

**REPORT OF
MARKET CONDUCT EXAMINATION
OF**

CIGNA HEALTHCARE OF PENNSYLVANIA
Blue Bell, Pennsylvania

**AS OF
July 27, 2009**

COMMONWEALTH OF PENNSYLVANIA



**INSURANCE DEPARTMENT
BUREAU OF MARKET CONDUCT**

Issued: September 1, 2009

CIGNA HEALTHCARE OF PENNSYLVANIA, INC.

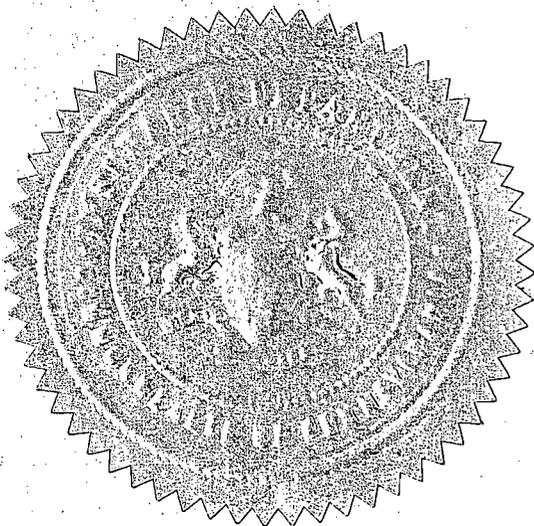
TABLE OF CONTENTS

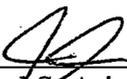
Order	
I. Introduction	2
II. Scope of Examination	5
III. Company History and Licensing	6
IV. Forms	7
V. Claims	8
A. Alcohol & Drug Claims Denied	9
B. Mental Illness Claims Denied	10
C. Alcohol & Drug Claims Paid	10
VI. Recommendations	11
VII. Company Response	12

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

ORDER

AND NOW, this 22ND day of July, 2008, in accordance with Section 905(c) of the Pennsylvania Insurance Department Act, Act of May 17, 1921, P.L. 789, as amended, P.S. § 323.5, I hereby designate Ronald A. Gallagher, Deputy Insurance Commissioner, to consider and review all documents relating to the market conduct examination of any company and person who is the subject of a market conduct examination and to have all powers set forth in said statute including the power to enter an Order based on the review of said documents. This designation of authority shall continue in effect until otherwise terminated by a later Order of the Insurance Commissioner.





Joel S. Ario
Insurance Commissioner

CIGNA HealthCare of Pennsylvania, Inc

Docket No.
MC09-08-022

Market Conduct Examination as of the
close of business on July 27, 2009

ORDER

A market conduct examination of CIGNA HealthCare of Pennsylvania, Inc. was conducted in accordance with Article IX of the Insurance Department Act, 40 P.S. § 323.1, et seq., for the period January 1, 2007 through December 31, 2007. The Market Conduct Examination Report disclosed that no exceptions were found with the Company's claim practices regarding alcohol and substance abuse and mental illness coverage.

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 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
Office of Market Regulation

I. INTRODUCTION

The Market Conduct Examination was conducted on CIGNA HealthCare of Pennsylvania, Inc.; hereafter referred to as "Company," at the Company's office located in Eden Prairie, Minnesota, March 23, 2009, through April 3, 2009. 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 following examiners participated in the Examination and in the preparation of this Report.

Daniel Stemcosky, AIE, FLMI
Market Conduct Division Chief

Frank Kyazze, AIE, FLMI, ALHC, MCM
Market Conduct Examiner

Verification

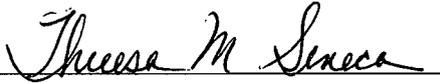
Having been duly sworn, I hereby verify that the statements made in the within document are true and correct to the best of my knowledge, information and belief. I understand that false statements made herein are subject to the penalties of 18 Pa. C.S. §4903 (relating to false swearing).



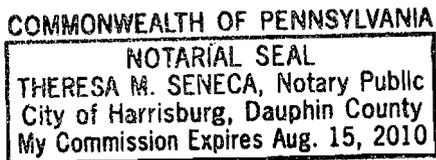
Frank W. Kyazze, MCM, AIE, ALHC, FLMI
[Examiner in Charge]

Sworn to and Subscribed Before me

This 7 Day of July, 2009



Notary Public



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, 2007, through December 31, 2007, unless otherwise noted. The purpose of the examination was to ensure compliance with Pennsylvania insurance laws and regulations.

