State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

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Theodore K Nickel, Commissioner

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Notice of Adoption and Filing of Examination Report

Take notice that the proposed report of the market conduct examination of the

HEALTH TRADITION HEALTH PLAN
1808 E MAIN ST
ONALASKA WI 54653

dated October 29, 2010, and served upon the company on July 13, 2011, has been adopted as the final report, and has been placed on file as an official public record of this Office.

Dated at Madison, Wisconsin, this 16th day of August, 2011.

Theodore K Nickel
Commissioner of Insurance

STATE OF WISCONSIN
OFFICE OF THE COMMISSIONER OF INSURANCE

MARKET CONDUCT EXAMINATION

OF

HEALTH TRADITION HEALTH PLAN
ONALASKA, WISCONSIN

OCTOBER 18-29, 2010

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State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

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October 29, 2010

Honorable Sean Dilweg
Commissioner of Insurance
Madison, WI 53702

Commissioner:

Pursuant to your instructions and authorization, a targeted market conduct examination was conduct October 18 to October 29, 2010 of:

HEALTH TRADITION HEALTH PLAN
Onalaska, Wisconsin

and the following report of the examination is respectfully submitted.

I. INTRODUCTION

Health Tradition Health Plan (the company), formerly Greater La Crosse Health Plans, Inc., is a Wisconsin domestic for-profit group model health maintenance organization (HMO) insurer. An HMO insurer is defined by s. 609.01 (2), Wis. Stat., as a health care plan offered by an organization established under ch. 185, 611, 613, or 614 or issued a certificate of authority under ch. 618 that makes available to its enrolled participants, in consideration for predetermined fixed payments, comprehensive health care services performed by providers selected by the organization. Under the group model the HMO contracts with a sponsoring clinic to provide primary and specialist services. The company is a wholly owned subsidiary of Mayo Holding Company (Mayo), formerly Mayo Group Practices, whose sole member is the Mayo Foundation. The company shares some provider networks with Franciscan Skemp, a network of providers in the greater LaCrosse area, which is also owned by Mayo.

The company was founded in 1986 and offers healthcare benefit products to organizations with two or more employees. Based in Onalaska, Wisconsin, the company administers healthcare benefits to more than 40,000 people in its service area. Administrative services for the company are provided by MMSI, formerly known as Mayo Management Services Inc., a regional third party administrator based in Rochester, Minn. and UCare Minnesota in St. Paul, Minn. At the time of the examination, the company offered its plan in 15 counties located in the western portion of Wisconsin. The company provided care to its members through a network of more than 350 primary care providers and over 250 specialty care providers. As the company is primarily a group model HMO, the physicians are retained through contracts with clinics and independent practice associations (IPAs).

In 2008 and 2009 the company ranked 25th and 26th respectively for market share in the Medicare supplement line of business. It ranked 19th and 21st in 2008 and 2009 respectively for market share in the small employer health insurance business.

For 2008 and 2009, the company report written premium in Wisconsin only.

Premium and Loss Ratio Summary

2009				
Line Of Business	**Net Premium Income**	**% of Total Premium**	**Net Losses Incurred**	**Medical Loss Ratio**
Comprehensive	112,312,884	85.3%	103,001,587	91.7%
Medicare Supplement	3,239,221	2.5%	2,324,422	71.8%
Dental Only	0	0.0%	0	0.0%
Vision Only	0	0.0%	0	0.0%
All Other Health	16,087,062	12.2%	14,785,816	91.9%
Life and P&C	0	0.0%	0	0.0%
Total	131,639,167		120,111,825	91.2%
2008				
Line Of Business	**Net Premium Income**	**% of Total Premium**	**Net Losses Incurred**	**Medical Loss Ratio**
Comprehensive	97,777,802	87.8%	90,410,502	92.5%
Medicare Supplement	3,015,920	2.7%	2,303,238	76.4%
Dental Only	0	0.0%	0	0.0%
Vision Only	0	0.0%	0	0.0%
All Other Health	10,600,716	9.5%	9,159,833	86.4%
Life and P&C	0	0.0%	0	0.0%
Total	**111,394,438**		**101,873,573**	**91.5%**

Complaints

The Office of the Commissioner of Insurance received 16 complaints against the company between January 1, 20098 through July 30, 2010. A complaint is defined as 'a written communication received by the Commissioner's Office that indicates dissatisfaction with an insurance company or agent.' The company did not rank on the 2008 or 2009 above average complaint summary reports for group or individual health insurance.

The following table categorizes the complaints received against the company by type of policy and complaint reason. There may be more than one type of coverage and/or reason for each complaint. The company received the majority of its complaints in HMO group accident and health. The majority of those complaints involved claims and claims handling.

