

2000 TARGET CLAIMS AND PROCEDURES EXAMINATION

OF

HIP HEALTH PLAN OF FLORIDA, INC

BY

THE FLORIDA DEPARTMENT OF INSURANCE

BUREAU OF MARKET CONDUCT

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I. OVERVIEW AND SUMMARY OF FINDINGS

General

HIP Health Plan of Florida, (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. Florida Health Plan Holdings acquired the Company on October 19, 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 Hollywood, Florida, from May 1, 2001, to June 8, 2001.

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 January 1, 2001, to March 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 pay interest to non-contract providers; 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 627.4235, 641.3155(2), (3) and (4), 641.3901, and 641.3903(5)(c) 1, 3 and 4, Florida Statutes.

The examination found violations relating to the systematic downcoding of Current Procedural Terminology (CPT) codes submitted by providers without proper investigation. This process began in August 2000. Software by the name of Code Review is integrated with the Company's claims adjudication system and edits claims during the adjudication process. Virtually all CPT codes are reviewed on multi-line claims. When a claim is submitted, Code Review may recommend a replacement CPT code. The provider is notified of the change on the explanation of benefits. The changed CPT code is displayed with the payment and the original CPT code is given a denial code. This is a violation of Sections 641.3155(2) and 641.3903(5)(c) 1, 3, and 9, 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 Sections 641.3155(2) and (4), Florida Statutes for failure to timely pay 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

- Process paid, denied and contested claims pursuant to Section 641.3155(2), Florida Statutes.
- Calculate and process interest payments pursuant to Section 641.3155(3), Florida Statutes.
- Process paid or denied claims pursuant to Section 641.3155(4), Florida Statutes.
- Establish procedures that will facilitate compliance with Section 641.3903(5)(c), Florida Statutes.
- Eliminate systematic downcoding pursuant to 641.3155(2) and 641.3903(5)(c) 1, 3, and 9, 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.
- 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.

II. CLAIMS REVIEW

Overview

The Company processes claims directly. The Company also utilizes Aztec Medical Services, Inc., to process some specialty claims.

Operating Systems

A. HIP Health Plan of Florida, Inc.

Ninety-nine (99) claims processed by the Company's system were examined. See Exhibit I for details. The findings are summarized below:

1. Thirty-nine (39) 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 twenty-eight (28) of these claims.

It is the practice of the Company to adjust CPT codes without the further investigation of claims. Fifteen (15) claims were examined and found to be in violation of Sections 641.3155(2) and 641.3903(5)(c) 1, 3, and 9, Florida Statutes. See Exhibit II for details.

A review of the Company's pending age report indicated that there were one thousand six hundred and sixty eight (1668) claims pending in excess of one hundred twenty (120) days. See Exhibit III for details.

B. Aztec Medical Services, Inc.

One hundred (100) claims processed by the Aztec system were examined. See exhibit IV for details. The findings are summarized below:

1. Thirty-seven (37) 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 all thirty-seven (37) claims.
3. It was determined that no interest was paid on any claims processed over thirty-five (35) days during the scope period. See Exhibit V 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 the Company to ultimately deny Personal Injury Protection (PIP) claims if the claim is submitted without a PIP worksheet and the member and/or provider fails to return an accident questionnaire. This is a violation of Sections 627.4235, 641.3155(2), 641.3901, and 641.3903(5)(c) 1 and 4, Florida Statutes. See Exhibit VI for details.

It is the practice of the Company to ultimately deny Workers' Compensation claims that are submitted without further investigation. This is a violation of Sections 641.3155(2), 641.3901, and 641.3903(5)(c) 1 and 4, Florida Statutes. See Exhibit VI for details.

2. Interest Calculation

The Company's current procedure is to calculate interest up to the date of the check and not the date the payment is received or otherwise delivered for contract providers and disallow interest on claims submitted by non-contract providers. This procedure is a violation of Section 641.3155(3), Florida Statutes. See Exhibit VII for details.

IV. FINDINGS/CORRECTIVE ACTIONS

CLAIMS

The HIP Health Plan of Florida claim system had claims that were not being processed as required by Sections 641.3155 (2), (3) and (4), and 641.3903(5)(c) 1, 3, and 9, 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) and 641.3903(5)(c) 1, 3, and 9, Florida Statutes. 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 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 of the check and not the date the payment is received or otherwise delivered. This practice violates Section 641.3155 (3), Florida Statutes.

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 641.3155 (2), (3) and (4), 641.3901, 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.

**2001 TARGET CLAIMS AND PROCEDURES EXAMINATION
OF
HIP HEALTH PLAN OF FLORIDA, INC.**

EXHIBITS

| <u>SUBJECT</u> | <u>EXHIBIT NUMBER</u> |
|------------------------------|-----------------------|
| HIP Claims Violations | I |
| HIP Code Review | II |
| HIP Aging Report | III |
| Aztec Claims Violations | IV |
| Aztec Interest Calculation | V |
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