



State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Scott McCallum, Governor
Connie L. O'Connell, Commissioner

Wisconsin.gov

121 East Wilson Street • P.O. Box 7873
Madison, Wisconsin 53707-7873
Phone: (608) 266-3585 • Fax: (608) 266-9935
E-Mail: information@oci.state.wi.us
Web Address: oci.wi.gov

Notice of Adoption and Filing of Examination Report

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

Professional Dental Plan, Inc.
P O Box 44966
Madison WI 53744

dated December 3-5, 2001, and served upon the company on September 30, 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 6th day of November, 2002.

Connie L. O'Connell
Commissioner of Insurance

STATE OF WISCONSIN
OFFICE OF THE COMMISSIONER OF INSURANCE

MARKET CONDUCT EXAMINATION

OF

PROFESSIONAL DENTAL PLAN, INC.
MADISON, WI

DECEMBER 3-5, 2001

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Bureau of Market Regulation

121 East Wilson Street • P.O. Box 7873
Madison, Wisconsin 53707-7873
(608) 266-3585 • (800) 236-8517
Fax: (608) 264-8115
E-Mail: marketreg@oci.state.wi.us
Web Address: oci.wi.gov

December 5, 2001

Honorable Connie L. O'Connell
Commissioner of Insurance
Madison, WI 53702

Commissioner:

Pursuant to your instructions and authorization, a compliance market conduct examination was made on December 3-5, 2001 of:

Professional Dental Plan, Inc.
Madison, WI

and the following report is respectfully submitted.

I. INTRODUCTION

Professional Dental Plan (PDP) is a nonprofit independent practice association (IPA) model limited service health organization (LSHO). It commenced business on August 17, 1984. The plan provides subscriber-group member enrollees with covered dental services through contracts with dentists. Enrollees are required to designate a plan dentist to provide their dental care. The plan dentists agree to provide covered dental benefits in exchange for the monthly capitation amount paid to them by the plan for each enrollee.

Prior to January 21, 1994, the LSHO had dental service agreements with 187 groups, including a service agreement with Dean Health Plan, Inc. (DHP). On that date, all of the plan's policies, except DHP's, were assumed by American Dental Plan of Wisconsin, Inc. (ADP). The dentists under contract with PDP are also under contract with ADP. The plan is contracted with providers located in the counties of Dane, Dodge, Jefferson, Grant, Sauk, Rock, Iowa,

Marquette, Walworth, and Columbia. PDP will discontinue business operations on December 31, 2001.

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

| | 2000 | | | |
|---------------------------|------------------------|--------------------|------------------------|-----------------|
| Line Of Business | Direct Premiums Earned | % of Total Premium | Direct Losses Incurred | Pure Loss Ratio |
| Group Accident and Health | \$0 | 0.00% | \$0 | 0% |
| Dental | \$3,390,000 | 100.00% | \$3,196,000 | 94% |
| Total | \$3,390,000 | 100.00% | \$3,196,000 | 94% |

| | 1999 | | | |
|---------------------------|------------------------|--------------------|------------------------|-----------------|
| Line Of Business | Direct Premiums Earned | % of Total Premium | Direct Losses Incurred | Pure Loss Ratio |
| Group Accident and Health | \$0 | 0.00% | \$0 | 0% |
| Dental | \$2,988,000 | 100.00% | \$2,821,000 | 94% |
| Total | \$2,988,000 | 100.00% | \$2,821,000 | 94% |

Complaints

The Office of the Commissioner Of Insurance did not receive any complaints against Professional Dental Plan, Inc. between January 1, 1999 and October 31, 2001. A complaint is defined as 'a written communication received by the Commissioner's Office that indicates dissatisfaction with an insurance company or agent.'

Grievances

The company submitted annual grievance reports to OCI for 1999 and 2000 as required by s. Ins 18.06, Wis. Adm. Code. A grievance is defined as "any dissatisfaction with the provision of services or claims practices of an insurer offering a health benefit plan or administration of a health benefit plan by the insurer that is expressed in writing to the insurer by, or on behalf of, an insured."

Grievance Categories

| Grievances | Plan Administration | Benefit Denial | Total |
|------------|---------------------|----------------|-------|
| 2000 | 2 | 1 | 3 |
| 1999 | 8 | 10 | 18 |

II. PURPOSE AND SCOPE

The targeted market conduct examination was conducted in order to verify compliance with the recommendations made by market conduct examiners in the financial examination report of PDP's business as of December 31, 1995. The examination focused on the period from January 1, 1999 through October 31, 2001. In addition, the examination included a review of any subsequent events deemed important by the examiner-in-charge during the examination.

The examination included a review of compliance of previous examination recommendations, administration, policyholder service and complaints, grievance procedures, provider agreements, and other activities related to or incidental to the business of insurance in Wisconsin.

