



State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

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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

Prevea Health Insurance Plan, Inc.
301 North Broadway Suite 110
DePere, WI 54115

dated August 6 – August 17, 2001, and served upon the company on July 22, 2002, has been adopted as the final report, and has been placed on file as an official public record of this Office.

Date at Madison, Wisconsin, this twenty second day of August, 2002..

Connie L. O'Connell
Commissioner of Insurance

Report
of the
Market Conduct Examination of
Prevea Health Insurance Plan, Inc.
De Pere, Wisconsin
August 6 – August 17, 2001

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September 25, 2001

Bureau of Market Regulation

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Honorable Connie L. O'Connell
Commissioner of Insurance
Madison, Wisconsin

Commissioner:

Pursuant to your instructions and authorization, a targeted market conduct examination was made August 6 through August 17, 2001, of:

PREVEA HEALTH INSURANCE PLAN, INC.
De Pere, Wisconsin

The report of this examination is herein respectfully submitted.

I. INTRODUCTION

Prevea Health Insurance Plan, Inc. (Prevea) is a for-profit, group model health maintenance organization (HMO) insurer, which serves the counties of Brown, Door, Kewaunee, Manitowoc, Marinette, Oconto, and Shawano in northeast Wisconsin. Prevea was incorporated on October 23, 1996, and received its license on November 29, 1996. Prevea began operations during 1997 and in 1998 completed its first full year of operations. Prevea is approximately 97% owned by Prevea Health Systems, Inc. (PHS) as the majority stockholder, with Wausau Service Corporation as the minority stockholder.

During the period of review, the administrative service functions of the company, including marketing, underwriting, contract issuance, premium billing and collection, claims administration, actuarial services, maintenance of accounting and other records, and provision of data systems, were provided by Employers Insurance of Wausau, A Mutual Company (EIW). In early July 2001 the contract for the administrative services with EIW terminated, and most of those duties are now administered by Prevea. Effective July 13, 2001, InfoTrust, a subsidiary of Trizetto Corporation, assumed the contractual responsibility for administration.

The majority of the premium written by the company in both 1999 and in 2000 was group accident and health insurance. In 1999, Prevea ranked as the 27th largest writer of group accident and health

insurance in Wisconsin. In 2000, the company ranked as the 21st largest writer of group accident and health insurance in Wisconsin.

Table A summarizes the premium written and incurred losses in Wisconsin for 1999 and 2000 broken down by line of business.

Table A: Premium and Loss Ratio Summary

Line Of Business	2000			
	Direct Premiums Earned	% of Total Premium	Direct Losses Incurred	Pure Loss Ratio
Group Accident and Health	\$47,868,304	98.76%	\$44,581,427	91.98%
Medicare Supplement	\$598,383	1.24%	\$389,384	.80%
Total	\$48,466,687	100.00%	\$44,970,811	92.78%

Line Of Business	1999			
	Direct Premiums Earned	% of Total Premium	Direct Losses Incurred	Pure Loss Ratio
Group Accident and Health	\$40,632,575	99.36%	\$35,486,760	86.77%
Medicare Supplement	\$263,095	.64%	\$158,228	.39%
Total	\$40,895,670	100.00%	\$35,644,978	87.16%

II. PURPOSE AND SCOPE

The targeted market conduct examination of Prevea's insurance business was conducted to determine the company's compliance with Wisconsin insurance laws and regulations, to verify compliance with the recommendations made in the managed care desk audit examination report adopted March 3, 2000 and a review of Prevea's managed care and electronic commerce activities.

The scope of the market conduct examination was limited to Prevea's group accident and health insurance and its individual Medicare supplement insurance lines of business. The period of review focused on but was not limited to the company's insurance business during the period of January 1, 2000 through June 30, 2001. OCI has not conducted a previous market conduct examination of the company.

The examination included a review of the following functional areas:

-
- Claims Administration
 - Company Operations/Management
 - Electronic Commerce
 - Marketing, Sales & Advertising
 - Policyholder Service & Complaints
 - Producer Licensing
 - Rates & Policy Forms
 - Small Employer Business
 - New Business & Underwriting
 - Managed Care
 - Terminations, Nonrenewals, and Cancellations
 - Medicare Supplement Business
-

This report is prepared on an exception basis.

COMPLAINTS

During the year of 2000, OCI received 28 complaints involving the company. As of December 31, 2001, 26 complaints have been received against this company for 2001. In addition, OCI complaint data indicates that the total number of complaints received in 2000 increased by 65% from the number of complaints received in 1999. For 1999, 2000 and the beginning of 2001 OCI complaint data indicates that the majority of the company's complaints involved claims administration. Prevea did not appear on the OCI above-average complaint summary for either group or individual accident and health business for 1999 or for 2000.

Table B summarizes the complaints by complaint category received by OCI involving Prevea.

Table B: Complaints

Categories	2000 Number	1999 Number
Underwriting	1	1
Marketing and Sales	0	1
Claims	11	8
Policyholder Service	8	3
Other	8	2
Complaint Total	28	15
(Complaints may involve more than one category)		

GRIEVANCES

Prevea filed an annual grievance experience report for the calendar year 2000 that indicated the company received 162 grievances, of which 88 or 54.32% were reversed. The majority of the grievances filed were related to referrals.

Prevea's annual grievance experience report for calendar year 1999 indicates the company received 160 grievances, of which 104 or 65% were reversed. The majority of the grievances filed with the company in 1999 were related to referrals.

There were no significant changes in the total grievance numbers or in the grievance categories between 1999 and 2000.

In general, the grievance pattern indicates that in both 1999 and in 2000 the largest percentage of grievances were in the referral category.

Table C summarizes the grievances for the company for the last two years.

