

**FLORIDA DEPARTMENT
OF
INSURANCE**

TARGET MARKET CONDUCT REPORT

OF

FLORIDA 1ST HEALTH PLANS, INC.

AS OF

JANUARY 1, 2000

**DIVISION OF INSURER SERVICES
BUREAU OF MARKET CONDUCT**

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I. OVERVIEW AND SUMMARY OF FINDINGS

General

Florida 1st Health Plans, Inc., (Company), is a health maintenance organization domiciled in the State of Florida, and licensed to conduct business in this State during the period (scope) of this examination.

The Florida Department of Insurance (Department) performed a target Claims and Procedures Examination of the Company pursuant to Section 641.27, Florida Statutes, at the Company's office in Winter Haven, Florida, from July 12, 2000, through July 27, 2000.

The purpose of the examination was to determine if the Company's practices and procedures relating to claims processing, and related procedure manuals, comport with Florida Statutes and Florida Administrative Code.

The scope period for the examination covered claims with dates of service from October 1, 1999, to January 1, 2000.

Findings

The examination identified multiple violations of statutes relating to claims processing. The violations included: failure to timely process claims; failure to accurately and timely pay interest; failure to adopt and implement standards for the proper investigation of claims; and failure to conduct reasonable investigations before denying claims. In numerous instances, the Company failed to comply with Sections 627.4235, 641.3155, 641.3901, and 641.3903(5)(c) 1 and 4, Florida Statutes, Ed. 99.

Included in the above findings are the results of an investigation into the claim payment practices for three (3) large clinics. Violations were found in all of their lines of business, some of which are outside of the purview of the Department. Violations are addressed only for commercial products.

Moreover, the examination found violations relating to the improper denial of private passenger automobile accident health insurance (PIP) claims. These denials violate Sections 627.4235, 641.31(7), 641.3155(1), 641.3901, and 641.3903(5)(c) 1 and 4, Florida Statutes, Ed. 99.

The examination found violations relating to the improper denial of Workers' Compensation (WC) claims. These denials violate Sections 641.3155(1), 641.3901, and 641.3903(5)(c) 1 and 4, Florida Statutes, Ed. 99.

Recommendations

Based on the findings detailed in this examination, the Department will issue a Consent Order in which certain corrective measures will be established. The Consent Order will require that the Company establish other corrective measures. A penalty in the amount of sixty thousand five hundred dollars (\$60,500.00), plus appropriate Administrative Legal costs, will also be levied in response to the violations of law determined during this examination. In response to these findings, and in addition to the aforementioned administrative fines, the Company should take the following corrective actions:

CLAIMS

- Process paid, denied and contested claims pursuant to Section 641.3155(2), Florida Statutes, Ed. 01.
- Calculate and process interest payments pursuant to Section 641.3155(3), Florida Statutes, Ed. 01.
- Process paid and denied claims pursuant to Section 641.3155(4), Florida Statutes, Ed. 01.
- Establish procedures that will facilitate compliance with Sections 627.4235 and 641.3903(5)(c), Florida Statutes.

PROCEDURE MANUALS

Amend the relevant manual(s):

- To ensure that automobile accident health insurance claims (PIP) are processed pursuant to Sections 627.4235, 641.3155(2), 641.3901, and 641.3903(5)(c) 1 and 4, Florida Statutes, Ed. 01.
- To ensure that Workers' Compensation claims are processed pursuant to Sections 641.3155(2), 641.3901, and 641.3903(5)(c) 1 and 4, Florida Statutes, Ed. 01.

II. CLAIMS REVIEW

Overview

The Company processes claims directly.

Operating Systems

FLORIDA 1ST HEALTH PLANS, INC.

One hundred (100) claims processed by the Company's system were examined. See Exhibit 1 for details. The findings are summarized below:

1. Fourteen (14) claims were not paid, denied or contested within thirty-five (35) days of receipt. No documentation was provided to justify these delays.
2. The Company failed to pay interest on ten (10) of these claims.

A review of the Company's pending age report indicated that there were no claims pending in excess of one hundred twenty (120) days.

Complaint Review

Complaints from Watson, Gessler and Bond clinics were reviewed. See Exhibit II for details.

These clinics provided several thousand claim records involving commercial, Medicaid, and self insured large employer claims. Multiple violations involving commercial claims being paid promptly were identified.

III. PROCEDURE MANUALS REVIEW

Policy and procedure manuals relating to the processing of claims were examined. The findings are:

1. Coordination of Benefits (COB)

It is the practice of the Company to ultimately deny Personal Injury Protection (PIP) claims that are submitted without the attendant PIP worksheet typically prepared by the PIP carrier. If a PIP claim is submitted without the worksheet, the Company denies the claim with a request for the Explanation of Benefits (EOB) from the PIP carrier. The denial of these claims violates Sections 627.4235, 641.3155(1), 641.3901, and 641.3903(5)(c) 1 and 4, Florida Statutes, Ed. 99. See Exhibit III for details.

It is the practice of the Company to ultimately deny Workers' Compensation claims that are submitted without further investigation. This is a violation of Sections 641.3155(1), 641.3901 and 641.3903(5)(c) 1 and 4, Florida Statutes, Ed. 99. See Exhibit III for details.

2. Interest Calculation

The Company's current procedure is to calculate interest up to the date the claim is paid and not the date the payment is received or otherwise delivered. This procedure violates Section 641.3155(2), Florida Statutes, Ed. 99. See Exhibit IV for details.

IV. FINDINGS/CORRECTIVE ACTIONS

CLAIMS

Florida 1st Health Plans, Inc.

The claims system had claims that were not being processed as required by Sections 641.3155 (1), (2) and (3), Florida Statutes, Ed. 99.

Corrective Action

The Company should prepare an action plan within thirty (30) days from the date of the Consent Order that outlines the steps taken to bring the claims system currently utilized into compliance with the requirements of Sections 641.3155 (2), (3) and (4), Florida Statutes, Ed. 01. This plan should be submitted to the Department for review and approval prior to implementation.

PROCEDURE MANUALS

A review of the claim procedures found that it is the policy of the Company to ultimately deny Personal Injury Protection (PIP) claims received without the automobile carrier's PIP worksheets. This practice violates Sections 627.4235, 641.3155(1), 641.3901, and 641.3903(5)(c) 1 and 4, Florida Statutes, Ed. 99.

A review of the claim procedures found that it is the policy of the Company to deny Workers' Compensation claims without knowledge of Workers' Compensation coverage. This practice violates Sections 641.3155(1), 641.3901, and 641.3903(5)(c) 1 and 4, Florida Statutes, Ed. 99.

The current Company procedure is to pay interest up to the date the claim is paid and not the date the payment is received or otherwise delivered. This practice violates Section 641.3155(2), Florida Statutes, Ed. 99.

Corrective Action

The Company is directed to revise its procedure manuals within thirty (30) days of the date of the Consent Order to insure future compliance with the requirements of Sections 627.4235, 641.3155(2) and (3), 641.3901, and 641.3903(5)(c) 1 and 4, Florida Statutes, Ed. 01. Revisions to the procedure manuals should be submitted to the Department for review and approval prior to implementation.

**2000 TARGET CLAIMS AND PROCEDURES EXAMINATION
OF
FLORIDA 1ST HEALTH PLANS, INC.**

EXHIBITS

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