

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

TO: George Wheeler, President and CEO
Coventry Health Care of Kansas, Inc.
8320 Ward Parkway
Kansas City, MO 64114

RE: Missouri Market Conduct Examination #0301-01-HMO

**STIPULATION OF SETTLEMENT
AND VOLUNTARY FORFEITURE**

It is hereby stipulated and agreed by Douglas M. Ommen, Director of the Missouri Department of Insurance, hereinafter referred to as "Director," and Coventry Health Care of Kansas, Inc., hereinafter referred to as "Coventry," as follows:

WHEREAS, Douglas M. Ommen is the Director of the Department of Insurance, an agency of the State of Missouri, created and established for administering and enforcing all laws in relation to insurance companies doing business in the State in Missouri; and

WHEREAS, Coventry has been granted a certificate(s) of authority to transact the business of insurance in the State of Missouri; and

WHEREAS, the Director conducted a Market Conduct Examination of Coventry and prepared report number 0301-01-HMO; and

WHEREAS, the report of the Market Conduct Examination #0301-01-HMO revealed that:

1. Coventry issued employee handbooks and evidences of coverage on policy forms that had not been filed with the Department for approval to employer groups that contained provisions subjecting HMO subscribers to the application of a deductible provision for basic health care services, thereby violating §354.410.1(2), RSMo, 20 CSR 400-7.100 and 20 CSR 400-8.200.

2. Coventry provided false information to the Director regarding the policy form filing of the aforementioned HMO policy, thereby violating §374.210, RSMo.

3. Coventry issued certificates of coverage and policy forms that contained false, misleading, and unclear language, thereby violating §§354.027, 354.430.3(1), 354.460, 354.470.1(7), and 375.936(4), (6)(a), and (11)(e) RSMo, and 20 CSR 400-2.030(2)(F)3.F.

4. Coventry was cited for using policy forms and issuing Membership Handbooks and Agreements that contained the following errors: failing to clearly explain the limits of coverage associated with the policy's Schedule of Benefits; failing to specify that its plans provided mandated benefits; failing to include a statement of an enrollee's right to contact the Department for assistance, including the Department's toll-free number; issuing mental health riders that were not subject to the same coinsurance, co-payment, and deductible factors as other physical illnesses; using an improper, incorrect, confusing and ambiguous definition of emergency medical condition; and failing to provide coverage for a second medical opinion. These errors are in violation of §§354.207, 354.400, 354.430.3(2)(b) and (e), 354.479.1(2), 354.546, 354.600, 376.405.3, 376.685, 376.811.1(5)(a), 376.995(7), 376.1199.1(3), 376.1200.1 and .5, 376.1210, 376.1219, 376.1220, 376.1225, 376.1250.1(2), 376.1350(12) and (13), 376.1367, and 376.1378.3, RSMo, and 20 CSR 400-7.100.

5. Coventry's employee handbooks lacked clarity with regard to an enrollee's direct access to a participating OB/GYN without the need for pre-authorization, thereby violating §§354.618.4, and 376.1199.1(1), RSMo.

6. Coventry failed to file a supplemental telephone interview form with the Department and used Benefit Schedule forms in its sale of group HMO contracts that had not been previously filed for approval with the Department, as required by 20 CSR 400-7.010 and 20 CSR 400-8.200.

7. Coventry was cited for errors in its claim handling practices for its Paid and Denied Large and Group HMO and POS claims, Paid and Denied Small Group HMO and POS claims, in that the company failed to pay, deny, or acknowledge receipt of claims within 10 working days, thereby violating §375.1007(2), RSMo, and 20 CSR 100-1.030(1) and (2).

8. Coventry was cited for errors in its claim handling practices for Denied Small Group HMO and POS claims, in that it failed to either accept or deny a claim within 15 working days after the submission of all forms necessary to establish the nature and extent of any claim, thereby violating §375.1007, RSMo, and 20 CSR 100-1.050.

