



OFFICE OF
INSURANCE COMMISSIONER

In the Matter of)	No. 13-0286
)	
The Market Conduct Examination of)	FINDINGS, CONCLUSIONS,
)	AND ORDER ADOPTING REPORT
Regence BlueShield)	OF
Asuris Northwest Health)	MARKET CONDUCT EXAMINATION
)	
Authorized Domestic Health Care)	
Service Contractors)	

BACKGROUND

An examination of the market conduct of **Regence BlueShield and Asuris Northwest Health** (the Companies) as of June 30, 2011 was conducted by examiners of the Washington Office of the Insurance Commissioner (OIC). The Companies, domiciled in the state of Washington, hold Washington certificates of registration as health care service contractors. This examination was conducted in compliance with the laws and rules 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 Companies for its comments on August 16, 2013. The Companies' response to the report is attached to this order only for the purpose of a more 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 Companies.

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 79 of the report.

Regence BlueShield
Asuris Northwest Health
Order Adopting Examination Report
October 11, 2013

Mailing Address: P. O. Box 40255 • Olympia, WA 98504-0255
Street Address: 5000 Capitol Blvd. • Tumwater, WA 98501



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 **Regence BlueShield and Asuris Northwest Health** 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.

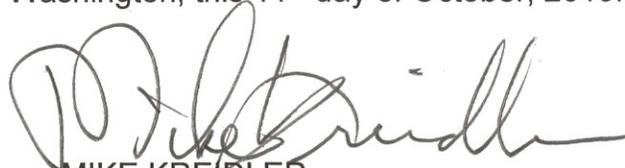
The Companies are ordered as follows, these being the Instructions and Recommendations contained in the examination report on page 52.

1. The Companies are ordered to comply with RCW 48.44.145(2) and RCW 48.37.070 and facilitate the examination process by providing their accounts, records, documents and files to the examiners upon request. (Instruction 1, Examination Report page 52)
2. The Companies are ordered to comply with RCW 48.05.280 and maintain full and adequate accounts and records of its assets, obligations, transactions and affairs. (Instruction 2, Examination Report page 52)
3. The Companies are ordered to comply with WAC 284-30-650, and WAC 284-37-030(2) and respond to communications from the OIC within 15 business days of receipt of the correspondence. The response must contain the substantial information requested by the OIC. (Instruction 3, Examination Report page 52)
4. The Companies are ordered to comply with RCW 48.43.530(1) and (2) and WAC 284-43-615 and implement a comprehensive process for the resolution of covered persons' grievances and appeals of adverse determinations. The Companies must process as a complaint an enrollee's expression of dissatisfaction about customer service or the quality or availability of a health service. The Companies must implement procedures for registering and responding to oral and written complaints in a timely and thorough manner. (Instruction 4, Examination Report page 52)

5. The Companies are ordered to comply with WAC 284-43-321(2)(a)(i), and WAC 284-43-321(5) requiring prompt payments of amounts owed to providers or facilities in accordance with the minimum standard; ninety-five percent of the monthly volume of clean claims shall be paid within thirty days of receipt by the Companies. (Instruction 5, Examination Report page 52)
6. The Companies are ordered to comply with WAC 284-43-321(2)(a)(ii) and WAC 284-43-321(5) requiring prompt payments of amounts owed to providers or facilities in accordance with the minimum standard; ninety-five percent of the monthly volume of all claims shall be paid or denied within sixty days of receipt by the Companies (Instruction 6, Examination Report page 52)
7. The Companies are ordered to process Coordination of Benefits in compliance with Washington law with respect to apportionment, investigation and timeliness. WAC 284-51-195, WAC 284-51-205(4), WAC 284-51-215, WAC 284-51-220, WAC 284-51-225, WAC 284-51-230, WAC 284-51-235, WAC 284-51-240 (Instruction 7, Examination Report page 52)
8. The Companies are ordered to file with the Insurance Commissioner every contract form and rate schedule and modification of a contract form and rate schedule within thirty days after the end of an eighteen-month period during which a previous filing has remained unchanged for such period, including contract forms filed prior to the effective date of this regulation. WAC 284-43-920(1)(b) (Instruction 8, Examination Report page 52)
9. The Companies are ordered not to change any rates, modify any contract, or offer a new contract until it has filed a copy of the changed rate schedule, modified contract or new contract with the Insurance Commissioner. RCW 48.44.040 (Instruction 9, Examination Report page 53)
10. The Companies are ordered that all translated forms must be filed with the OIC and certified by the American Translators Association (ATA) or comparable organization. WAC 284-44A-120(1)(a) and WAC 284-44A-120(2)(b)(i) and (ii) (Instruction 10, Examination Report page 53)
11. The Companies are ordered to provide written notice of their decisions not to accept an individual's application for enrollment to both the applicant and WSHIP within 15 business days of receipt of a completed application. RCW 48.43.018(2)(b) (Instruction 11, Examination Report page 53)
12. The Companies are ordered to consider an integrated, cross divisional planning and testing approach when implementing process changes or infrastructure changes to their systems and software. (Recommendation 1

IT IS FURTHER ORDERED THAT, the Companies file with the Chief Market Conduct Examiner, 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 11th day of October, 2013.

