



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 South Central Wisconsin
675 West Washington Avenue
Madison, WI 53703-2637

dated June 28, 1999 - July 2, 1999, and served upon the company on November 19, 1999, 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 5th day of January, 2000.

Connie L. O'Connell
Commissioner of Insurance

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Market Conduct Examination Report
of
Group Health Cooperative of South Central Wisconsin
Madison, Wisconsin

June 28, 1999 – July 2, 1999

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July 2, 1999

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

Commissioner:

Pursuant to your instructions and authorization, a market conduct examination was made June 28, 1999, of:

GROUP HEALTH COOPERATIVE OF SOUTH CENTRAL WISCONSIN

Madison, Wisconsin

The report of this examination is herein respectfully submitted.

I. INTRODUCTION

Group Health Cooperative of South Central Wisconsin (GHC) is a nonprofit health maintenance organization (HMO) organized as a cooperative health plan. It was incorporated on March 13, 1972, and commenced business on March 1, 1976. In June 1977, it received federal qualification.

It is licensed to do business only in Wisconsin. Its service area includes Columbia, Dane, Dodge, Green, Iowa, Jefferson, Lafayette, Rock, and Sauk counties.

GHC operates mainly as a staff model HMO, providing primary health care to its enrollees through four GHC owned and operated health centers. In addition, it offers primary health care services through its contracts with the University of Wisconsin Family Practice Clinics, and University Community Clinics.

Company Premium Information:

The majority of the premium written by GHC was group health business. In 1998, GHC ranked as the 16th largest writer of group health in Wisconsin.

	<u>1997</u>	<u>1998</u>
Written premium	\$62,789,219	\$72,672,990
Loss Ratio	89.0%	88.2%

Enrollment Information:

GHC had 40,217 enrollees in 1997, 43,775 enrollees in 1998, and 47,407 enrollees as of March 31, 1999. About 26% of enrollees are covered under the plan offered by the Group Insurance Board to state employees.

II. PURPOSE AND SCOPE

The examination was conducted to determine whether GHC's procedures were in compliance with the market conduct recommendations of OCI's financial examination report of December 31, 1995.

The market conduct examination was limited to a review of complaints and grievances, marketing and sales, and small employer marketing. The examination focused on the period from January 1, 1998, through May 31, 1999.

GHC was not on OCI's above-average complaint summary for 1998, with an average of .01 complaints/\$100,000 of written premiums. The Wisconsin average was .06 complaints per \$100,000 of written premiums for all group accident and health insurance business in the state.

COMPLAINTS			
<u>Categories</u>	<u>1/1/99 - 5/31/99</u>	<u>1998</u>	<u>1997</u>
Underwriting	0	1	4
Marketing & Sales	0	1	0
Claims	4	4	7
Policyholder Service	0	0	0
Other	<u>1</u>	<u>1</u>	<u>0</u>
COMPLAINT TOTAL	5	7	11

(Complaints may involve more than one category)

Company Grievance Information:

GHC received 160 grievances in 1997 and 109 in 1998. As of May 31, 1999, it had received 53 grievances.

	<u>1996</u>	<u>1997</u>	<u>1998</u>
Grievance Totals	146	160	109
Percent Reversed	20%	34%	38%

III. COMPLIANCE WITH PRIOR EXAMINATION REPORT RECOMMENDATIONS

The financial examination report of December 31, 1995 contained the following market conduct recommendations.

1. Provider Agreements - It is recommended that the plan redraft its provider agreements and management agreement when the agreements are next negotiated but no later than one year after the adoption of the examination report to include language requiring the provider to identify complaints and grievances and forward them to the plan in a timely manner as required by s. Ins 3.50 (10) (g), Wis. Adm. Code.

Action—Compliance.

2. Marketing and Sales - It is recommended that the plan utilize its corporate name, Group Health Cooperative of South Central Wisconsin, on each of its advertisements as required by s. Ins 3.27 (12), Wis. Adm. Code.

Action—Compliance, see comments in the summary of current examination results.

3. Grievance and Complaint Files - It is recommended that the plan ensure that all grievance files contain documentation of resolution as required by s. Ins 3.50 (10) (c), Wis. Adm. Code.

Action—Substantial compliance, see comments in the summary of current examination results.

4. Grievance and Complaint Files - It is recommended that the plan ensure that all grievances are resolved within 30 days, or if necessary and with written notice to the grievant of a 30-day extension, are resolved no later than 60 days after receipt in order to comply with its internal grievance procedure and as required by s. Ins 3.50 (10) (c), Wis. Adm. Code.

Action—Compliance.