Complaints Received

June 30, 2010	Reason Type				
Coverage Type	Under-writing	Marketing & Sales	Claims	Plcyhldr Service	Other
Group A&H	0	0	1	0	0
HMO	1	0	3	1	0
Total	1	0	3	1	0

2009	Reason Type				
Coverage Type	Under-writing	Marketing & Sales	Claims	Plcyhldr Service	Other
Group A&H	0	0	1	0	0
HMO	0	0	5	0	0
Total	0	0	6	0	0

2008	Reason Type				
Coverage Type	Under-writing	Marketing & Sales	Claims	Plcyhldr Service	Other
Group A&H	0	0	0	0	0
HMO	0	0	3	1	1
Total	0	0	3	1	1

Grievances

The company submitted the annual grievance summary reports to OCI for 2008 and 2009, as required by s. Ins. 18.06, Wis. Adm. Code. A grievance is defined "as any dissatisfaction with the provision of services or claims practices of an insurer offering a health benefit plan or administration of a health benefit plan by the insurer that is expressed writing to the insurer by, or on behalf of, an insured."

The company's grievance report for 2008 indicated the company received 72 grievances, 27 grievances or 38% were reversed. The majority of the grievances filed with the company in 2008 were related to the category not covered benefits.

The company's grievance report for 2009 indicates the company received 88 grievances, 28 grievances or 32% were reversed. The majority of the grievances filed with the company in 2009 were also related to the category Not Covered Benefits.

The following table summarizes the grievances for the company for 2008 and 2009.

	2009	2008
Category	**Nos.**	**Nos.**
Access to Care	2	2
Continuity of Care	0	0
Drug & Drug Formulary	6	5
Emergency Services	3	0
Experimental Treatment	3	0
Prior Authorization	6	11
Not Covered Benefit	60	34
Not Medically Necessary	8	3
Other	0	8
Plan Administration	0	3
Plan Providers	0	0
Request for Referral	0	0
Total	**88**	**66**

Independent Review Organization

Independent review organizations (IROs) certified to do reviews in Wisconsin are required to submit to the OCI annual reports for the prior calendar year's experience indicating the names of the insurance companies and whether the action on the claims was upheld or reversed. Issues eligible for independent review include adverse and experimental treatment determinations. IRO reports indicate that for 2008 the company had one IRO request filed and for 2009 the company had two IRO requests filed involving the company.

The following tables summarize the IRO review requests for the company for the last two years:

Total Review Requests Received	IPRO	Maximus -CHDR	Medical Inst. Of America	Upheld	Reversed
2009					
2	1	1			2
2008					
1			1	1	

II. PURPOSE AND SCOPE

A targeted examination was conducted to determine whether the company's practices and procedures comply with the Wisconsin insurance statutes and rules. The examination focused on the period from January 1, 2008 through June 30, 2010. In addition, the examination included a review of any subsequent events deemed important by the examiner-in-charge during the examination.

The examination was limited to a review of the company's operations and practices in the areas of electronic-commerce; managed care; small employer; marketing, sales & advertising; grievances & IRO; policyholder service and complaints; underwriting and rating; policy forms and rates; claims; privacy; producer licensing; and company operations and management It also included a review of the company's compliance with 2009 Wisconsin Act 28.

The report is prepared on an exception basis and comments on those areas of the company's operations where adverse findings were noted.

III. CURRENT EXAMINATION FINDINGS

Claims

The examiners reviewed the company's response to OCI's claims interrogatory, claims administration processes and procedures, explanation of benefits (EOB) and remittance advice (RA) forms, claim adjustment codes and claim methodology. The company contracted with MMSI (Mayo Management Services Inc) for processing its medical and mental health claims and with HSM (Health Services Management) for processing chiropractor claims. The company indicated that 70 percent of claims were processed electronically and that its claim audits indicated claims were paid within 30 days 98.8% to 100% of the time.

The examiners found that the two vendors that processed company claims each used their own explanation of benefits (EOB) forms. MMSI's remittance advice (RA) form was titled explanation of payment (EOP). The examiners found that MMSI's remittance advice titled explanation of payment form did not follow the format specified in s. Ins. 3.651, Appendix A, Wis. Adm. Code, as required by s Ins 3.651 (3), Wis. Adm. Code. The examiners found the EOB format did not contain the out-of-pocket and lifetime maximum limits as required by s. Ins 3.651 (4) (a) 8, Wis. Adm. Code. The examiners also found that the company did not consistently use ANSI codes as its claim adjustment reason codes on its EOBs and RAs as required by s. Ins 3.651 (5), Wis. Adm. Code.

1. **Recommendation:** It is recommended that the company include summary information on its explanation of benefits (EOB) form regarding the total out-of-pocket amount remaining for the policy period and the remaining amount of the lifetime limit in order to comply with s. Ins 3.651 (4) (a) 8, Wis. Adm. Code.

2. **Recommendation:** It is recommended that the company use ANSI codes as its claim adjustment reason codes on its explanation of benefits (EOB) and remittance advice (RA) forms in order to comply with s. Ins 3.651 (5), Wis. Adm. Code.

