



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

Group Health Cooperative of Eau Claire  
PO Box 3217  
Eau Claire, WI 54702-3217

dated April 1-3, 2002, and served upon the company on September 24, 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 25<sup>th</sup> day of October, 2002.

Connie L. O'Connell  
Commissioner of Insurance

STATE OF WISCONSIN  
OFFICE OF THE COMMISSIONER OF INSURANCE

MARKET CONDUCT EXAMINATION

OF

GROUP HEALTH COOPERATIVE OF EAU CLAIRE  
EAU CLAIRE, WISCONSIN

APRIL 1 – 3, 2002

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April 3, 2002

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Honorable Connie L. O'Connell  
Commissioner of Insurance  
State of Wisconsin  
121 East Wilson Street  
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Commissioner:

Pursuant to your instructions and authorization, a compliance market conduct examination was made in April 1-3, 2002 of:

Group Health Cooperative of Eau Claire

Eau Claire, Wisconsin

and the following report is respectfully submitted.

## I. INTRODUCTION

Group Health Cooperative of Eau Claire (GHC) was incorporated on May 11, 1972, and commenced business on September 9, 1976, as a nonprofit staff model health maintenance organization (HMO). The HMO is licensed under the provisions of s. 185, Wis. Stat. as a cooperative association for sickness care. Effective December 31, 1997, GHC transferred its medical clinic operation to Marshfield Clinic and began operations as a group and mixed model HMO. The providers and support staff of GHC became employees of Marshfield Clinic and the provider service agreement has increased to include additional sites in western Wisconsin. As of May 1, 1998, three clinic buildings owned by GHC were sold to Marshfield Clinic. GHC is a domestic company only authorized to write business in Wisconsin.

For the past two years the company has had service areas in the following counties:

Ashland, Barron, Bayfield, Buffalo, Burnett, Chippewa, Clark, Crawford, Douglas, Dunn, Eau Claire, Grant, Jackson, Juneau, LaCrosse, Monroe, Pepin, Polk, Richland, Rusk, St. Croix, Sawyer, Taylor, Trempealeau, Vernon and Washburn.

The majority of the premium written by the company in 1999 and 2000 was group health insurance. In 1999 and 2000, the company did not rank among the top 20 writers of group or individual health insurance.

The following tables summarize the premium written and incurred losses in Wisconsin for 2000 and 1999 broken down by line of business.

#### Premium and Loss Ratio Summary

Line Of Business	2000			
	Direct Premiums Earned	% of Total Premium	Direct Losses Incurred	Pure Loss Ratio
Comprehensive	\$ 36,404,629	100%	\$35,624,005	98%
Medical Only	N/A	%	N/A	%
Medicare Supplement	N/A	%	N/A	%
Dental	N/A	%	N/A	%
All Others	N/A	%	N/A	%
<b>Total</b>	<b>\$ 36,404,629</b>		<b>\$35,624,005</b>	<b>98%</b>

  

Line Of Business	1999			
	Direct Premiums Earned	% of Total Premium	Direct Losses Incurred	Pure Loss Ratio
Comprehensive	\$26,577,799	100%	\$26,627,230	1.002%
Medical Only	N/A	%	N/A	%
Medicare Supplement	N/A	%	N/A	%
Dental	N/A	%	N/A	%
All Others	N/A	%	N/A	%
<b>Total</b>	<b>\$26,577,799</b>		<b>\$26,627,230</b>	<b>1.002%</b>

## II. PURPOSE AND SCOPE

The examination was conducted to determine whether the company's practices and procedures comply with the Wisconsin insurance statutes and rules. The report is prepared on an exception basis, and comments on those areas of the company's operations where adverse findings were noted. The examination focused on the period from January 1, 2001 – February 28, 2002 and was limited to the review of the following areas of operations:

- Company Operations
- Policyholder Service & Complaints
- Managed Care / Grievance Procedures
- Agent Listings and Terminations
- Policy Form Filings
- Marketing, Sales & Advertising / Electronic Commerce

A compliance examination was also conducted to verify compliance with the recommendations made in the managed care desk audit report adopted on April 11, 2000. In addition, the examination included a review of any subsequent events deemed important by the examiner-in-charge during the examination.

The Market Regulation Bureau selected this company to examine based on the findings of the market conduct examination that was reported in the August 26, 1999 financial examination report, and to determine the company's compliance with the recommendations made in the prior managed care desk audit report.

### **Complaints**

The Office of the Commissioner Of Insurance received 5 complaints against Group Health Cooperative between January 1, 2001 – February 28, 2002, all received in 2001.