5. Grievance and Complaint Files - It is recommended that the plan ensure that all grievance files contain documentation that the grievance was acknowledged within 10 days in order to comply with its internal grievance procedure and as required by s. Ins 3.50 (10) (f), Wis. Adm. Code.

Action—Substantial compliance, see comments in the summary of current examination results

6. Grievance and Complaint Files - It is recommended that the plan ensure that any written correspondence defined as a grievance be date stamped so that the files can be audited and to comply with s. Ins 3.50 (10), Wis. Adm. Code.

Action—Compliance.

7. Grievance and Complaint Files - It is recommended that the plan maintain oversight over its internal complaint and grievance procedures to ensure compliance with s. Ins 3.50 (10), Wis. Adm. Code.

Action—Substantial compliance, see comments in the summary of current examination results.

8. Small Employer Health Insurance - It is recommended that the plan redraft its underwriting guidelines and change the variance from the midpoint rate to 30% as required by s. Ins 8.52 (2), Wis. Adm. Code.

Action—Compliance.

9. Small Employer Health Insurance - It is recommended that the plan provide small employers who are denied coverage with a written denial including the reasons for denial and a written explanation of the availability of and price quote for the basic health benefit plan as required by s. Ins 8.68 (6), Wis. Adm. Code.

Action—No longer applicable due to changes in the law.

10. Small Employer Health Insurance - It is recommended that the plan require the small employer to provide appropriate supporting documentation, such as state unemployment or worker's compensation quarterly reporting forms, to verify the list of eligible employees as required by s. Ins 8.65 (1), Wis. Adm. Code.

Action—Noncompliance, see comments in the summary of current examination results.

11. Small Employer Health Insurance - It is recommended that the plan obtain signed waivers from employees and dependents declining coverage as required by s. Ins 8.65 (2), Wis. Adm. Code, and to maintain the waivers for a period of three years or until the policy terminates, whichever is later as required by s. Ins 8.65 (4), Wis. Adm. Code.

Action—Compliance.

12. Small Employer Health Insurance - It is recommended that the plan maintain documentation that it provides an offer of the basic health benefit plan to a small employer that applies for health insurance coverage as required by s. Ins 8.68 (3), Wis. Adm. Code.

Action—No longer applicable due to changes in the law.

13. Small Employer Health Insurance - It is recommended that the plan ensure that small employers offer to all employees working on a full-time basis and having a normal work week of 30 or more hours, eligibility for health insurance as required by s. 635.02 (3f), Wis. Stat.

Action—Noncompliance, see comments in the summary of current examination results.

14. Small Employer Health Insurance - It is recommended that the plan include a specific section on its disclosure form, E92-082-1 (12/94), for the agent's signature so that it can document that the disclosure was given prior to completing the application for the policy as required by s. Ins 8.48 (1), Wis. Adm. Code, and s. 635.11, Wis. Stat.

Action—Noncompliance, see comments in the summary of current examination results.

15. Small Employer Health Insurance - It is recommended that the plan maintain a signed copy of the disclosure form required by s. Ins 8.48 (1), Wis. Adm. Code.

Action—Noncompliance, see comments in the summary of current examination results.

IV. SUMMARY OF CURRENT EXAMINATION RESULTS

Marketing and Sales

The examiners reviewed ten advertisements. GHC's advertising file contained a script of a television advertisement that included five testimonials from GHC's enrollees. The enrollees were paid \$50.00 each for their time. Section Ins 3.27 (13), Wis. Adm. Code, states that an advertisement shall not contain a testimonial, endorsement, or other commendatory statement concerning the insurer, its policies or activities by any person who receives any pay or remuneration, directly or indirectly. It is recommended that GHC include testimonials, endorsements or commendatory statements in its advertisements only if the person making the testimonial, endorsement, or commendatory statement had received no pay or remuneration for making the statement.

OCI Complaint Files

OCI received 7 complaints regarding GHC during 1998. It received 5 complaints during the first 5 months of 1999.

The cover letter sent to insurers with OCI complaints, OCI form number OCI 51-011, instructs the insurer to provide OCI with a response within 20 calendar days. The response should include a description of the problem, copies of relevant documents, an explanation of anything the insurer has done to resolve the problem, a disclosure if the complaint involves a self-funded plan, and the items on the special request list, if one is enclosed. The company is also instructed to return a corrected copy of form OCI 51-011 if any information on it is missing or incorrect. Section 601.42, Wis. Stat., requires an insurer to reply promptly to any written inquiry from the commissioner requesting a reply.