3. **Recommendation:** It is recommended that the company change the title of its Explanation of Payments form to Remittance Advice form in order to document compliance with s. Ins. 3.651 (3), Wis. Adm. Code.

The examiners reviewed a random sample of 25 paid and 25 denied group claims, and 30 denied Medicare supplement claims, which included a review of Wisconsin mandated benefits, timely payment and medical necessity. The examiners identified only one claim that was not paid within 30 days.

The examiners requested that the company demonstrate compliance with s. Ins. 3.36 (7), Wis. Adm. Code, and explain how the company provided the insured with the notice regarding claims submitted and processed for the treatment of autism spectrum disorders, including the total amount expended to date for the current policy year. The examiners found that the company did not have policies and procedures for ensuring that information regarding the total amount expended for the treatment of autism was provided with the EOB or in a separate communication on a periodic basis during the course of treatment.

4. **Recommendation:** It is recommended that the company develop a policy and procedure to provide the total amount expended for the treatment of autism in order to comply with s. Ins. 3.36 (7), Wis. Adm. Code.

Policy Forms and Rates

The examiners reviewed the company's response to OCI's policy forms interrogatory, PPACA (Patient Protection and Affordable Care Act) uniform compliance filings, Medicare supplement forms, and policy forms filed as file and use for compliance with 2009 Wisconsin Acts 14, 28, 218, 282, and 356. The company's compliance department was responsible for rate and form filings submitted to OCI. It contracted with The Management Group, Inc. (TMG) for submission of filings (policy form, rate, advertising, and others) and consultation services about compliance and regulatory issues.

The company provided a procedure entitled 9-compliance grid plan that described its process for notifying staff of new policy forms, ensuring that old forms were destroyed and that out-of-date member materials were no longer used.

The examiners reviewed 12 forms submitted as file and use after July 1, 2008 when a change in s. 631.20, Wis. Stat. allowed most policy forms, excluding Medicare supplement forms, to be submitted to OCI on a "file and use" basis rather than prior approval basis. The examiners also reviewed the Medicare Select products. Although the file and use policy form filings were submitted to OCI with a Certificate of Compliance, as required by s. Ins 6.05, Wis. Adm. Code, and in which the company certified, pursuant to s. 631.20 (1m) (a) 3., Wis. Stat., that the forms were in compliance with all applicable provisions of the Wisconsin insurance laws and regulations, the examiners noted the following exceptions:

Forms HTHP-122 (revised 11/09) & HTHP-121 (revised 11/09)

1) POS autism services amendment form HTHP-122 (revised 11/09) and HMO autism services amendment form HTHP-121 (revised 11/09) did not contain language regarding the maximum dollar amounts payable annually for intensive services and for nonintensive level services for the treatment of autism spectrum disorder as provided by s. 632.895 (12m), Wis. Stat.

5. **Recommendation:** It is recommended that the company refile forms HTHP-122 (revised 11/09) and HTHP-121 (revised 11/09) and modify the language in these amendments to be compliant with s. 632.895 (12m), Wis. Stat., specific to minimum hours, dollars and duration of nonintensive and intensive services.

Application form 221HTH186

1) Section 3 of the PremierOne application form contained an area for family information. The directions stated that dependent children must be unmarried and under age 19 or under age 25 if a full time student. The examiners asked the company to explain its compliance with s. 632.885, Wis. Stat., which states that adult children under age 27 may be considered dependents.

The company stated that the dependent language on the application was incorrect and would be filing a corrected application.

6. **Recommendation:** It is recommended that the company provide documentation of a new individual application that contains the current definition of adult dependent to ensure compliance with s. 632. 885, Wis. Stat., within 30 days of adoption of this report.

The examiners found that the company maintained several methods of communicating to staff about new policy forms and had procedures on destroying old forms. However, the examiners found that the company procedures did not provide for auditing the process. Section Ins 9.42 (3), Wis. Adm. Code, provides than an insurer's compliance program shall include regular internal audits, including regular audits of any contractors or subcontractors. The company indicated that the company does not conduct formal audits of old forms destruction and does not have any documentation that supports any form of audits.

7. **Recommendation:** It is recommended that the company develop an internal audit plan and implement procedures to ensure compliance with s. Ins. 9.42 (3), Wis. Adm. Code.

New Business and Underwriting

The examiners reviewed the company response to OCI's new business and underwriting interrogatory, field sales underwriting guidelines, rating and underwriting procedures manuals.

The company indicated that all of its underwriting and policyholder service functions were handled by its contracted vendor MMSI. MMSI used the Milliman Medical Underwriting Guidelines to assist in making determinations regarding individual product.

The company indicated its agents did not have underwriting authority but were provided an underwriting manual to provide field guidance. The company did not accept applications telephonically or electronically. The company stated it intended to accept electronic submissions when insurance exchanges begin as part of national health reform. It also indicated that it intended to develop an online rating calculator for its products to be used internally and by outside insurance brokers for providing quotes to employer groups.

