

**REPORT OF
MARKET CONDUCT EXAMINATION
OF**

**UPMC HEALTH PLAN, INC.
Pittsburgh, Pennsylvania**

**AS OF
February 3, 2009**

COMMONWEALTH OF PENNSYLVANIA



**INSURANCE DEPARTMENT
BUREAU OF MARKET CONDUCT**

Issued: February 25, 2009

UPMC HEALTH PLAN, INC.

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UPMC Health Plan, Inc.
Market Conduct Examination as of the
close of business on February 3, 2009

Docket No.
MC09-02-026

ORDER

A market conduct examination of UPMC Health Plan, Inc. (referred to herein as “Respondent”) was conducted in accordance with Article IX of the Insurance Department Act, 40 P.S. § 323.1, et seq., for the period January 1, 2005 through December 31, 2006. The Market Conduct Examination Report disclosed exceptions to acceptable company operations and practices. Based on the documentation and information submitted by Respondent, the Department is satisfied that Respondent has taken corrective measures pursuant to the recommendations of the Examination Report.

It is hereby ordered as follows:

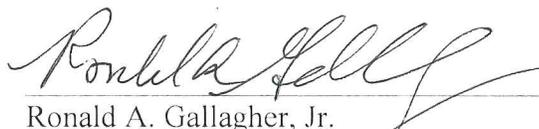
1. The attached Examination Report will be adopted and filed as an official record of this Department. All findings and conclusions resulting from the review of the Examination Report and related documents are contained in the attached Examination Report.
2. Respondent shall comply with Pennsylvania statutes and regulations.

3. Respondent shall comply with the recommendations contained in the attached Report.

4. Respondent shall file an affidavit stating under oath that it will provide each of its directors, at the next scheduled directors meeting, a copy of the adopted Report and related Orders. Such affidavit shall be submitted within thirty (30) days of the date of this Order.

The Department, pursuant to Section 905(e)(1) of the Insurance Department Act (40 P.S. § 323.5), will continue to hold the content of the Examination Report as private and confidential information for a period of thirty (30) days from the date of this Order.

BY: Insurance Department of the Commonwealth
of Pennsylvania


Ronald A. Gallagher, Jr.
Deputy Insurance Commissioner

(February 25, 2009)

I. INTRODUCTION

The Market Conduct Examination was conducted on UPMC Health Plan, Inc.; hereafter referred to as "Company," at the Company's office located in Pittsburgh, Pennsylvania, August 25, 2008, through September 19, 2008. Subsequent review and follow-up was conducted in the office of the Pennsylvania Insurance Department.

Pennsylvania Market Conduct Examination Reports generally note only those items, to which the Department, after review, takes exception. A violation is any instance of Company activity that does not comply with an insurance statute or regulation. Violations contained in the Report may result in imposition of penalties. Generally, practices, procedures, or files that were reviewed by Department examiners during the course of an examination may not be referred to in the Report if no improprieties were noted. However, the Examination Report may include management recommendations addressing areas of concern noted by the Department, but for which no statutory violation was identified. This enables Company management to review these areas of concern in order to determine the potential impact upon Company operations or future compliance.

Throughout the course of the examination, Company officials were provided status memoranda, which referenced specific policy numbers with citation to each section of law violated. Additional information was requested to clarify apparent violations. An exit conference was conducted with Company officials to discuss the various types of violations identified during the examination and review written summaries provided on the violations found.

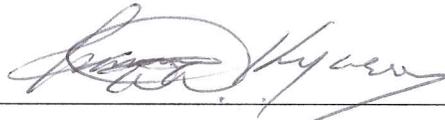
The courtesy and cooperation extended by the Officers and Employees of the Company during the course of the examination is acknowledged.

The undersigned participated in the Examination and in the preparation of this Report.



Daniel Stemcosky, MCM, AIE, FLMI

Market Conduct Division Chief

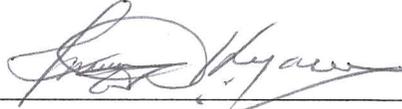


Frank W. Kyazze, MCM, AIE, FLMI, ALHC

Market Conduct Examiner

Verification

Having been duly sworn, I hereby verify that the statements made in the within document are true and correct to the best of my knowledge, information and belief. I understand that false statements made herein are subject to the penalties of 18 Pa. C.S. §4903 (relating to false swearing).



Frank W. Kyazze, MCM, AIE, ALHC, FLMI
[Examiner in Charge]

Sworn to and Subscribed Before me

This 31 Day of December, 2008



Notary Public
COMMONWEALTH OF PENNSYLVANIA
NOTARIAL SEAL
THERESA M. SENECA, Notary Public
City of Harrisburg, Dauphin County
My Commission Expires Aug. 15, 2010

II. SCOPE OF EXAMINATION

The Market Conduct Examination was conducted pursuant to the authority granted by Sections 903 and 904 (40 P.S. §§323.3 and 323.4) of the Insurance Department Act and covered the experience period of January 1, 2005, through December 31, 2006, unless otherwise noted. The purpose of the examination was to ensure compliance with the mandated benefits for Alcohol and Substance Abuse and Mental Illness.

