



THE STATE OF FLORIDA

OFFICE OF INSURANCE REGULATION MARKET INVESTIGATIONS

TARGET MARKET CONDUCT FINAL EXAMINATION REPORT

OF

Aetna Health, Inc.

AS OF

December 4, 2009

NAIC COMPANY CODE: 95088

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EXECUTIVE SUMMARY

The purpose of this examination was to verify the accuracy of the self-reported 2008 Gross Annual Premium and Enrollment (GAP) submission.

Data downloads and additional supporting documents provided by Aetna Health, Inc. (Company) were reviewed and reconciled to the amounts the Company submitted on their GAP Report and Annual Statement. The following represent general findings. Specific details are found in each section of the report.

Summary of Findings			
GAP Reporting Area	Market Segment	Findings	Reason
Total Direct Premiums Written	6-50 Member Groups	Understated by \$10,242,968	Incorrectly included Medicare premiums.
	51+ Member Groups	Understated by \$607,795,727	Incorrectly classified some of the In-state premiums as Out-of-State premiums.
	Out-of-State 6-50 Member Groups	Overstated by \$10,242,968	
	Out-of-State 51+ Member Groups	Overstated by \$607,202,531	
	Administrative Services Only (ASO)	Overstated by \$18,359,923	Incorrectly classified premium as ASO fees.
Direct Losses Incurred	6-50 Member Groups	Understated by \$7,651,497	Incorrectly classified some of the In-state losses incurred as Out-of-State losses incurred.
	51+ Member Groups	Understated by \$516,336,556	
	Out-of-State 6-50 Member Groups	Overstated by \$7,651,497	
	Out-of-State 51+ Member Groups	Overstated by \$516,336,556	
Direct Premiums Earned for New Business Only	6-50 Member Groups	Understated by \$906,575	Incorrectly classified some of the In-state premiums as Out-of-State premiums.
	51+ Member Groups	Understated by \$61,994,530	

Summary of Findings

GAP Reporting Area	Market Segment	Findings	Reason
	Out-of-State 6-50 Member Groups	Overstated by \$906,575	Incorrectly included premium as ASO fees.
	Out-of-State 51+ Member Groups	Overstated by \$61,994,530	
	Administrative Services Only (ASO)	Overstated by \$8,469	
Employers/Groups	6-50 Member Groups	Understated by 298	Incorrectly classified some of the In-state groups as Out-of-State groups.
	51+ Member Groups	Understated by 639	
	Out-of-State 6-50 Member Groups	Overstated by 298	
	Out-of-State 51+ Member Groups	Overstated by 639	
Primary Enrollees	6-50 Member Groups	Understated by 1,613	Incorrectly classified some of the In-state primary enrollees as Out-of-State primary enrollees.
	51+ Member Groups	Understated by 86,330	
	Out-of-State 6-50 Member Groups	Overstated by 1,613	
	Out-of-State 51+ Member Groups	Overstated by 86,330	
Covered Enrollee Dependents	6-50 Member Groups	Understated by 839	Incorrectly classified some of the In-state dependents as Out-of-State dependents.
	51+ Member Groups	Understated by 65,449	
	Out-of-State 6-50 Member Groups	Overstated by 839	
	Out-of-State 51+ Member Groups	Overstated by 65,449	

Summary of Findings			
GAP Reporting Area	Market Segment	Findings	Reason
Average Number of Days to Pay Claims	Average of four market segments	Understated by 4 Days	Did not calculate the average number of days by individual market segments and did not include 4 additional days for mailing.

PURPOSE AND SCOPE OF EXAMINATION

The Office of Insurance Regulation (Office), Market Investigations, conducted a target market conduct examination of Aetna Health, Inc. pursuant to Section 641.3905, Florida Statutes. The examination was performed by AGI Services. The scope period of this examination was January 1, 2008 through December 31, 2008. The examination began on August 3, 2009 and ended December 4, 2009.

Pursuant to Section 627.9175, F.S., and Rule 69O-137.004 F.A.C., each health insurer, prepaid limited health services organization, and health maintenance organization is required to file a Report of Gross Annual Premiums and Enrollment Data for Health Benefit Plans Issued to Florida Residents (GAP) by April 1 of each year.

The purpose of this examination was to verify the accuracy of the data reported for each market segment in which the company conducts business. There are seven reporting areas required in the GAP submission.

- 1) Direct Premiums Earned for New and Renewal Business
- 2) Direct Losses Incurred
- 3) Direct Premiums Earned for New Business Only
- 4) Employers, if Group Coverage, at End of Reporting
- 5) Primary Insureds at End of Reporting
- 6) Covered Dependents at End of Reporting
- 7) Average Number of Days Taken to Pay Claims

The following procedures were used in conducting the review:

- Obtained a data download of direct premiums earned, direct losses, employers (if group coverage), primary insureds, covered dependents and claims paid. This data was reviewed and reconciled to the amounts the Company submitted on their GAP Report and Annual Statement.
- Analyzed data and performed computer aided audit techniques using ACL to verify the accuracy of the data provided and determine the proper classification.

- Identified areas of concern and held discussions with Company personnel to address and understand these areas.

In reviewing materials for this final report, the examiner relied on records provided by the Company. Procedures and conduct of the examination were in accordance with the *Market Regulation Handbook* produced by the National Association of Insurance Commissioners.

COMPANY OPERATIONS

Aetna Health, Inc. is a domestic Health Maintenance Organization licensed to conduct business in the State of Florida on July 1, 1985.

For calendar year 2008, the Company reported premiums in the following market segments: major medical in-state, major medical out-of-state and administrative services only.