The examiners reviewed a random sample of 25 issued; 25 not issued and 25 terminated/cancelled individual and Medicare supplement application files. The review included documentation of the open enrollment and guaranteed issue requirements that apply to Medicare beneficiaries and that premiums were refunded in the event of death of or termination by Medicare beneficiaries. No exceptions were found regarding the samples reviewed.

The examiners requested a list of all cancellations of its individual health product, Premier One, that were executed during the period of review. The company stated that it had discovered that it was not sending HIRSP notices to individuals when it canceled their PremierOne coverage. It indicated it only sent HIRSP notices to those individuals who were denied enrollment into Premier One. The company indicated it had not sent HIRSP notices to two individuals who were rescinded in 2010 due to misrepresentation. Section 632.785, Wis. Stat., provides that if an insurer takes any action based on medical underwriting considerations which is likely to render any person eligible under s. 149.12, for coverage under ch. 149, the insurer shall notify all persons affected of the existence of the mandatory health insurance risk sharing plan under ch 149, as well as the eligibility requirements and method of applying for coverage under the plan.

8. **Recommendation:** It is recommended that the company develop a process to notify insureds whose coverage is rescinded of the availability of the health insurance risk sharing plan to ensure compliance with s. 632.785, Wis. Stat.

The company provided documentation that it filed a cancellation and rescission report for 2009 as required by s. 601.428, Wis. Stat., which indicated it rescinded one policy during 2009.

Small Employer

The examiners reviewed the company's response to OCI's small employer insurance interrogatory, enrollment and waiver forms. The company did not market to trusts or associations during the period of review.

The examiners verified that the company provided the appropriate rating and renewability notice and small employer notice to new groups. The examiners also verified that the company provide members with continuation and conversion information when member coverage under a small employer group plan was terminating.

The examiners reviewed a random sample of 25 issued small employer group files. The examiners found five groups contained waived forms that did not indicate why the employees were waiving coverage. Section Ins 8.60, Wis. Adm. Code, provides that a small employer insurer may not issue a policy unless during the initial enrollment period all the eligible employees and dependents are provided coverage, except when the individual declining coverage submits a waiver of coverage as provided by s. Ins 8.65, Wis. Adm. Code.

9. **Recommendation:** It is recommended that the company obtain waivers of coverage from all eligible employees and their dependents to document compliance with s. Ins 8.60, Wis. Adm. Code.

The examiners requested that the company describe its process for notifying an insured who will lose primary coverage under the policy upon reaching age 65, and the employer of the insured, as required by s. 632.793, Wis. Stat. The company indicated that it did not have a process to provide written notice of the change in primary coverage status to its insureds and employers.

10. **Recommendation:** It is recommended that the company develop and implement a procedure to ensure compliance with s. 632.793, Wis. Stat., which provides those individuals in certain group plans who are turning 65 a notice of change in coverage status regarding Medicare.

Managed Care

The examiners reviewed the company's response to OCI's managed care interrogatory, its policies and procedures regarding plan administration, compliance program, quality assurance and improvement, access standards, and credentialing and recredentialing. The examiners also reviewed company organization, board of director meeting minutes, provider directories and provider agreements. The company reported that has not applied for accreditation by the National Committee for Quality Assurance (NCQA).

The examiners verified that the company's board of directors exercised oversight of the quality assurance and improvement aspects of its plans.

The examiners verified that the company had annually filed with the OCI its certification of preferred provider plans, certification of managed care plans, quality assurance plan and certification of access standards a required by ss. Ins 9.34 and 9.40, Wis. Adm. Code.

The examiners reviewed the company's standard provider agreement templates. The examiners documented that the agreements contained language regarding provision of services upon termination of the agreement that complied with continuity of care requirement of Wisconsin insurance law. The examiners reviewed the company's contracting process for licensed mental health professional under s. 632.89, Wis. Stat., as amended in 2009. The examiners also reviewed the company's process for contracting with providers of autism spectrum services to ensure compliance with s. 632.895 (12m), Wis. Stat. No exceptions were written regarding the company's provider contracting process.

The examiners requested that the company provide a copy of the company's policy and procedures for allowing a physician to present medical evidence for coverage of a prescription or devise not routinely covered by the plan as required by s. 632.853, Wis. Stat. The company provided a document titled ADM06.6 Provider Appeals of Payment Denial, which did not include information specific to prescription drug or device not routinely covered by the plan.

11. **Recommendation:** It is recommended that the company include in its provider appeals procedures the provisions of s. 632.853, Wis. Stat., regarding allowing a physician to present medical evidence for an exception for coverage of a prescription drug or devise not routinely covered by the plan.

