

Market Conduct Examination

**Coordinated Care Solutions New Jersey, Inc.
(An Organized Delivery System)**

CORAL SPRINGS, FLORIDA

STATE OF NEW JERSEY
DEPARTMENT OF BANKING AND INSURANCE

Office of Consumer Protection Services

Market Conduct Examinations Anti-Fraud Compliance Section

Report Adopted: October 9, 2007

MARKET CONDUCT EXAMINATION

of

CCS New Jersey, Inc.
(An Organized Delivery System)

located in

CORAL SPRINGS, FLORIDA

as of

May 3, 2007

BY EXAMINERS

of the

STATE OF NEW JERSEY
DEPARTMENT OF BANKING AND INSURANCE

OFFICE OF CONSUMER PROTECTION SERVICES
MARKET CONDUCT EXAMINATION AND ANTI-FRAUD COMPLIANCE SECTION

REPORT ADOPTED: October 9, 2007

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I. INTRODUCTION

This is a report of the Market Conduct activities of Coordinated Care Solutions

A. SCOPE OF EXAMINATION

The scope of the examination included all New Jersey clean claims that the Company closed during the review period. The review period for this examination was January 1, 2005 to December 31, 2005 for all population review datasets. The examiners completed this examination from the Trenton, New Jersey office between February 26, 2007 and May 3, 2007.

The main purpose of this examination was to determine whether CCS complied with statutory and regulatory guidelines that impose prompt claim payment, denials and interest payments for ODS's. For the purpose of this examination, the examiners used a generic definition of "claim" – any demand or request for payment made by an enrollee or medical provider.

The examiners queried the entire population of claims for the examining period, using databases of mailed claims that CCS closed during the examining period. In that time, the Company processed a total of 1,732 claims. This total included 846 paid mailed claims and 886 denied mailed claims. There were no electronic claims. In arriving at the populations, the examiners requested the Company to exclude all Medicare, Medicaid, federal employee health benefit plan (FEHBP), and ERISA claims.

B. ERROR RATIOS

The examiners submitted written inquiries to company representatives on the exceptions cited in this report. This provided CCS with the opportunity to respond to the examiners' findings and to provide comments on the statutory errors or mishandlings reported herein.

On those exceptions with which the Company disagreed, the examiners evaluated the individual merits of each response and considered all comments. In some instances, the examiners did not cite the files due to the Company's explanatory

responses. In others, the errors or exceptions remained as cited in the examiners' inquiries.

For the most part, this is a report by exception, in that findings reported are from dataset populations that indicate exceptions to ordinary guidelines.

C. COMPANY PROFILE

N.J.S.A. 17:48H-1 defines an "Organized Delivery System" as an organization that contracts with a carrier to provide comprehensive health care services. These services are separate from the carrier's other comprehensive benefits, and an ODS delivers them under separate contract.

CCS New Jersey, Inc., an ODS, was incorporated under the laws of the State of Delaware on July 17, 2002, and is a wholly owned subsidiary of CCS Consolidated, Inc. Coordinated Care Solutions, a second owned subsidiary of CCS, conducted the New Jersey activity of the group from July 17, 2002 until January 1, 2005.

On December 3, 2004, CCS New Jersey, Inc. became licensed by the State of New Jersey Department of Banking and Insurance as an ODS, and conducted the New Jersey business from January 1, 2005 until January 31, 2007, by which time all New Jersey contracts had terminated.

On January 25, 2006, CCS Consolidated, Inc. merged with Patient Infosystems, Inc. (PATY), a public company, and became a wholly owned subsidiary of PATY; PATY acquired all of CCS Consolidated, Inc.'s stock. As a result of the merger, CCS Consolidated, Inc. remained the parent company of CCS New Jersey, Inc., with PATY becoming the ultimate parent company.

On September 19, 2006, PATY changed its name to CareGuide, Inc. Accordingly, CareGuide, Inc. owns all of CCS Consolidated, Inc.'s stock. As a result of the merger and the name change, CCS Consolidated, Inc. remains the parent company of CCS New Jersey, Inc., and CareGuide, Inc. is the ultimate parent company.

