



OFFICE OF
INSURANCE COMMISSIONER

In the Matter of)	No. G07-0341
)	
The Market Conduct Examination of)	FINDINGS, CONCLUSIONS,
)	AND ORDER ADOPTING REPORT
Premera Blue Cross)	OF
Lifewise Health Plan of Washington)	
)	MARKET CONDUCT EXAMINATION
)	
Authorized Domestic Health Care)	
Service Contractors)	

BACKGROUND

An examination of the market conduct of **Premera Blue Cross and Lifewise Health Plan of Washington** (the Companies) as of December 31, 2005 was conducted by examiners of the Washington Office of the Insurance Commissioner (OIC). The Companies, domiciled in the state of Washington, hold a Washington certificate of authority as health care service contractors. This examination was conducted in compliance with the laws and regulations of the state of Washington and in accordance with the procedures promulgated by the National Association of Insurance Commissioners and the OIC.

The examination report with the findings, instructions, and recommendations was transmitted to the Company for its comments on August 9, 2007. The Companies' response to the report is attached to this order only for the purpose of providing convenient review of the response.

The Commissioner or a designee has considered the report, the relevant portions of the examiners' work papers, and submissions by the Company.

Subject to the right of the Companies to demand a hearing pursuant to Chapters 48.04 and 34.05 RCW, the Commissioner adopts the following findings, conclusions, and order.

FINDINGS

Findings in Examination Report. The Commissioner adopts as findings the findings of the examiners as contained in pages 3 through 65 of the report.



CONCLUSIONS

It is appropriate and in accordance with law to adopt the attached examination report as the final report of the market conduct examination of **Premera Blue Cross and Lifewise Health Plan of Washington** and to order the Companies to take the actions described in the Instructions and Recommendations sections of the report. The Commissioner acknowledges that the Companies may have implemented the Instructions and Recommendations prior to the date of this order. The Instructions and Recommendations in the report are an appropriate response to the matters found in the examination.

ORDER

The market conduct examination report as filed, attached hereto as Exhibit A, and incorporated by reference, is hereby ADOPTED as the final examination report.

The Companies are ordered as follows, these being the Instructions and Recommendations contained in the examination report on page 41 through 43.

1. The Companies are ordered to comply with RCW 48.44.145(2) and retain complete underwriting files for all in-force business in order to be able to better facilitate future examinations and provide all records.
2. The Companies are ordered to comply with WAC 284-50-060 and include complete information in all advertising so that members are aware of all coverage options.
3. The Companies are ordered to comply with WAC 284-50-110(3) and cite the source of statistics in all advertising materials.
4. The Companies are ordered to identify all members who received the benefit booklet stating that sterilization would be covered at a \$25 copay in an office visit setting and provide refunds to those members who did not have their claims adjudicated in accordance with this provision. Reference: RCW 48.44.040, WAC 284-43-920.
5. The Companies are ordered to comply with Chapter 284-51 WAC and coordinate on all claims or eliminate the COB provision from filed contracts.
6. The Companies are ordered to comply with RCW 48.17.060(1) and (2) and ensure that all agents and brokers are licensed in the appropriate line of business before allowing them to solicit business or represent the Companies in any way.