9. Coventry was cited for errors in its claim handling practices for Paid Large Group HMO, Paid Small Group POS, and Denied Large Group POS, and Denied Small Group HMO claims, in that it failed to pay claims in a timely manner, improperly denied all or a portion of certain claims, failed to properly investigate claims prior to issuing its denial, underpaid claims, reduced payment of an item or service after previously authorizing or agreeing to cover it, and failed to pay the correct amount of interest due on any such unpaid claims, in violation of §§375.1007(1),(2), (3), (4), and (6), 376.383.3 and .5, 376.1350(12), 376.1361.13, and 376.1367, RSMo.

10. In some instances, Coventry failed in good faith to settle Emergency Services claims promptly and equitably after liability had become reasonably clear, in that it failed to conduct a reasonable investigation of such claims prior to denying them, unfairly denied and underpaid some of

those claims, including paying the correct amount of interest accrued on such claims, provided claimants with untrue, deceptive and misleading information regarding emergency services benefits, and misrepresented policy provisions relating to mandated emergency service coverage, in violation of §§375.1007(1), (4), and (6), §375.936(4), 376.383.3, 376.1350(12) and (13), and 376.1367, RSMo, and 20 CSR 400-7.030(9).

11. In some instances, Coventry failed in good faith to settle Emergency Ambulance Services claims promptly and equitably after liability had become reasonably clear, in that it underpaid such claims, including paying the proper amount of interest accrued, in violation of §§375.1007(4), 376.383.5, RSMo.

12. In some instances, Coventry failed in good faith to settle COB claims promptly and equitably after liability had become reasonably clear, in that it improperly denied claims, improperly coordinated benefits for member claims, utilized COB provisions that were contradictory to its contract provisions, issued misleading EOBs to enrollees, failed to provide members with sufficient assistance with which to submit a proper proof of loss, and underpaid the correct amount of interest due on underpaid claims, in violation of §§375.1007(1), (3), (4) and (6), 376.383.3, RSMo, and 20 CSR 100-1.030(3), 20 CSR 100-1.050(1)(D), 20 CSR 400-2.030, and 20 CSR 400-7.060.

13. In some instances, Coventry misrepresented relevant facts or policy provisions relating to coverage for prescription drugs, improperly denied authorization for payment of prescription drugs, failed to make an appropriate reply within 10 working days on all communications from claimants appealing the Company's denial of drug benefits which reasonably suggested that a response was expected, in violation of §§354.535.5, 375.1005(2), 375.1007(1), 376.1361.11, 376.1363.2(2), and 376.1365, RSMo, and 20 CSR 100-1.030(2).

14. Coventry's claims handling was criticized for its use of an Explanation of Benefits (EOB) that contained unclear, false, and misleading information, and for its failure to settle claims promptly, equitably, and in good faith after liability had become reasonably clear, in that it improperly denied or underpaid claims, failed to conduct a reasonable investigation prior to denying claims, failed to promptly provide a reasonable and accurate explanation of the basis for its actions, and failed to date stamp claims with the date of receipt, in violation of §§354.460, 376.936(4) and (6)(a), 375.1007(1), (4), (6), and (12), 376.406, and 376.1225, RSMo, 20 CSR 400-2.030 and 20 CSR 400-7.030(7)(c), and 20 CSR 400-7.110(5).

15. Coventry's Consumer Grievance procedures were criticized for using language in its HMO Group Membership Agreements that were confusing and misleading regarding the enrollee's grievance and appeal rights, misdirecting grievances, failing to promptly and properly complete its investigation of complaints or resolve complaints, failing to send notice to complainants requesting additional information and notifying them of its need for more time to complete its investigation, failing to acknowledge the receipt and promptly respond to complaints from consumers and from the Department, and failing to set forth the complete and accurate description of the required grievance procedures and notify them of their right to file an appeal for a second level review, as required by §§354.430.3(1), 354.460, 375.936(4), 375.1350 (17)(C), 376.1375.3, 376.1378.3, 376.1382.1., 2, and 3, 376.1385, and 376.1387, RSMo, and 20 CSR 400-5.700(4) and 20 CSR 400-7.110(2).

16. In some instances, Coventry failed to establish and maintain a complaint system which provided reasonable procedures for the resolution of written complaints initiated by enrollees or received from the Department, to document its files to support its claim that it adhered to applicable utilization review requirements, and to keep a record or report of the date of receipt, total number, type, nature and result of all complaints and grievances, as required by §§354.445, 375.936(3), 376.1361.1., 2 and .3, 376.1363.2 and .3, and 376.1375.1 and .3, RSMo, and 20 CSR 400-7.110(3) and (5).