Table C: Grievances

Categories	2000		1999	
	Number	Reversed	Number	Reversed
Out-of-Network Provider	9	8	5	2
Prescription Drug	0	0	1	1
Preexisting Condition	0	0	0	0
Out-of-Area Emergency	0	0	0	0
Emergency Room	7	3	2	2
Durable Medical	0	0	0	0
No Preauthorization	9	4	0	0
Non-covered Benefit	30	19	31	21
Not Medically Necessary	19	9	33	21
Usual and Customary Charges	13	6	9	8
Request for Preauthorization	0	0	5	1
Request for Referral	44	26	62	41
Maximum Benefit Reached	0	0	0	0
Quality of Care	1	0	3	0
Other	26	13	9	7
Unknown Resolution	4	0	0	0
Total	162	88	160	104

III. SUMMARY OF PRIOR EXAMINATION RECOMMENDATIONS

The previous managed care desk audit report, as adopted March 3, 2000, contained seven recommendations. Prevea's compliance with the prior recommendations is noted below:

1. **Access Standards**—It is recommended that Prevea develop a process to ensure that enrollees do not have to travel excessive distances, as required by s. 609.20, Wis. Stat.

Action—Compliance

2. **Access Standards**—It is recommended that Prevea develop a formal process for evaluating and documenting that it has a sufficient number of participating providers to meet the anticipated needs of its enrollees, and it exercise oversight over this process in order to comply with s. 609.22, Wis. Stat.

Action—Compliance

3. **Emergency Care**—It is recommended that Prevea amend its policy and certificates of coverage to include a positive statement regarding coverage for full-time students living outside of the service area, as required by s. 632.85, Wis. Stat.

Action—Compliance

4. **Telephone Access**—It is recommended that Prevea include in its provider participation agreement language that requires telephone access for sufficient time during business and evening hours to ensure that enrollees have adequate access to routine health care services for which coverage is provided under the plan, as required by s. 609.22 (7), Wis. Stat.

Action—Compliance

5. **Continuity of Care**—It is recommended that Prevea redraft its provider contracts to include language regarding provider reimbursement, as required by s. 609.24 (e) (1), Wis. Stat.

Action—Compliance

6. **Provider Selection and Credentialing**—It is recommended that Prevea develop a process to ensure that adequate oversight is maintained regarding disciplinary actions involving plan providers in order to comply with s. 609.17, Wis. Stat.

Action—Compliance

7. **Data Systems and Confidentiality**—It is recommended that Prevea develop a process to ensure the confidentiality of medical records and enrollee communications, as required by s. 609.36, Wis. Stat.

Action—Compliance

IV. CURRENT EXAMINATION FINDINGS

Company Operations And Management

Prevea Health Insurance Plan (Prevea) is jointly owned by Employers Insurance of Wausau (EIW) and Prevea Health Services, Inc. EIW is a subsidiary of Liberty Mutual Insurance Company. At the end of 2000 and again in the first quarter of 2001, Prevea Health Services, Inc. invested additional capital in exchange for stock making it 97% owners in the health plan.

The examiners reviewed Prevea's company operations and management interrogatories, the agendas and meeting minutes for the board of directors and executive committee, contracts for management services, data management and processing, research, administrative services, case management, marketing and general agency, and internal procedures. Prevea stated that it did not have an internal audit department and that it did not perform internal audits.

Prevea's quality committee developed a confidentiality policy and procedure for employees. The examiners reviewed the confidentiality policy and procedure, which included a confidentiality statement for employees' signatures, the conduct and business ethics policy and procedure, and the employee handbook.

The examiners reviewed Prevea's medical management program policies and procedures. The examiners also reviewed sample agreements for ancillary providers, the hospital agreement, and the administrative services agreement. The examiners found that the definition of complaint and of grievance in its sample agreements did not comply with s. Ins 9.01 (3) and (5), Wis. Adm. Code. Section Ins 9.01 (3), Wis. Adm. Code defines a complaint as any dissatisfaction about an insurer or its contracted providers expressed by an enrollee, or an enrollee's authorized representative, to the insurer. Section Ins 9.01 (5), Wis. Adm. Code, states that a grievance means any dissatisfaction with the administration, claims practices, or provision of services by a managed care plan that is expressed writing to the insurer by, or on behalf of, an enrollee.

1. It is recommended that Prevea use definitions in its provider agreements that comply with s. Ins 9.01 (3) and (5), Wis. Adm. Code.

The examiners found that one provider agreement referenced s. Ins 3.50, Wis. Adm. Code, which was repealed March 1, 2000. Section Ins 3.50 (10) (g) 2, Wis. Adm. Code, was recreated as s. Ins 9.33 (7) (b), Wis., Adm. Code.

2. It is recommended that Prevea review existing provider agreements to assure that references to s. Ins 3.50, Wis. Adm. Code are amended to read s. Ins 9.33 (7) (b), Wis. Adm. Code.

Claims Administration

During the period of review, Prevea's claims were processed by Employers Insurance of Wausau, A Mutual Company (EIW). EIW processed both electronic and paper claims. Paper claims were scanned into the computer claim database upon receipt.

The examiners reviewed Prevea's claim processing manuals, claims department reports, explanation of benefits forms (EOBs), and claim denial form letters. EIW's quality assurance policy provides that claim auditing is performed on 2% of all claims released by the customer service representatives pre and post claim payment.

The examiners selected a random sample of 99 paid claims and 100 denied claims. Prevea provided all of the claims files for review. The examiners verified that the company had a mechanism for identifying claims paid in excess of 30 days and interest paid where appropriate. No exceptions were noted.

The examiners reviewed Prevea's form letter for denying chiropractic claims. The examiners found that the form letter did not include a description of the insurer's internal appeal process that is available to the patient as required by s. 632.875 (2) (d), Wis. Stat. Section 632.875 (2) (d), Wis. Stat. requires a description of the insurer's internal appeal process that is available to the patient. Also, the letter did not include the information required under s. 632.875 (2) (g), Wis. Stat. Section 632.875 (2) (g), Wis. Stat., requires a reasonable explanation of the factual basis and of the basis in the policy, plan or contract or in applicable law for the insurer's restriction or termination of coverage, or a list of records and documents reviewed as part of the independent evaluation.

3. It is recommended that Prevea rewrite its denial letters for chiropractic claims to include language that is compliant with the requirements of s. 632.875 (2), Wis. Stat.

