

EXECUTIVE SUMMARY

The Kansas Department of Insurance performed a market conduct examination of Preferred Plus Of Kansas (PPK). The examination was conducted by reviewing company manuals, provider contracts, claims, underwriting files of large groups and small groups, emergency room claims, grievance procedures, and holding a series of meetings with PPK staff that focused on current operations. To supplement and verify the understanding of the examiner, a series of samples from 1/1/1999 to 6/30/2001 were selected for review.

PPK passed most tests and, in terms of delivering good service to its subscribers, the exam team was impressed with the overall positive service provided to the members by PPK staff and management. The exam team has made recommendations on several issues. Where deficiencies have been identified, corrective action should remedy the problems identified.

The exam team reviewed the PPK Provider Contracts. The HMO Physician Agreement provides the definition of several key words such as Emergency, Medically Necessary or Medical Necessity in defining policy language. The agreement provides Physician Agreements and Obligations, Plan Agreements and Obligations, Plan's Payment for Physician Services, Utilization Review and Quality Assurance Program, Records, Mutual Obligations, and Term and Termination.

The exam team reviewed a sample of Emergency Room (ER) claims. The ER claims were reviewed for timeliness of processing and whether the definition of Emergency treatment was consistent in determining whether an ER claim should be paid or denied. A sampling of the medical claims were also reviewed to determine if the claims were reviewed in a timely manner for processing, number of suspended claims, and accuracy of the claims processed according to policy language utilized by the different member groups. The exam team determined that PPK appears to handle claims consistently in terms of the content, the organization, and the decisions made, whether the claim was submitted on paper or electronically.

In discussions with the PPK management, they felt the high percentage of claims that were not adjudicated within 30 days were a reflection of some backlogs they were experiencing in 2000. They felt that the turn around time is now within the prompt pay act (KSA 40-2440 through 40-2442) requirements. The data sample did not give the exam team sufficient examples to test their compliance with KSA 40-2442 that was enacted on 1/1/2001. The Kansas Insurance Department will continue to monitor the timely adjudication of claims to insure that the company is conforming with the prompt pay statute KSA 40-2442 and KAR 40-1-34 Sec 7 & 8a.

PPK has language in all the Provider Contracts, in the Hospital, and Ancillary Agreements addressing the grievance and appeal process.

LIST OF RECOMMENDATIONS

The following summarizes those areas that the examiners feel that PPK needs to improve on:

1. COMPLAINT HANDLING

a. When handling a formal complaint, PPK must complete the investigation within 20 working days or notify the member in writing of the reason for delay. Per K.S.A. 40-3228 (2).

2. UNDERWRITING

a. The text for all forms should have the following wording under XIII COMPLAINT AND APPEAL POLICY, D. EXTERNAL REVIEW PROCESS, The fourth paragraph should read " For those requests that qualify for External Review, the External Review Organization will issue a written decision to the Member and the Kansas Insurance Department within 30 business days." Per K.S.A. 40-22a15(c).

b. The reference to a limitation on diabetic equipment and supplies under Durable Medical Equipment and Supplies should be removed so the contracts conform to KSA 40-2,163 (c).

3. AGENT/BROKER LICENSING

1. All agents/brokers must have a company appointment per K.S.A. 40-241i and certified by the company prior to receiving commissions for the business they produce per KSA 40-241.

4. CLAIMS PROCESSING

1. PPK shall complete its investigation of a claim within thirty days after notification of the claim, unless such investigation cannot reasonably be completed within such time. Per K.A.R. 40-1-34 Section (7).

2. If PPK needs more time to investigate the claim to determine if the claim should be accepted or denied, PPK shall notify the member within fifteen working days after receipt of the proofs of loss, giving the reasons more time is needed. If the investigation remains incomplete, PPK shall, forty-five days from the date of the initial notification and every forty-five days thereafter, send to such member a letter setting forth the reasons additional time is needed for the investigation. Per K.A.R. 40-1-34 (8)(c).