A complaint is defined as 'a written communication received by the Commissioner's Office that indicates dissatisfaction with an insurance company or agent.'

The total number of complaints received in 2001, increased by 20% from the number of complaints received in 2000.

The company received the majority of its complaints in premium notice/billing problems. This accounted for 2 of the 5 complaints. The company was not on the above average complaint list for any lines of business.

### Grievances

The grievance report for 2000 indicates the company received 24 grievances of which 16 or 66% were reversed. The majority of the grievances filed with the company in 2000 were related to non-covered benefit.

The grievance report for 1999 indicates the company received 41 grievances of which 21 or 48% were reversed. The majority of the grievances filed with the company in 1999 were related to out-of-network provider and non-covered benefit.

The following table summarizes the grievances for the company for the last two years:

Category	2000			1999		
	No.	No. Reversed	% Reversed	No.	No. Reversed	% Reversed
Out-of-Network Provider	4	3	75%	14	9	64%
Prescription Drug	0	0	N/A	0	0	N/A
Preexisting Condition	0	0	N/A	0	0	N/A
Out-of-Area Emergency	0	0	N/A	0	0	N/A
Emergency Room	0	0	N/A	3	3	100%
Durable Medical	0	0	N/A	1	0	0%
No Preauthorization	4	4	100%	3	3	100%
Noncovered Benefit	8	6	75%	12	2	16%
Not Medically Necessary	0	0	N/A	4	3	75%
Usual and Customary	0	0	N/A	0	0	N/A
Request for Preauthorization	1	1	100%	0	0	N/A
Request for Referral	2	1	50%	1	1	N/A
Maximum Benefit Reached	1	1	100%	1	0	0%
Other	4	0	0%	5	0	0%
<b>Total</b>	<b>24</b>	<b>16</b>	<b>66%</b>	<b>44</b>	<b>21</b>	<b>48%</b>

### III. SUMMARY OF PRIOR EXAMINATION RECOMMENDATIONS

The following recommendations are from the managed care desk audit report adopted April 11, 2000.

#### Provider Choice

1. It is recommended that Group Health use uniform terminology to refer to providers in its internal referral procedure, referral form, certificate of coverage, and member handbook in order to comply with s. 609.05, Wis. Stat.

Action - Compliance

#### Standing Referral

2. It is recommended that Group Health submit to OCI for approval, amended language in its certificates of coverage and group policy forms regarding its referral procedures, including standing referrals, as required by s. 609.22 (4) (a) (3), Wis. Stat.

Action - Compliance

3. It is recommended that Group Health develop a process for providing information regarding the process for obtaining a standing referral to participating and non-participating providers upon request to an enrollee or prospective enrollee as required by s. 609.22 (4) (a), Wis. Stat.

Action - Compliance

#### Second Opinions

4. It is recommended that Group Health submit to OCI for approval, language in its certificates of coverage and policy regarding an enrollee's right to coverage of a second opinion in order to comply with s. 609.22 (5), Wis. Stat.

Action - Compliance

### Emergency Care

5. It is recommended that Group Health submit to OCI for approval amended language in its certificates of coverage and policy to include the required definition of emergency care in order to comply with s. 632.85, Wis. Stat.

Action - Compliance

### Continuity of Care

6. It is recommended that Group Health provide coverage to an enrollee as described in s. 609.24, Wis. Stat., and submit to OCI for approval language in its certificates of coverage and policy regarding an enrollee's right to continuity of care in order to comply with s. 609.24, Wis. Stat.

Action - Compliance

7. It is recommended that Group Health redraft its provider contracts to include language regarding provider reimbursement upon termination of the contract as required by s. 609.24 (1) (e), Wis. Stat.

Action - Compliance

### Quality Assurance

8. It is recommended that Group Health demonstrate that it has an ongoing quality assurance program through documentation of scheduled meetings and active committees to ensure compliance with the requirements of s. 609.32 (1) (a), Wis. Stat.

Action - Compliance

9. It is recommended that Group Health develop a procedure for taking remedial action to address quality of care issues as required by s. 609.32(1)(d), Wis. Stat.

Action - Compliance

10. It is recommended that Group Health revise its quality improvement program description to accurately reflect the current operations of its quality assurance program in order to comply with the requirements of s. 609.32 (1), Wis. Stat.

Action - Compliance

Provider Selection and Credentialing

11. It is recommended that Group Health amend the position description for its medical director to require a physician be appointed to the position, and that the position be responsible for clinical protocols, quality assurance activities and utilization management policies of the plan in order to comply with s. 609.34, Wis. Stat.

