

KANSAS HEALTH INSURANCE ASSOCIATION EXECUTIVE SUMMARY

The Kansas Insurance Department (KID) performed a targeted market conduct examination of the Kansas Health Insurance Association (KHIA) claims and complaints from January 1, 2005 – December 31, 2006. The report is written by test and violations are listed within each category.

Although Kansas statutes do not require such an examination, KHIA requested this review as a means to determine its performance in serving its members. KID agrees with KHIA that a periodic review of the claims handled by this high-risk pool is in the best interests of Kansas citizens and policyholders. The examination was conducted utilizing the guidelines and procedures recommended in the NAIC Market Regulation Handbook 2006 (Handbook) and K.S.A. 40-222. This examination differed from financial audits conducted in past years by the Kansas Insurance Department Financial Surveillance Division. While those audits reviewed the financial stability and accounting standards employed by the Association, the Market Conduct Exam reviewed the Association's claims processing, complaint handling, appeals and grievance processing and contracting for administrative duties.

KHIA employs a third party administrator (TPA) to perform typical services including: determine eligibility of applicants; process claims and appeals; maintain a billing procedure for premiums; maintain records covering claims and payments disbursed; provide customer service on claims and appeals; and report performance standards to the Board. An actuary is employed to assist with the development of premiums and plan benefits.

The Association passed most tests, and in terms of delivering good service to its insureds, the examiners note an overall positive and professional performance exhibited by the TPA staff and the KHIA Board and staff. However, the exam team made recommendations on the following issue:

MARKET CONDUCT RECOMMENDATIONS

TPA Performance Standards

The examiners recommend that all the criteria be spelled out in detail in this document or in the "KHIA Performance Standards Rule Sets" and include: a) definition of the starting date/time of a claim, e.g. electronic date stamp when received, not when received at a particular desk or by a particular person; b) deadlines as set in K.S.A. 40-2442(a) and (b) for clean claims and K.A.R. 40-1-34 for claims over 30 days; and c) details needed to interpret the report such as number of claims received that were clean and number of clean claims paid within 30 days during the reporting month.

Complaint Handling

Develop a more formalized procedure to track complaint files and to keep the claim information with the complaint file. While the examiners were on-site, a change in personnel created new supervisory and management duties within the complaint and claims areas. It appears these new supervisors recognize the need and such revisions are underway.

The specific areas the examiners recommend are:

- a. Provide a system to record all KID and direct complaints in one central register as soon as they are received;
- b. Maintain a central location for complaint files or develop a system that keeps the claim information with the complaint file;

Claim Handling

1. Conduct a current analysis to assure that claims processing timelines have improved during 2007.
2. Conduct a file review to assure that recent changes in claims processing have occurred, especially:
 - a. letters acknowledging acceptance or denial of a claim is sent within 15 working days after receipt of properly executed proof of loss; (if not paid)
 - b. claim investigations are completed within 30 days; and
 - c. letters notifying claimants with reasons why more time is needed to conduct an investigation are sent within 15 working days after receiving properly executed proof of loss and every 45 days thereafter until the investigation is complete.