report for the above mentioned examination. Coventry Health Care of Kansas ("Coventry") has reviewed the report and offers the following comments:

- On page 6 of the report, within the Executive Summary, the third paragraph states, "Examiners requested that the Company make refunds concerning claim underpayments found for amounts greater than \$5.00 during the examination if any were found. Examiners criticized the company for delaying claim payments by requesting information from the "provider" that had been satisfied by an established statute or regulation. Coventry believes that this paragraph may be unrelated to this examination as there were no criticisms issued by the examiners, nor were there any requests for payment of refunds during the examination itself. We request clarification as to the basis of this issue / comment. As a result, Coventry respectfully disagrees with this portion of the examination report.
- Also on page 6 of the report, the fourth paragraph states, "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." As mentioned above, there were no criticisms issued by the examiners representing non-compliance with Missouri insurance laws or regulations. Coventry is confused about the comment in the report referencing "other jurisdictions" as there were no questions or criticisms received during the examination related to "other jurisdictions". We request clarification as to the basis of this issue / comment. As a result, Coventry respectfully disagrees with this portion of the examination report.

August 11, 2010  
Ms. Carolyn H. Kerr  
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- Under *Section II.A.1. Improperly Denied Claims*, the report identified 31 claims that were previously adjusted by Coventry. As reported to the examiners, this problem was self-identified and corrected by Coventry in March 2009.

I look forward to your response. If you require additional information or would like to have further discussion, please contact me at (816) 460-4441.

Sincerely,

A handwritten signature in black ink, appearing to read 'S. Robino', with a large, sweeping flourish at the end.

Steven Robino  
Director, Policy and Compliance

cc: Michael Portnoy  
Michelle Carter-Gouge  
File