

SEP 30 2008

DEPT OF INSURANCE
BY CB

STATE OF ARIZONA
DEPARTMENT OF INSURANCE

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In the Matter of:)	Docket No. 08A-155-INS
)	
CIGNA HEALTHCARE OF ARIZONA, INC.)	
NAIC #95125)	CONSENT ORDER
)	
Respondent.)	

On April 4, 2005 the Arizona Department of Insurance ("Department") called a healthcare insurance compliance examination ("Examination") of CIGNA HealthCare of Arizona, Inc. ("CHC-AZ"), covering the time period from January 1, 2004 through June 30, 2005 ("Examination Period"). The Examination Period was divided into three six-month periods ("Partial Examination Periods" or "PEPs") as follows:

- PEP 1: January 1, 2004 – June 30, 2004
- PEP 2: July 1, 2004 – December 31, 2004
- PEP 3: January 1, 2005 – June 30, 2005

The Report of the Compliance Examination of CHC-AZ dated January 25, 2007, ("Report"), which is included herein by reference, is a report by exception. It does not include CHC-AZ practices, procedures or files subject to review with regard to which the Examiners found no violation. The report alleges that CHC-AZ violated A.R.S. § 20-1057.02, A.R.S. § 20-1074, A.R.S. §§ 20-2533 through 20-2536, and A.R.S. § 20-3102. CHC-AZ wishes to resolve this matter without formal proceedings. CHC-AZ admits the following Findings of Fact are true and consents to the entry of the following Conclusions of Law solely for the purposes of resolving the allegations contained in the Report and consents to the entry of the following Order.

1 **FINDINGS OF FACT**

2 I. Jurisdiction.

3 CHC-AZ is, and throughout the Examination Period was, authorized to operate as a
4 health care services organization pursuant to a Certificate of Authority issued by the
5 Arizona Insurance Director ("Director").

6 II. Utilization Review and Health Care Appeals.

7 A. During PEP 2 in certain health care appeals files the Department reviewed, CHC-
8 AZ failed to provide a health care appeals information packet to a member or the
9 member's treating provider on request within five business days of the member
10 initiating an appeal. The Department did not find a significant number of the same
11 error in the files it reviewed for PEP 1 and PEP 3.

12 B. During the Examination Period, in certain health care files the Department
13 reviewed (requests for expedited medical reviews), CHC-AZ failed to inform the
14 member and the member's treating provider of the expedited decision within one
15 business day.

16 C. During the Examination Period, in certain health care appeals files the Department
17 reviewed (requests for expedited medical reviews where there was an adverse
18 decision), CHC-AZ failed to notify the member or the member's treating provider by
19 telephone and mail of the adverse decision or of the member's option to
20 immediately proceed to an expedited appeal.

21 D. During the Examination Period, in certain health care appeals files the Department
22 reviewed (requests for informal reconsideration), CHC-AZ failed to mail a written
23 acknowledgment to the member within five business days after receiving the
24 request, or failed to mail a written acknowledgment to the member's treating
25 provider within five business days after receiving the request or failed to do either.

- 1 E. During PEP 3, in certain health care appeals files the Department reviewed
2 (informal reconsiderations), CHC-AZ failed to mail notice of its decision to the
3 member within thirty days after receiving a request for informal reconsideration, or
4 to mail notice of its decision to the member's treating provider within thirty days
5 after receiving a request for informal reconsideration, or to include the criteria
6 used and the clinical reasons for the decision. The Department did not find a
7 significant number of the same error in the files it reviewed for PEP 1 and PEP 2.
- 8 F. During the Examination Period, in certain health care appeals files the
9 Department reviewed (formal appeals), CHC-AZ failed to mail a written
10 acknowledgment letter to the member and the member's treating provider within
11 five business days after receiving the formal appeal.
- 12 G. During PEP 1, in certain health care appeals files the Department reviewed
13 (adverse decisions in formal appeals relating to services not yet provided), CHC-
14 AZ failed to provide written notice of its adverse decision to the member within
15 thirty days after receiving the written appeal, or failed to include the criteria used
16 and the clinical reasons for the decision with the notice. The Department did not
17 find a significant number of the same error in the files it reviewed for PEP 2 and
18 PEP 3.
- 19 H. During PEP 2, in certain health care appeals files the Department reviewed
20 (adverse decisions in formal appeals relating to claims for services that already
21 had been provided), CHC-AZ failed to provide written notice of its adverse
22 decision to the member within sixty days after receiving the written appeal, or to
23 include the criteria used and the clinical reasons for the decision. The
24 Department did not find a significant number of the same error in the files it
25 reviewed for PEP 1 and PEP 3.