The examiners requested that the company provide information regarding its compliance program required by s. Ins 9.42, Wis. Adm. Code, which provides that all insurers offering a defined network plan are responsible for compliance with ss. 609.22, 609.24, 609.30, 609.32, 609.34, 609.36 and 632.83, Wis. Stat. It also provides that an insurer's compliance plan shall include regular internal audits, including regular audits of any contractors or subcontractors who perform functions relating to compliance with ss. 609.22, 609.24, 609.30, 609.32, 609.34, 609.36 and 632.83, Wis. Stat. The examiners found that the company used vendors for its administrative services. MMSI handled the group administration and member management; premium billing; provider reimbursement; credentialing of providers; claims; 24 hour telephone service; customer service; information services and training. Health Services Management (HSM) was the vendor that handled credentialing of chiropractors. The examiners found that the company's Compliance Program Grid 2010 did not include audit procedures to comply with s. Ins. 9.42, Wis. Adm. Code. The examiners found that the company had not conducted audits of its contractors, except for auditing regarding credentialing.

12. **Recommendation:** It is recommended that the company update its compliance plan to include regular audits on any contractor who provide services for the company under ss. 609.22, 609.24, 609.30, 609.32, 609.34, 609.36 and 632.83, Wis. Stat., to ensure compliance with s. Ins 9.42, (3), (4) and (5), Wis. Adm. Code.

Grievance and IRO

The examiners reviewed the company's response to the grievance and independent review interrogatory; its grievance procedures, annual grievance experience reports, company explanation of benefits (EOB) and remittance advice (RA) forms and its procedures for handling independent review requests from Wisconsin insured's.

Grievance

The examiners reviewed a random sample of 23 grievance files. The examiners also reviewed the 2008 and 2009 grievance reports.

The examiners found that the company's extension letter did not contain the reason additional time was needed to review the grievance as required by s. Ins 18.03 (6) (b) 3, Wis. Adm. Code.

13. **Recommendation:** It is recommended that the company revise its grievance extension letter to include the requirements of s. Ins 18.03 (6) (b) 3, Wis. Adm. Code, which includes the reason additional time was needed for the review.

The examiners found that two grievance files indicated the company failed to provide written notice to the insured of the time and place of the grievance meeting at least 7 days before the meeting as required by s. Ins 18.03 (3) (b), Wis. Adm. Code. The company acknowledged that it had not sent the grievance notice at least 7 before the meeting although both files were one day short of meeting the requirement.

14. **Recommendation:** It is recommended that the company comply with s. Ins 18.03 (3) (b), Wis. Adm. Code, and provide a written notification of the time and place of the grievance committee meeting at least 7 days before the meeting.

The examiners found that the company failed to resolve one grievance within 30 days and did not provide notice to the grievant that it was extending its review. As the finding involves only one file, no recommendation is being made regarding this finding.

The examiners found appeal language on the company's EOBs that stated, "An appeal must be requested within 180 days after you receive the EOB." The examiners asked the company to explain how this language complied with s. Ins 18.03, Wis. Adm. Code, and OCI Bulletin dated April 26, 2002, which indicates that there is no time limit for filing a grievance. The company acknowledged that it was not compliant and indicated that it would remove the sentence from the EOB immediately.

15. **Recommendation:** It is recommended that the company remove language from its explanation of benefits (EOB) forms that reference a timeline to report a grievance in order to comply with s. Ins 18.03, Wis. Adm. Code.

The examiners found that the company's expedited grievance procedure required by s. Ins 18.05, Wis. Adm. Code, was not compliant with s. Ins 18.03 (3) (a), Wis. Adm. Code. The company's expedited grievance procedure allowed that a sole member of the team may make the grievance decision in the event of an expedited grievance. Section Ins 18.03 (3) (a), Wis. Adm. Code, provides that an insured or an insured's authorized representative has the right to appear before the grievance panel.

16. **Recommendation:** It is recommended that the company revise its expedited appeal process policy and procedure regarding insureds having the opportunity to meet with the committee in order to comply with s. Ins 18.05 and Ins 18.03 (3) (a), Wis. Adm. Code.

The examiners found that the company's grievance reports for 2008 and 2009 included resolution dates that were not consistent with the resolution dates in the sample of grievance files reviewed. The company acknowledged that it incorrectly reported the log date as the resolution date in the grievance reports. The examiners also found that a grievance indicated the date the company received the grievance from its vendor, MMSI, not the date the grievance was received on behalf of the company.

17. **Recommendation:** It is recommended that the company comply with s. Ins 18.03 (2) (c) b, Wis. Adm. Code, and use the receipt date the grievance was received by its vendor as the actual date of receipt.

18. **Recommendation:** It is recommended that the company ensure that it provides accurate information on its annual grievance reports to OCI in order to document compliance with s. 632.83 (2) (c), Wis. Stat.

The company reported in its 2008 and 2009 annual grievance reports 34 and 60 grievance respectively categorized as non-covered benefits. The examiners found that the company did not consistently categorize its grievances nor did it always use the appropriate categories. Several grievances were categorized as non-covered benefits that more appropriately fit other grievance categories. The company stated that some grievances initially appeared to involve more than one category but that it reviewed these grievances again before

submitting its annual report. The company did not written policies that defined the grievance categories.