17. Coventry's membership handbook and certificate of coverage forms failed to include a clear and comprehensive description of its utilization review procedures, and in some instances, Coventry failed to provide enrollees notification of its utilization review determinations in accordance with applicable law, including §§376.1363 and 376.1372, RSMo.

18. In some instances, Coventry failed to provide relevant materials, files, and documentation in its files in order to allow the examiners to sufficiently ascertain the Company's claims handling and payment, complaint handling, rating, and underwriting practices, in violation of §374.205.2(2), RSMo, and 20 CSR 300-2.100, 20 CSR 300-2.200(2) and (3), 20 CSR 400-7.010, and 20 CSR 400-8.200.

19. In some instances, Coventry unfairly applied co-payments, coinsurance, and deductibles in excess of the maximum allowed by law, thereby violating §§375.1007(1) and (3), 376.383.5, RSMo, and 20 CSR 400-7.100.

20. In some instances, Coventry failed to respond to criticisms and formal requests of the examiners within the required time frame of 10 calendar days, thereby violating §374.205.2(2), RSMo, and Missouri Regulation 20 CSR 300-2.200(6).

WHEREAS, Coventry hereby agrees to take remedial action bringing Coventry into compliance with the statutes and regulations of the State of Missouri and agrees to maintain those corrective actions at all times, including, but not limited to, the following:

1. Coventry agrees to take corrective action to assure that the errors noted in the market conduct examination report #0301-01-HMO do not recur;

2. Coventry agrees to review all claims filed after January 1, 2003, through December 31, 2006, that were paid after 45 days and send interest payments to the claimants with a letter stating that the interest payments are being paid "as a result of findings from a Missouri Market Conduct examination." Additionally, evidence should be provided to the Department within 120 days after the closing of this examination that such payments have been made; and

3. Coventry agrees to review all Emergency Services, Emergency Ambulance Services, Formulary Drug Coverage, and claims eligible for COB received between January 1, 2003, through December 31, 2006, to assure that they were properly paid, and if so, to pay those claims, including any interest that may have accrued on those claims pursuant to §§376.383 and 376.384, RSMo. Coventry must send the claim and any applicable interest payments to the claimants with a letter

stating that the payments are being made "as a result of findings from a Missouri Market Conduct examination." Additionally, evidence should be provided to the Department within 120 days after the closing of this examination that such payments have been made.

WHEREAS, Coventry neither admits nor denies the findings or violations set forth above and enumerated in the examination report; and

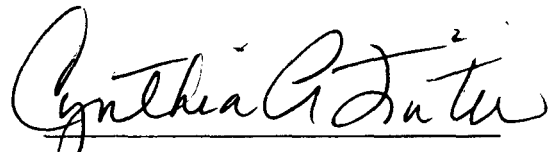
WHEREAS, Coventry is of the position that this Stipulation of Settlement and Voluntary Forfeiture is a compromise of disputed factual and legal allegations, and that payment of a forfeiture is merely to resolve the disputes and avoid litigation; and

WHEREAS, Coventry, after being advised by legal counsel, does hereby voluntarily and knowingly waive any and all rights for procedural requirements, including notice and an opportunity for a hearing, which may have otherwise applied to the above referenced Market Conduct Examination; and

WHEREAS, Coventry hereby agrees to the imposition of the ORDER of the Director set forth below and as a result of Market Conduct Examination #0301-01-HMO further agrees, voluntarily and knowingly to surrender and forfeit the sum of \$221,275.00.

NOW, THEREFORE, in lieu of the institution by the Director of any action for the SUSPENSION or REVOCATION of the Certificate(s) of Authority of Coventry to transact the business of insurance in the State of Missouri or the imposition of other sanctions, Coventry does hereby voluntarily and knowingly waive all rights to any hearing, does consent to the ORDER of the Director set forth below and does surrender and forfeit the sum of \$221,275.00, such sum payable to the Missouri State School Fund, in accordance with §374.280, RSMo.

DATED: 5/12/08



PRESIDENT
Coventry Health Care of Kansas, Inc.