

**FLORIDA DEPARTMENT
OF
INSURANCE**

TARGET MARKET CONDUCT REPORT

OF

TOTAL HEALTH CHOICE, INC.

AS OF

FEBRUARY 1, 2000

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

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I. OVERVIEW AND SUMMARY OF FINDINGS

General

Total Health Choice, 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 Miami, Florida, from August 15, 2000, to August 24, 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 the Florida Administrative Code.

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

Findings

The examination identified multiple violations of statutes relating to claims processing. The violations included: failure to 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.

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 related to the improper denial of Workers' Compensation 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, 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

- Calculate and process interest payments pursuant to Section 641.3155(3), Florida Statutes, Ed. 01.

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

Total Health Choice, Inc.

One hundred (100) claims processed by the Company's system were examined. The Company was substantially in compliance with the prompt payment of claims.

The Company failed to pay interest on six claims. See Exhibit I for details.

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

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. The Company's claims system pends claims without a PIP worksheet for 60 days and sends a request for the PIP worksheet. If the requested PIP information is not received, the claim is denied. 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 II for details.

It is the practice of the Company to ultimately deny Workers' Compensation claims that are submitted without the Workers' Compensation carriers explanation of payment. The Company's claims system pends claims without an explanation of payment for 60 days and sends a request for the Workers' Compensation carrier's explanation of payment. If the requested information is not received, the claim is denied. The denial of these claims violates Sections 641.3155(1), 641.3901, and 641.3903(5)(c) 1 and 4, Florida Statutes, Ed. 99. See Exhibit II for details.

The Company has no established procedures for the payment of interest on overdue claims. Failure to pay appropriate interest constitutes a violation of Section 641.3155(2), Florida Statutes, Ed. 99. See Exhibit I for details.

IV. FINDINGS/CORRECTIVE ACTIONS

CLAIMS

Total Health Choice, Inc.

The claim system had claims that were not being processed with interest as required by Section 641.3155(2), 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 claim systems currently utilized into compliance with the requirements of Section 641.3155(3), 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 ultimately deny Workers' Compensation claims. This practice violates Sections 641.3155(1), 641.3901, and 641.3903(5)(c) 1 and 4, Florida Statutes, Ed. 99

The Company should establish an interest formula and pay interest in accordance with Section 641.3155(3), Florida Statutes, Ed. 01.

Corrective Action

The Company should 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

TOTAL HEALTH CHOICE, INC.

EXHIBITS

<u>SUBJECT</u>	<u>EXHIBIT NUMBER</u>
Total Health Choice Claims Violations	I
Coordination of Benefits	II