EXECUTIVE SUMMARY

The Kansas Insurance Department (KID) performed a market conduct examination of Humana Health Plan and Humana Insurance Company. The period of examination was January 1, 2005 through March 31, 2007.

The examiners reviewed the Companies' operations/management policies, complaint files, claim files, grievance and appeal procedures as well as the quality assessment process. The examination team reviewed these items in the administrative office in DePere, WI.

While the Company passed most tests, one major issue requires a thorough review. The Kansas Insurance Department believes the Company must revise its claim processing system to include the timelines from both the Prompt Pay Act and Unfair Claims Settlement Practices. Currently, the Company relies only on the Prompt Pay Act to adjudicate claims. An agreement was reached and timelines from both the Prompt Pay Act and Unfair Claims Settlement Practices are now used to adjudicate claims where appropriate. Additionally, the exam team has made recommendations on other issues.

LIST OF RECOMMENDATIONS

Grievances and Appeals

1. Several reviewed appeals concerned ER claims deemed to be contractual rather than medically necessary. Often the claimant was given conflicting information or incorrect information. Company letters appeared to address medically necessary issues but delayed the answer for up to 60 days. Others appeared to address contractual claims but were issued within 30 days. When the examiners questioned the Company, the consistent answer was that the customer representative had used the wrong letter.

While errors do occur, the number appeared high for appeals of this magnitude. It appears that further training, more detailed manuals and greater supervisory control are needed to adjudicate these appeals with greater accuracy. Please provide evidence that steps are being implemented to eliminate such errors.

Claims Handling

1. The Company must review its claim practices and conduct the necessary training to assure that claimants are treated as 1st party claimants under all applicable sections of K.A.R. 40-1-34. During the examination, an argument was made by the company that claims submitted by providers were 3rd party claims and were not subject to K.A.R. 40-1-34. After a discussion, the Company and the examiners agreed that Humana policies were written as 1st party claims. Please provide evidence that claims are now being processed as 1st party claims.

2. The Company must amend its processing guidelines to include the timelines on all notices of coverage, investigations, acceptance and denial of claims, correspondences and payment of claims as found in K.S.A. 40-2442 and K.A.R. 40-1-34, Sections 6, 7 and 8. Training for customer representatives and supervisors must be delivered to ensure consistent and timely claims processing. Please provide evidence that claims are now subject to both Kansas Unfair Settlement Act and the Prompt Payment Act.

Examiner's Note: This issue was resolved during the finalizing of the exam report and the company agrees to amend its processing guidelines to follow the Prompt Payment Act for all health claims until such claim is no longer deemed a clean claim and then follow the timelines associated with the Unfair Claims Settlement claims to complete further investigation and adjudication of the claim.