The examiners reviewed 11 OCI complaint files to determine if the responses were complete and timely. GHC responded to OCI within 20 days in all 11 files. However, 11 files did not include a completed cover letter. It is recommended that GHC review the information on form OCI 51-011 and return a revised copy to OCI if any of the information is missing or incorrect, as required by s. 601.42, Wis. Stat.

In four files, the response to OCI did not include the items on the enclosed special request list. It is recommended that GHC include all of the items on any enclosed special request list in its response to OCI complaints, as required by s. 601.42, Wis. Stat.

Grievance and Complaint Files

The examiners reviewed GHC's internal complaint and grievance procedures. Section Ins 3.50 (3) (c), Wis. Adm. Code, defines a grievance as any dissatisfaction with the administration or claims practices of or provision of services by a health maintenance organization which is expressed in writing by or on behalf of a plan enrollee. GHC's procedure titled "member appeals process – member appeals committee" states that the enrollee may appeal denial of claims, benefits, or services. There is nothing in GHC's procedures that indicates an enrollee has the right to have a grievance regarding the plan administration or regarding a quality of care concern reviewed by the member appeals committee, or that an authorized representative of the enrollee may file a grievance on behalf of the enrollee. It is recommended that GHC revise its internal complaint and grievance procedures to resolve all written expressions of dissatisfaction with the administration or claims practices of or provisions of services it receives from an enrollee or on behalf of the enrollee through its grievance procedure, as required by s. Ins 3.50 (3) (c), Wis. Adm. Code.

The examiners reviewed a sample of 80 grievance files.

- Two did not contain any correspondence or other supporting documentation. The examiners were told that the correspondence had been misplaced. Section Ins 3.50 (10) (g) 1, Wis. Adm. Code, requires an HMO to keep and retain a record for each grievance for at least a three-year period. It is recommended that GHC establish oversight procedures to ensure that it retains a complete record of each grievance it receives for at least three years.
- Three grievances, which were not resolved in the enrollee's favor, were not reviewed by the member appeals committee. The examiners were told that these grievances were not sent to the committee because they did not involve any denial of benefits. It is recommended that GHC revise its written procedures to offer all individuals who file a grievance the right to attend a grievance committee meeting, as required by s. Ins 3.50 (10) (d), Wis. Adm. Code.

Small Employer Health Insurance

The review of GHC's small employer new business files indicated that GHC is not in compliance with four of the prior examination recommendations.

The examiners reviewed 56 underwriting files of policies issued to small employer groups for the period of January 1, 1998, through May 31, 1999. The files included the small employer's application, disclosure forms, the individual employee's enrollment or waiver forms, and other documents obtained during the underwriting process.

The examiners found:

- 17 files did not include supporting documentation from the small employer to verify that the list of eligible employees was complete. It is recommended that GHC comply with the recommendation in OCI's financial examination report of 1995 that the plan require the small employer to provide appropriate supporting documentation, such as state unemployment or worker's compensation quarterly reporting forms, to verify the list of eligible employees as required by s. Ins 8.65 (1), Wis. Adm. Code.
- 22 files included an employer application that required the employee to work more than 30 hours in a normal work week in order to be eligible for coverage. It is recommended that GHC comply with the recommendation in OCI's financial examination report of 1995 that the plan ensure that small employers offer to all employees working on a permanent basis and having a normal work week of 30 or more hours, eligibility for health insurance, as required by s. 632.745 (5), Wis. Stat.
- 56 files did not include a disclosure form regarding rating factors and renewal provisions that was signed by the agent and signed by the small employer. It is recommended that GHC comply with the recommendation in OCI's financial examination report of 1995 that the plan include a specific section on its small employer disclosure form regarding rating factors and renewal provisions for the agent's signature so that it can document that the disclosure was given prior to completing the application for the policy as required by s. Ins 8.48 (1), Wis. Adm. Code, and s. 635.11, Wis. Stat. It is recommended that GHC comply with the

recommendation in OCI's financial examination report of 1995 that the plan maintain a signed copy of the disclosure form required by s. Ins 8.48 (1), Wis. Adm. Code.

GHC's eligible employee and dependent waiver form states that there is a 12-month-waiting period before receiving any coverage for an individual who waives coverage unless the individual had been covered under a group plan and loses that coverage for one of the six reasons listed on the form. Section 632.746 (6), Wis. Stat., requires an insurer to allow an eligible employee or dependent to enroll if the employee or dependent was covered under a group health plan or had health insurance coverage at the time coverage was previously offered to the employee or dependent, had stated in writing that the group health plan or health insurance coverage was the reason for declining enrollment, if required, and is currently covered under the group health plan or health insurance coverage or applies no later than 30 days after the date the other coverage is terminated. An insurer may not limit the eligible employee's or dependent's right to enroll to individuals whose other group plan terminated for a specific reason. It is recommended that GHC modify its eligible employee and dependent waiver form to accurately state the consequences of waiving coverage under GHC's plan, in order to comply with s. 632.746 (6), Wis. Stat.