The New Jersey activity of the Company consisted of providing the management of post-acute risk benefits for two New Jersey health plans, HealthNet and Aetna. The HealthNet contract terminated on January 1, 2006 and the Aetna contract terminated on January 31, 2007.

Currently, the Company has no New Jersey business. Accordingly, the recommendations outlined in Section III of this report could apply only in the event that CCS New Jersey, Inc., re-enters the New Jersey Market and only within a reasonable time period subsequent to the final adoption of this report.

I. PROVIDER CLAIM REVIEW

A. INTRODUCTION

The examiners queried databases of claims that CCS closed during the examining period (January 1, 2005 through December 31, 2005). In that time, the Company processed 1,732 claims. The Company did not receive electronic claims, so this total represents mailed claims. Of this total, 846 were paid claims and 886 were denied. In arriving at the populations, the examiners requested the Company to exclude all Medicare, Medicaid, federal employee health benefit plan (FEHBP), and ERISA claims.

The examiners reviewed the populations to verify compliance with statutory and regulatory guidelines regarding prompt claim payments and denials. The Company supplied the examiners with a database of the paid and denied claims.

In reviewing these claims, the examiners checked for compliance with statutes and regulations that govern the handling of ODS claims, particularly N.J.S.A. 17:48H-33.1 et seq. They also checked for compliance with N.J.S.A. 26:2S-1 et seq. (prompt payment), which N.J.S.A. 17:48H-33 makes applicable to the operations of an ODS. In conducting this examination, the examiners referred to the NAIC Market Conduct Examiners' Handbook, Chapter XVII, *Conducting the Health Examination*. That chapter includes the requirements of the Health Insurance Portability and Accountability Act of 1996 (HIPAA).

B. ERRORS/EXCEPTION RATIOS

1. Population Review, Prompt Pay Exceptions

a. Population Review, Paid and Denied Claims

	<u>Population</u>	<u>Exceptions</u>	<u>Exception Ratio</u>
Paid Mailed Claims	846	440	52.01%
Denied Mailed Claims	886	774	87.36%
Total	1,732	1,214	70.09%

CCS's population of 1,732 mailed claims contained 1,214 prompt pay exceptions. This was a 70.09% exception ratio. As noted, denied claim errors (87.36%) were 35 percentage points higher than paid claims (52.01%).

C. EXAMINERS' FINDINGS – PAID CLAIMS

1. Failure to Pay Mailed Claims within 40 Calendar Days – 440 Population Exceptions

N.J.S.A. 17:48H-33.1(1)d(1) requires an ODS to pay mailed claims within 40 calendar days of receipt. In addition, the N.A.I.C. Market Conduct Examiners' Handbook contains Standard 3, which recommends that the examiners confirm the timely settlement of claims required by statutes, rules and regulations. Contrary to this statute, CCS failed to process 440 paid mailed claims in the population of 846 claims. This was a 52.01% exception ratio, indicating that the Company was able to promptly pay less than half of all paid claims that it closed during the examining period.

The Company agreed with the examiners' findings.

2. Failure to Pay Interest on Overdue Claims – Seven Population Exceptions

N.J.S.A. 17:48H-33.1(7) requires a company to pay interest in the amount of ten percent per annum on claims paid beyond the 40-day limit for mailed claims. N.J.A.C 11:22-1.6(c) stipulates that interest must be paid within 14 days of the claim payment. In addition, the N.A.I.C. Market Conduct Examiners' Handbook contains Standard 3, which recommends that the examiners confirm the timely settlement of claims required by statutes, rules and regulations. Contrary to these guidelines, CCS failed to pay interest on seven overdue claims in a population of 440 late claims. This was a 1.6% exception ratio.

The Company agreed with this finding.