The examiners reviewed Prevea's denial of benefits letter and found that the letter does not include language informing an enrollee of the right to file a grievance. Section Ins 9.33 (2), Wis. Adm. Code, provides that each time a managed care plan denies a claim or benefit or initiates disenrollment proceedings, the managed care plan shall notify the affected enrollee of the right to file a grievance.

4. It is recommended that Prevea rewrite its denial of benefits letter to include language informing an enrollee of the right to file a grievance as required by s. Ins 9.33 (2), Wis. Adm. Code.

Marketing, Sales and Advertising

Prevea's marketing and advertising department, which is managed by its marketing communications department, is responsible for the marketing and advertising of the products. Prevea's sales department is responsible for the management of the sales activities.

The examiners reviewed the Prevea Health Insurance Plan Producer Agreement and found that the agreement requires that agents submit advertisements to Prevea for approval prior to use. Prevea indicated that it had not received requests from agents for approval of advertisement referencing Prevea products.

The examiners reviewed the marketing, sales and advertising interrogatory and a random sample of 15 of Prevea's 27 advertising files. The examiners found that 11 advertising files did not contain a notation regarding manner and extent. Section Ins 3.27 (28), Wis. Adm. Code, provides that a notation be attached to each advertisement in the file indicating the manner and extent of distribution and the form number of any policy, amendment, rider, or endorsement form advertised. The examiners found 5 of the 15 advertisements did not include a form number. Section Ins 3.27 (26), Wis. Adm. Code, provides that an advertisement which is an invitation to apply or an invitation to inquire and which is mass-produced shall be identified by a form number which is sufficient to distinguish it from any other advertising form or any policy, application or other form used by the insurer. The examiners found that 10 of the 15 advertisements identified the company name Prevea Health Plan instead of the company's complete legal name, Prevea Health Insurance Plan, Inc. Section. Ins 3.27 (12), Wis. Adm. Code, requires that the identity of the insurer shall be made clear in all of its advertisements.

5. It is recommended that Prevea ensure that each advertisement in its advertising file include a notation indicating the manner and extent of distribution in order to document compliance with s. Ins 3.27 (28), Wis. Adm. Code.
6. It is recommended that Prevea ensure that each advertisement in its advertising file have a form number in order to document compliance with s. Ins 3.27 (26), Wis. Adm. Code.
7. It is recommended that Prevea ensure that each advertisement in its advertising file identify the company by its full legal company name in order to document compliance with s. Ins 3.27 (12), Wis. Adm. Code.

Electronic Commerce

Prevea's marketing and communications department is responsible for oversight of its web site. The web site provides general information about Prevea, contains the provider directory, and provides employers and enrollees benefit information via a secure site. Prevea does not accept applications online.

The examiners reviewed Prevea's response to the electronic commerce interrogatory and conducted an on-line review of its web site. Prevea's web site includes a description of the benefits received as a member or an employer. It also includes a company history, provider information, Prevea's drug formulary, instructions for obtaining an online referral, online resources, and the ability to email Prevea. Employers can obtain group and benefit information.

Prevea stated that its Medicare supplement policies are not advertised on its web site and therefore it had not filed with OCI any web site advertisements for its Medicare supplement policy. The examiners found that Prevea's web site did include one advertisement for its Prevea 65Plus Medicare supplement policy. Section Ins 3.39 (15), Wis. Adm. Code, requires that prior to use in this state, every issuer shall file with the commissioner a copy of any advertisement used in connection with the sale of Medicare supplement policies issued with an effective date after December 31, 1989.

8. It is recommended that Prevea develop a process to assure that it file with OCI all electronic commerce Medicare supplement advertisements prior to use pursuant to s. Ins 3.39 (15), Wis. Adm.

Producer Licensing

During the period of review, the producer services section at EIW and the licensing department at Liberty Mutual were responsible for management of Prevea's agent contracts, including agent appointments, and terminations. Effective July 1, 2001, these duties were assumed by Prevea's sales department. Prevea uses independent agents to market and sell its products. Prevea has a contract with Informed Choice, a general agent, to distribute its Medicare supplement policy.

The examiners reviewed Prevea's response to the producer licensing interrogatory. The examiners found that Prevea did not have written procedures or guidelines regarding producer licensing, accepting business from agents, tracking complaints filed about agents, or maintaining agent files, all of which is governed by s. Ins 6.57, Wis. Adm. Code.

9. It is recommended that Prevea develop and put into use procedures or guidelines regarding producer licensing, accepting business from agents, tracking complaints filed about agents, or maintaining agent files, all of which is governed by s. Ins 6.57, Wis. Adm. Code.

The examiners reviewed the producer licensing interrogatory and a random sample of 25 agent files. Prevea provided a description of the manner in which it maintains its files for active, inactive, and terminated agents. The examiners found that 8 of Prevea's agent files did not contain a copy of the agent's license, 11 agent files did not carry verification of the date the agent was listed with the OCI, 14 agent files did not contain an agent contract or verification of when the agent contract was signed, and 17 agent files did not contain a copy of the OCI 11-001, which documents validation of the agent listing by the OCI.

10. It is recommended that Prevea develop and put into use procedures for maintaining active, inactive and terminated agent files that accurately reflect the manner in which it documents its agent files.

The examiners found that 9 agent files for terminated agents did not contain a copy of a termination letter nor did the document include date of agent termination. Section Ins 6.57 (2), Wis. Adm. Code requires that prior to or within 7 days of filing termination notice with OCI, the insurer shall provide the agent written notice that the agent is no longer to be listed as a representative of the company and that he or she may not act as its representative. This notice shall also include a formal demand for return of all indicia of agency.

11. It is recommended that Prevea maintain in its agent files a copy of the termination letter sent to an agent in order to document compliance with s. Ins 6.57 (2), Wis. Adm. Code.

