DELAWARE DEPARTMENT OF INSURANCE

MARKET CONDUCT EXAMINATION REPORT

AmeriHealth HMO, Inc.
NAIC #95044
1901 Market Street
Philadelphia, PA 19103

As of

March 31, 2012

Karen Weldin Stewart, CIR-ML
Commissioner

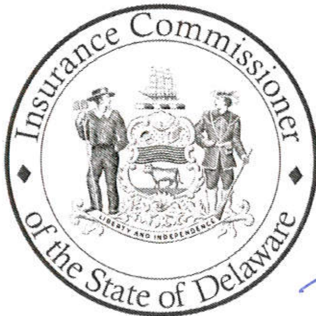
Delaware Department of Insurance

I, Karen Weldin Stewart, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of March 31, 2012 on

AmeriHealth HMO, Inc.

is a true and correct copy of the document filed with this Department.

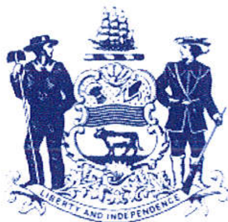
Attest By: ____________________



In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover.

Karen Weldin Stewart, CIR-ML
Insurance Commissioner

Karen Weldin Stewart, CIR-ML
Commissioner



Delaware Department of Insurance

REPORT ON EXAMINATION

OF THE

AmeriHealth HMO, Inc.

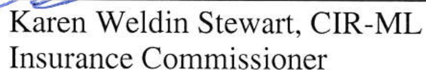
AS OF

March 31, 2012

The above-captioned Report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the Company as reflected in the Report.

This Report is hereby accepted, adopted and filed as an official record of this Department.



Karen Weldin Stewart, CIR-ML
Insurance Commissioner

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Honorable Karen Weldin Stewart CIR-ML
Insurance Commissioner
State of Delaware
841 Silver Lake Boulevard
Dover, Delaware 19904

Dear Commissioner Stewart:

In compliance with the instructions contained in Certificate of Examination Authority Number 95044-12-701, and pursuant to statutory provisions including 18 Del. C. §318-322, a market conduct examination has been conducted of the affairs and practices of:

AmeriHealth HMO, Inc.

AmeriHealth HMO, Inc. was initially organized on March 1, 1976 under the name of Greater Delaware Valley Health Care, Inc. Independence Blue Cross acquired Greater Delaware Valley Health Care, Inc. on December 23, 1986. The Company's name was changed to Delaware Valley HMO, Inc. On July 1, 1995, Delaware Valley HMO, Inc.'s name was changed to AmeriHealth HMO, Inc. The Company is domiciled in the Commonwealth of Pennsylvania.

The examination was conducted solely off-site phase. The off-site examination was performed at the offices of the Delaware Department of Insurance, hereinafter referred to as the "Department" or "DDOI," or other suitable locations.

The report of examination herein is respectfully submitted.

EXECUTIVE SUMMARY

AmeriHealth is domiciled in the Commonwealth of Pennsylvania. The Company was incorporated on March 1, 1976 and commenced business on April 1, 1978. The Company writes HMO plans in the states of Delaware, Pennsylvania, and New Jersey. The Company's statutory home office address is: 1901 Market Street, Philadelphia, PA 19103.

As of their 2011 annual statement for the State of Delaware, AmeriHealth HMO, Inc. reported health premiums earned in the State of Delaware in the amount of $7,654,576.

The scope of the examination includes, but is not limited to, the Company's practices and procedures relating Company's activities relating to Complaint Handling, Claims Processing & Procedures, Underwriting, and Forms.

The following exceptions were noted in the areas of operation reviewed:

- 5 Exceptions – 18 Del. Admin. Code 902 §1.2.1. Unfair Claim Settlement Practices – for failing to acknowledge claims within 15 working days upon receipt.
- 1 Exception – 18 Del. Admin. Code 902 §1.2.1.5 Unfair Claim Settlement Practices. - Failing to affirm or deny coverage or a claim or advise the person presenting the claim, in writing, or other proper legal manner, of the reason for the inability to do so, within 30 days after proofs of loss statements have been received by the insurer.

No other exceptions were noted in the areas of operations reviewed.

SCOPE OF EXAMINATION

The Market Conduct Examination was conducted pursuant to the authority granted by 18 Del. C. §§318-322 and covered the experience period of January 1, 2010 through March 31, 2012, unless otherwise noted. The purpose of the examination was to determine compliance by the Company with Delaware insurance laws and regulations related to the Company's insurance activities.

