

1999 TARGET CLAIMS AND PROCEDURES EXAMINATION

OF

PHYSICIANS HEALTHCARE PLANS, INC.

BY

THE FLORIDA DEPARTMENT OF INSURANCE

BUREAU OF MANAGED CARE

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I. **OVERVIEW AND SUMMARY OF FINDINGS**

General

Physicians Healthcare Plans, Inc., (Company), is a health maintenance organization domiciled in Florida, licensed to conduct business in the State of Florida during the scope of this examination.

The Florida Department of Insurance (Department) performed a target market conduct examination of the Company pursuant to Section 641.27, Florida Statutes, at the Company's office in Tampa, Florida.

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

The scope period for the examination covered claims with dates of service from January 1998 through March 1999.

Findings

The examination revealed multiple violations of statutes and regulations related to claims processing. The violations included the failure to timely process claims and failure to accurately and timely pay interest. These are violations of Section 641.3155, Florida Statutes and Section 641.3903 (5)(c) 1, 3 & 4, Florida Statutes.

The examination found violations related to the improper denial of private passenger automobile, personal injury protection, (PIP) claims. These are violations of Section 627.4235(5), Florida Statutes and Section 641.3903(5)(c) 1 & 4, Florida Statutes.

Recommendations

Based on the findings which are detailed in this report the Department recommends that the Company be assessed certain administrative fines. These fines are memorialized in a Notice and Order to Show Cause dated March 30, 2000. In response to these findings, and in addition to the aforementioned administrative fines, the Company is directed to take the following corrective actions.

CLAIMS

- Process paid, denied and contested claims as per Section 641.3155(1), (2) & (3), Florida Statutes and Section 641.3903(5)(c) 1, 3 & 4, Florida Statutes.
- Calculate and process interest payments as per Section 641.3155(2), Florida Statutes.
- Establish procedures that will track claim records from the time received and establish denial records when claims are closed for reasons other than settlement.

PROCEDURE MANUALS

- Process automobile accident health insurance claims (PIP) as per Section 641.31(7), Florida Statutes, Section 627.4235(5), Florida Statutes, and Section 641.3903 (5)(c) 1 & 4, Florida Statutes.

II. CLAIMS REVIEW

Overview

The Company processes claims directly and also utilizes Management Service Organizations (MSO's).

Physicians HealthCare Plans (PHP): The Company's claims system is located in Tampa, Florida and handles claims for 1,555 subscribers.

MedPartners Medical Management, Inc. (MedPartners): A MSO that services 6,457 subscribers. A number of these subscribers were previously serviced by FPA Medical Management.

Memorial Integrated Healthcare (MIH): A MSO that was paying claims during the scope period. This system is no longer active.

North Broward Hospital District (NBHD): A MSO that services 2,636 subscribers.

Central Florida Medical Management Service Organization (CFMMSO): A MSO contracted to service 5,000-6,000 subscribers in the Central Florida area.

Membership has declined to approximately 1,000 subscribers as of September 1, 1999, when the Company terminated the contract.

FPA Medical Management, Inc. (FPA): A third-party administrator that contracted with the Company from October, 1997, until they filed for protection under Chapter 11 of the Bankruptcy Code in July, 1998.

A total of one hundred one (101) claims were examined, with a sample taken from each system. Specific findings for each of the systems are as follows.

Operating Systems

A. **PHYSICIANS HEALTHCARE PLANS (PHP)**

Forty-three (43) claims processed by the Company's system were examined. The findings are (See Exhibit I):

1. Three (3) claims were not paid, denied or contested within thirty-five (35) days of receipt. No documentation was provided to justify this delay.
2. The Company failed to pay interest on three (3) claims.

B. MEDPARTNERS MEDICAL MANAGEMENT, INC.

Twenty (20) claims processed by MedPartners were examined. The findings are (See Exhibit II):

1. Twelve (12) claims were not paid, denied or contested within thirty-five (35) days of receipt. No documentation was provided to justify this delay
2. The Company failed to pay interest on twelve (12) of the claims.

C. MEMORIAL INTEGRATED HEALTHCARE (MIH)

Eighteen (18) claims processed by MIH were examined. No violations were detected.

D. NORTH BROWARD HOSPITAL DISTRICT (NBHD)

Nine (9) claims processed by NBHD were examined. The findings are (See Exhibit III):

1. One (1) claim was paid, denied or contested within thirty-five (35) days. No documentation was provided to justify this delay.
2. The Company failed to pay interest on one (1) claim.

E. CENTRAL FLORIDA MEDICAL (CFMMSO)

Eleven (11) claims processed by CFMMSO were examined. The findings are (See Exhibit IV):

1. Seven (7) claims were not paid, denied or contested within thirty-five days of receipt. No documentation was provided to justify this delay.
2. The Company failed to pay interest on seven (7) claims.

III. PROCEDURE MANUALS REVIEW

Policy and procedure manuals relating to the processing of claims were examined. The findings are (See Exhibit V):

1. Coordination of Benefits

A review of the claims manual found that it is the policy of Physicians Healthcare Plans to coordinate benefits with Personal Injury Protection (PIP) carriers for injuries that were due to automobile accidents (See Exhibit V). This is a violation of Chapter 641.4235(5), Florida Statutes

2. Interest Calculation

Current Company procedure calculates interest to the date the claims examiner approves payment and not the date payment is received or otherwise delivered. This is a violation of Section 641.3155(2), Florida Statutes. Interest should be calculated to the date the claim check is issued (See Exhibit VI).

IV. **FINDINGS/RECOMMENDATIONS**

CLAIMS

**PHYSICIANS HEALTHCARE PLANS (PHP), MEDPARTNERS
MEDICAL MANAGEMENT, INC. AND NORTH BROWARD HOSPITAL
DISTRICT (BHHD)**

Each of the current claim systems have claims that are not being processed as required by Section 641.3155 (1) (2), Florida Statutes.

Recommendation

The Company should prepare an action plan within thirty (30) days from the date of this report that outlines the steps taken to bring each system currently utilized in compliance with the requirements of Section 641.3155 (1) (2), Florida Statutes. This plan will be submitted to the Department for review and approval prior to implementation.

PROCEDURE MANUALS

The current Company procedure calculates interest to the date the claims examiner approves payment and not the date payment is received or otherwise delivered as required by Section 641.3155 (3), Florida Statutes.

The Coordination of Benefits (COB) section of the Claims Manual requires COB with private passenger automobile insurance for personal injury protection (PIP) claims. This violates Section 641.31 (7), and Section 627.4235 (5), Florida Statutes.

Recommendation

The Company should revise its procedure manuals within thirty (30) days insure future compliance. This plan will be submitted to the Department for review and approval prior to implementation.

EXHIBITS

<u>SUBJECT</u>	<u>EXHIBIT</u>
PHYSICIANS HEALTHCARE PLANS (PHP)	I
MEDPARTNERS MEDICAL MANAGEMENT	II
NORTH BROWARD HOSPITAL DISTRICT	III
CENTRAL FLORIDA MEDICAL MSO	IV
COORDINATION OF BENEFITS	V

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