1 III. Provider Timely Pay and Provider Grievances.

2 A. During the Examination Period, in certain clean claims that CHC-AZ approved but
3 paid late, CHC-AZ failed to pay interest or paid too little interest.

4 B. During the Examination Period, in certain claims requiring additional information,
5 CHC-AZ failed to request information before it denied the claim.

6 C. During PEP 1 and PEP 2, in certain clean claims that CHC-AZ originally denied,
7 CHC-AZ delayed the payment of the clean claims without reasonable justification.

8 The Department did not find a significant number of the same error during PEP 3.

9 D. During the Examination Period, CHC-AZ failed to resolve certain provider
10 grievances.

11 E. Contract Termination; Provision for Insolvency.

12 During the Examination Period, in certain provider contracts, CHC-AZ failed to include
13 a statutorily-required limitation on the provider's obligations to provide services to
14 enrollees if CHC-AZ were to become insolvent. CHC-AZ corrected the provider
15 contracts during the Examination.

16 V. Changes to Prescription Drug Formulary.

17 During the Examination Period, CHC-AZ did not have a process in place to assure that
18 when CHC-AZ removes a drug from its prescription drug formulary, an enrollee is still
19 able to obtain the removed drug as a covered benefit for at least sixty days.

20
21 **CONCLUSIONS OF LAW**

22 I. Jurisdiction.

23 The Director has the authority to enter and enforce this Order. A.R.S. § 20-142.
24
25

1 II. Utilization Review and Health Care Appeals.

- 2 A. During PEP 2, CHC-AZ violated A.R.S. § 20-2533(C) by failing, in certain health
3 care appeals files the Department reviewed, to provide a health care appeals
4 information packet to a member or the member's treating provider on request
5 within five business days of the member initiating an appeal.
- 6 B. During the Examination Period, CHC-AZ violated A.R.S. § 20-2534(B) by failing,
7 in certain health care files the Department reviewed (requests for expedited
8 medical reviews), to inform the member and the member's treating provider of the
9 expedited decision within one business day.
- 10 C. During the Examination Period, CHC-AZ violated A.R.S. § 20-2534(C) by failing,
11 in certain health care appeals files the Department reviewed (requests for
12 expedited medical reviews where there was an adverse decision), to notify the
13 member or the member's treating provider by telephone and mail of the adverse
14 decision or of the member's option to immediately proceed to an expedited
15 appeal.
- 16 D. During the Examination Period, CHC-AZ violated A.R.S. § 20-2535(B) by failing, in
17 certain health care appeals files the Department reviewed (requests for informal
18 reconsideration), to mail a written acknowledgment to the member within five
19 business days after receiving the request, or failed to mail a written
20 acknowledgment to the member's treating provider within five business days after
21 receiving the request or failed to do either.
- 22 E. During PEP 3, CHC-AZ violated A.R.S. § 20-2535(D) by failing, in certain health
23 care appeals files the Department reviewed (informal reconsiderations), to mail
24 notice of its decision to the member within thirty days after receiving a request for
25 informal reconsideration, or to mail notice of its decision to the member's treating

1 provider within thirty days after receiving a request for informal reconsideration, or
2 to include the criteria used and the clinical reasons for the decision.

3 F. During the Examination Period, CHC-AZ violated A.R.S. § 20-2536(B) by failing, in
4 certain health care appeals files the Department reviewed (formal appeals), to mail
5 a written acknowledgment letter to the member and the member's treating
6 provider, within five business days after receiving the formal appeal.

7 G. During PEP 1, CHC-AZ violated A.R.S. § 20-2536(E)(1) by failing, in certain health
8 care appeals files the Department reviewed (adverse decisions in formal appeals
9 relating to services not yet provided), to provide written notice of its adverse
10 decision to the member within thirty days after receiving the written appeal, or
11 failed to include the criteria used and the clinical reasons for the decision with the
12 notice.

13 H. During PEP 2, CHC-AZ violated A.R.S. § 20-2536(E)(2) by failing, in certain health
14 care appeals files the Department reviewed (adverse decisions in formal appeals
15 relating to claims for services that already had been provided), to provide written
16 notice of its adverse decision to the member within sixty days after receiving the
17 written appeal, or to include the criteria used and the clinical reasons for the
18 decision.

