

## Notice of Adoption and Filing of Examination Report

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

North Central Health Protection Plan  
PO Box 969  
Wausau, WI 54401-0969

dated October 6-7, 1999, and served upon the company on December 27, 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 twenty-eighth day of March, 2000.

Randy Blumer  
Deputy Commissioner

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Report  
of the  
Examination of  
North Central Health Protection Plan

Wausau, Wisconsin

October 6 - 7, 1999

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December 21, 1999

Honorable Connie O'Connell  
Commissioner of Insurance  
State of Wisconsin  
121 East Wilson Street  
Madison, WI 53702

Commissioner:

In accordance with your instructions, a market conduct compliance examination was

conducted on October 6-7, 1999, of the affairs of

NORTH CENTRAL HEALTH PROTECTION PLAN  
Wausau, Wisconsin,

and this report is respectfully submitted.

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## I. INTRODUCTION

The North Central Health Protection Plan (NCHPP or Cooperative) is a nonprofit Individual Practice Association (IPA) model health insurance organization (HMO) insurer. Under the IPA model, the HMO provides care through contracts with clinics and otherwise independent physicians operating out of their separate offices. The plan reimburses participating physicians based on a fee-for-service basis.

The HMO was incorporated as a health care cooperative under ch. 185, Wis. Stat., on November 18, 1980, and commenced business December 1, 1980. The HMO has no employees and necessary staff is provided through a management agreement with EMPLOYERS INSURANCE OF WAUSAU A Mutual Company (EIW).

The HMO's current service area includes Forest, Langlade, Lincoln, Marathon, Oneida, Price, Taylor, Vilas, and Wood counties. As of December 16, 1999, the HMO had provider contracts with 1,642 physicians, 9 hospitals, and 3 clinics at 20 different locations.

The HMO's plans are currently marketed to small and large employer groups as well as individuals eligible for its Medicare supplement product. The HMO reported a total enrollment of 38,398 subscribers in 1998 and \$66,273,000 in premium.

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## II. PURPOSE AND SCOPE

The scope of the examination was limited to verification of the HMO's compliance with market conduct recommendations included in the financial examination report adopted September 19, 1997, for the HMO's business as of December 31, 1995. The period of review for the compliance examination was January 1, 1997, through December 31, 1998. The examination focused on a review of the following areas:

- Small Employer Health Insurance
- Grievances and Complaints
- Provider Agreements
- Advertising and Sales

The Office of the Commissioner of Insurance (OCI) received 13 complaints against NCHPP in 1997 and 36 complaints in 1998, an increase of 23 complaints. The company was not on the above average complaint list in 1997 or 1998 for group accident and health insurance. NCHPP had a complaint ratio of .02 in 1997 and .04 in 1998 compared to the average of .06 complaints/\$100,000 of written premium for all group accident and health companies in the state. NCHPP reported 128 grievances to OCI for calendar year 1997

and 150 for calendar year 1998.

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### III. SUMMARY OF PRIOR EXAMINATION RECOMMENDATIONS

The previous examination contained the following 16 market conduct recommendations. The HMO's compliance with the prior recommendations is noted below:

1. Small Employer Compliance - It is recommended that the cooperative establish procedures to obtain eligible employee verifying documentation as part of the application process pursuant to the requirements of s. Ins 8.65 (1), Wis. Adm. Code.

Action-compliance

2. Small Employer Compliance - It is recommended that the cooperative establish procedures to ensure that the small employer, upon issuance of the policy, is provided a separate disclosure notice as required by s. Ins 8.44 (2), Wis. Adm. Code, advising the employer that the protections afforded by ch. 635, Wis. Stat., will cease to apply if the employer moves his business outside the state or if the employer no longer meets the definition of a small employer.

Action-compliance

3. Small Employer Compliance - It is recommended that the cooperative establish procedures to ensure that complete and accurate information is provided by the small employer with regard to the total number of eligible employees and the total number enrolling in the plan, and maintain in the application file the waiver forms for those eligible employees and dependents waiving coverage as required by s. Ins 8.65 (2), Wis. Adm. Code.