A handwritten signature in black ink, appearing to read "Mike Kreidler", written in a cursive style.

MIKE KREIDLER
Insurance Commissioner



VIA EMAIL AND U.S. MAIL

September 18, 2013

James T. Odiorne
Chief Deputy Insurance Commissioner
Washington State Office of the Insurance Commissioner
5000 Capitol Blvd
Tumwater, WA 98501

**Re: Response to Market Conduct Examination for Regence BlueShield and
Asuris Northwest Health**

Dear Mr. Odiorne:

Regence BlueShield and Asuris Northwest Health ("Companies") appreciate the opportunity to respond to the Draft Report of Market Conduct Examination for the period from January 1, 2010 through June 30, 2011 ("Report"). Our goal is to provide exceptional service to our members, and we work every day to continually improve our performance so our members can have access to quality health care coverage and services.

We are pleased to learn the Companies passed more than 92 percent of the standards in the Report. The Companies worked collaboratively with the Office of the Insurance Commissioner ("OIC") for almost two years while OIC examiners worked on-site at our facilities to gather information used in the Report.

Through a concerted, cross-functional effort, the Companies have already corrected the system issues that affected past operational performance during the exam period. We are currently meeting or exceeding our service targets in claims processing and customer service, and are proud to report Regence BlueShield scores consistently among the highest BlueCross BlueShield plans in the nation for measuring quality and speed of service.

We have had the pleasure of providing Washington residents with superior quality products and service for the past 90 years, and our commitment has never wavered. Our members can feel confident in putting their trust in us to continue to be there for them as we enter this time of transition in health care.



The Report comments are shown in italics, followed by our corresponding responses.

Instructions (pages 52-53)

1. The Companies are instructed to comply with RCW 48.44.145(2) and RCW 48.37.070 and facilitate the examination process by providing their accounts, records, documents and files to the examiners upon request.

Companies' Response: We acknowledge that during the initial months of the exam period, there were some system access issues and the need for your Office to clarify some information requests. However, we respectfully disagree that we failed to provide documents and access to our facilities and systems as required by RCW 48.44.145(2). The examination covered a time period in which the Companies completed a major transition from several legacy systems to the new Facets system so we can better serve our members. This meant the Companies could not always use a single system to satisfy information requests. We recognize this led to some variances from usual procedures for the OIC (e.g., we had to provide prompt pay information for each system rather than providing a single consolidated report). In addition, the OIC objected to receiving encrypted information from the Companies. As you know, we routinely encrypt information before it is electronically transferred in order to protect our members' health information. The Companies provided hard-copy information until we were able to implement an exception process to accommodate the OIC's requests.

2. The Companies are instructed to comply with RCW 48.05.280 and maintain full and adequate accounts and records of its assets, obligations, transactions and affairs.

Companies' Response: The Report lists several examples that your Office believes illustrate a lack of compliance with RCW 48.05.280. We respectfully disagree with some of the assertions contained in the Report and with the conclusion of non-compliance. The Report notes the Companies failed to provide six of ten requested underwriting peer reviews. First, the statute does not require peer review. Second, during the exam we explained to the examiners that three of the six requested reviews were for small employer groups under an Association Health Plan and, thus, not subject to peer review. Two reviews were sent to offsite storage and we were not able to retrieve them by the deadline. However, your Office was advised the documents would be available for review, and they continue to be available for review. We were unable to locate only one of the requested documents.



The Report cites the absence of a central complaint log and low number of logged complaints. The Companies implemented a consolidated complaint log during the exam. The Companies also note there is no definition of complaint in pertinent statutes and rules. We and your Office agreed to the definition described in Instruction 4 (below). The Companies implemented the new definition before the exam closed.

Finally, we acknowledge that some of the Coordination of Benefits (“COB”) adjudication processes have been maintained on a manual basis. Note that RCW 48.05.280 does not prohibit manual processes. Accordingly, our COB process should not be considered a failure to maintain full and adequate accounts and records of assets, obligations, transactions and affairs because it is working as required.

3. The Companies are instructed to comply with WAC 284-30-650, and WAC 284-37-030(2) and respond to communications from the OIC within 15 business days of receipt of the correspondence. The response must contain the substantial information requested by the OIC.