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

III. SUMMARY OF PRIOR EXAMINATION RECOMMENDATIONS

The previous financial examination report, as adopted July 8, 1997, contained five market conduct recommendations. PDP's compliance with the prior recommendations is noted below.

1. Provider Agreements – It is recommended that the company submit to OCI for review within 90 days of the adoption of the examination report a copy of amended provider agreements which include language requiring the provider to identify complaints and grievances and to forward these to the plan for recording and resolution as required by s. Ins 3.52 (10) (g) 2, Wis. Adm. Code.

Action - Compliance

2. Grievance and Complaints – It is recommended that the company document in its grievance files that the grievances were acknowledged within 10 days of receipt as required by s. Ins 3.52 (10) (f), Wis. Adm. Code.

Action - Compliance

3. Grievances and Complaints – It is recommended that the company document in its grievance files that the grievances were resolved within 30 calendar days of receipt as required by s. Ins 3.52 (10) (c), Wis. Adm. Code.

Action - Compliance

4. Grievances and Complaints – It is recommended that the company develop with Dean Health Plan, Inc., a mechanism for administering grievances whereby the grievances are reported by Dean Health Plan, Inc., on its annual grievance experience report as required by s. Ins 3.52 (10) (g) 3, Wis. Adm. Code.

Action - Noncompliance

5. Grievances and Complaints – It is recommended that the company maintain in a central location all records on complaints in a manner that can be reviewed by examiners at the time of examination as required by s. Ins 3.52 (10) (g) 4, Wis. Adm. Code.

Action - Noncompliance

IV. CURRENT EXAMINATION FINDINGS

Effective March 1, 2000, the market conduct requirements previously contained in s. Ins 3.52, Wis. Adm. Code, were incorporated into subchapter III of ch. 9, Wis. Adm. Code. Effective December 1, 2001, s. Ins 9.33, Wis. Adm. Code, was repealed and recreated as subchapter II of ch. 18, titled grievance procedures. This report references the cites in the administrative code as currently drafted.

Electronic Commerce

The examiners reviewed DHP's website to determine whether information on PDP and its providers was provided on the DHP website. The company's electronic commerce activities were not reviewed during the prior examination.

The examiners found that no information on PDP is provided on DHP's website. The company indicated that it had not authorized DHP to advertise its products or publish its provider list on the DHP website. However, the company did not have any procedure in place for monitoring DHP's website to ensure that no information on PDP appears on the DHP website.

1. It is recommended that PDP develop a written procedure for monitoring DHP's website to verify that no information on PDP appears on the DHP website to ensure compliance with s. Ins 3.27 (28), Wis. Adm. Code.

Grievances and Complaints

The examiners reviewed PDP's certificate of coverage, grievance policies and procedures, complaint process, grievance experience summaries for 1999 and 2000, grievance log, and complaint log.

The examiners found that the company was not in full compliance with the prior examination recommendation that required that copies of all grievances and replies are forwarded quarterly to DHP for inclusion in its annual grievance experience report. It stated that all grievances are, in fact, forwarded to DHP. However, it did not have a written procedure to ensure that all grievances are forwarded to DHP and included in DHP's annual grievance experience reports.

2. It is again recommended that PDP develop a written procedure for ensuring that grievances are reported by DHP on its annual grievance experience report, as required by s. Ins 18.06 (2), Wis. Adm. Code.

The examiners found that the company was not in compliance with the prior examination recommendation that required that it maintain a complaint log in a manner that can be reviewed by examiners at the time of examination, as required by s. Ins 18.06 (1), Wis. Adm. Code. The company maintained a file for each year that included all grievance documentation and a complaint log. The company combined complaints and grievances in a manner that made it difficult for the examiners to distinguish between complaints and grievances. The manner in which PDP combined complaints and grievances also resulted in the company reporting incorrect information to OCI on its 1999 grievance experience summary.

3. It is again recommended that PDP maintain in a central location a record of all enrollee complaints, which includes, at a minimum, the date received, complainant's name, nature of complaint, and final resolution of the complaint. This information should be maintained in a manner that can be reviewed by examiners at the time of examination, and should be maintained separate from the company's grievance files, as required by s. Ins 18.06 (1), Wis. Adm. Code.
4. It is recommended that PDP annually submit to OCI an accurate grievance experience report, as required by s. Ins 18.06 (2), Wis. Adm. Code.

The examiners found that PDP did not produce explanations of benefits (EOB) forms during the period under review. Instead, enrollees were notified of coverage decisions by the providers. Therefore, enrollees were not informed of their right to file a grievance each time a claim or benefit was denied. Section Ins 18.03 (2) (a), Wis. Adm. Code, provides that each time an insurer offering a health benefit plan denies a claim or benefit, the health benefit plan shall notify the affected insured of the right to file a grievance.