19. **Recommendation:** It is recommended that the company comply with s. Ins 18.06, Wis. Adm. Code, and provide an annual report that consistently classifies its grievances into the appropriate categories.

Independent Review

The examiners reviewed the grievance sample to document that the company provided grievants with information regarding their right to independent review as required by s. 632.835, Wis. Stat. and ch. Ins 18, subch III, Wis. Adm. Code.

The examiners found that the company did not provide a member's authorized representative with the information regarding the right to an independent review with the grievance decision.

20. **Recommendation:** It is recommended that the company comply with s. 632.835, Wis. Stat. and s. Ins 18.10, Wis. Adm. Code, and provide independent review rights on grievance decisions that involve adverse determinations.

The examiners found that one of the company's grievances indicated the grievance panel did not vote because there were no denied claims. However, the grievance was filed by the member because her claims were sent to an outside reviewer who determined treatment after a specific date was not medically necessary and the provider was also notified of this determination. The examiners determined that this decision was an adverse determination. The examiners also determined that the grievant should have been given notice of the right to independent review in order to document compliance with s. 632.83, Wis. Stat.

21. **Recommendation:** It is recommended that the company identify instances that require the offer of an independent review process as provided in s. 632.83, Wis. Stat.

Privacy

The examiners reviewed the company's response to OCI's privacy of consumer financial and health information interrogatory, training materials and procedures for employees and agents regarding the handling of protected health information (PHI), privacy notices, enrollment forms, disclosure forms, and all privacy policies and procedures. The examiners also interviewed the company's compliance officer who also served as its privacy officer.

The company indicated that Mayo provided oversight of the company's privacy and security. The company's privacy officer reported directly to the company's board of directors and to Franciscan Skemp (FSH) regarding any privacy or security matters, and in turn, FSH reported to Mayo.

The company provided a schedule of its privacy and security audits. However, when the examiners requested a sample of the audits performed during the review period, the company provided only a copy of an external audit of its BadgerCare plan. The company did not provide copies of any privacy audits related to the plans under review.

22. **Recommendation:** It is recommended that the company follow its privacy policies and procedures regarding its auditing process and its schedule for audits and reports.

The examiners found the company utilized the Authorization For Disclosure Of Information (HTHP-HPA-4) incorrectly by designating a 30 month period if more than 30 months were chosen on the form and 24 months if no time period was chosen on the form.

23. **Recommendation:** It is recommended that the company design and implement a procedure that complies with s. Ins 25.73 (2), Wis. Adm. Code, where a 24 month time frame to disclose information is the maximum unless the purpose is for obtaining information outlined in s. 610.70 (2) (b), Wis. Stat., which then allows for 30 months from the date the authorization is signed.

Policyholder Service & Complaints

The examiners reviewed the company's response to OCI's policyholder service and complaints interrogatory, its complaint handling policies and procedures, its complaint log and OCI complaints. The company indicated that the company's third party administrator (TPA), MMSI, handled calls from its members and consumers. The company indicated it defined a complaint as any dissatisfaction about the company or its contracted providers expressed orally by an enrollee to the insurer. The company indicated that it recorded all complaint phone calls.

The examiners reviewed 25 complaints from the company complaint log received from 2008 through 2010. The complaints reviewed involved the company's individual, Medicare supplement and small employer group business. No exceptions were recorded after the review.

The examiners reviewed the information provided by the company regarding the American Recovery and Reinvestment Act (ARRA). While the examiners found the company did not have written guidelines, the documents provided by the company indicated it had a process in place for handling ARRA and for notifying employers regarding date changes as ARRA was extended. No exceptions noted regarding the policyholder service review.

Marketing Sales & Advertising

The examiners reviewed the company's response to the OCI's marketing, sales and advertising interrogatory, producer sales and training guides, and the company's advertising files. The examiners also interviewed the company's marketing director.

The company indicated it began marketing an individual product effective July 1, 2009. It also marketed five HMO products with different deductibles, four health savings account (HSA) plans and three Medicare supplement (Medicare select) policies.

The examiners reviewed all 69 advertisement files utilized by the company during the period of review; four of which were advertisements for its Medicare supplement policy. The examiners found that each advertisement included an "advertising oversight record" that

identified manner and extent of use information regarding the advertisement as required by s. Ins 3.27 (28), Wis. Adm. Code. The examiners also found that the company had filed with OCI the four Medicare supplement advertisements as required by s. Ins 3.39 (15), Wis. Adm. Code.

The examiners found that the company did not have a procedure in place regarding supervision or oversight of its agents and agencies. Although the company acknowledged that it did not have a formal agent supervisory program, it indicated that it had an informal supervisory program established in the day to day sales operations, agent training and other policy and procedures. Section 628.40, Wis. Stat., provides that every insurer is bound by any act of its agent performed in Wisconsin that is within the scope of the agent's apparent authority.