Action-compliance

4. Small Employer Compliance - It is recommended that the cooperative revise the Employer Participation Agreement used in the application process to comply with the definition of small employer in s. 635.02 (7), Wis. Stat., and with the requirements of s. Ins 8.68 (1), Wis. Adm. Code.

Action-compliance

5. Complaints and Grievances - It is recommended that the cooperative resubmit to OCI a corrected grievance report for 1995 pursuant to the requirements of s. 609.15 (1) (c), Wis. Stat., and s. Ins 3.50 (10) (g) 3, Wis. Adm. Code.

Action-compliance

6. Complaints and Grievances - It is recommended that the cooperative revise Grievance Procedure Guidelines to delete the provision which excludes considering grievances filed "On Behalf Of" an insured as a grievance to comply with the definition of grievance contained in s. Ins 3.50 (3) (c), Wis. Adm. Code.

Action-compliance

7. Complaints and Grievances - It is recommended that the cooperative improve existing procedures to date stamp all grievances upon receipt to ensure compliance with the time guidelines for handling grievances set forth in s. Ins 3.50 (10), Wis. Adm.

Action-compliance

8. Complaints and Grievances - It is recommended that the cooperative improve existing procedures to ensure that extension letters are sent in all cases where grievances are not resolved within 30 days as required by s. Ins 3.50 (10) (c), Wis. Adm. Code.

Action-noncompliance

9. Complaints and Grievances - It is recommended that the cooperative improve existing procedures to ensure that all grievances are acknowledged within ten days of receipt as required by s. Ins 3.50 (10) (f) Wis. Adm. Code.

Action-noncompliance

10. Complaints and Grievances - It is recommended that the cooperative develop written guidelines to define a complaint, which are consistent with the definition contained in s. Ins 3.50 (3) (b), Wis. Adm. Code, to better ensure that grievances are not wrongly categorized as complaints.

Action-compliance

11. Advertising and Sales - It is recommended that the cooperative assign form numbers to all advertisements as required by s. Ins 3.27 (26), Wis. Adm. Code.

Action-compliance

12. Advertising and Sales - It is recommended that the cooperative establish procedures to record in the advertising file the manner and extent each advertisement is used in compliance with the requirements of s. Ins 3.27 (28), Wis. Adm. Code.

Action-compliance

13. Advertising and Sales - It is recommended that the cooperative establish procedures to ensure that advertisements for the HMO's Medicare supplement policy comply with the disclosure requirements of s. Ins 3.27 (9) (zh) 2 and 3, Wis, Adm. Code.

Action-compliance

14. Advertising and Sales - It is recommended that the cooperative establish procedures to ensure that all advertisements contain the full corporate name of the HMO as required by s. Ins 3.27 (12), Wis. Adm. Code.

Action-compliance

15. Administration - It is recommended that the cooperative revise all provider agreements to require providers to promptly forward all complaints and grievances received to the HMO for handling pursuant to the requirements of s. Ins 3.50 (10) (g) 2, Wis. Adm. Code, and submit the amended forms to OCI for review within 90 days of the adoption of the examination report.

Action-noncompliance

16. Administration - It is recommended that the cooperative revise provider agreements to standardize provisions regarding provider participation in quality assurance and peer review activities and the HMO's right to access and review credentialing information.

Action-noncompliance

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## IV. CURRENT EXAMINATION FINDINGS

### Small Employer Health Insurance

A sample of 21 new business application files and the HMO's underwriting guidelines were reviewed to verify compliance with the 4 prior examination recommendations in this area. The review confirmed compliance with all recommendations.

### Grievances and Complaints

The HMO's grievance and complaint procedures were reviewed as well as a sample of 50 grievances received in 1997 and 1998 to verify compliance with the 6 prior examination recommendations in this area. The review confirmed compliance with all recommendations with the following exceptions:

- Four grievances were not resolved within 30 days and extension letters were not sent to the grievant as required by s. Ins 3.50 (10) (c), Wis. Adm. Code.
  - Six grievances were not resolved within 30 days and the files did not include a separate extension letter as required by s. Ins 3.50 (10) (c), Wis. Adm. Code. Rather, the letter sent to acknowledge the grievance advised the grievant that the time period for resolution was being extended 30 days. This same letter provided the meeting notice information required by s. Ins 3.50 (10) (d), Wis. Adm. Code. NCHPP reported to the examiners that it no longer uses this combined "Grievance Acknowledgement Extension Meeting Notice Letter."
  - Eighteen grievances were not acknowledged within 10 days of receipt as required by s. Ins 3.50 (10) (f), Wis. Adm. Code.
1. It is recommended that the HMO comply with the recommendation in the previous examination report that it improve existing procedures to ensure that extension letters are sent in all cases where grievances are not resolved within 30 days as required by s. Ins 3.50 (10) (c), Wis. Adm. Code.