D. EXAMINERS' FINDINGS – DENIED CLAIMS

N.J.S.A. 17:48H-33.1(6) requires an ODS to deny mailed claims within 40 calendar days of receipt. In addition, the N.A.I.C. Market Conduct Examiners' Handbook contains Standard 3, which recommends that the examiners confirm the timely settlement of claims required by statutes, rules and regulations. Contrary to these guidelines, CCS failed to process 774 denied mailed claims in the population of 886 claims. This was an 87.36% exception ratio, indicating that the Company was generally not able to promptly deny claims during the examining period.

The Company agreed with the examiners' findings.

III. RECOMMENDATIONS

As indicated in Section I.C of this report, this section could apply only in the event that CCS New Jersey, Inc. re-enters the New Jersey Market and only within a reasonable time period subsequent to the final adoption of this report.

A. GENERAL INSTRUCTIONS

CCS New Jersey, Inc. should inform all responsible personnel who handle the files and records cited as exceptions in this report of the remedial measures that follow in the report sections indicated. The examiners also recommend that the Company establish procedures to monitor compliance with these measures.

Throughout this report, the examiners cite all errors found. If the report cites a single error, the examiners often include a “reminder” recommendation because a single error may indicate that more errors may have occurred.

The examiners acknowledge that during the examination, the Company agreed and had already complied with, either in whole or in part, some of the recommendations. For the purpose of obtaining proof of compliance and for CCS to provide its personnel with a document they can use for future reference, the examiners have listed all recommendations below.

All items requested for the Commissioner and copies of all written instructions, procedures, recommended forms, etc., should be sent to the Commissioner, c/o Clifton J. Day, Manager of Market Conduct Examinations and Anti-Fraud Compliance, 20 West State Street, PO Box 329, Trenton, NJ 08625, within thirty (30) days of the date of the adopted report.

On claims reopened for supplemental payments, the claim payment should be sent to the insured with a cover letter containing the following first paragraph (variable language is included in parentheses): “During a recent examination, the Market Conduct Examiners of the New Jersey Department of Banking and Insurance found exceptions in our claim files and recommended a further Company review. Subsequently, our review showed that we (owe you interest relating to a previously submitted claim or claims/improperly denied a prior mandated benefit claims/improperly paid your claim at the out-of-network rate/failed to pay interest on your claim). We are providing details regarding the claim or claims in question in the enclosed Explanation of Benefits. (We have mailed the check associated with this amount separately/We have included payment in this correspondence). If you have any questions regarding this payment, please contact us at (toll free number) or write us at the address listed on the Explanation of Benefits.”

B. CLAIMS

1. CCS should remind all personnel who process claims that **N.J.S.A. 17:48H-33.1** requires an ODS to pay mailed claims within 40 days following receipt by the payer.
2. The Company should remind all personnel who process claims that **N.J.S.A. 17:48H-33.1(7)** requires a company to pay interest in the amount of ten percent per annum on claims paid beyond the 40-day limit for mailed claims, and that **N.J.A.C 11:22-1.6(c)** stipulates that the interest must be paid within 14 days of the claim payment. Based on the seven database exceptions, CCS should review those claims in order to determine if the Company owes interest payments to providers or members (please see General Instructions for accompanying cover letter).
3. In addition, CCS should remind all claims handling personnel that **N.J.S.A. 17:48H-33.1(6)** requires an ODS to deny mailed claims within 40 calendar days of receipt.

VERIFICATION PAGE

I, Dean Turner, am the Examiner-in-Charge of the Market Conduct Examination of CCS New Jersey, Inc. conducted by examiners of the New Jersey Department of Banking and Insurance. This verification is based on my personal knowledge as acquired in my official capacity.

The findings, conclusions and recommendations contained in the foregoing report represent, to the best of my knowledge, a full and true statement of the Market Conduct examination of CCS New Jersey, Inc. as of May 3, 2007.

I certify that the foregoing statements are true. I am aware that if any of the foregoing statements made by me is willfully false, I am subject to punishment.

Date

Dean Turner, F.L.M.I.
Examiner-In-Charge
New Jersey Department
of Banking and Insurance