24. **Recommendation:** It is recommended that the company develop a process for periodic monitoring and supervising the activities of agents appointed with the company, and include the monitoring of agents in its compliance program to document compliance with s. 628.34 (1), Wis. Stat.

Electronic-Commerce

The examiners reviewed the company's response to OCI's electronic commerce interrogatory and the company's websites www.healthtradition.com and www.fraciscanskemphealthsolutions. The company's website was utilized as an informational site with little online interactive capacity. The site allowed visitors to request information regarding the plans and to request a quote, which was then given to an agent for follow-up. Mayo maintained the firewall regarding electronic transaction between the company and other Mayo subsidiaries. The company had secured email in order to work with agents, agencies and employer groups.

The examiners found that the company updated its providers on a regular basis. The company notified its members of provider changes in its quarterly newsletter and on its website. The company's administrator MMSI was responsible for changes to provider information in its systems. During a review of the company's online provider directory, the

examiners found that one physician was terminated on August 30, 2009, which was prior to the date of the current online provider directory dated May 24, 2010.

Producer Licensing

The examiners reviewed the company's response to the OCI's producer licensing interrogatory, its agency agreements, agent listings and terminations procedures. The company's sales and marketing department was responsible for the management of the agent contracts, agent appointments and terminations. The department was also responsible for plan and product development, oversight of sales, contracting and training the agencies and oversight and circulation of websites. The company contracted only with insurance agencies. It did not contract directly with independent agents.

The examiners found that the company had a procedure for maintaining information regarding agent appointments and termination, and for retaining supporting documentation for its agent records. According to the company's agent record rule procedure the compliance officer would conduct an annual audit for agent records. The examiners requested that the company provide the agent audits for 2008 and 2009. The company stated that the last completed agent audit was done in 2007. No final audit summary reports could be identified for 2008 and 2009.

25. **Recommendation:** It is recommended that the company follow its procedure titled "Agent Record" and conduct annual agent audits or change its procedure to accurately reflect its audit schedule.

The examiners compared active agent data provided by the company with OCI's database listing of agents appointed as representing the company. The company had 131 appointed agents, 14 of whom were non-resident agents. No exceptions were noted regarding the agent data match.

The examiners reviewed a random sample of 30 appointed and 20 terminated agent files. The examiners found that 30 of the company's appointed agent files did not contain an

"agency request letter", which its agent record rule procedure indicated would be included in its agent files. The examiners also found three of the company's terminated agent files did not contain the notice of termination OCI form OCI 11-011, which the company indicated was maintained in its files.

26. **Recommendation:** It is recommended that the company follow its agent records procedure regarding documentation it maintains in it agent files or revise it procedure to accurately reflect the documentation maintained in each of its agent record.

Company Operations/Management

The examiners reviewed the company's response to OCI's company operations and management interrogatory, its policies and procedures, and minutes of the board of director's meetings. The examiners also interviewed the company's compliance officer.

The company's compliance officer was responsible to the board of director and reported compliance concerns directly to the board's compliance committee. The company also contracted with a compliance consultant.

The examiners found during the examination that the company's overall compliance program operated with a minimal staff. The company's compliance officer also served as its operations supervisor. Due to the recommendation in the Managed Care section of this report regarding the company's responsibilities for auditing contractors as required by s. Ins 9.42 (3), Wis. Adm. Code, and the company's ongoing and expanding compliance responsibilities to meet the requirements of state and federal law, the examiners suggest that the company evaluate the staffing of its compliance responsibilities.

IV. CONCLUSION

This market conduct examination involved a targeted review of Health Tradition Health Plan's practices and procedures for the period January 1, 2008 to July 30, 2010. The examination report makes 26 recommendations regarding the company's business practices involving claims, policyholder service and complaints, managed care, grievances and IROs, new business and underwriting, small employer, marketing, sales and advertising, producer licensing, policy forms and rates, and privacy.

V. SUMMARY OF RECOMMENDATIONS

Claims

Page 7 1. It is recommended that the company include summary information on its explanation of benefits (EOB) form regarding the total out-of-pocket amount remaining for the policy period and the remaining amount of the lifetime limit in order to comply with s. Ins 3.651 (4) (a) 8, Wis. Adm. Code.

Page 7 2. It is recommended that the company use ANSI codes as its claim adjustment reason codes on its explanation of benefits (EOB) and remittance advice (RA) forms in order to comply with s. Ins 3.651 (5), Wis. Adm. Code.

Page 7 3. It is recommended that the company change the title of its Explanation of Payments form to Remittance Advice form in order to document compliance with s. Ins. 3.651 (3), Wis. Adm. Code.

Page 8 4. It is recommended that the company develop a policy and procedure to provide the total amount expended for the treatment of autism in order to comply with s. Ins 3.36 (7), Wis. Adm. Code.

Policy Forms and Rates

Page 9 5. It is recommended that the company refile forms HTHP-122 (revised 11/09) and HTHP-121 (revised 11/09) and modify the language in these amendments to be compliant with s. 632.895 (12m), Wis. Stat., specific to minimum hours, dollars and duration of nonintensive and intensive services.