The examination focused on the Company's operation in areas such as: Forms and Claim Handling Practices and Procedures.

The Company was requested to identify the universe of files for each segment of the review. Based on the universe sizes identified, random sampling was utilized to select the files reviewed for this examination.

During the course of the examination, for control purposes, some of the review segments identified in this Report may have been broken down into various sub-categories by line of insurance or Company administration. These specific sub-categories, if not reflected individually in the Report, would be included and grouped within the respective general categories of the Examination Report.

III. COMPANY HISTORY AND LICENSING

UPMC Health Plan, Inc. was organized/incorporated in the Commonwealth of Pennsylvania on March 14, 1994. The Company was issued a Pennsylvania Certificate of Authority as a non-profit health maintenance organization under the provisions of the Health Maintenance Organization Act, Act of December 29, 1972, P.L. 1701, No. 364(40 P.S. 1551 et seq). The Company commenced business on March 1, 1996.

UPMC Health Plan, Inc. was originally founded as Best Health Care of Western Pennsylvania, a Medicaid health maintenance organization. In 1997, it changed its name to UPMC Health Plan and began offering fully insured commercial HMO coverage in July 1998. In 2001, Medicare Advantage HMO products were offered. In 2004, Medicaid business was transferred to UPMC for You, Inc.

UPMC Health Plan is owned by the University of Pittsburgh Medical Center (UPMC), one of the nation's top-ranked health systems. As part of an integrated health care delivery system, UPMC Health Plan partners with UPMC and community network providers to improve clinical outcomes as well as the health of the greater community.

The integrated partner companies of the UPMC Insurance Services Division - which includes UPMC Health Plan, Work Partners, Life Solutions, UPMC for You (Medical Assistance) and Community Care Behavioral Health - offer a full range of group health insurance, Medicare, Children's Health Insurance Program, Medical Assistance, behavioral health, employee assistance, and workers' compensation products and services to over 1 million members.

UPMC Health Plan's local provider network includes UPMC as well as community providers, totaling more than 80 hospitals and more than 7,000 physicians in a 28-county region.

The Company's current service area consists of the following 26 counties: Allegheny, Armstrong, Beaver, Bedford, Blair, Butler, Cambria, Clarion, Clearfield, Crawford, Elk, Erie, Fayette, Forest, Greene, Huntingdon, Indiana, Jefferson, Lawrence, McKean, Mercer, Somerset, Venango, Warren, Washington and Westmoreland.

The Company's current lines of business include: Health Maintenance Organization (HMO), Preferred Provider Organization (PPO), Exclusive Provider Organization (EPO), Enhanced Access Point of Services (EAPOS), Health Reimbursement Arrangement (HRA), Health Savings Account (HSA), Prescription Drug Plan (PDP), Children's Health Insurance Program (CHIP), Specialty Needs Program (SNP), and Medicare Advantage products

UPMC Health Plan's total Pennsylvania comprehensive (hospital and medical) group earned premium, as reported in their 2006 annual statement was \$90,077,203. The total current year member months was reported as 313,348.

IV. FORMS

The Company was requested to provide a list and copies of all policy and/or member forms and conversion contracts used during the experience period. The forms provided were reviewed to ensure compliance with pertinent state insurance laws and regulations including, but not limited to: Insurance Company Law, Section 354; Title 18, Pennsylvania Consolidated Statutes, Section 4117(k), Fraud Warning Notice; the Accident and Health Reform Filing Act, No. 159 (40 P.S. §3803); and the Quality Health Care Accountability and Protection Act No. 68, Section 2136 (40 P.S. §991.2136), Required Disclosure. In addition, contracts were reviewed for inclusion of the following state mandated coverages:

- Alcohol/Substance Abuse
- Conversion
- Chemotherapy/Cancer Hormone Treatment
- Childhood Immunizations
- Dependent Children
- Diabetic Supplies and Education
- Emergency Reimbursement
- Gynecological Examination/Pap Smear
- Mammography Screenings
- Mastectomy/Reconstructive Surgery
- Maternity
- Medical/Nutritional Foods
- New Born Children
- Physically Handicapped/Mental Retarded Child

The following violation was noted:

**1 Violation - Accident and Health Filing Reform Act, No. 159, Section 3(A)
(40 P.S. §3803)**

Form Filings – Each insurer and HMO shall file with the Department any form which it proposes to issue in this Commonwealth.

Verification of Department form filing could not be verified for the form noted below.
The application form number and description is listed in the table below.

Form #	Form Description
CONV HMO 101-2006	A Health Maintenance Organization (HMO) Plan utilizing the UPMC Health Plan Network of Providers

V. CLAIMS

The claims review consisted of a review of the Company's claim manuals and a review of the claim files. The Company was requested to provide copies of all procedural guidelines including all manuals, memorandums, directives and any correspondence or instructions used for processing claims during the experience period.