The examiners found that 8 agent files did not include a copy of a current valid Wisconsin license. Prevea indicated that its Licensing Procedures Manual required a copy in order to verify that all applicants for listing on OCI 11-001 have current valid Wisconsin license in force. Section Ins 6.57 (1), Wis. Adm. Code provides that the listing of an agent becomes valid upon receipt of the agent listing validation report by the person submitting the listing.

12. It is recommended that Prevea maintain a copy of a current Wisconsin license as required by its listing procedures in order to verify that all applicants for listing have a current valid Wisconsin license in force in order to document compliance with s. Ins 6.57 (1), Wis. Adm. Code.

Policyholder Service and Complaints

Prevea's policyholder service department is responsible for providing customer service to policyholders, providers, brokers, and employers. Prevea reports that customer service replies are primarily by telephone.

The examiners reviewed the Prevea Health Plan Training Manual, which is the procedure and training manual for the policyholder service area.

The examiners reviewed a random sample of 96 of the 100 company complaints. Prevea failed to provide 4 of the complaint files requested. Section 601.42 (4), Wis. Stat. requires that an insurer doing insurance business in Wisconsin shall reply promptly in writing or in other designated form, to any written inquiry from the commissioner requesting a reply.

13. It is recommended that Prevea develop and implement procedures or guidelines regarding maintaining company complaint files in order to comply with s. 601.42 (4), Wis. Stat.

Prevea stated that it sends a resolution letter for all complaints not resolved in the insured's favor. The examiners reviewed the 28 resolution letters that Prevea stated were sent during the period of review. The examiners found that one complaint file letter did not contain language informing the insured of the right to file a grievance. Section Ins 9.33 (2), Wis. Adm. Code states that each time an insurer offering a health benefit plan denies a claim or benefit or initiates disenrollment proceedings, the health benefit plan shall notify the affected insured of the right to file a grievance.

The examiners found 6 complaints that were written expressions of dissatisfaction but were not treated as grievances. Section Ins 9.01 (5), Wis. Stat. defines a grievance 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 in writing to the insurer by, or on behalf of, an insured.

14. It is recommended that Prevea identify and process each written dissatisfaction as a grievance pursuant to s. Ins 9.01 (5), Wis. Adm. Code.

Rates and Policy Forms

The examiners reviewed Prevea's response to the interrogatories for rates and forms and all policy forms submitted to OCI for approval during the period of review. EIW was responsible for Prevea's form filings and compliance questions prior to April 1, 2001. As of April 1, 2001 Prevea has contracted with The Management Group, Inc. for these services.

The examiners found that form AD0067 02-98, which is Prevea's small group personal health statement for group insurance proposal form, does not provide the exact name of the insurer and the full address of the home office. Section 631.20 (2) (c) Wis. Stat., states that the commissioner may disapprove a form upon a finding that in the case of the policy it fails to provide the exact name of the insurer and the full address of its home office.

15. It is recommended that Prevea ensure that all forms contain the exact name and full address of the home office as required by s. 631.20 (2) (c) Wis. Stat.

The examiners found that form AD0067 02-98 includes an authorization that states "I authorize any other institution or person that has knowledge of or about my family..." This language does not comply with s. 610.70 (2) (a) 3, Wis. Stat., which states that any form that is used in connection with an insurance transaction and that authorizes the disclosure of person medical information about an individual to an insurer shall specify the types of persons that are authorized to disclose information about the individual.

16. It is recommended that Prevea ensure all forms containing an authorization for disclosure of personal medical information specify the types of persons authorized to disclose this information in order to comply with s. 610.70 (2) (a) 3, Wis. Stat.

The examiners found that form BD0414 02-98 and form BD0418 06-67, which are employee enrollment and change forms, contain authorization language that provides that the authorization shall be valid for the duration of coverage under the plan. This language does not comply with s. 610.70 (2) (b), Wis. Stat., which states that for an authorization that will be used for the purpose of obtaining information in connection with an insurance policy application, the length of time specified for which an authorization can remain valid may not exceed 30 months from the date on which the authorization is signed.

17. It is recommended that Prevea ensure that authorization language in an insurance application provide that the authorization will not be valid in excess of 30 months from the date on which the authorization was signed in order to comply with s. 610.70 (2) (b), Wis. Stat.

Small Employer Business

The examiners reviewed Prevea's response to the interrogatories for small employer business. The examiners also reviewed forms BD 0092 11/93 (small group waiver), AD 0067 6/98 (personal health statement), BD 0418 3/97 (enrollment form), and BD 414 (enrollment form). The company indicated that it did not have a listing of non-issued business, as small employer business is guarantee issue. Prevea stated that it does not underwrite if employees apply for insurance within 30 days of the employer's probationary period. It requires that employers insure at least two employees and that at least 75% of eligible employees take the Prevea plan. Prevea indicated that it does not market to trusts or associations. The examiners found that Prevea does not have written procedures regarding the handling and processing of small employer groups business in order to document compliance with the small employer requirements under subch. III, Ins 8, Wis. Adm. Code, regarding small employer health insurance.

18. It is recommended that Prevea develop and institute procedures regarding the handling and processing of small employer business in order to document compliance with ch. 635, Wis. Stat. and subch. III Ins 8, Wis. Adm. Code.

The examiners reviewed a sample of 50 small employer issued files. The examiners found that 29 of the files contained copies of the enrollment forms, BD 0418 3/97 and BD 414, the waiver form, BD 0092 11/93, and the personal health statement, AD0067 6/98, which the company could not document had been submitted to OCI for approval. The examiners also found a small employer application for group insurance form that did not have a form number and was not submitted to OCI for review and approval.

19. It is recommended that Prevea submit to OCI for approval prior to use all applications and policies, identified by distinct form numbers, in order to comply with s. 631.20, Wis. Stat.

The examiners found that 29 applications did not contain complete information regarding the number of employees, the number of eligible employees and the number of enrolled employees. Eleven of these 29 files included individual enrollment forms that differed from the number of eligible employees indicated on the group application, 4 of the files reviewed did not include a group application, 8 files contained individual applications that either were not signed or not dated, 2 of these 8 files did not contain individual enrollment forms, 50 of the files included a group application that did not have a place for the

agent to print his or her name, and 16 of the files included an agent signature that was illegible. The examiners also found that 8 files included trust agreements.