7. The Companies are ordered to comply with RCW 48.17.160 and ensure that all agents are appointed with the Companies prior to allowing them to solicit business for the Companies.
8. The Companies are ordered to develop policies and procedures that require the filing of all changes to contracts prior to use and that eliminate any confusion if multiple form numbers are used within a single policy. Reference: RCW 48.44.040 and WAC 284-43-920.
9. The Companies are ordered to comply with RCW 48.44.040 and WAC 284-43-920 and file all rates with the OIC prior to use.
10. The Companies are ordered to comply with WAC 284-66-110(1), (2) and (3) and provide all applicants at the time of application the prescribed "Guide to Health Insurance for People with Medicare" and retain acknowledgement of receipt from the applicant in its files.
11. The Companies are ordered to comply with WAC 284-66-130(3) when selling Medicare Supplement policies directly and return a copy of the application or supplemental form, signed by the applicant, and acknowledged by the Companies to the applicant upon delivery of the policy.
12. The Companies are ordered to comply with WAC 284-66-130(7) and attach a true copy of the Medicare Supplement application to the policy when issued and delivered.
13. The Companies are ordered to comply with RCW 48.44.070 and WAC 284-43-330 and file all provider contracts prior to use.
14. The Companies are ordered to comply with WAC 284-43-320(4) and notify their providers of their responsibilities regarding the Companies' administrative policies and programs, such as changes to grievance procedures.
15. The Companies are ordered to comply with WAC 284-43-220(2) and file accurate electronic reports of all participating providers by network.
16. The Companies are ordered to comply with WAC 284-43-220(4) and file a report for all networks meeting the standards set forth in the WAC.
17. The Companies are ordered to consider continually monitoring and auditing procedures, as well as the actions of its third party administrators, to ensure that all errors are investigated and corrected

timely and in a manner that is equitable.

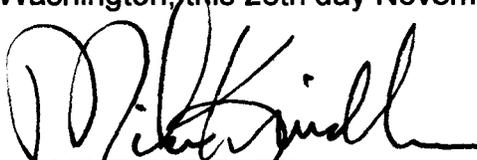
18. While it seems appropriate that each unit that creates and implements advertising materials keeps a record of its materials, it is also important for the Companies to demonstrate control over the materials that are required under WAC 284-50-200. It is ordered that the Companies consider that a central repository for all advertising materials be created and one department be responsible for oversight of the advertising log.
19. The Companies are ordered to consider establishing policies and procedures to correctly record the date of receipt of all complaints and appeals.
20. The Companies are ordered to consider instituting audit and control procedures to ensure that systems contain correct benefit information so that members are not assessed a larger member responsibility than appropriate or have claims inappropriately denied.
21. The Companies are ordered to consider reviewing the policies concerning handling of incident questionnaires to ensure that procedures and practices do not unnecessarily delay claim payments.
22. The Companies are ordered to consider testing and auditing any program changes to ensure that all CPT codes are recognized within the appropriate scope of practice for applicable providers.
23. The Companies are ordered to consider developing a system to identify claim payment delays during any changes to claims systems or changes in third party administrators and if problems arise to apply immediate resolutions uniformly to all members and providers.
24. The Companies are ordered to consider developing procedures for the retention of all termination letters sent to agents and periodically perform audits to ensure that procedures are being followed.
25. The Companies are ordered to consider developing policies and procedures to ensure that the correct writing agents for Medicare Supplement policies are captured in its system and commissions and being paid appropriately.
26. The Companies are ordered to consider automating their procedure for issuing policies in order to track the contract number and edition date of contracts sent to members and groups.
27. The Companies are ordered to consider creating procedures to ensure

that appropriate proof of the offer of TMJ coverage is being retained in their files.

28. The Companies are ordered to consider creating a procedure so that on a regular basis audits are conducted on those companies providing administrative services to the Companies per contract provisions.
29. The Companies are ordered to consider obtaining administrative contracts with any and all entities and affiliates to ensure legal and financial protection.
30. The Companies are ordered to consider developing policies and procedures for the continued monitoring of their provider networks in order to ensure that they have the most current provider information available so that they may accurately determine the adequacy of their networks. It is ordered that the Companies consider that the procedures include audits of third party vendors so that the provider information received from vendors and used by the Companies is accurate and current.
31. The Companies are ordered to consider instituting a review process prior to submitting data to the OIC so that Form B reports are accurate and show the total number of covered persons who are entitled to health care services during each month of the year.

IT IS FURTHER ORDERED THAT, the Companies file with the Market Conduct Oversight Manager, within 90 days of the date of this order, a detailed report specifying how the Company has addressed each of the requirements of this order.

ENTERED at Olympia, Washington, this 28th day November 2007.


MIKE KREIDLER
Insurance Commissioner