Companies’ Response: The Companies worked with the OIC examiners for a period of almost two years and acknowledge that some information requests exceeded 15 business days. The Companies note there was never intent to delay an information request. Many requests were complex, making it necessary for both the Companies and the OIC to clarify the desired information. This was a time-consuming process for some of the larger requests.

4. The Companies are instructed to comply with RCW 48.43.530(1) and (2) and WAC 284-43-615 and implement a comprehensive process for the resolution of covered persons’ grievances and appeal of adverse determinations. The Companies must process as a complaint an enrollee’s expression of dissatisfaction about customer service or the quality or availability of a health service. The companies must implement procedures for registering and responding to oral and written complaints in a timely and thorough manner.

Companies’ Response: The Companies have had, at all relevant times, a grievance and appeal process. The OIC acknowledged the laws and rules cited above do not provide a definition for “complaint” and we jointly agreed it was appropriate to use the following NAIC definition: “[A]ny written communication that expresses



dissatisfaction with a specific person or entity subject to regulation under the state's insurance laws. An oral communication, which is subsequently converted to a written form, would meet the definition of a complaint for this purpose". (see Exhibit A, communication with your Office). The Companies implemented the NAIC complaint definition before the exam ended.

5. The Companies are instructed to comply with WAC 284-43-321(2)(a)(i), WAC 284-43-321(5) requiring prompt payments of amounts owed to providers or facilities in accordance with the minimum standard; ninety-five percent of the monthly volume of clean claims shall be paid within thirty days of receipt by the Companies.

Companies' Response: In Instructions 5 and 6, the OIC asserts the Companies were not able to provide a consolidated monthly claims report by provider because claims were processed on two different systems during the exam period. Your Office concluded this was a violation of the above-cited rule. We strongly disagree. The rule does not require a consolidated monthly report. The rule requires that a carrier must be able to track claims by provider in order to determine compliance with prompt payment requirements. Each Company provided your Office with monthly claims data "by provider". One report included claims from the legacy system and one report included claims from the new Facets system. Generating a combined report would have required blending data from two distinctly different systems and could have compromised data integrity. The reports clearly included the information necessary to determine if prompt pay standards were met and if any interest payments were due.

6. The Companies are instructed to comply with WAC 284-43-321(2)(a)(ii) and WAC 284-43-321(5) requiring prompt payments of amounts owed to providers or facilities in accordance with the minimum standard; ninety-five percent of the monthly volume of all claims shall be paid or denied within sixty days of receipt by the Companies.

Companies' Response: The same data used to determine the 30-day requirement under Instruction 5 are used to determine compliance with the 60-day requirement under this Instruction 6. Accordingly, we strongly disagree that providing claim reports by Company, system, and provider is a violation of the cited rule.



7. The Companies are instructed to process Coordination of Benefits in compliance with Washington law with respect to apportionment, investigation and timeliness. WAC 284-51-195, WAC 284-51-205(4), WAC 284-51-215, WAC 284-51-220, WAC 284-51-225, WAC 284-51-230, WAC 284-51-235, WAC 284-51-240.

Companies' Response: The Report inaccurately states that the Companies acknowledge a system issue existed with our legacy system, as well as an inability of both systems (legacy and Facets) to accurately pay or track COB savings. The system issue was with Facets, not the legacy system. We acknowledge the system issue and, in fact, we self-reported to your Office prior to the examination. Your Office accepted our remediation plan.

We acknowledge that our Facets system required some manual intervention; however, the Report implies COB claims were not accurately adjudicated. In fact, COB claims have been accurately adjudicated and we disagree with any implication or finding to the contrary. During the exam we demonstrated compliance to the examiners by explaining each step of our COB adjudication process. As noted in the Report, we continue to work on system enhancements and, in the meantime, we will continue to accurately adjudicate COB claims with manual intervention as needed.

The above-cited rules do not require an entirely automated process.

8. The Companies are instructed to file with the Insurance Commissioner every contract form and rate schedule and modification of a contract form and rate schedule within thirty days after the end of an eighteen-month period during which a previous filing has remained unchanged for such period, including contract forms filed prior to the effective date of this regulation. WAC 284-43-920(1)(b).

Companies' Response: The Companies acknowledge that, of the 116 rate filings reviewed by your Office, two had not been re-filed in accordance with the re-filing requirement for rates that remain unchanged after 18 months. We regret the oversight and have taken steps to ensure all rate filings comply with the 18-month requirement.

9. The Companies are instructed not to change any rates, modify any contract, or offer a new contract until it has filed a copy of the changed rate schedule, modified contract or new contract with the Insurance Commissioner. RCW 48.44.040.



Companies' Response: This Instruction makes it appear as though the Companies used a rate that had not been filed and approved by the OIC. That is not supported by the findings. The Companies properly filed rate increases for small group vision benefits that became effective on January 1, 2010. However, the Companies acknowledge they did not implement the rate increase until July 2010.