METHODOLOGY

This examination was performed in accordance with Market Regulation standards established by the Department and examination procedures suggested by the NAIC. While the examiners' report on the errors found in individual files, the examination also focuses on general business practices of the Company.

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.

Delaware Market Conduct Examination Reports generally note only those items to which the Department, after review, takes exception. An exception is any instance of Company activity that does not comply with an insurance statute or regulation. Exceptions 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 exceptions identified during the examination and review written summaries provided on the exceptions found.

COMPANY HISTORY AND PROFILE

AmeriHealth HMO, Inc. is a federally qualified Health Maintenance Organization (HMO) under Title XII of the Public Health Service Act. The Company writes HMO plans in the states of Delaware, Pennsylvania, and New Jersey.

The Company is domiciled in the Commonwealth of Pennsylvania. The registered address of the Company is 1901 Market Street, Philadelphia, PA 19103.

The Company is a wholly owned subsidiary of Independence Blue Cross under the following ownership structure: Independence Blue Cross owns AmeriHealth, Inc., which owns AmeriHealth Integrated Benefits, Inc., which owns the Company.

The Company was initially organized on March 1, 1976 under the name of Greater Delaware Valley Health Care, Inc. Independence Blue Cross acquired Greater Delaware Valley Health Care, Inc. on December 23, 1986. The Company's name was changed to Delaware Valley HMO, Inc. On July 1, 1995, Delaware Valley HMO, Inc.'s name was changed to AmeriHealth HMO, Inc.

As of their 2011 annual statement for the State of Delaware, AmeriHealth HMO, Inc. reported health premiums earned in the State of Delaware in the amount of $7,654,576, and current year member months of 14,758.

COMPANY OPERATIONS AND MANAGEMENT

A. Underwriting Guidelines

The Company was requested to provide all underwriting guidelines and manuals utilized during the experience period.

The Company provided the following underwriting manual:

Underwriting Guidelines for AmeriHealth Delaware

- Eligibility Enrollment Requirements
- Rating Information
- Post-sale Submission Requirements
- Group Terminations and Reinstatements

The manual was reviewed to ensure underwriting guidelines were in place and being followed in a uniform and consistent manner and no underwriting practices or procedures were in place that could be considered discriminatory in nature, or specifically prohibited by Delaware statute or regulation.

No exceptions were noted.

GROUP UNDERWRITING

The group underwriting file review was conducted in one (1) segment identified as Group Policies Issued. The segment was reviewed for compliance with the following Delaware laws and regulations pertaining to: sales and marketing, underwriting practices, forms approval and producer licensing. Issues relating to forms appear in those respective sections of the Report and are not duplicated in the Underwriting portion of the Report.

- 18 Del. C. §320. Conduct of examination; access to records; correction.
- 18 Del. C. §1703. Producer License Requirements.
- 18 Del. C. §1715. Producer Appointment Requirements
- 18 Del. C. §2712, Filing, approval of forms.

A. Group Policies Issued

The Company was requested to provide a list of all Group policies issued or renewed to any Delaware group during the examination period of January 1, 2011 to December 31, 2011. The company identified 62 group policies issued and renewed during the examination period. A random sample of 25 group policy files was requested, received and reviewed. The files were reviewed to determine compliance to issuance statutes and regulations.

No exceptions were noted.

CLAIMS

A. Claim Handling Procedures

The Company was requested to provide a copy of claim handling policies and procedures utilized during the experience period.

The Company provided the following:

1. Service Operations Claims Desk Procedures Manual
2. Service Operations Claim Briefing Report

The manual and report were reviewed to ensure claim servicing guidelines were in place and being followed in a uniform and consistent manner and that no claim practices or procedures were in place that could be considered discriminatory in nature, or specifically prohibited by Delaware statute or regulation.

No exceptions were noted.

B. Medical Claims

The Company was requested to provide a list of all Medical Claims paid/denied during the experience period of January 1, 2010 to March 31, 2012. The Company identified a universe of 32,352 medical claims paid/denied during the experience period. A random sample of 109 claim files was requested, received and reviewed. The files were reviewed for compliance with 18 Del. Admin. Code 902 and 18 Del. Admin. Code 1310. The following exceptions were noted:

5 Exceptions - 18 Del. Admin. Code 902 §1.2.1.2 Unfair Claim Settlement Practices.
Failing to acknowledge and respond within 15 working days, upon receipt by the insurer, to communications with respect to claims by insureds arising under insurance policies.