20. It is recommended that Prevea develop a process to assure that all small employer files are complete and contain sufficient documentation to substantiate compliance with ch. 635, Wis. Stats. and subch. III of ch. Ins 8, Wis., Adm. Code.

The examiners found that 19 small employer files did not contain a copy of a wage and tax statement or other supporting documentation of the number of eligible employees. The examiners also found that 13 of these 19 files included incomplete information on the group application regarding the total number of employees and total number of eligible employees. Section Ins 8.65 (1), Wis. Adm. Code, provides that a small employer insurer shall require each small employer that applies for a policy, as part of the application process, to provide a complete list of eligible employees and dependents of eligible employees of the small employer. The small employer insurer shall require the small employer to provide appropriate supporting documentation, such as the state unemployment or worker's compensation quarterly reporting forms, to verify the information required.

21. It is recommended that Prevea assure that its small employer files contain complete and accurate supporting documentation of the eligible employees and dependents of eligible employees in order to document compliance with s. Ins 8.65 (1), Wis. Adm. Code.

The examiners found that 32 small employer files did not contain complete information regarding the number of employees, number of eligible employees and dependents and total number of covered employees. Therefore, the examiners could not verify that the files contained the appropriate number of signed waiver of coverage insurance forms. Section Ins 8.65 (2), Wis. Adm. Code, provides that a small employer insurer shall secure a waiver signed by the eligible employee on behalf of the employee or the dependent of the employee with respect to each eligible employee, and each dependent of an eligible employee, who declines an offer of coverage under a policy.

22. It is recommended that Prevea assure that its small employer files contain complete information regarding number of employees and dependents and corresponding waiver of coverage forms in order to document compliance with s. Ins 6.85 (2), Wis. Adm. Code.

The examiners found that 8 small employer files contained a disclosure form for trust accounts with 25 or less full-time employees (form AD0050 02-93) instead of its disclosure form for rating and renewability (form AD0294 10-99). Section Ins 8.48 (1), Wis. Adm. Code provides that before completing an application for a policy, an agent shall provide the small employer with a form stating the information

required under ss. 635.11 (1) to (4), Wis. Stats. Section 635.11, Wis. Stat., provides the disclosure of rating factors and renewability provisions.

23. It is recommended that Prevea assure that its small employer files contain a disclosure of rating factors and renewability form as required by s. Ins 8.48 (1), Wis. Adm. Code, and that meets the requirements of s. 635.11, Wis. Stat.

The examiners found that Prevea did not provide a written notification of the circumstances under which the employer will lose its small employer health insurance protections that meets the requirements of s. Ins 8.44 (2), Wis. Adm. Code. Section Ins 8.44 (2), Wis. Adm. Code, provides that a small employer insurer shall notify each employer in writing when a policy is issued that if the employer employs less than 2 or more than 25 eligible employees during at least 50% of the number of weeks in any 12-month period, or moves the business enterprise outside this state, the protections provided under subch. I of ch. 635, Wis. Stats. and this subchapter will cease to apply to the employer on renewal of its health benefit plan.

24. It is recommended that Prevea draft notification regarding small employer protections and maintain documentation in its small employer files of the fact that notification was given in order to comply with s. Ins 8.44 (2), Wis. Adm. Code.

The examiners found that 10 agents who wrote small employer business were not listed with Prevea. Section Ins 6.57 (5), Wis. Adm. Code, provides that no insurer shall accept business directly from any intermediary unless that intermediary is a licensed agent listed with that company.

25. It is recommended Prevea establish a process to assure that intermediaries are listed with the company prior to its accepting business from the intermediary in order to comply with s. Ins 6.57 (2), Wis. Adm. Code.

New Business and Underwriting

During the period of review, EIW performed the underwriting activities for Prevea. The examiners reviewed Prevea's response to the interrogatory for new business and underwriting, which included workflow charts, monthly enrollment reports, and sample employee enrollment/change forms (BD0414 12-98), personal health statement (AD0101 02-98), application, small group underwriting and renewal documents, and letters for premium collection and termination. Prevea stated that it had no non-issued large groups. The examiners found that Prevea does not perform any underwriting audits, it produced no underwriting reports or summaries, and it did not have written procedures regarding underwriting.

26. It is recommended that Prevea develop and institute a procedure to audit underwriting in order to document compliance with s. Ins 3.31 (3), Wis. Adm. Code.

The examiners reviewed 8 large group issued files. The examiners found 2 files did not contain a group application, 4 files contained group applications that were not signed, 1 file contained a small employer application, 1 file did not contain individual applications, and 4 files contained applications that were not signed by the agent. The examiners also found that none of the 8 files reviewed contained documentation that verified the number of employees, the number of eligibles and the number of enrollees in the group.

27. It is recommended that Prevea develop and institute procedures to assure that large group application files are correct and complete in order to document compliance with s. 628.34, Wis. Stat.

Managed Care

The August 1999 desk audit report of the Prevea's managed care activities, documented the company's efforts toward compliance with 1997 Wisconsin Act 237, which became effective January 1, 1999. The desk audit involved a review of the company's practices and procedures as they relate to provider choice, access standards, continuity of care and quality assurance. This examination was conducted in part to verify and document Prevea's response to the desk audit interrogatories.

Plan Administration

Prevea is organized in a gatekeeper system. Enrollees choose their primary care provider who directs the enrollees to specialists for additional care or treatment that is needed. The examiners reviewed Prevea's medical care facilitation, credentialing/recredentialing, peer review, quality assurance/improvement, and utilization management committee meeting minutes. The examiners also reviewed Prevea's medical management program; policies and procedures for credentialing, standing referrals; second opinions; access to emergency care; and telephone access.

