

**FLORIDA DEPARTMENT
OF
INSURANCE**

TARGET MARKET CONDUCT REPORT

OF

WELL CARE HMO, INC.

AS OF

NOVEMBER 1, 2000

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

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I. OVERVIEW AND SUMMARY OF FINDINGS

General

Well Care HMO, 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 Tampa, Florida, from February 20, 2001, to March 22, 2001. Additionally, the Company's handling of terminations, reinstatements, small group underwriting and association groups were reviewed.

The purpose of the examination was to determine if the Company's practices and procedures relating to the above subjects, comport with Florida Statutes and the Florida Administrative Code.

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

Findings

The examination identified multiple violations of statutes relating to claims processing. The violations included: failure to accurately and timely pay interest; failure to adopt and implement standards for the proper investigation of claims; failure to act promptly relative to communications on claims; failure to conduct reasonable investigations before denying claims; and failure to timely communicate termination of coverage due to non-payment of premium. In numerous instances, the Company failed to comply with Sections 641.3108(2), 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 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 thirty one thousand five hundred dollars (\$31,500), plus appropriate Administrative Legal costs, will also be levied in response to the violations of law determined during this examination. Note: violations, fines and corrective actions of Section 641.3155(1), Florida Statutes, Ed. 99, for failure to timely pay claims and Section 641.3155(3). Florida Statutes, Ed. 99, for failure to timely pay or deny claims will be deferred to a special investigation of the prompt payment of claims that followed 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 641.3155(3), Florida Statutes, Ed. 01.

PROCEDURE MANUALS

Amend the relevant manual(s):

- 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.
- To ensure that interest payments are calculated pursuant to 641.3155(3), Florida Statutes, Ed. 01.

TERMINATIONS AND REINSTATEMENTS

Amend termination practices:

- To ensure that when a member is terminated for non-payment of premium, timely notice of termination is provided to avoid violation of Section 641.3108(2), Florida Statutes, Ed. 01.

II. CLAIMS REVIEW

Overview

The Company processes claims directly.

Operating Systems

Well Care HMO

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

1. Twenty four (24) 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 twelve (12) of these claims.

Fifty (50) claims from the aging report of over 90 days were examined. See Exhibit II for details. The findings are summarized below:

Forty four (44) were not paid or denied within 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 Workers' Compensation claims that are submitted without the Workers' Compensation carriers explanation of payment. 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 III for details.

2. Interest Calculation

The Company's current procedure is to calculate interest up to the date the check is printed 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. TERMINATIONS AND REINSTATEMENTS REVIEW

Twenty three (23) terminated files that were not reinstated files were examined. See Exhibit V for details. The findings are summarized below:

Two (2) of the files contained violations of Section 641.3108(2), Florida Statutes. These cases were terminated, as premiums were not received by the end of the grace period. The termination notices were sent out after 45 days from the due dates, but were terminated on the due dates.

V. REVIEW OF SMALL GROUP UNDERWRITING

Twenty five (25) samples of rejected small group applications were examined. The Company was substantially in compliance with underwriting small group applications.

VI FINDINGS/CORRECTIVE ACTIONS

CLAIMS

Well Care HMO, Inc.

The Company's claims system had claims that were not being processed as required by Section 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 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 deny Workers' Compensation claims if the EOB is not attached. 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 calculate interest up to the date the check is printed and not the date the payment is received or otherwise delivered. This practice violates Section 641.3155 (2), Florida Statute, Ed. 99.

Corrective Action

The Company should revise its procedure manuals within 30 days of the date of the Consent Order to insure future compliance with the requirements of Sections 641.3155(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.

TERMINATIONS AND REINSTATEMENTS

When the Company is sending out termination notices for members due to non-payment of premium it should follow the requirements set forth in Section 641.3108(2), Florida Statutes.

Corrective Action

Ensure that termination notices are sent to terminated members in compliance with Section 641.3108(2).

SMALL GROUP UNDERWRITING

The Company was substantially in compliance with underwriting small group applications.

Corrective Action

The Company is not required to take any corrective action in their handling of underwriting small group applications.

2001 TARGET CLAIMS AND PROCEDURES EXAMINATION
OF
WELL CARE HMO

EXHIBITS

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