19 III. Provider Timely Pay and Grievances.

20 A. During the Examination Period, CHC-AZ violated A.R.S. § 20-3102(A) by failing, in
21 certain of the clean claims that CHC-AZ approved but paid late, to pay interest or
22 paid too little interest.

23 B. During the Examination Period, CHC-AZ violated A.R.S. § 20-3102(B) by failing, in
24 certain claims requiring additional information, to request information before it
25 denied the claim.

1 C. During PEP 1 and 2, CHC-AZ violated A.R.S. § 20-3102(C) by delaying, in certain
2 clean claims that CHC-AZ originally denied, the payment of the clean claims
3 without reasonable justification.

4 D. During the Examination Period, CHC-AZ violated A.R.S. § 20-3102(F) by failing to
5 resolve certain provider grievances.

6 IV. Contract Termination; Provision for Insolvency.

7 During the Examination Period violated A.R.S. § 20-1074(B) by failing, in certain
8 provider contracts, to include a statutorily-required limitation on the provider's
9 obligations to provide services to enrollees if CHC-AZ were to become insolvent.

10 V. Changes to Prescription Drug Formulary.

11 During the Examination Period, CHC-AZ violated A.R.S. § 20-1057.02(E) by failing to
12 have a process in place to assure that when CHC-AZ removes a drug from its
13 prescription drug formulary, an enrollee is still able to obtain the removed drug as a
14 covered benefit for at least sixty days.

ORDER

IT IS HEREBY ORDERED THAT:

1. Health Care Appeals Practices.

Within 90 days of the filed date of this Order, CHC-AZ shall submit to the Arizona Department of Insurance for the Director's approval a Corrective Action Plan (CAP 1) that provides specific steps CHC-AZ will take by certain dates to assure that by a specified implementation date, CHC-AZ is:

- a. Providing a health care appeals information packet to the member and the member's treating provider within five business days of a member initiating an appeal.
- b. Informing the member and the member's treating provider of an expedited medical review decision by mail within one business day of receiving a member's request for expedited medical review.
- c. Notifying the member and the member's treating provider of an adverse expedited medical review decision by telephone and mail and notifying them of the member's option to immediately proceed to an expedited appeal.
- d. Mailing a written acknowledgment to the member and to the member's treating provider within five business days after receiving a member's request for informal reconsideration.
- e. Mailing notice of an informal reconsideration decision to the member and to the member's treating provider within thirty days after receiving a request for informal reconsideration and including the criteria used and the clinical reasons for the decision.
- f. Mailing a written acknowledgment letter to the member and the member's treating provider within five business days after receiving a member's formal appeal.

1 g. In a formal appeal relating to services not yet provided, providing the member with
2 written notice of an adverse decision, including the criteria used and the clinical
3 reasons for the decision, within thirty days after receiving the written appeal.

4 h. In a formal appeal relating to a claim for services already provided, providing the
5 member with written notice of a denial, including the criteria used and the
6 clinical reasons for the decision, within sixty days after receiving the written appeal.

7 2. Provider Timely Pay.

8 Within 90 days of the filed date of this Order, CHC-AZ shall submit to the Arizona
9 Department of Insurance for the Director's approval a Corrective Action Plan (CAP 2) that
10 provides specific steps CHC-AZ will take by certain dates to assure that by a specified
11 implementation date, CHC-AZ is:

12 a. Paying the correct amount of interest on clean claims that it approves and pays
13 late, including claims it approves and pays late after receiving additional
14 information.

15 b. Pending rather than denying unclean claims before it requests additional
16 information from the provider.

17 c. Accurately identifying and approving clean claims it is obligated to pay rather than
18 denying them and delaying payment without reasonable justification.

19 3. Provider Grievances.

20 Within 90 days of the filed date of this Order, CHC-AZ shall submit to the Arizona
21 Department of Insurance for the Director's approval a Corrective Action Plan (CAP 3) that
22 provides specific steps CHC-AZ will take by certain dates to assure that by a specified
23 implementation date, CHC-AZ shall:

24 1. Categorize grievances accurately.

25 2. Resolve non-claims/other contractual grievances.

1 4. Changes to Prescription Drug Formulary.

2 Within 90 days of the filed date of this Order, CHC-AZ shall submit to the Arizona
3 Department of Insurance for the Director's approval a Corrective Action Plan (CAP 4) that
4 provides specific steps CHC-AZ will take by certain dates to assure that by a specified
5 implementation date, CHC-AZ has an effective process in place to assure that when CHC-
6 AZ removes a drug from its prescription drug formulary, an enrollee is still able to obtain
7 the removed drug as a covered benefit for at least sixty days.