Page 10 6. It is recommended that the company provide documentation of a new individual application that contains the current definition of adult dependent to ensure compliance with s. 632. 885, Wis. Stat., within 30 days of adoption of this report.

Page 10 7. It is recommended that the company develop an internal audit plan and implement procedures to ensure compliance with s. Ins. 9.42 (3), Wis. Adm. Code.

New Business and Underwriting

Page 11 8. It is recommended that the company develop a process to notify insureds whose coverage is rescinded of the availability of the health insurance risk sharing plan to ensure compliance with s. 632.785, Wis. Stat.

Small Employer

Page 12 9. It is recommended that the company obtain waivers of coverage from all eligible employees and their dependents to document compliance with s. Ins 8.60, Wis. Adm. Code.

Page 12 10. It is recommended that the company develop and implement a procedure to ensure compliance with s. 632.793, Wis. Stat., which provides those individuals in certain group plans who are turning 65 a notice of change in coverage status regarding Medicare.

Managed Care

Page 14 11. It is recommended that the company include in its provider appeals procedures the provisions of s. 632.853, Wis. Stat., regarding allowing a physician to present medical evidence for an exception for coverage of a prescription drug or devise not routinely covered by the plan.

Page 14 12. It is recommended that the company update its compliance plan to include regular audits on any contractor who providers services for the company under ss. 609.22, 609.24, 609.30, 609.32, 609.34, 609.36 and 632.83, Wis. Stat., to ensure compliance with s. Ins 9.42, (3), (4) and (5), Wis. Adm. Code.

Grievance and IRO

Page 15 13. It is recommended that the company revise its grievance extension letter to include the requirements of s. Ins 18.03 (6) (b) 3, Wis. Adm. Code, which includes the reason additional time was needed for the review

Page 15 14. It is recommended that the company comply with s. Ins 18.03 (3) (b), Wis. Adm. Code, and provide a written notification of the time and place of the grievance committee meeting at least 7 days before the meeting.

Page 15 15. It is recommended that the company remove language from its explanation of benefits (EOB) forms that reference a timeline to report a grievance in order to comply with s. Ins 18.03, Wis. Adm. Code.

Page 16 16. It is recommended that the company revise its expedited appeal process policy and procedure regarding insureds having the opportunity to meet with the committee in order to comply with s. Ins 18.05 and Ins 18.03 (3) (a), Wis. Adm. Code.

Page 16 17. It is recommended that the company comply with s. Ins 18.03 (2) (c) b, Wis. Adm. Code, and use the receipt date the grievance was received by its vendor as the actual date of receipt.

Page 16 18. It is recommended that the company ensure that it provides accurate information on its annual grievance reports to OCI in order to document compliance with s. 632.83 (2) (c), Wis. Stat.

Page 17 19. It is recommended that the company comply with s. Ins 18.06, Wis. Adm. Code, and provide an annual report that consistently classifies its grievances into the appropriate categories.

Page 17 20. It is recommended that the company comply with s. 632.835, Wis. Stat. and s. Ins 18.10, Wis. Adm. Code, and provide independent review rights on grievance decisions that involve adverse determinations.

Page 17 21. It is recommended that the company identify instances that require the offer of an independent review process as provided in s. 632.83, Wis. Stat.

Privacy

Page 18 22. It is recommended that the company follow its privacy policies and procedures regarding its auditing process and its schedule for audits and reports..

Page 18 23. It is recommended that the company design and implement a procedure that complies with s. Ins 25.73 (2), Wis. Adm. Code, where a 24 month time frame to disclose information is the maximum unless the purpose is for obtaining information outlined in s. 610.70 (2) (b), Wis. Stat., which then allows for 30 months from the date the authorization is signed.

Marketing Sales & Advertising

Page 20 24. It is recommended that the company develop a process for periodic monitoring and supervising the activities of agents appointed with the company, and include the monitoring of agents in its compliance program to document compliance with s. 628.34 (1), Wis. Stat.

Producer Licensing

Page 21 25. It is recommended that the company follow its procedure titled "Agent Record" and conduct annual agent audits or change its procedure to accurately reflect its audit schedule.

Page 22 26. It is recommended that the company follow its agent records procedure regarding documentation it maintains in it agent files or revise it procedure to accurately reflect the documentation maintained in each of its agent record.

VI. ACKNOWLEDGEMENT

The courtesy and cooperation extended to the examiners during the course of the examination by the officers and employees of the company is acknowledged.

In addition, to the undersigned, the following representatives of the Office of the Commissioner of Insurance, state of Wisconsin, participated in the examination.

Name	Title
Linda Low	Insurance Examiner
Lynn Pink	Insurance Examiner
Moua Yang	Insurance Examiner
Darcy Paskey	Insurance Examiner

Respectfully submitted,

Kevin Zwak
Examiner-In-Charge