10. The Companies are instructed that all translated forms must be filed with the OIC and certified by the American Translators Association (ATA) or comparable organization. WAC 284-44A-120(1)(a) and WAC 284-44A-120(2)(b)(i)(ii).

Companies' Response: The Report cites the failure to file some Spanish forms with your Office. During the exam, the Companies filed the forms and implemented appropriate business processes to ensure all foreign language forms are translated, certified, and filed. Your Office has already approved the forms filed in accordance with this Instruction.

11. The Companies are instructed to provide written notice of their decisions not to accept an individual's application for enrollment to both the applicant and WSHIP within 15 business days of receipt of a completed application. RCW 48.43.018(2)(b).

Companies' Response: We respectfully disagree that our current process fails to comply with RCW 48.43.018(2)(b). The Companies provide written notification within 15 days to the applicant. With respect to notice of declined applicants to WSHIP, we have been following WSHIP's own written guidance that carriers report rejected applicants on a monthly basis.

Recommendations (page 53)

It is recommended the Companies consider an integrated, cross divisional planning and testing approach when implementing process changes or infrastructure changes to their systems and software.

Companies' Response: We acknowledge the importance of a strong discipline in the areas of planning and testing for changes to systems and software and, in fact, have implemented a cross divisional planning and testing approach. In an effort to create cross-functional efficiencies in our Quality and Testing processes and practices, the Companies have embarked on several improvement initiatives and continue to pursue a practice of high quality through iterative change. The Business and User Acceptance testing teams have partnered with the IT delivery teams to ensure the voice of the business is included throughout the agile development



lifecycle. We have implemented active Quality and Test planning activities in the early stages of the project that allow the teams to define what they plan to do to meet the quality goals, and to specify how they will execute on the plan. Specific milestones have been adopted as part of the Plan of Record that guides us to be more predictable on our delivery, and more predictable on our quality levels.

There are several Best Practice Exchange (“BPE”) user groups that have been formed to work through specific areas, promoting adoption of both a best-practice and driving standards where applicable. Today we have a Software Quality BPE, an Agile Methodology BPE, Software Developer BPE, Quality Lead BPE, and the STARR-G (Standards Group) whose purpose is to provide standards and governance for our Agile practice, usage, and project reporting. These groups work in parallel with our Project Reporting Office and with the configuration and business teams outside of IT that have a stake in process definitions to ensure a uniform adoption.

Through the development of standards and training we will be transitioning any disparate practices into a unified and seamless end-to-end validation of quality as we continue to release updates, enhancements, and new features and products. The process improvements are measured through enterprise metrics that intend to show both the adoption success rate and the trends in overall quality. We have instilled a culture of continuous improvement in the pursuit of quality and process efficiency.

Factual Corrections

In addition to several factual corrections already noted, we request the following corrections be made to the Report:

On page 12, the Report incorrectly states The Regence Group (now known as Cambia Health Solutions) is authorized to conduct business in Utah and California. Cambia is authorized to conduct business in California, Louisiana, Minnesota, Oregon, Utah and Washington.

On page 13, the Report references the Regence Service Mark and Trade Name License Agreement. That Agreement was terminated effective December 31, 2011, and reported to your Office through the required Form D submission.

On page 19, the Report references the “Reflections” legacy system. Reflections is a program used to access the legacy system; it is not, itself, a system.



We appreciate the opportunity to provide this response and encourage your Office to consider our comments contained herein, and to revise the Report before it is made public.

Sincerely,

A handwritten signature in blue ink, appearing to read "L. Hagen".

Leonard A. Hagen
Director, Regulatory Affairs

c: Jeanette Plitt, Chief Market Conduct Examiner



EXHIBIT A

From: Frasier, Ann (OIC) [<mailto:AnnF@oic.wa.gov>]
Sent: Monday, July 23, 2012 9:33 AM
To: Hagen, Leonard
Cc: Moser, Jeffrey (OIC); Bandoli, Christopher; Romanow, Kate
Subject: Complaint Definition

Hi Len,

Per our conversations I have provided a definition of a “complaint” below. When our WACs/RCWs are not specific we defer to the NAIC definitions. This is from the NAIC Market Regulation Handbook Chapter 16, B.1

The NAIC definition of a complaint is “any written communication that expresses dissatisfaction with a specific person or entity subject to regulation under the state’s insurance laws. An oral communication, which is subsequently converted to a written form, would meet the definition of a complaint for this purpose.”

Based on the above definition a letter sent to a member following a phone call that expressed dissatisfaction should be recorded or logged as a complaint.

Please let us know if you have any questions.

Ann Frasier

Market Conduct Examiner, Company Supervision
Washington State Office of the Insurance Commissioner

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The contents of this email pertain to a Market Conduct Oversight activity under Chapter 48.37 RCW.