The Company failed to acknowledge five claims within 15 <u>working</u> days upon receipt.

<u>**Recommendation:**</u> It is recommended that the Company review its procedures to ensure that all claims are acknowledged within 15 working days upon receipt as required by 18 Del. Admin. Code 902 §1.2.1.2.

1 Exception -18 Del. Admin. Code 902 §1.2.1.5 Unfair Claim Settlement Practices.
Failing to affirm or deny coverage or a claim or advise the person presenting the claim, in writing, or other proper legal manner, of the reason for the inability to do so, within 30 days after proof of loss statements have been received by the insurer.

The Company failed to provide notice of acceptance or denial or status within 30 calendar days for one claim.

Recommendation: It is recommended that the Company review its procedures to ensure that all claimants are provided a notice of acceptance or denial or status within 30 calendar days as required by 18 Del. Admin. Code 902 §1.2.1.5.

FORMS

The Company was requested to provide a list of all individual/group policy, certificate forms, conversion contracts, applications, amendments and endorsements used during the experience period. The Company provided a list of 48 forms and copies of two contract forms. The forms provided and forms reviewed in various underwriting sections of the exam were reviewed to ensure compliance with 18 Del. C. §2712, Filing, approval of forms.

No exceptions were noted.

CONSUMER COMPLAINTS

A. Consumer Complaints

The Company was requested to provide a list of all consumer complaints received from Delaware consumers and claimants during the experience period of January 1, 2010 to March 31, 2012. The Company identified a universe of 3 complaints received from consumers and 2 complaints forwarded from the Delaware Department of Insurance. All 5 complaint files were requested, received and reviewed. The files were reviewed for compliance with 18 Del. C. §2304 (17).

No exceptions were noted.

GRIEVANCES AND APPEALS

A. Grievance Handling Procedures

The Company was requested to provide a copy of all grievance and appeals handling procedures utilized during the experience period of January 1, 2010 to March 31, 2012.

The Company provided the following procedures:

1. Resolving Appeals For AmeriHealth HMO, Inc.
2. Resolving Appeals – Medical Necessity
3. Resolving Appeals – Administrative
4. Resolving Appeals For AmeriHealth Insurance Company
5. Appeals and Grievance Process – Desk Procedure
6. Member Appeal Intake – Timeliness and Necessary Information

The procedures were reviewed to ensure the grievance and appeals procedures were in in compliance with 18 Del C §332.

No exceptions were noted.

B. Grievance and Appeals – Administrative

The Company was requested to provide a list of all grievance and appeals received from Delaware consumers and claimants during the experience period of January 1, 2010 through March 31, 2012. The Company identified a universe of 26 administrative appeals received. All 26 appeal files were requested, received and reviewed. The files were reviewed for compliance with 18 Del C §332.

No exceptions were noted.

C. Grievance and Appeals – Medical Necessity

The Company was requested to provide a list of all grievance and appeals received from Delaware consumers and claimants during the experience period of January 1, 2010 through March 31, 2012. The Company identified a universe of 7 medical necessity appeals received. All 7 appeals files were requested, received and reviewed. The files were reviewed for compliance with 18 Del C §332.

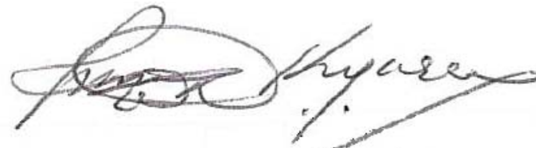
No exceptions were noted.

CONCLUSION

The recommendations made below identify corrective measures the Department finds necessary as a result of the Exceptions noted in the Report. Location in the Report is referenced in parenthesis.

1.	It is recommended that the Company review its procedures to ensure compliance with the claim acknowledgement requirements of 18 Del. Admin. Code 902 §1.2.1.2 Unfair Claim Settlement. (Medical Claims)
2.	It is recommended that the Company review its procedures to ensure compliance with the status notification requirements of 18 Del. Admin. Code 902 §1.2.1.5 Unfair Claim Settlement Practices. (Medical Claims)

The examination conducted by Daniel Stemcosky, Frank Kyazze and Heather Harley is respectfully submitted.



Frank W. Kyazze, MCM, CIE, FLMI, ALHC
Examiner-in-Charge
Market Conduct
Delaware Department of Insurance