Quality Assurance

The examiners documented that Prevea filed its quality assurance plan with the OCI as required by s. Ins 9.40 (2), Wis. Adm. Code. Prevea's quality program overview states that the director of medical affairs has direct responsibility over the quality program. Contracting, availability of PCP's, access, member satisfaction, clinical practice guidelines, clinical quality and measurement activities, and delegation of quality activities are listed as the specific areas of responsibility in Prevea's quality program. The examiners verified that Prevea's current director of medical affairs is a MD and does perform the required duties. The examiners reviewed the Prevea health plan quality program plan document, the quality plan description, and the quality plan evaluation in order to document compliance with s. Ins 9.40, Wis. Adm. Code.

The examiners reviewed the meeting minutes for the quality assurance/improvement committee, which is responsible for developing, implementing, and overseeing Prevea's quality assurance/improvement plan. The examiners documented that Prevea's committee meets at least once per month, sets yearly goals for areas of improvement, and evaluates the plan's compliance with these goals on a yearly basis.

The examiners reviewed Prevea's confidentiality guidelines that indicated that all employees are instructed in and expected to adhere to the ethical standards and performance parameters for confidentiality and privacy as set in these guidelines.

The examiners requested for review Prevea's compliance program required under s. Ins 9.42, Wis. Adm. Code. Prevea stated that it is in the process of developing a comprehensive compliance program, which will contain components to address and direct internal audits and regular audits of any contractors or subcontracts who perform functions relating to compliance with s. Ins 9.42, Wis. Adm. Code. Section Ins 9.42 (1), Wis. Adm. Code, which became effective March 1, 2000, provides that insurers shall establish a compliance program and a program to verify compliance.

28. It is recommended that Prevea develop a compliance and submit the plan to the OCI within 90 days of the adoption of this examination report in order to document compliance with s. Ins 9.42, Wis. Adm. Code.

Prevea's marketing materials included a summary of its quality assurance plan. This information was also available in its enrollment materials.

Access Standards

The examiners reviewed Prevea's access standards, access policy and procedure, medical management program, and the minutes of the medical care facilitation committee. According to Prevea's quality program, the director of medical affairs has the responsibility of oversight of the access standards. Prevea requires its enrollees to choose a primary care physician. Prevea's practitioner and provider directories, which are given to enrollees, define primary care physicians as family practice physicians, internists, pediatricians or obstetrician/gynecologists who are participating practitioners and who are responsible for providing, prescribing, directing and/or authorizing all care and treatment required by a member.

In reviewing Prevea's access standards guidelines, the examiners found that Prevea has established standards for the number of enrollees per primary care physician; the length of time to set up appointments for preventive care, routine problem care and urgent problem care; and the distance an enrollee must travel for care. Prevea uses the provider panel distribution determination matrix (ppddm) software program to determine the minimum primary care physicians and specialist panel distribution requirements for enrollee groups.

The examiners found that Prevea does not have a method or procedure to determine whether there are underserved populations among its enrollees. Section 609.22 (8), Wis. Stat. requires that a managed care plan develop an access plan to meet the needs, with respect to covered benefits, of its enrollees who are members of underserved populations. The examiners also found that Prevea does not have marketing material to offer to enrollees in languages other than English. Prevea stated it had providers that are bilingual in Spanish.

29. It is recommended that Prevea develop and implement a process to identify those enrollees who are part of an underserved population and to develop an access plan to meet the needs, with respect to covered benefits, of its enrollees who are members of underserved populations as required by s. 609.22 (8), Wis. Stat.

Continuity of Care

The examiners reviewed Prevea's provider agreements and verified that the agreements address reimbursement issues related to continuity of care. According to Prevea's quality program, the director of medical affairs has the responsibility of oversight of continuity of care. The examiners also reviewed the certificates of insurance and the policy forms to verify that the continuity of care language is included.

The examiners reviewed the printed and electronic provider directories. These directories indicate which providers are not accepting new patients.

Provider Agreements

The examiners reviewed sixteen of Prevea's network, facility, and provider agreements, including hospitals, clinics, individual providers, chiropractors, and specialist agreements. Thirteen of the provider agreements did include language regarding the providers' participation in the quality improvement process, physician participation on committees, credentialing/recredentialing, disciplinary action, reimbursement, grievances and complaints. The examiners verified that its provider agreements did not contain gag-provisions. The examiners found that Prevea's provider agreement with Lake Side Surgical Association, S.C. did not address the issues of continuity of care, reporting disciplinary actions, or credentialing. Section 609.24 (1) (e), Wis. Stat., regarding continuity of care, provides that an insurer shall include in its provider contracts provisions addressing reimbursement to providers for services rendered. Section 609.17, Wis. Stat., regarding reports of disciplinary action requires that managed care plans shall notify the medical examining board or appropriate affiliated credentialing board attached to the medical examining board of any disciplinary action taken against a participating provider who holds a license or

certificate granted by the board or affiliated credentialing board. Section 609.32 (2), Wis. Stat., regarding selection and evaluation of providers, requires a managed care plan to develop a process for selecting participating providers, including written policies and procedures that the plan uses for review and approval of providers.

30. It is recommended that Prevea include in all provider contracts language that addresses reimbursement to providers for services rendered under continuity of care pursuant to s. 609.24 (1) (e), Wis. Stat.
31. It is recommended that Prevea include in all provider contracts language that addresses reporting disciplinary actions and credentialing pursuant to s. 609.17, Wis. Stat.,
32. Recommendation – It is recommended that Prevea include in all provider contracts language that addresses the selection and evaluation of providers pursuant to s. 609.32 (2), Wis. Stat.

The examiners found that Prevea's provider contracts with Medical College of Wisconsin, Inc., Fred Walbrun, MD, and Lake Side Surgical Association, S.C. did not include language regarding requiring the reporting of grievances and complaints. Section Ins 9.33 (7) (b), Wis. Adm. Code requires each provider contract and administrative services agreement entered into between a managed care plan, contain a provision under which the provider must identify complaints and grievances in a timely manner and forward these complaints and grievances in a timely manner to the managed care plan for recording and resolution.