Action - Compliance

Data Systems and Confidentiality

12. It is recommended that Group Health update its current confidentiality policy to ensure that enrollee records and information are kept confidential as required by s. 609.36 (2), Wis. Stat.

Action - Compliance

Experimental Treatments

13. It is recommended that Group Health submit to OCI for approval language in its certificates of coverage and policy regarding disclosure of limitations for experimental treatment required by s. 632.855 (2), Wis. Stat.

Action - Compliance

14. It is recommended that Group Health develop a standard denial letter for experimental treatment that includes a statement setting forth the specific medical and scientific reasons for the denial, and notice of the enrollee's right to appeal, including a description of the appeal procedure, as required by s. 632.855 (3) (a) and (b), Wis. Stat.

Action – Compliance

## **IV. CURRENT EXAMINATION FINDINGS**

### Company Operations/Management

The examiners reviewed all materials requested in the Company Operations/Management interrogatory including but not limited to the, organizational chart, internal audit reports, committee minutes and management contracts. Additionally, they reviewed the revised GHC provider contract template and verified contract revisions were made to grant provider reimbursement terms compliant with s. 609.24 Wis. Stat. upon termination of the contract. It was also noted that GHC's confidentiality policy was updated May, 2000 to ensure employee records are kept confidential as required by s. 609.36 (2) Wis. Stat. The examiners also met with the compliance manager, who is newly hired since the last market conduct exam and has been with GHC for approximately one year.

### Policyholder Service and Complaints

The examiners reviewed GHC's complaint procedures. GHC considers any expression of dissatisfaction submitted by a GHC member or on behalf of a GHC member a complaint. Complaints are tracked in an electronic notebook system by member services staff. Reports are generated according to complaint type and are regularly monitored by GHC management. GHC received 426 total complaints for the year 2001.

When the randomly pulled complaint sample was reviewed, it was realized that verbal and written complaints are tracked separately. For statistical significance, the sample pull of 50 complaints was adjusted to be certain at least 25 verbal and 25 written complaints were reviewed. In the exam process, six exceptions for written complaints were submitted to GHC for clarification purposes and it was determined that while the complaints received in writing are logged as complaints, they are also treated as grievances and documented as such. The complaint files were well documented. The complaint reason, complaint resolution and number of days to resolve were all clearly visible.

## Managed Care

The examiners reviewed GHC's grievance committee, quality improvement committee, and credentialing committee minutes and provider files that included a contract, credentialing application, copies of licenses and correspondence. They also reviewed access standards and provider agreements. GHC has adopted standards recommended by NCQA regarding choice and access to providers. GHC scored first, second and third respectively, in the nation for health plans using HEDIS measures in the following categories:

Getting Health Quickly – GHC: 90.57% National Average: 78.34%  
Rating of All Health Care – GHC: 84.67% National Average: 72%  
Rating of Health Plan – GHC: 79% National Average: 59.3%

Their credentialing standards also conform to NCQA standards and they were found by the examiners to be in compliance with s. 609.32(2) Wis. Stat. for credentialing and recredentialing. No exceptions were unsatisfied for managed care. The examiners verified this by reviewing GHC's compliance with all prior recommendations. They reviewed and obtained a copy of GHC's newly drafted policy for obtaining a standing referral to participating and non-participating providers. They also obtained documentation that verified regular quality assurance meetings are scheduled and ongoing. A copy of the quality improvement plan, meeting minutes and work schedules were also reviewed to testify to GHC's revised quality improvement program. GHC established written policies for taking remedial action to address quality of care issues. The examiners reviewed the policies for compliance with s. 609.32(1)(d) Wis. Stat. To establish compliance with s. 609.34 Wis. Stat., the examiners reviewed GHC's amended position description requiring their medical director to be a physician. The position is now responsible for clinical protocols, quality assurance activities and utilization management policies for the plan. The current part-time medical director is Dr. Timothy Wolter, who is a practicing family practice physician in Chippewa Falls, Wisconsin.

## Grievances

The examiners reviewed the GHC's grievance procedures, grievance committee meetings, the grievance language in its insurance certificates and all 32 grievance files for the period of review. The Cooperative considers any written expression of dissatisfaction submitted by a GHC member or on behalf of a GHC member a grievance. The grievance files were well organized and contained proper documentation. The examiners verified that the grievances were resolved within the time frames required under s. Ins. 18.03 Wis. Adm. Code.

