FLORIDA DEPARTMENT
OF
INSURANCE

TARGET MARKET CONDUCT REPORT

OF

AETNA US HEALTHCARE

AS OF

NOVEMBER 1, 1999

DIVISION OF INSURER SERVICES
BUREAU OF MANAGED CARE
INSURER SOLVENCY & MARKET CONDUCT
MARKET CONDUCT SECTION

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I. OVERVIEW AND SUMMARY OF FINDINGS

General

Aetna US Healthcare, (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.

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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 Jacksonville, Florida, from May 9, 2000, to June 2, 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 August 1, 1999, to November 1, 1999.

Findings

The examination identified multiple violations of statutes relating to claims processing. The violations included: failure to timely process claims; 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; and failure to conduct reasonable investigations before denying claims. In numerous instances, the Company failed to comply with Sections 641.3155, 641.3901, and 641.3903(5)(c) 1 and 4, Florida Statutes, Ed. 99.

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Moreover, the examination found violations relating to the improper denial of private passenger automobile accident health insurance (PIP) claims. These actions violate Sections 641.3901, and 641.3903(5)(c) 1 and 4, Florida Statutes.

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The examination found violations related to the improper denial of Workers Compensation (WC) claims. These denials violate Sections 641.3901, and 641.3903(5)(c) 1 and 4, Florida Statutes.

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 sixty five thousand five hundred dollars ($65,500), 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 is directed to take the following corrective actions:

Deleted: which will include fifty (50) Category I "nonwillful" violations. The penalty amount would be

CLAIMS

- Process paid, denied and contested claims pursuant to Section 641.3155(1), Florida Statutes, Ed. 00.
- Calculate and process interest payments pursuant to Section 641.3155(2), Florida Statutes, Ed. 00.
- Process paid and denied claims pursuant to Section 641.3155(3), Florida Statutes, Ed. 00.
- Establish procedures that will facilitate compliance with Section 641.3903(5)(c), Florida Statutes.

PROCEDURE MANUALS

Amend the relevant manual(s):

- To ensure that automobile accident health insurance claims (PIP) are processed pursuant to Sections 641.3901, and 641.3903(5)(c) 1 and 4, Florida Statues.
- To ensure that Workers Compensation claims are processed pursuant to Sections 641.3901, and 641.3903(5)(c) 1 and 4, Florida Statutes.

II. CLAIMS REVIEW

Overview

The Company processes claims directly and also utilizes a Management Service Organization (MSO).

Magellan Behavioral Health, an MSO, processes behavioral health claims.

Operating Systems

A. Aetna US Healthcare

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One hundred and eighteen (118) claims processed by the Company's system were examined. See Exhibit I for details. The findings are summarized below:

1. Nine (9) 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 five (5) of these claims.

3. Twelve (12) claims were downcoded without requests for additional information from the providers.

A review of the Company's pending claim age report indicated that there were three thousand three hundred forty three (3,343) claims pending in excess of 120 days. See Exhibit II for details.

B. Magellan Behavioral Health

Fifty (50) claims processed by Magellan Behavioral Health were examined. See Exhibit III for details. The findings are summarized below:

1. Seven (7) claims were not paid, denied or contested within thirty-five (35) days of receipt. No documentation was provided to justify these delays.
2. A review of Magellan's pending claims aging report indicated there were two hundred forty-four (244) claims pending in excess of 120 days. See Exhibit IV for details.

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 Aetna to ultimately deny Personal Injury Protection (PIP) claims that are submitted without the attendant PIP worksheet typically prepared by the PIP carrier. If a PIP claim is submitted without the worksheet, Aetna calls the PIP carrier and asks for benefit and payment information. If such information is not received within 5-10 working days, Aetna denies the claim. The denial of these claims violates Sections 641.3901 and 641.3903(5)(c) 1 and 4, Florida Statutes. See Exhibit V for details.

   It is the practice of Aetna to ultimately deny Worker Compensation claims that are submitted without further investigation. This is a violation of Sections 641.3901 and 641.3903(5)(c) 1 and 4, Florida Statutes. See Exhibit V 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 VI for details.

IV. FINDINGS/CORRECTIVE ACTIONS

CLAIMS

Aetna US Healthcare & Magellan Behavioral Health

Each claim system had claims that were not being processed as required by Sections 641.3155 (1) (2) and (3), Florida Statutes, Ed. 99.

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CORRECTIVE ACTION

The Company is directed to 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 (1), (2), and (3), Florida Statutes, Ed. 00. This plan shall be submitted to the Department for review and approval prior to implementation.

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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 641.3901, and 641.3903(5)(c) 1 and 4, Florida Statutes.

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 641.3901 and 641.3903(5)(c) 1 and 4, Florida Statutes.

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 Statutes, Ed. 99.

CORRECTIVE ACTION

The Company is directed to revise its procedure manuals within thirty (30) days of the date of the Consent Order to insure future compliance with the requirements of Sections 641.3155, 641.3901, 641.3903(5)(c) 1 and 4 Florida Statutes, Ed. 00. Revisions to the procedure manuals shall be submitted to the Department for review and approval prior to implementation.

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

2000 TARGET CLAIMS AND PROCEDURES EXAMINATION

OF

AETNA US HEALTHCARE

EXHIBITS

SUBJECT	EXHIBIT NUMBER
Aetna Claims Violations	I
Aetna Pending Aged Claims Report	II
Magellan Claims Violations	III
Magellan Pending Aged Claims Report	IV
Coordination of Benefits	V
Interest Calculation	VI