5. It is recommended that PDP develop a written procedure whereby enrollees are notified of their right to file a grievance each time a claim or benefit is denied, as required by s. Ins 18.03 (2) (a), Wis. Adm. Code.

The examiners found that PDP did not have a formal, written procedure for processing grievances. The company indicated that it used the guidelines outlined in its certificate of coverage when processing grievances. Section Ins 18.03 (1) (b), Wis. Adm. Code, requires that insurers develop an internal grievance and expedited grievance procedure that shall be described in each policy and certificate issued to insureds.

6. It is recommended that PDP develop a written policy and procedure for handling grievances, to ensure compliance with s. 18.03, Wis. Adm. Code.

The examiners found that the grievance procedure language in PDP's certificate of coverage stated that urgent care grievances will be resolved within 4 business days of receipt. Section Ins 18.05, Wis. Adm. Code, provides that an expedited grievance shall be resolved as expeditiously as the insured's health condition requires but not more than 72 hours after receipt of the grievance. The examiners also found that the grievance language in PDP's policy stated that grievances will be acknowledged within 10 days of receipt. Section Ins 18.03 (4), Wis. Adm. Code, provides that an insurer offering a health benefit plan shall, within 5 business days of receipt of a grievance, deliver or deposit in the mail a written acknowledgement to the insured or the insured's authorized representative confirming receipt of the grievance.

7. It is recommended that PDP revise the grievance language in its certificate of coverage to state that urgent care grievances will be resolved within 72 hours of receipt, as required by s. Ins 18.05, Wis. Adm. Code.

8. It is recommended that PDP revise the grievance provision in its certificate of coverage to state that grievances will be acknowledged within 5 business days of receipt, as required by s. Ins 18.03 (4), Wis. Adm. Code.

The examiners reviewed the 8 grievances recorded during the period of review. The examiners found that six of the grievance files were not clearly resolved to the satisfaction of the grievant, yet the grievant was not notified of the right to appear before the grievance committee, and the grievances were not heard and decided by the grievance committee. Section Ins 18.03 (3) (a) and (b), Wis. Adm. Code, provides that the insurer shall provide the grievant with the opportunity to appear in person before the grievance committee, and that the insurer shall provide the grievant with a written notification of the time and place of the grievance committee meeting at least 7 calendar days before the meeting.

9. It is recommended that PDP provide all grievants with notice of the right to appear before the grievance committee, and that the company present all grievances not clearly resolved in favor of the grievant to the grievance committee for resolution, as required by s. Ins 18.03 (3), Wis. Adm. Code.

The examiners found that one of the grievance files reviewed included a copy of a grievance submitted to DHP by a PDP enrollee. The grievance was not promptly forwarded to PDP for handling. The company was unable to provide a copy of a written procedure for ensuring that grievances filed with DHP on behalf of PDP enrollees are timely forwarded to PDP for handling.

10. It is recommended that PDP develop a written procedure for ensuring that grievances filed with DHP on behalf of PDP enrollees are timely forwarded to PDP for handling, to ensure compliance with s. Ins 18.03 (2), Wis. Adm. Code.

Managed Care

The examiners reviewed PDP's managed care activities with respect to plan administration, utilization, and drug formularies and experimental treatments.

The examiners' review of PDP's plan administration activities included a review of the company's provider list, board of directors meeting minutes, and a sample of 50 provider agreements. The examiners found that the company's provider list was updated annually. Its

policy was to maintain an individual provider agreement with each of its providers. Each provider agreement contained a clause that provided for the agreement to automatically renew each year, unless the company received notification within 180 days of the end of the contract year of the provider's desire to terminate its agreement.

The examiners found that six of the provider files reviewed contained signature pages that did not have provider agreements attached to them. The company indicated that the providers kept the agreements, and returned the signature pages to the company. Section Ins 6.80, Wis. Adm. Code, regarding records retention, requires that insurers maintain records of insurance company operations for the preceding 3 years and make these records available to the commissioner.

11. It is recommended that PDP maintain a copy of a complete and executed provider agreement, signed and dated by both the company and the provider, for each contracted provider, as required by s. Ins 6.80 (4) (b), Wis. Adm. Code.

The examiners' review of the company's utilization activities included a review of its interrogatory response. The company indicated that average provider reimbursement was monitored to ensure that no providers were underproducing or overproducing. However, the examiners found that PDP did not have a procedure in place to monitor the utilization of provider services to ensure that PDP providers were not underproducing or overproducing, as required by s. Ins 9.42 (6) (d), Wis. Adm. Code.

12. It is recommended that PDP develop a written policy and procedure regarding utilization management, as required by s. Ins 9.42 (6) (d), Wis. Adm. Code.

