

2000-2001 TARGET CLAIMS AND PROCEDURES EXAMINATION

OF

BEACON HEALTH PLANS, INC.

BY

THE FLORIDA DEPARTMENT OF INSURANCE

BUREAU OF MANAGED CARE

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I. OVERVIEW AND SUMMARY OF FINDINGS

General

Beacon Health Plans, 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. Dr. Steven M. Scott, M.D, acquired the Company on May 11, 2000.

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 Coral Gables, Florida, from April 24, 2001, to May 17, 2001.

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 November 1, 2000, to February 1, 2001.

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; failure to conduct reasonable investigations before denying claims. In numerous instances, the Company failed to comply with Sections 641.3102, 641.315(1) and (4), 641.3154(4), 641.3155, 641.3156, 641.3901, and 641.3903(5)(c) 1 and 4, Florida Statutes.

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(2), 641.3901, and 641.3903(5)(c) 1 and 4, Florida Statutes.

The examination found violations relating to the improper denial of Workers' Compensation (WC) claims. These denials violate Sections 641.3155(2), 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. Note: violations, fines and corrective actions of Section 641.3155(2) and (4), Florida Statutes for failure to timely pay claims are addressed in the 2002 investigation of the prompt payment of claims that followed this examination. In response to these findings the Company is directed to take the following corrective actions:

CLAIMS

- Process paid, denied and contested claims pursuant to Section 641.3155(2), Florida Statutes, Ed. 01.
- Calculate and process interest payments pursuant to Section 641.3155(3), Florida Statutes, Ed. 01.
- 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 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.
- To establish an interest payment formula pursuant to Section 641.3155(3), Florida Statutes.

PROVIDER CONTRACTS

Amend the relevant contracts:

- To communicate to providers a mailing or electronic address where claims should be sent for processing, a telephone number a provider may call to have questions and concerns regarding claims addressed, and the address of any separate claims processing centers for specific types of services pursuant to Section 641.315(4), Florida Statutes.
- To ensure provider contracts prohibit a provider from billing, collecting money from, maintaining any action at law against, or reporting to a credit agency, any subscriber for which payment of services is the responsibility of the Company pursuant to Sections 641.315(1) and 641.3154(4), Florida Statutes.

II. CLAIMS REVIEW

Overview

The Company processes all their claims in-house except mental health claims, which are processed by Psych/Care, Inc., an external payor.

Operating Systems

A. BEACON HEALTH PLANS

Ninety Seven (97) claims processed by the Company's system were examined. See Exhibit I for details. The findings are summarized below:

1. Twenty one (21) 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 thirteen (13) of these claims. The Company has failed to pay interest on any claims since October 1, 1998.

Twenty five (25) claims from the aging report of over 90 days were examined. No errors were found.

B. Psych/Care, Inc.

Twenty five (25) claims processed by Psych/Care were examined. See Exhibit II for details. The findings are summarized below:

1. Three (3) claims were not paid, denied or contested within 35 days of receipt. No documentation was provided to justify these delays.
2. Three (3) claims were paid without interest.

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 PIP worksheet typically prepared by the PIP carrier. The denial of these claims violates Sections 627.4235, 641.3155(2), 641.3901, and 641.3903(5)(c) 1 and 4, Florida Statutes. See Exhibit III for details.

It is the practice of the Company to ultimately deny Workers' Compensation claims that are submitted without the Workers' Compensation carrier's explanation of payment. The denial of these claims violates sections 641.3155(2), 641.3901, and 641.3903(5)(c) 1 and 4, Florida Statutes. See Exhibit III for details.

2. Interest Calculation

The Company failed to produce an interest payment formula. The practice of not paying interest is a violation of Section 641.3155(3), Florida Statutes. See Exhibit IV for details.

3. Provider Contracts

A review of the provider contracts found that the Company failed to communicate a mailing or electronic address where claims should be sent for processing, a telephone number a provider may call to have questions and concerns regarding claims addressed, and the address of any separate claims processing centers for specific types of services. See Exhibit V for details.

A review of the provider contracts found that the Company failed to communicate a standard that prohibits a provider from billing, collecting money from, maintaining any action of law against, or reporting to a credit agency, any subscriber for which payment of services is the responsibility of the Company. See Exhibit V for details.

IV. FINDINGS/CORRECTIVE ACTIONS

CLAIMS

Beacon Health Plans, Inc.

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

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 Sections 641.3155(3), Florida Statutes. This plan should be submitted to the Department for review and approval prior to implementation.

PROCEDURE MANUALS

It is the practice of the Company to ultimately deny Personal Injury Protection (PIP) claims that are submitted without the PIP worksheet typically prepared by the PIP carrier. The denial of these claims violates Sections 627.4235, 641.3155(2), 641.3901, and 641.3903(5)(c) 1 and 4, Florida Statutes.

It is the practice of the Company to ultimately deny Workers' Compensation claims that are submitted without the Workers' Compensation carrier's explanation of payment. The denial of these claims violates sections 641.3155(2), 641.3901, and 641.3903(5)(c) 1 and 4, Florida Statutes.

The Company failed to produce an interest payment formula. The practice of not paying interest is a violation of Section 641.3155 (3), Florida Statutes.

Corrective Action

The Company should revise its procedure manual within 30 days of the date of the Consent Order to insure future compliance with the requirements of Sections 641.3155(2) and (3), 641.3901, and 641.3903(5)(c) 1 and 4, Florida Statutes. Revisions to the procedure manuals should be submitted to the Department for review and approval prior to implementation.

PROVIDER CONTRACTS

A review of the provider contracts found that the Company failed to communicate a mailing or electronic address where claims should be sent for processing, a telephone number a provider may call to have questions and concerns regarding claims addressed, and the address of any separate claims processing centers for specific types of services.

A review of the provider contracts found that the Company failed to communicate a standard that prohibits a provider from billing, collecting money from, maintaining any action of law against, or reporting to a credit agency, any subscriber for which payment of services is the responsibility of the Company.

Corrective Action

The Company should revise its provider contracts within 30 days of the date of the Consent Order to insure future compliance with the requirements of Sections 641.315 (1) and (4), and 641.3154(4), Florida Statutes. Revisions to the provider contract and manual should be submitted to the Department for review and approval prior to implementation.

2001 TARGET CLAIMS AND PROCEDURES EXAMINATION
OF
BEACON HEALTH PLANS, INC.

EXHIBITS

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