Total Direct Premiums Written in Florida for Accident and Health Premiums were as follows:

Year	Total Written Premium In Florida (Per Schedule T of the Annual Statement)
2008	\$2,045,154,213
2007	\$1,985,778,679

GAP ANALYSIS AND RESULTS

I. Direct Premiums Earned for New and Existing Business

Findings:

- Overstatement due to the inclusion of Medicare premiums earned in the amount of \$17,766,727
- Several market segment misclassifications of Direct Premiums Earned.

The table below summarizes the inaccuracies in the Company's 2008 filing:

Market Segment	Per 2008 Filing	Per Examination	Variance
Line 5: 6-50 Member Groups	\$342,962,833	\$353,205,801	(\$10,242,968)
Line 6: 51+ Member Groups	\$715,678,798	\$1,323,474,525	(\$607,795,727)
Line 13: Out-of-State 6-50 Member Groups	\$10,242,968	\$0	\$10,242,968

Market Segment	Per 2008 Filing	Per Examination	Variance
Line 14: Out-of-State 51+ Member Groups	\$607,202,531	\$0	\$607,202,531
Line 19: Administrative Services Only (ASO)	\$18,359,923	\$0	\$18,359,923
Total			\$17,766,727

Corrective Action: Medicare direct premiums earned should not be included on the GAP Filing. The Company should accurately report each market segment for Direct Premiums Earned on the GAP Filing.

II. Direct Losses Incurred

Findings:

- Several market segment misclassifications that resulted in a net effect of \$0.

The table below summarizes the inaccuracies in the Company's 2008 filing:

Market Segment	Per 2008 Filing	Per Examination	Variance
Line 5: 6-50 Member Groups	\$256,193,236	\$263,844,733	(\$7,651,497)
Line 6: 51+ Member Groups	\$608,412,805	\$1,124,749,361	(\$516,336,556)
Line 13: Out-of-State 6-50 Member Groups	\$7,651,497	\$0	\$7,651,497
Line 14: Out-of-State 51+ Member Groups	\$516,336,556	\$0	\$516,336,556
Total			\$0

Corrective Action: The Company should accurately report each market segment for Direct Losses Incurred on the GAP Filing.

III. Direct Premiums Earned for New Business Only

Findings:

- Overstatement due to the inclusion of Administrative Services Only (ASO) new business fees earned in the amount of \$8,469.
- Several market segment misclassifications of Direct Premiums Earned for New Business Only.

The table below summarizes the inaccuracies in the Company's 2008 filing:

Market Segment	Per 2008 Filing	Per Examination	Variance
Line 5: 6-50 Member Groups	\$29,312,586	\$30,219,161	(\$906,575)
Line 6: 51+ Member Groups	\$72,776,188	\$134,770,718	(\$61,994,530)
Line 13: Out-of-State 6-50 Member Groups	\$906,575	\$0	\$906,575
Line 14: Out-of-State 51+ Member Groups	\$61,994,530	\$0	\$61,994,530
Line 19: Administrative Services Only (ASO)	\$8,469	\$0	\$8,469
Total			\$8,469

Corrective Action: The Company should accurately report each market segment for Direct Premiums Earned for New Business Only on the GAP Filing.

IV. **Employers, if Group Coverage, at End of Reporting**

Findings:

- Several market segment misclassifications that resulted in a net effect of \$0.

The table below summarizes the inaccuracies in the Company's 2008 filing:

Market Segment	Per 2008 Filing	Per Examination	Variance
Line 5: 6-50 Member Groups	4,031	4,329	(298)
Line 6: 51+ Member Groups	809	1,448	(639)
Line 13: Out-of-State 6-50 Member Groups	298	0	298
Line 14: Out-of-State 51+ Member Groups	639	0	639
Total			0

Corrective Action: The Company should accurately report each market segment for Employers/Group on the GAP Filing.

V. **Primary Insureds at End of Reporting**

Findings:

- Several market segment misclassifications that resulted in a net effect of 0.

The table below summarizes the inaccuracies in the Company's 2008 filing:

Market Segment	Per 2008 Filing	Per Examination	Variance
Line 5: 6-50 Member Groups	54,003	55,616	(1,613)
Line 6: 51+ Member Groups	110,212	196,542	(86,330)
Line 13: Out-of-State 6-50 Member Groups	1,613	0	1,613
Line 14: Out-of-State 51+ Member Groups	86,330	0	86,330
Total			0

Corrective Action: The Company should accurately report each market segment for Primary Insureds on the GAP Filing.

VI. **Covered Dependents at End of Reporting**

Findings:

- Several market segment misclassifications that resulted in a net effect of 0.

The table below summarizes the inaccuracies in the Company's 2008 filing:

Market Segment	Per 2008 Filing	Per Examination	Variance
Line 5: 6-50 Member Groups	31,458	32,297	(839)
Line 6: 51+ Member Groups	76,832	142,281	(65,449)
Line 13: Out-of-State 6-50 Member Groups	839	0	839
Line 14: Out-of-State 51+ Member Groups	65,449	0	65,449
Total			0

Corrective Action: The Company should accurately report each market segment for Covered Dependents on the GAP Filing.

VII. Average Number of Days Taken to Pay Claims

Findings:

- The Company calculated the average number of days taken to pay claims by small and large group instead of by individual market segment indicators.
- The Company understated the average number of days taken to pay claims by four (4) days due to exclusion of mailing days.

Corrective Actions: The Company should calculate the average number of days taken to pay claims by individual market segment indicators. The Company personnel should adhere to internal procedures used in the calculation of the average number of days taken to pay claims and not deviate from those procedures.

EXAMINATION FINAL REPORT SUBMISSION

The courtesy and cooperation of the officers and employees of the Company during the examination are acknowledged and appreciated.

Examiners participating with this exam were:

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