V. SUMMARY

The market conduct examination resulted in 11 recommendations in the areas of marketing and sales, OCI complaint handling, grievance and complaint files, and small employer marketing. GHC is not in compliance with four recommendations in OCI's 1995 financial examination report, as adopted.

VI. SUMMARY OF RECOMMENDATIONS

1. Page 6 - Marketing and Sales - It is recommended that GHC include testimonials, endorsements, or commendatory statements in its advertisements only if the person making the testimonial, endorsement, or commendatory statement had received no pay or remuneration for making the statement. [s. Ins 3.27 (13), Wis. Adm. Code]
2. Page 6 - OCI Complaints- It is recommended that GHC review the information on form OCI 51-011 and return a revised copy to OCI if any of the information is missing or incorrect, as required by s. 601.42, Wis. Stat.
3. Page 7 - OCI Complaints – It is recommended that GHC include all of the items on any enclosed special request list in its response to OCI complaints, as required by s. 601.42, Wis. Stat.
4. Page 7 - Grievance and Complaint Files – It is recommended that GHC revise its internal complaint and grievance procedures to resolve all written expressions of dissatisfaction with the administration or claims practices of or provisions of services it receives from an enrollee or on behalf of the enrollee through its grievance procedure, as required by s. Ins 3.50 (3) (c), Wis. Adm. Code.
5. Page 7 - Grievance and Complaint files – It is recommended that GHC establish oversight procedures to ensure that it retains a complete record of each grievance it receives for at least 3 years. [s. Ins 3.50 (10) (g) 1, Wis. Adm. Code]
6. Page 7 - Grievance and Complaint Files – It is recommended that GHC revise its written procedures to offer all individuals who file a grievance the right to attend a grievance committee meeting, as required by s. Ins 3.50 (10) (d), Wis. Adm. Code.
7. Page 8 - Small Employer Health Insurance – It is recommended that GHC comply with the recommendation in OCI's financial examination report of 1995 that the plan require the small employer to provide appropriate supporting documentation, such as state unemployment or worker's compensation quarterly reporting forms, to verify the list of eligible employees as required by s. Ins 8.65 (1), Wis. Adm. Code.
8. Page 8 - Small Employer Health Insurance - It is recommended that GHC comply with the recommendation in OCI's financial examination report of 1995 that the plan ensure that small employers offer to all employees working on a permanent basis and having a normal work week of 30 or more hours, eligibility for health insurance, as required by s. 632.745 (5), Wis. Stat.
9. Page 8 - Small Employer Health Insurance - It is recommended that GHC comply with the recommendation in OCI's financial examination report of 1995 that the plan include a specific section on its small employer disclosure form regarding rating factors and renewal provisions for the agent's signature so that it can document that the disclosure was given prior to completing the application for the policy as required by s. Ins 8.48 (1), Wis. Adm. Code and s. 635.11, Wis. Stat.

10. Page 8 - Small Employer Health Insurance – It is recommended that GHC comply with the recommendation in OCI's financial examination report of 1995 that the plan maintain a signed copy of the disclosure form required by s. Ins 8.48 (1), Wis. Adm. Code.
11. Page 9 - Small Employer Health Insurance – It is recommended that GHC modify its eligible employe and dependent waiver form to accurately state the consequences of waiving coverage under GHC's plan, in order to comply with s. 632.746 (6), Wis. Stat.

VII. ACKNOWLEDGMENT

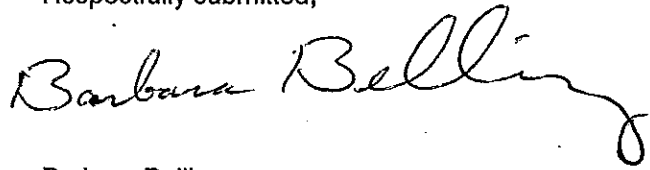
In addition to the undersigned, the following personnel from the Office of the Commissioner of Insurance participated in the examination and preparation of this report:

Stephanie Cook

Jerry Zimmer

The cooperation and courtesy extended to OCI personnel is hereby acknowledged.

Respectfully submitted,

A handwritten signature in cursive script that reads "Barbara Belling". The signature is written in black ink and is positioned above the printed name and title.

Barbara Belling
Examiner-in-Charge

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