

**FLORIDA DEPARTMENT
OF
INSURANCE**

TARGET MARKET CONDUCT REPORT

OF

HEALTH OPTIONS, INC.

AS OF

December 1, 1999

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

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I. OVERVIEW AND SUMMARY OF FINDINGS

General

Health Options, 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 Jacksonville, Florida, from June 6, 2000, through June 30, 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 September 1, 1999, to December 1, 1999.

Findings

The examination identified violations of statutes relating to claims processing. The violations included the failure to timely process claims; failure to timely pay interest; and failure to timely pay or deny claims. The Company failed to comply with Section 641.3155, 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. Note: violations, fines and corrective actions of Section 641.3155(1) and (3), Florida Statutes, Ed. 99; 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

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

PROCEDURE MANUALS

Amend the relevant manual(s):

- To ensure payment of interest pursuant to Section 641.3155(3), Florida Statutes, Ed. 01.

II. CLAIMS REVIEW

Overview

The Company processes all claims directly.

Operating Systems

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

1. Three (3) claims were not paid, denied or contested within thirty-five (35) days of receipt. No documentation was provided to justify this delay.
2. The Company failed to pay interest on one (1) of these claims. The Company has no material exceptions to the payment of interest on late paid claims.

Fifty (50) claims from the Company's pending claim age report, consisting of eight thousand seventy nine (8,079) claims pending in excess of 90 days, were examined. See exhibit II for details. The findings are summarized below:

1. Twenty-one (21) of these claims were not paid or denied within 120 days.
2. The company failed to pay interest on three (3) of these claims. Since the prompt payment of claims was deferred to a later special investigation, the Department will consider the Company to have no material exceptions to the payment of interest on late paid claims.
3. Medicare claims accounted for twenty-two (22) and were not reviewed.
4. Four (4) claims involved non-contract providers.
5. Two (2) claims were paid through capitation and were filed for information only.
6. One (1) claim was unclean and pended promptly.

III. PROCEDURE MANUALS REVIEW

Policy and procedure manuals relating to the processing of claims were examined. The findings are:

Interest Calculation

The Company's procedure during the scope of this examination was to calculate interest up to the date the check is mailed, not the date the payment is received or otherwise delivered to the claimant. This procedure would result in a violation of Section 641.3155(2), Florida Statutes, Ed. 99. See Exhibit III for details.

IV. FINDINGS/CORRECTIVE ACTIONS

CLAIMS

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

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 system in 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

The Company's current procedure calculates interest up to the date the check is received and not the date the payment is mailed. This practice does not result in a violation of 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 Section 641.3155(3), Florida Statutes, Ed. 01.

2000 TARGET CLAIMS AND PROCEDURES EXAMINATION
OF
HEALTH OPTIONS, INC.

EXHIBITS

<u>SUBJECT</u>	<u>EXHIBIT NUMBER</u>
HOI Claims Violations	I
HOI Pending Aged Claims Report	II
Interest Calculation	III