The examiners' review of the company's activities regarding prescription devices and experimental treatments included a review of its interrogatory response and its certificate of coverage. The examiners found that PDP did not have a procedure whereby providers could request coverage of devices not normally covered by the plan, as required by s. 632.853, Wis. Stat.

13. It is recommended that PDP develop a written procedure whereby providers can request coverage of devices not normally covered by the plan, as required by s. 632.853, Wis. Stat.

PDP's certificates of coverage excluded coverage of experimental procedures. However, the examiners found that the company did not have a written procedure in place for processing enrollee requests for coverage of experimental treatments, to ensure compliance with s. 632.855 (3), Wis. Stat. In addition, it did not disclose in its policies and certificates who was authorized to make a determination on experimental treatments, as required by s. 632.855 (2) (a), Wis. Stat.

14. It is recommended that PDP develop a written policy and procedure regarding enrollee requests for coverage of experimental treatments, to ensure compliance with s. 632.855 (3), Wis. Stat.
15. It is recommended that PDP revise its policies and certificates to provide the entity authorized to make experimental treatment determinations, as required by s. 632.855 (2) (a), Wis. Stat.

V. CONCLUSION

The prior examination report contained 5 market conduct recommendations in the areas of provider agreements and grievances and complaints. The company was found to be out of compliance with a total of 2 recommendations from the prior examination report. In addition to the repeat recommendations, 13 new recommendations were written in the areas of electronic commerce, grievances and complaints, and managed care.

VI. SUMMARY OF RECOMMENDATIONS

Electronic Commerce

1. Page 7 - It is recommended that PDP develop a written procedure for monitoring DHP's website to verify that no information on PDP appears on the DHP website to ensure compliance with s. Ins 3.27 (28), Wis. Adm. Code.

Grievances and Complaints

2. Page 8 - It is again recommended that PDP develop a written procedure for ensuring that grievances are reported by DHP on its annual grievance experience report, as required by s. Ins 18.06 (2), Wis. Adm. Code.
3. Page 8 - It is again recommended that PDP maintain in a central location a record of all enrollee complaints which includes, at a minimum, the date received, complainant's name, nature of complaint, and how the complaint was resolved. This information should be maintained in a manner that can be reviewed by examiners at the time of examination, and should be maintained separate from the company's grievance files, as required by s. Ins 18.06 (1), Wis. Adm. Code.
4. Page 8 - It is recommended that PDP annually submit to OCI an accurate grievance experience report, as required by s. Ins 18.06 (2), Wis. Adm. Code.
5. Page 9 - It is recommended that PDP develop a written procedure whereby enrollees are notified of their right to file a grievance each time a claim or benefit is denied, as required by s. Ins 18.03 (2) (a), Wis. Adm. Code.
6. Page 9 - It is recommended that PDP develop a written policy and procedure for handling grievances, to ensure compliance with s. 18.03, Wis. Adm. Code.
7. Page 10 - It is recommended that PDP revise the grievance language in its certificate of coverage to state that urgent care grievances will be resolved within 72 hours of receipt, as required by s. Ins 18.05, Wis. Adm. Code.
8. Page 10 - It is recommended that PDP revise the grievance provision in its certificate of coverage to state that grievances will be acknowledged within 5 business days of receipt, as required by s. Ins 18.03 (4), Wis. Adm. Code.
9. Page 10 - It is recommended that PDP provide all grievants with notice of the right to appear before the grievance committee, and that the company present all grievances not clearly resolved in favor of the grievant to the grievance committee for resolution, as required by s. Ins 18.03 (3), Wis. Adm. Code.
10. Page 10 - It is recommended that PDP develop a written procedure for ensuring that grievances filed with DHP on behalf of PDP enrollees are timely forwarded to PDP for handling, to ensure compliance with s. Ins 18.03 (2), Wis. Adm. Code.

Managed Care

11. Page 11 - It is recommended that PDP maintain a copy of a complete and executed provider agreement, signed and dated by both the company and the provider, for each contracted provider, as required by s. Ins 6.80 (4) (b), Wis. Adm. Code.
12. Page 11 - It is recommended that PDP develop a written policy and procedure regarding utilization management, as required by s. Ins 9.42 (6) (d), Wis. Adm. Code.
13. Page 12 - It is recommended that PDP develop a written procedure whereby providers can request coverage of devices not normally covered by the plan, as required by s. 632.853, Wis. Stat.
14. Page 12 - It is recommended that PDP develop a written policy and procedure regarding enrollee requests for coverage of experimental treatments, to ensure compliance with s. 632.855 (3), Wis. Stat.
15. Page 12 - It is recommended that PDP revise its policies and certificates to provide the entity authorized to make experimental treatment determinations, as required by s. 632.855 (2) (a), Wis. Stat.

VII. ACKNOWLEDGEMENT

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

Respectfully submitted,

Stephanie Cook
Examiner-in-Charge