The target examination focused on the Company's claim handling practices and procedures related to alcohol and substance abuse and mental illness coverage.

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

CIGNA Healthplan of Pennsylvania, Inc. was incorporated in the Commonwealth of Pennsylvania on June 4, 1984. Effective May 19, 1987, the Company was issued a Pennsylvania Certificate of Authority as a for-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 June 1, 1987. Effective September 1, 1993, the Company amended its Articles of Incorporation to change its name to CIGNA HealthCare of Pennsylvania, Inc.

The Company is a wholly-owned subsidiary of Healthsource, Inc., a New Hampshire corporation. Prior to April 1, 1998, the Company was wholly-owned by CIGNA Health Corporation, formerly named EQUICOR Health Corporation, a Delaware corporation. Effective April 1, 1998, CIGNA Health Corporation contributed all of the issued and outstanding stock to Healthsource, Inc., which is a wholly-owned subsidiary of CIGNA Health Corporation.

The Company's current service area consists of the following counties: Bucks, Chester, Delaware, Montgomery and Philadelphia. Current lines of business include group commercial Health Maintenance Organization (HMO) and Point-of-Service ("POS") plans. The Company was awarded accreditation from the National Committee for Quality Assurance ("NCQA") effective 9/6/06, through 9/6/09.

CIGNA HealthCare of Pennsylvania, Inc. total Pennsylvania comprehensive (hospital and medical) group earned premium, as reported in their annual statement for the year 2007, was \$1,834,788. The total current year member months were reported as 7,074.

IV. FORMS

The Company was requested to provide a list and copies of all individual and group policy/certificate forms and conversion contracts utilized during the experience period in Pennsylvania. 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

No violations were noted.

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 used in handling alcohol and substance abuse and mental illness claims during the experience period. The Company provided the following documentation for review:

1. Educational Material Manuals
2. County Access Guidelines – Behavioral Health Services
3. Alcohol and Drug Claims Guidelines
4. Mental Illness Claims Guidelines
5. Psychiatric /Psychological Guidelines
6. Alcohol and Drug Rehabilitation Guidelines
7. Behavioral Health Services Guidelines
8. Accumulator Descriptor Codes
9. Bulletin Releases
10. Network Provider News
11. MTM Direct Measures Guide – Claims Accuracy Audit/Quality Procedures

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 Claims Paid

All claim files 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 claims denied during the experience period of January 1, 2007 to December 31, 2007, for alcohol and drug rehabilitation services. The Company identified a universe of 1 denied claim. The claim file was requested, received and reviewed. The file was 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, 2007 to December 31, 2007, for mental illness services. The Company identified a universe of 22 denied claims. All 22 claim files were requested, received and reviewed. Of the 22 files reviewed, 2 were determined outside of Pennsylvania's jurisdiction. The remaining 20 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.

C. Alcohol & Drug Claims Paid

The Company was requested to provide a list of all claims paid during the experience period of January 1, 2007 to December 31, 2007, for alcohol and drug rehabilitative services. The Company identified a universe of 16 paid claims. All 16 claim files were requested, received and reviewed. The files were reviewed for compliance with Insurance Company Law of 1921, Section 2166 (40 P.S. §991.2166) Prompt Payment of Claims, as well as other pertinent state insurance laws and regulations. No violations were noted.

VI. RECOMMENDATIONS

The Department wishes to commend the Company in the level of compliance displayed in the areas of the targeted review and would only recommend their continued emphasis in maintaining this level of compliance in the future.

VII. COMPANY RESPONSE



CIGNA Behavioral Health

August 25, 2009

Daniel A. Stemcosky, AIE, FLMI, MCM
Market Conduct Division Chief
Pennsylvania Insurance Department
1227 Strawberry Square
Harrisburg, PA 17120

11095 Viking Drive, Suite 350
Eden Prairie, MN 55344
Telephone 952.996.2000
Facsimile 952.996.2579
Toll Free 1.800.433.5768
www.CIGNABehavioral.com

RE: Examination Warrant Number: 08-M25-029

Dear Mr. Stemcosky,

We are in receipt of the Department's Final Report of Examination dated July 27, 2009. CIGNA Behavioral Health accepts the Department's Report as written.

We again wish to thank you and your staff for the professionalism and courtesy extended to us throughout this examination.

Sincerely,

Greg Eich
Legal Resources Consultant
CIGNA Behavioral Health, Inc.