The Company provided the following guidelines and claim manuals:

- Claims Processing Guidelines – DRC System
- Behavioral Health Claims Processing Guidelines – DRC System
- UPMC Health Plan Claims Procedures
- UPMC Health Plan MC 400 Training Manual
- Provider Manual (Western Behavioral Health Network Providers)
- Internal Claims Audit Policy and Procedure Manual
- Behavioral Health Services Agreement

The claim manuals and procedures were reviewed for any inconsistencies, which could be considered discriminatory, specifically prohibited by statute or regulation, or unusual in nature. No violations were noted.

The claim file review consisted of 3 areas:

- A. Alcohol & Drug Claims Denied
- B. Mental Illness Claims Denied
- C. Alcohol & Drug Services Denied

All claim files sampled were reviewed for compliance with requirements of the Unfair Insurance Practices Act, No. 205 (40 P.S. §1171); Section 602-A of the Insurance Company Law (40 P.S. §908-2), Alcohol/Drug Abuse and Dependency Mandated Policy Coverage and Options; Title 31, Pennsylvania Code, Section 89.612, Minimum covered services; Section 635.1 of the Insurance Company Law (40 P.S. §764g),

Coverage for Serious Mental Illnesses and Title 31, Pennsylvania Code, Chapter 146, Unfair Claims Settlement Practices.

A. Alcohol & Drug Claims Denied

The Company was requested to provide a list of all denied claims finalized during the experience period of January 1, 2005 to December 31, 2006 for alcohol and drug rehabilitative services. The Company provided a universe of 455 alcohol and drug claims denied. Utilizing an audit program, specific denied claim files were analyzed and targeted relative to their reasons for denial. This brought the new universe to 149 denied claims. From the new universe, a random sample of 50 claim files was requested, received and reviewed. The following table displays each denial reason code, the denial reason description, the universe and the sample for each denial reason.

Deny Code	Code Description	Universe	Sample
1	After review, services not medically necessary	149	3
4	Authorization for service not on file	149	44
56	Authorization limit for procedure has been met	149	3
B5	Date of Service is outside of the authorized plan	149	0

Of the 50 claim files received, 5 were determined to be outside of the experience period. The remaining 45 files were reviewed to ensure that the Company's claims adjudication process was adhering to the provisions of the policy contract, as well as complying with pertinent state insurance laws and regulations. No violations were noted.

B. Mental Illness Claims Denied

The Company was requested to provide a list of all claims denied during the experience period of January 1, 2006 to December 31, 2006 for mental illness services. The Company identified a universe of 4,431 mental illness denied claims. A random sample of 100 claim files was requested, received and reviewed. Of the 100 files received, 14 were determined to be outside of the experience period. The remaining 86 files were reviewed to ensure that the Company's claims adjudication process was adhering to the provisions of the policy/certificate contract as well as complying with pertinent insurance laws and regulations. The following violations were noted:

2 Violations - Title 31, Pennsylvania Code, Section 146.5

Every insurer, upon receiving notification of a claim, shall within ten working days, acknowledge the receipt of such notice unless payment is made within such period of time. If an acknowledgement is made by means other than writing, an appropriate notation of such acknowledgment shall be made in the claim file of the insurer and dated.

The Company failed to acknowledge the 2 noted claims within 10 working days.

C. Alcohol & Drug Services Denied

The Company was requested to provide a list of all services denied during the experience period of January 1, 2005 to December 31, 2006, for alcohol and drug rehabilitative services. The Company identified a universe of 63 denied services. All 63 files were requested, received and reviewed. The files were reviewed to ensure that the Company was adhering to the provisions of the policy contract, as well as complying with pertinent state insurance laws and regulations. No violations were noted.

VI. RECOMMENDATIONS

The recommendations made below identify corrective measures the Department finds necessary as a result of the number of some violations, or the nature and severity of other violations, noted in the Report.

1. The Company must review and revise internal control procedures to ensure compliance with requirements of Title 31, Pennsylvania Code, Chapter 146, Unfair Claims Settlement Practices.
2. The Company must review internal control procedures to ensure compliance with forms filing and approval requirements of Accident and Health Filing Reform Act, No. 159, Section 3A (40 P.S. §3803).

VII. COMPANY RESPONSE

UPMC HEALTH PLAN

P.O. Box 2968
Pittsburgh, PA 15230

February 10, 2009

Pennsylvania Insurance Department
Attn: Daniel A. Stemcosky, AIE, FLMI, MCM
Office of Market Regulation
Bureau of Market Conduct
Life and Health Division
1227 Strawberry Square
Harrisburg, PA 17120

Dear Mr. Stemcosky,

I am acknowledging receipt of the Report of Examination dated February 3, 2009. We do not have any further responses in addition to those forwarded to your office dated October 29, 2008.

I would like to note that it was a pleasure working with your auditor during the audit fieldwork process. If you have any additional information needs, please feel free to contact me directly.

Sincerely,



William P. Gedman, CPA, CIA
Vice President Quality Audit/Fraud & Abuse
412-454-5675