

## **EXECUTIVE SUMMARY**

A targeted market conduct examination of Coventry Health Care of Kansas, Inc. (CHCKS) and Coventry Health and Life Insurance Company (CHLIC), also referred to as the “Company” or “Companies”, was conducted pursuant to, but not limited to K.S.A. 40-222. The examination period was from June 1, 2008 through October 31, 2010. The primary focus of the exam was operations and management as well as the processing of mental health claims by MHNet, a wholly owned subsidiary of Coventry Health Care, Inc.

As it pertains to Operations and Management, the exam team recommended to more closely monitor the performance of MHNet to improve claim processing timelines and accurate payment of interest.

Regarding claims handling, the Company failed five (5) of the eight (8) claim standards tested which included: not sending acknowledgements when more time is needed to process a claim; not completing claim investigations within thirty days; not paying clean claims within thirty days; not adequately documenting claim files; not applying interest as required by statute or policy; and not sending an Explanation of Benefits (EOB) unless the policyholder had a financial responsibility relevant to the claim. Additionally, either no denial reason was listed or an incorrect reason was listed on some EOBs.

The Company has acknowledged these violations and has agreed to implement corrective procedures. The exam team will follow-up with the Company to ensure the new procedures are in place. The exam team issued a mandated review of claims to guarantee that interest was applied correctly to all claims from June 1, 2008 through the present and that a process is in place for all claims going forward to automatically apply interest as prescribed by K.S.A. 40-2442.

### **Recommendations**

#### **OPERATIONS AND MANAGEMENT**

1. The exam team recommends closer monitoring and oversight to assure MHNet complies with Kansas statutes and regulations involving claim processing requirements, particularly the Kansas Health Care Prompt Pay Act (K.S.A. 40-2442) and the Unfair Claims Settlement Practices (K.A.R. 40-1-34). The Company should ensure that claims are investigated and processed timely, interest is applied as appropriate, and acknowledgments are sent when claims are delayed beyond thirty days.

#### **CLAIM HANDLING**

1. The Company must send an acknowledgement if a claim cannot be processed within thirty days. [Note: The Company implemented a temporary manual review to send such notices until notices will be sent automatically when their new claims processing system is online, which is currently scheduled for August 28, 2011.]

2. The Company must complete claim investigations within thirty days from the date of receipt.
3. The Company must pay clean claims within thirty days.
4. The Company must ensure claims notes are adequate so that the claim files can be reconstructed. [Note: The Company is scheduled to implement a new claims processing system August 28, 2011.]
5. The Company must pay interest on clean claims delayed beyond thirty days.
6. The Company must issue EOBs when a claim is denied in whole or in part. [Note: The Company has initiated a program update to begin issuing EOBs regardless of member responsibility.]
7. The Company must list all specific reasons for denying a claim in whole or in part on EOBs. [Note: The Company has implemented corrections, and denial reasons will now be included on EOBs.]
8. The Company must conduct a self-audit on all MHNet claims *reprocessed* between June 1, 2008 and May 31, 2009, and all MHNet claims that took more than thirty days to *process* between June 1, 2008 and the present. They should identify and pay the appropriate benefits and interest for any mental health claims that were denied or adjudicated incorrectly. The Company must notify the Examiner-in-Charge when this review is complete and provide documentation of the results, including any interest paid to providers, no later than 90 days following the issuance of the Final Order.

The examiners are of the opinion that these recommended actions are critical for the Company to implement as tools to guarantee all Kansas certificate and policyholders are treated with uniformity and fairness.