33. It is recommended that Prevea rewrite its provider agreements to ensure that the contracts address the of reporting grievances and complaints pursuant to s., Ins 9.33 (7) (b), Wis. Adm. Code.

Provider Selection and Credentialing

The examiners reviewed Prevea's credentialing and recredentialing policy and procedure and the minutes for the credentialing committee, the medical care facilitation committee, and the board of directors. Prevea's credentialing and recredentialing of providers is overseen by the credentialing committee, the medical care facilitation committee, and the board of directors. Prevea's credentialing and recredentialing of providers is performed by its credentials verification office and does not include site-visits of providers. Recredentialing is completed every two years. Credentialing and recredentialing are not delegated outside of Prevea.

Grievances

The examiners reviewed the Prevea grievance report and grievance log for calendar year 2000, which was filed with the OCI. The examiners also reviewed Prevea's responses to the grievance interrogatory.

The examiners also reviewed a random sample of 50 grievance files. The examiners found that seventeen Prevea grievance files included a date stamp indicating that the grievance had been received earlier than the received date reported on the grievance log Prevea filed with the OCI. The examiners found that one grievance file contained a resolution date that differed from the resolution date listed on the grievance report filed with the OCI. Section 628.34 (1), Wis. Stat. states that an insurance company is forbidden from reporting any false information.

34. It is recommended that Prevea set up controls to ensure that the grievance experience summary filed annually with the commissioner agrees with supporting documents pursuant to s. 628.34 (1), Wis. Stat.,
35. It is recommended that Prevea develop and institute a procedure whereby the date of the grievance resolution letter is recorded as the date the grievance was resolved as reported to the OCI on the annual grievance report as required by s. Ins 9.33 (7) (b), Wis. Adm. Code.

The examiners found that one grievance file did not contain an acknowledgement letter. Section Ins 9.33 (3), Wis. Adm. Code that the managed care plan shall, within 5 business days of receipt of a grievance, deliver or deposit in the mail to the grievant a written acknowledgment of receipt of the grievance. The examiners found that one grievance file did not contain a notification letter. Section Ins 9.33 (5) (b), Wis. Adm. Code states the managed care plan shall inform the enrollee, in writing, of the time and place of the meeting at least 7 calendar days before the meeting. The examiners found that one grievance file did not contain a resolution letter. Section 609.15 (2) (d) Wis. Stat. which requires notification to each grievant of the disposition of his or her grievance and of any corrective action taken on the grievance.

36. It is recommended that Prevea routinely audit its grievance files to assure that its grievance files contain documentation that it complies with its internal grievance procedure, and that it is in compliance with s. Ins 9.33, Wis. Adm. Code.

Terminations, Nonrenewals, and Cancellations

The examiners reviewed Prevea's responses to the interrogatory questions for terminations, nonrenewals, and cancellations.

The examiners found Prevea did not have written procedures regarding informing policyholders of midterm or anniversary cancellations, nonrenewals or renewals with altered terms, possible or actual lapses, or other terminations that may occur. Section 631.36, Wis. Stat., requires an insurer to include in a notice of cancellation or nonrenewal state with reasonable precision the facts on which the insurer's decision is based.

The examiners found that Prevea did not have a written procedure regarding providing notice of HIRSP and stating the reason for rejection, termination, cancellation or imposition of underwriting restrictions. Section 632.785, Wis. Stat., requires that an insurer 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.

37. It is recommended that Prevea develop and institute a written procedure regarding sending HIRSP notification and stating the reason for rejection termination, cancellation or imposition of underwriting restrictions in order to comply with s. 632.785, Wis. Stat.
38. It is recommended that Prevea develop and institute a written procedure regarding informing policyholders of midterm or anniversary cancellation, nonrenewal, other termination, renewal with altered terms, or possible or actual lapses in order to comply with s. 631.36 (6), Wis. Stat.

Medicare Supplement

Prevea's Medicare supplement policies are marketed primarily through independent agents. The examiners reviewed Prevea's agent sales guidelines given to agents regarding marketing the Medicare supplement policy. These guidelines state that agents are required to submit advertising to Prevea for approval prior to use.

Prevea indicated that it does not maintain a list of agents' web sites.

The examiners reviewed Prevea's responses to the interrogatory questions, which included underwriting procedures, printed rating information, company processes for complaint handling, procedures for tracking individual deductibles, procedures for claim handling for mandated benefits, and procedures regarding guarantee issue.

No exceptions were noted.

V. SUMMARY OF RECOMMENDATIONS

Company Management and Operations

1. It is recommended that Prevea use definitions in its provider agreements that comply with s. Ins 9.01 (3) and (5), Wis. Adm. Code.
2. It is recommended that Prevea review existing provider agreements to assure that references to s. Ins 3.50, Wis. Adm. Code are amended to read s. Ins 9.33 (7) (b), Wis. Adm. Code.

Claims and Claim Processing

3. It is recommended that Prevea rewrite its denial letters for chiropractic claims to include language that is compliant with the requirements of s. 632.875 (2), Wis. Stat.
4. It is recommended that Prevea rewrite its denial of benefits letter to include language informing an enrollee of the right to file a grievance as required by s. Ins 9.33 (2), Wis. Adm. Code.

Marketing, Sales, and Advertisements

5. It is recommended that Prevea ensure that each advertisement in its advertising file include a notation indicating the manner and extent of distribution in order to document compliance with s. Ins 3.27 (28), Wis. Adm. Code.
6. It is recommended that Prevea ensure that each advertisement in its advertising file have a form number in order to document compliance with s. Ins 3.27 (26), Wis. Adm. Code.
7. It is recommended that Prevea ensure that each advertisement in its advertising file identify the company by its full legal company name in order to document compliance with s. Ins 3.27 (12), Wis. Adm. Code.

Electronic Commerce

8. It is recommended that Prevea develop a process to assure that it file with OCI all electronic commerce Medicare supplement advertisements prior to use pursuant to s. Ins 3.39 (15), Wis. Adm. Code.