8 5. Corrective Action Plan Requirements.

9 Each CAP described above shall:

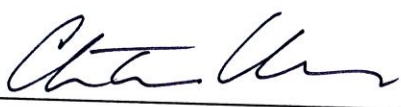
- 10 a. Contain enough detail to allow the Director to determine whether the CAP will
11 accomplish its purpose.
- 12 b. Include testing before final implementation of the CAP.
- 13 c. Include quality improvement review and follow-up.
- 14 d. Identify one individual responsible and accountable for implementation of the CAP.
- 15 e. Provide for CHC-AZ to report to the Director each month starting thirty days from
16 the date of this Order, regarding development and implementation of the CAP, in a
17 form that includes documentation and is approved by the Director.
- 18 f. Provide that within 10 business days of receiving notice that the Director has
19 approved the CAP, CHC-AZ shall submit to the Director evidence that CHC-AZ has
20 communicated the CAP to the appropriate personnel and begun implementation.
21 Evidence of communication and implementation includes, without limitation,
22 memos, bulletins, e-mails, correspondence, procedure manuals, print screens and
23 training materials.
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1 6. Civil Penalty.

2 CHC-AZ shall pay a civil penalty of \$129,000 to the Director for deposit in the State
3 General Fund for violations cited above as Conclusions of Law. CHC-AZ shall remit this
4 civil penalty to the Life & Health Division of the Department prior to the Department filing of
5 this Order.

6
7 The Department will file the Report of the Compliance Examination of CHC-AZ upon the filing
8 of this order.

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10 DATED at Phoenix, Arizona this 29th day of September 2008.

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13 Christina Urias
14 Director of Insurance

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CONSENT TO ORDER

1. CHC-AZ has reviewed the foregoing Order and carefully considered it in conjunction with its other business and regulatory requirements. CHC-AZ believes that it is able and prepared to comply fully with the Order, notwithstanding any of its other business and regulatory requirements.
2. CHC-AZ admits the jurisdiction of the Director of Insurance, State of Arizona, admits the Findings of Fact and consents to the entry of the Conclusions of Law solely for the purposes of resolving the allegations contained in the Report and consents to entry of the Order.
3. CHC-AZ is aware of the right to a hearing, at which it may be represented by counsel, present evidence and cross-examine witnesses. CHC-AZ irrevocably waives the right to such notice and hearing and to any court appeals related to this Order.
4. CHC-AZ states that no promise of any kind or nature whatsoever was made to it to induce it to enter into this Consent Order and that it has entered into this Consent Order voluntarily.
5. CHC-AZ acknowledges that the acceptance of this Order by the Director of the Arizona Department of Insurance is solely for the purpose of settling this matter. This Order does not preclude any other agency or officer of this state or its subdivisions or any other person from instituting proceedings, whether civil, criminal, or administrative, as may be appropriate now or in the future and does not preclude the Department from instituting proceedings as may be appropriate on other matters now or in the future.

1 6. Kurt Weimer, who holds the office of President and General Manager of CHC-AZ, is
2 authorized to enter into this Order for CHC-AZ and on its behalf.

3

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CIGNA HEALTHCARE OF ARIZONA, INC.

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9-18-08

Date

By 

Kurt Weimer
President and General Manager
CIGNA HealthCare of Arizona, Inc.

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1 COPY of the foregoing mailed/delivered
this 30th day of Sept., 2008 to:

2

3 Gerrie Marks

Deputy Director

4 Mary Butterfield

Assistant Director

5 Consumer Affairs Division

Helene I. Tomme

6 Market Oversight Division

Dean Ehler

7 Assistant Director

Rates & Regulations Division

8 Steve Ferguson

Assistant Director

9 Financial Affairs Division

David Lee

10 Chief Financial Examiner

Alexandra Shafer

11 Assistant Director

Life and Health Division

12 Terry L. Cooper

Fraud Unit Chief

13

ARIZONA DEPARTMENT OF INSURANCE

14 2910 North 44th Street, Suite 210

Phoenix, AZ 85018

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16 CIGNA HealthCare of Arizona, Inc

A.J. Charman, III

17 Compliance Manager, Market Conduct Examinations

900 Cottage Grove Road

18 Hartford, CT 06152-2201

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