THE STATE OF FLORIDA

OFFICE OF INSURANCE REGULATION
MARKET INVESTIGATIONS

TARGET MARKET CONDUCT FINAL EXAMINATION REPORT

OF

Vista Healthplan of South Florida, Inc.

AS OF

October 30, 2009

NAIC COMPANY CODE: 95266

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EXECUTIVE SUMMARY

The purpose of this examination was to verify the accuracy of the self-reported 2008 Gross Annual Premium and Enrollment (GAP) submission.

Data downloads provided by Vista Healthplan of South Florida, Inc. (Company) were reviewed and reconciled to the amounts the Company submitted on their GAP Report and Annual Statement. The following represent general findings. Specific details are found in each section of the report.

Summary of Findings			
GAP Reporting Area	**Market Segment**	**Findings**	**Reason**
Total Direct Premiums Written	51+ Member Groups	Overstated by $7,084,863	Incorrectly included Federal Employees Health Benefits Program (FEHBP)
Direct Losses Incurred	51+ Member Groups	Overstated by $5,152,269	Incorrectly included Federal Employees Health Benefits Program (FEHBP)
Direct Premiums for New Business Only	51+ Member Groups	Overstated by $832,550	Amount should have been included in Total Direct Premiums Earned
Employers/Groups	51+ Member Groups	Overstated by 1	Incorrectly included Federal Employees Health Benefits Program (FEHBP)
Primary Enrollees	51+ Member Groups	Overstated by 1,030	Incorrectly included Federal Employees Health Benefits Program (FEHBP)
Covered Enrollee Dependents	51+ Member Groups	Overstated by 1,405	Incorrectly included Federal Employees Health Benefits Program (FEHBP)
Average Number of Days to Pay Claims	Average of four market segments	Reported 2005 number	The Company has been reporting five days since 2005.

PURPOSE AND SCOPE OF EXAMINATION

The Office of Insurance Regulation (Office), Market Investigations, conducted a target market conduct examination of Vista Healthplan of South Florida, Inc. (Company) pursuant to Section 641.3905, Florida Statutes. The examination was performed by AGI Services. The scope period of this examination was January 1, 2008 through December 31, 2008. The examination began July 17, 2009 and ended October 30, 2009.

Pursuant to Section 627.9175, F.S., and Rule 69O-137.004 F.A.C., each health insurer, prepaid limited health services organization, and health maintenance organization is required to file a Report of Gross Annual Premiums and Enrollment Data for Health Benefit Plans Issued to Florida Residents (GAP) by April 1 of each year.

The purpose of this examination was to verify the accuracy of the data reported for each market segment in which the company conducts business. There are seven reporting areas required in the GAP submission.

1) Direct Premiums Earned for New and Renewal Business
2) Direct Losses Incurred
3) Direct Premiums Earned for New Business Only
4) Employers, if Group Coverage, at End of Reporting
5) Primary Insureds at End of Reporting
6) Covered Dependents at End of Reporting
7) Average Number of Days Taken to Pay Claims

The following procedures were used in conducting the review:

- Obtained a data download of direct premiums earned, direct losses, employers (if group coverage), primary insureds, covered dependents and claims paid. This data was reviewed and reconciled to the amounts the Company submitted on their GAP Report and Annual Statement.
- Analyzed data and performed computer aided audit techniques using ACL to verify the accuracy of the data provided and determine the proper classification.
- Identified areas of concern and held discussions with Company personnel to address and understand these areas.

In reviewing material for this final report, the examiner relied on records provided by the Company. Procedures and conduct of the examination were in accordance with the *Market Regulation Handbook* produced by the National Association of Insurance Commissioners.

COMPANY OPERATIONS

Vista Healthplan of South Florida, Inc. is a domestic Health Maintenance Organization licensed to conduct business in the State of Florida on February 28, 1995.

For calendar year 2008, the Company reported data in the following market segment: major medical in-state.