An exception was written because three of the 32 grievances were not acknowledged within five days. GHC acknowledged they were not compliant with s. 18.03 (4) Wis. Adm. Code.

1. It is recommended that GHC acknowledge all grievances within five business days from the date of receipt in compliance with s. Ins 18.03 (4), Wis. Adm. Code.

It should be noted that GHC has a policy whereby at the grievant's request, if it is more convenient to meet prior to the seven day advance notice required by s. Ins 18.03 (3)(b), they allow this and confirm the meeting with a letter. Also noteworthy, the Cooperative's grievance committee meets on an ad-hoc basis usually at the member's convenience. Because grievances are handled one at a time and given the infrequency of grievances, meeting minutes include the same information as contained in the resolution letter. For this reason, the resolution letter is used as the record of the meeting at GHC. The letter contains documentation of who attended the meeting and a description of the resolution.

The total number of grievances filed for GHC in 2001 was 32. The ratio of grievances received to the total number of enrollees was 2.3 per 1,000 members. The number of grievances GHC resolved in the grievant's favor was 11, or 34% for the year 2001. GHC also compromised with the grievant on 9, or 28% for the year 2001.

## Agent Listings & Terminations

GHC utilizes direct agents and consulting agents. GHC currently and for the period of review has four direct agents that are employed through a management contract with KMTSJ

and six consulting agents. The direct agents are salaried employees of the management company and do not have contracts with GHC. Any business directed to GHC through one of the consulting agents is written through the direct agents. Agents and brokers are not actively recruited by GHC and three of the four direct agents have 10 to 25 years of marketing experience with GHC products. Therefore, GHC does not maintain agent training manuals. GHC tracks CE requirements for its direct agents in their annual employee review process. Although under s. 185.983, Wis. Stat., GHC as a Cooperative is exempt from s. 628.11, Wis. Stat. and is not required to appoint or terminate agents with OCI, currently their four direct agents are listed with OCI.

#### Policy Form Filings

The examiners requested a complete list of all policy forms used during the period of review. GHC produced a list containing form numbers, 4000, 4200, 4201, 2201 and 2200. These forms were approved February 28, 2002 by an OCI examiner prior to the on-site exam. They were reviewed by the examiners for compliance with the recommendations made in the managed care desk audit adopted April 11, 2000. All were found to be compliant with the recommendations. An exception was written to verify with certainty that all forms used by GHC during the period of review were OCI approved. The examiners verified that GHC did not produce any forms in use that were not approved by OCI.

There were no deemed policy forms to be reviewed. GHC verified that they do not have a form filing procedure manual. Rather, they utilize s. Ins 6.05, Wis. Adm. Code along with OCI procedures as a guideline for form filings.

#### Marketing, Sales & Advertising / Electronic-Commerce

GHC's leads for solicitation of new business are obtained through prospective clients calling the Cooperative or through direct agent contact with prospective groups (cold call). The Cooperative responds to leads by having a direct (internal) agent meet with the prospective clients. As a result, they do not advertise heavily in their market. The examiners reviewed all

advertising files for the period of review. All twelve files had the complete company name on them, none of them were found to be deceptive or misleading and all contained manner and extent pursuant to s. Ins 3.27(8), Wis. Adm. Code. GHC has a secured web-site that is used for informational purposes only including provider directory and general benefit information. No direct marketing or product sales occur on the web-site; sales leads are not generated from the site and agents are not allowed to use the site to advertise on their behalf. The information contained on the site is updated at least monthly.

## V. SUMMARY OF RECOMMENDATIONS

### Grievances

1. Page 10. It is recommended that GHC acknowledge all grievances within five business days from the date of receipt in compliance with s. Ins 18.03 (4), Wis. Adm. Code.

## **VI. CONCLUSION**

The prior managed care desk audit report contained 14 market conduct recommendations in the areas of Provider Choice, Standing Referrals, Second Opinions, Emergency Care, Continuity of Care, Quality Assurance, Provider Selection and Credentialing, Data System and Confidentiality and Experimental Treatments. Five of these recommendations required amending certificate of coverage and policy forms language. GHC was found to be in compliance for all 14 prior recommendations.

One new recommendation was written because three of the 32 grievances were not acknowledged within five days. GHC acknowledged they were not compliant with s. 18.03 (4) Wis. Adm. Code.

## VII. Acknowledgement

The courtesy and cooperation extended 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.

<b>Name</b>	<b>Title</b>
Ashley Natysin	Advanced Insurance Examiner

Respectfully submitted,

Examiner-in-Charge  
Renee Fabry