Producer Licensing

9. It is recommended that Prevea develop and put into use procedures or guidelines regarding producer licensing, accepting business from agents, tracking complaints filed about agents, or maintaining agent files, all of which is governed by s. Ins 6.57, Wis. Adm. Code.
10. It is recommended that Prevea procedures for maintaining active, inactive and terminated agent files accurately reflect the manner in which it documents its agent files.
11. It is recommended that Prevea maintain in its agent files a copy of the termination letter sent to an agent in order to document compliance with s. Ins 6.57 (2), Wis. Adm. Code.
12. It is recommended that Prevea maintain a copy of a currently Wisconsin license as required by its listing procedures in order to verify that all applicants for listing have current valid Wisconsin license in force in order to document compliance with s. Ins 6.57 (1), Wis. Adm. Code.

Policyholder Service and Complaints

13. It is recommended that Prevea develop and implement procedures or guidelines regarding maintaining company complaint files in order to comply with s. 601.42 (4), Wis. Stat.

14. It is recommended that Prevea identify and process each written dissatisfaction as a grievance pursuant to s. Ins 9.01 (5), Wis. Adm. Code.

Rates and Policy Forms

15. It is recommended that Prevea ensure that all forms contain the exact name and full address of the home office as required by s. 631.20 (2) (c) Wis. Stat.
16. It is recommended that Prevea ensure all forms containing an authorization for disclosure of personal medical information specify the types of persons authorized to disclose this information in order to comply with s. 610.70 (2) (a) 3, Wis. Stat.
17. It is recommended that Prevea ensure that authorization language in an insurance application provide that the authorization will not be valid in excess of 30 months from the date on which the authorization was signed in order to comply with s. 610.70 (2) (b), Wis. Stat.
18. It is recommended that Prevea develop and institute procedures regarding the handling and processing of small employer business in order to document compliance with ch. 635, Wis. Stat. and subch. III Ins 8, Wis. Adm. Code.

Small Employer Business

19. It is recommended that Prevea submit to OCI for approval prior to use all applications and policies, identified by distinct form numbers, in order to comply with s. 631.20, Wis. Stat.
20. It is recommended that Prevea develop a process to assure that all small employer files are complete and contain sufficient documentation to substantiate compliance with ch. 635, Wis. Stats., and subch. III of ch. Ins 8, Wis. Adm. Code.
21. It is recommended that Prevea assure that its small employer files contain complete and accurate supporting documentation of the eligible employees and dependents of eligible employees in order to document compliance with s. Ins 8.65 (1), Wis. Adm. Code.
22. It is recommended that Prevea assure that its small employer files contain complete information regarding number of employees and dependents and corresponding waiver of coverage forms in order to document compliance with s. Ins 6.85 (2), Wis. Adm. Code.
23. It is recommended that Prevea assure that its small employer files contain a disclosure of rating factors and renewability form as required by s. Ins 8.48 (1), Wis. Adm. Code, and that meets the requirements of s. 635.11, Wis. Stat.
24. It is recommended that Prevea draft notification regarding small employer protections and maintain documentation in its small employer files of the fact that notification was given in order to comply with s. Ins 8.44 (2), Wis. Adm. Code.
25. It is recommended Prevea establish a process to assure that intermediaries are listed with the company prior to its accepting business from the intermediary in order to comply with s. Ins 6.57 (2), Wis. Adm. Code.

New Business and Underwriting

26. It is recommended that Prevea develop and institute a procedure to audit underwriting in order to document compliance with s. Ins 3.31 (3), Wis. Adm. Code.

27. It is recommended that Prevea develop and institute procedures to assure that large group application files are correct and complete in order to document compliance with s. 628.34, Wis. Stat.

MANAGED CARE

Quality Assurance

28. It is recommended that Prevea develop a compliance and submit the plan to the OCI within 90 days of the adoption of this examination report in order to document compliance with s. Ins 9.42, Wis. Adm. Code.

Access Standards

29. It is recommended that Prevea develop and implement a process to identify those enrollees who are part of an underserved population and to develop an access plan to meet the needs, with respect to covered benefits, of its enrollees who are members of underserved populations as required by s. 609.22 (8), Wis. Stat.,

Provider Agreements

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33. It is recommended that Prevea rewrite its provider agreements to ensure that the contracts address the of reporting grievances and complaints pursuant to s. Ins 9.33 (7) (b), Wis. Adm. Code.

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35. It is recommended that Prevea develop and institute a procedure whereby the date of the grievance resolution letter is recorded as the date the grievance was resolved as reported to the OCI on the annual grievance report as required by s. Ins 9.33 (7) (b), Wis. Adm. Code.
36. It is recommended that Prevea routinely audit its grievance files to assure that its grievance files contain documentation that it complies with its internal grievance procedure, and that it is in compliance with s. Ins 9.33, Wis. Adm. Code.

Terminations, Nonrenewals, and Cancellations

37. It is recommended that Prevea develop and institute a written procedure regarding sending HIRSP notification and stating the reason for rejection termination, cancellation or imposition of underwriting restrictions in order to comply with s. 632.785, Wis. Stat.
38. It is recommended that Prevea develop and institute a written procedure regarding informing policyholders of midterm or anniversary cancellation, nonrenewal, other termination, renewal with altered terms, or possible or actual lapses in order to comply with s. 631.36, Wis. Stat.

IV. CONCLUSION

The examiners conducted targeted market conduct examination of Prevea, including a review of the recommendations made as a result of the 1999 managed care desk audit. Prevea was found to be in compliance with all of the seven prior recommendations. In addition to the noncompliance recommendation the examiners made 37 new recommendations. The new recommendations involved all areas under review except Medicare supplement business.

V. ACKNOWLEDGEMENT

In addition to the undersigned, the following personnel from the Office of the Commissioner of Insurance participated in the examination and preparation of this report.

Renee Fabry, Insurance Examiner
Kristy Jacobson, Insurance Examiner
Gerald Zimmer, Insurance Examiner
Jo LeDuc, Advanced Examiner

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

Respectfully submitted,

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Examiner-in-Charge
Bureau of Market Regulation