



THE STATE OF FLORIDA

OFFICE OF INSURANCE REGULATION MARKET INVESTIGATIONS

TARGET MARKET CONDUCT FINAL EXAMINATION REPORT

OF

Humana Medical Plan, Inc.

AS OF

December 30, 2009

NAIC COMPANY CODE: 95270

TABLE OF CONTENTS

EXECUTIVE SUMMARY	1
PURPOSE AND SCOPE OF EXAMINATION	2
COMPANY OPERATIONS	3
GAP ANALYSIS AND RESULTS.....	3
EXAMINATION FINAL REPORT SUBMISSION	5

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 Humana Medical Plan, Inc. (Company) were reviewed and compared to the amounts the Company submitted on their GAP Report and Annual Statement.

The Company admitted that as a result of this examination, they are now aware their methodology for filing the GAP report was flawed. The Company was not able to reconcile the GAP report to their Annual financial statement or provide data to reconcile the numbers reported on the 2008 GAP filing.

All the variances noted in this report are not true representations of the Company's inaccuracies due to reasons noted above.

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 Earned	Multiple Line Segments	Understated by \$43,483,540	Data provided could not be reconciled to the Company's 2008 GAP Filing
Direct Losses Incurred	All Line Segments	Additional information was not provided to reconcile from the paid data to the Direct Losses Incurred	Data provided could not be reconciled to the Company's 2008 GAP Filing
Direct Premiums Earned for New Business Only	Multiple Line Segments	Overstated by \$199,562	Data provided could not be reconciled to the Company's 2008 GAP Filing
Employers/Groups	Multiple Line Segments	Understated by 2,385	Data provided could not be reconciled to the Company's 2008 GAP Filing

Summary of Findings			
GAP Reporting Area	Market Segment	Findings	Reason
Primary Enrollees	Multiple Line Segments	Understated by 1,189,845	Data provided could not be reconciled to the Company's 2008 GAP Filing
Covered Enrollee Dependents	Multiple Line Segments	Understated by 693,876	Data provided could not be reconciled to the Company's 2008 GAP Filing
Average Number of Days to Pay Claims	Multiple Line Segments	Understated/Overstated 3-8 days	Data provided could not be reconciled to the Company's 2008 GAP Filing

PURPOSE AND SCOPE OF EXAMINATION

The Office of Insurance Regulation (Office), Market Investigations, conducted a target market conduct examination of Humana Medical Plan, 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 30, 2009.

Pursuant to Section 627.9175, F.S., and Rule 690-137.004 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

Humana Medical Plan, Inc. is a domestic Health Maintenance Organization licensed to conduct business in the State of Florida on June 1, 1987.

For calendar year 2008, the Company reported premiums in the major medical in-state market segment.

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	\$628,371,429
2007	\$552,479,311

GAP ANALYSIS AND RESULTS

Data submitted does not reconcile to the numbers reported on the 2008 GAP Filing. The Company has stated that the data would not match the numbers on the GAP Filing. They are aware of some internal control issues used in reporting and stated that “our methodology for pulling the GAP report is flawed and we are unable to reconcile the GAP report to our Annual/Quarterly financial statements. We intend to revise the GAP reporting methodology to more closely align with our method for pulling the Annual/Quarterly financial statements...”

All the variances noted in this report are not true representations of the Company's inaccuracies due to reasons noted above.

I. **Direct Premiums Earned for New and Existing Business**

Findings: The variance between the data provided and the Company's 2008 GAP filing was an understatement of (\$43,483,540).

Corrective Action: The Company should establish better internal controls and accurately report each market segment for Direct Premiums Earned on the GAP Filing.

II. **Direct Losses Incurred**

Findings: The data submitted by the Company during this review could not be reconciled to the numbers reported on the 2008 GAP Filing.

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

III. **Direct Premiums Earned for New Business Only**

Findings: The variance between the data provided and the Company's 2008 GAP filing was an overstatement of \$199,562.

Corrective Action: The Company should establish better internal controls and 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: The variance between the data provided and the Company's 2008 GAP filing was an understatement of (2,385).

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

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

Findings: The variance between the data provided and the Company's 2008 GAP filing was an understatement of (1,189,845).

Corrective Action: The Company should establish better internal controls and accurately report each market segment for Primary Insureds on the GAP Filing.

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

Findings: The variance between the data provided and the Company's 2008 GAP filing was an understatement of (693,876).

Corrective Action: The Company should establish better internal controls and accurately report each market segment for Covered Dependents on the GAP Filing.

VII. **Average Number of Days Taken to Pay Claims**

Findings:

- Variances in four market segments were overstated from three to five days.
- Variance in one market segment was understated by eight days.

Corrective Actions: The Company should establish better internal controls and accurately report each market segment for Average Number of Days Taken to Pay Claims on the GAP Filing.

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:

John B. Humphries, ASA, MAAA, CFE, CISA, AES, MCM – Managing Partner, AGI Services
Joanna J. Latham, CFE, CPA, CISA, AES – Senior Examiner, AGI Services
Kristina Gaddis, CFE – Senior Examiner, AGI Services
Trina W. Barton - Examiner, AGI Services