Total Direct Premiums Written in Florida for Accident and Health Premiums were as follows:

Year	Total Written Premium In Florida (Per Schedule T of the Annual Statement)
2008	$115,439,041
2007	$116,723,632

GAP ANALYSIS AND RESULTS

I. Direct Premiums Earned for New and Existing Business

Findings: The Company incorrectly included Federal Employees Health Benefits Plan (FEHBP) direct premiums earned of $7,084,863 with Line 6: 51+ Member Groups.

Corrective Action: Federal Employees Health Benefits Plan (FEHBP) direct premiums earned should not be included on the GAP filing.

II. Direct Losses Incurred

For capitation expense, the Company used the covered lives for the specific market segment as compared to the total covered lives to determine the percentages used to distribute the total capitation expense. For the remaining reconciling items, the Company used a percentage of IBNR for each market segment to the total and applied that same percentage for the remaining reconciling items.

Findings: The Company incorrectly included FEHBP direct losses incurred of $5,152,269 with Line 6: 51+ Member Groups.

Corrective Action: FEHBP losses should not be included on the GAP filing.

III. **Direct Premiums Earned for New Business Only**

Findings: The Company incorrectly included $832,550 of renewal business, due to misclassification of premiums, in direct premiums earned for new business only with Line 6: 51+ Member Groups.

Corrective Action: The Company should establish better internal controls to ensure accurate reporting of direct premiums earned for new business only on the GAP filing.

IV. **Employers, if Group Coverage, at End of Reporting**

Findings: The Company incorrectly included FEHBP with Line 6: 51+ Member Groups. This resulted in the group count being overstated by one group.

Corrective Action: FEHBP should not be included as a group on the GAP filing.

V. **Primary Insureds at End of Reporting**

Findings: The Company incorrectly included FEHBP with Line 6: 51+ Member Groups. This resulted in the primary insureds count being overstated by 1,030.

Corrective Action: FEHBP primary insureds should not be included on the GAP filing.

VI. **Covered Dependents at End of Reporting**

Findings: The Company incorrectly included FEHBP with Line 6: 51+ Member Groups. This resulted in the covered dependents count being overstated by 1,405.

Corrective Action: FEHBP covered dependents should not be included on the GAP filing.

VII. **Average Number of Days Taken to Pay Claims**

Findings: The Company did not include claims received prior to January 1, 2008 and did not calculate the average number of days to pay claims by market segment.

The Company has not been recalculating the average number of days to pay claims on a yearly basis and has been reporting 25 days since 2005. To arrive at the 25 days, the Company had calculated the average number of days to pay claims on a claim line-basis rather than on a claims-basis. The Company's calculation methodology does not adhere to GAP instructions and resulted in a lower average number of days taken to pay claims. The Company's 2008 claims data was used to calculate the average number of days to pay claims on a claim line-basis. The result of this calculation was 30 days and therefore, the 25 days reported on the GAP filing was understated by five days.

The data file received from the Company included adjustments and adjusted dates that overstate the average number of days to pay claims. Therefore, it was not possible to determine the average number of days to pay claims on a claims-basis.

Corrective Actions: The Company should calculate the average number of days taken to pay claims by market segment and should include all claims paid in the report year, irrespective of the date received. The average number of days taken to pay claims is required to be recalculated yearly.

The Company should calculate the average number of days taken to pay claims per claim and not on a claim line level. Also, adjusted claims should be included in the calculation using the original payment date and not the date an adjustment was made.

EXAMINATION FINAL REPORT SUBMISSION

The courtesy and cooperation of the officers and employees of the Company during the examination are acknowledged and appreciated.

Examiners participating with this exam were:

John B. Humphries, ASA, MAAA, CFE, CISA, AES, MCM – Managing Partner, AGI Services
Joanna J. Latham, CFE, CPA, CISA, AES – Senior Examiner, AGI Services
Kristina Gaddis, CFE – Senior Examiner, AGI Services
Trina W. Barton - Examiner, AGI Services