2. It is recommended that the HMO comply with the recommendation in the previous examination report that it improve existing procedures to ensure that all grievances are acknowledged within ten days of receipt as required by s. Ins 3.50 (10) (f) Wis. Adm. Code.

### Advertising & Sales

The examiners reviewed the HMO's advertising file and a sample of 20 advertisements and verified compliance with the 4 prior examination recommendations in this area.

### Provider Agreements

The HMO currently uses the following provider service agreements: Diversified Pharmaceutical Agreement, Standard Plan Provider Service Agreement, Standard Plan Hospital Provider Service Agreement, Prime Care Plan Hospital Provider Agreement, Northern Region Plan Provider Service Agreement, Northern Region Plan Hospital Provider Service Agreement, and 65 Plus Provider Service Agreement. All of the agreements automatically renew January 1 of each calendar year for successive one-year terms.

All provider agreements used by the HMO were reviewed to verify compliance with the 2 prior examination recommendations. The HMO is not in compliance with the prior examination recommendations. The agreements have not been revised to add language requiring providers to promptly forward all complaints and grievances to the HMO for handling as required by s. Ins 3.50 (10) (g) 2, Wis. Adm. Code, nor has NCHPP standardized the contract language regarding peer review and quality assurance issues.

3. It is recommended that the HMO comply with the recommendation in the previous examination report that it revise all provider agreements to require providers to promptly forward all complaints and grievances received to the HMO for handling pursuant to the requirements of s. Ins 3.50 (10) (g) 2, Wis. Adm. Code, and submit the amended forms to OCI for review within 90 days of the adoption of the examination report.
4. It is recommended that the HMO comply with the recommendation in the previous examination report that it revise all provider agreements to standardize provisions regarding provider participation in quality assurance and peer review activities and the HMO's right to access and review credentialing information.

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## **V. SUMMARY OF RECOMMENDATIONS**

### Complaints and Grievances

1. It is recommended that the HMO comply with the recommendation in the prior examination report that it improve existing procedures to ensure that extension letters are sent in all cases where grievances are not resolved within 30 days as required by s. Ins 3.50 (10) (c), Wis. Adm. Code.
2. It is recommended that the HMO comply with the recommendation in the prior

examination report that it improve existing procedures to ensure that all grievances are acknowledged within 10 days of receipt as required by s. Ins 3.50 (10) (f), Wis. Adm. Code.

### [Provider Agreements](#)

3. It is recommended that the HMO comply with the recommendation in the prior examination report that it revise all provider agreements to require providers to promptly forward all complaints and grievances received to the HMO for handling pursuant to the requirements of s. Ins 3.50 (10) (g) 2, Wis. Adm Code, and submit the amended forms to OCI for review within 30 days of the adoption of the examination report.
4. It is recommended that the HMO comply with the recommendation in the prior examination report that it revise all provider agreements to standardize provisions regarding provider participation in quality assurance and peer review activities and the HMO's right to access and review credentialing information

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## VI. CONCLUSION

The prior examination contained 16 market conduct recommendations in the areas of Small Employer Health Insurance, Grievances & Complaints, Advertising & Sales, and Provider Agreements. The HMO was found to be noncompliant with 2 recommendations involving grievances and 2 recommendations related to provider agreement language.

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## VII. ACKNOWLEDGMENT

The courtesy and cooperation extended during the course of the examination by the officers and employes of the HMO 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>
Jamie Sanffleban	Insurance Examiner

Respectfully submitted,

Pam Ellefson  
Examiner-in-Charge  
Bureau of Market Regulation

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Updated: April 14, 2000