

**Report to the
Massachusetts Division of Insurance**

*on the Targeted Market Conduct Examination of
the Readiness of*

Health New England, Inc.

One Monarch Place, Suite 1500, Springfield, MA 01144-1500

for Compliance with M.G.L. c. 176O, §5A

For the Period September 1, 2011 through December 31, 2011

May 7, 2012

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The Honorable Joseph G. Murphy
Commissioner of Insurance
Massachusetts
Division of Insurance
1000 Washington Street, Suite 810
Boston, Massachusetts 02118-6200

Dear Commissioner Murphy:

Pursuant to your instructions and in accordance with Massachusetts General Laws, Chapter 175, Section 4, a targeted examination has been made of the market conduct affairs of

Health New England, Inc.
("The Company")

at their home office located at:

**One Monarch Place, Suite 1500
Springfield, MA 01144-1500**

The following report thereon is respectfully submitted.

FOREWORD

This report on the market conduct examination of the Company is provided pursuant to the *NAIC Market Regulation Handbook*. Some practices, procedures and files subject to review during the examination were omitted from the report if no improprieties were noted.

The Commonwealth of Massachusetts conducted a series of targeted examinations to determine insurance company compliance with Massachusetts General Law (M.G.L.) Chapter (c.) 176O, § 5A. In accordance with that section, insurers are required to meet the following criteria no later than July 1, 2012:

1. Implementation of HIPAA compliant codes and forms;
2. Acceptance of standardized claim formats; and
3. Utilization of standardized code sets.

These examinations measured the companies' readiness to achieve 100 percent compliance with these requirements by July 1, 2012.

INS Regulatory Insurance Services, Inc. (INS) was engaged by the Division of Insurance ("Division") to conduct this series of targeted examinations, including the examination of Health New England, Inc. In order to measure the Company's compliance with these impending requirements, INS engaged in the following:

- INS sent interrogatories to the Company which posed a series of questions regarding reports and information that demonstrate the Company's current level of compliance with M.G.L. 176O, § 5A.
- The Company provided responses to the interrogatories that included policies, procedures and reports illustrating their current level of compliance with the law.
- INS collected data samples from the Company, which were analyzed using ACL ® software.

INS selected representative samples of claim data submissions and reviewed the same in an on-site visit to the Company.

PROFILE

Health New England, Inc. (HNE) is a for-profit independent practice model Health Maintenance Organization (HMO) organized under Chapter 156B Massachusetts General Laws and licensed under M.G.L. c. 176G. The Company was incorporated in 1985 and began serving its members on January 1, 1986. After having met all of the requirements of the federal HMO Act, The Company became a federally qualified HMO on June 1, 1987. The location of its principal office is One Monarch Place, Suite 1500, Springfield, MA 01144-1500.

The Company's Commercial service area consists of the four counties of western Massachusetts (Hampden, Hampshire, Franklin, and Berkshire). In 2006, although The Company did not expand its service area, the provider network expanded to include certain Worcester County, Southern Vermont and Northern Connecticut area providers. The Company's Medicare Advantage service area consists of Hampden, Hampshire and Franklin counties in Massachusetts.

The Company's provider network consists of health care providers who serve as independent contractors under agreements either directly or indirectly with The Company. Indirect relationships consist of providers who contract with The Company through provider group practices or physician hospital organizations (PHOs).

On October 27, 2008 The Company received approval by the Centers for Medicare & Medicaid Services (CMS) as a Medicare Advantage-Prescription Drug Organization. The Company made changes to its corporate structure to meet the Medicare line of business and Medicare Advantage plans effective January 1, 2009. On December 21, 2009 The Company received approval as a MassHealth MCO.

Baystate Health, Inc. (BH), with principal address located at 280 Chestnut Street, Springfield, MA 01199, is the ultimate controlling entity of Health New England, Inc. At the time of HNE's incorporation, BH owned more than 10% of the outstanding stock of HNE. As of June 1, 2010, BH owned 96.85% of The Company's outstanding stock.

HNE Advisory Services, Inc. was incorporated in 1988. The Company created HNE Advisory Services, a wholly owned subsidiary, to administer managed care programs for the self-insured employer market. These programs offer a variety of benefit plans to self-funded employers.

HNE Insurance Services Corporation was incorporated in 1993. The Company created HNE Insurance Services Corporation for the business of acting as an insurance agent or broker pursuant to Massachusetts General Law Chapter 175, Section 174. HNE Insurance Services Corporation is an active Resident Business Entity Producer with License #1781907 in the Commonwealth of Massachusetts.

SCOPE OF EXAMINATION

The Division conducted an examination of the Company's status to be fully compliant with M.G.L. c. 176O § 5A as of July 1, 2012. Data was collected from the Company from the period of October 1, 2011 through December 31, 2011 (the "Examination Period"). Based on the submitted data, information was analyzed and sample files selected for review. The files were reviewed during an onsite visit, and the review included group and individual health insurance, but did not include disability income, long-term care, short-term travel, accident only, limited policies (including dental, vision, pharmaceutical policies, or specified disease policies) or policies or contracts designed for issuance to persons eligible for coverage under Title XVIII of the Social Security Act (Medicare). Only data for fully insured plans were included; self-insured or Administrative Services Only contracts were not included in the review.

EXAMINATION RESULTS

The following is a summary of examiner findings, along with related recommendations and required actions and, if applicable, subsequent Company actions made, as part of the targeted market conduct examination of the Company.

The Company identified a universe of 11,098 lines of claims with modifier 50, 51, 52, 59 and 91 that were reported during the Examination Period. A random sample of 109 claims was requested and received. Of the 109 claims, 50 were reviewed to verify compliance with M.G.L. c. 176O, § 5A.

No exceptions were noted.

The Company identified a universe of 139,612 lines of claims with a V diagnosis code that were reported during the Examination Period. A random sample of 109 claims was requested and received. Of the 109 claims, 50 were reviewed to verify compliance with M.G.L. c. 176O, § 5A.

No exceptions were noted.

The Company identified a universe of 127,053 denied claims reported during the Examination Period. A random sample of 109 claims was requested and received. Of the 109 claims, 50 were reviewed to verify compliance with M.G.L. c. 176O, § 5A.

No exceptions were noted.

The Company identified a universe of 510,392 paid claims reported during the Examination Period. A random sample of 109 claims was requested and received. Of the 109 claims, 50 were reviewed to verify compliance with M.G.L. c. 176O, § 5A.

No exceptions were noted.

Finding(s):

The Company indicated that:

“HNE accepts and recognizes 100% per cent of all claims submitted by health care providers for each of the below listed categories. HNE accepts compliant codes and forms; standardized formats and code sets. HNE’s initial response misinterpreted the request based upon the percentage of compliant files received from providers. In fact, HNE only processes those files that pass compliance and therefore accepts 100% per cent of all claims submitted by health care providers.

1. HIPAA compliant codes and forms
2. HIPAA compliant forms
3. NUCC¹ standardized claim formats
4. NUBC² standardized formats
5. ICD code sets
6. CPT code sets
7. HCPS³ code sets”

During the on-site phase of the examination the Company demonstrated that they have implemented HIPAA compliant codes and forms, acceptance of standardized claim formats and utilization of standardized code sets.

¹ NUCC is National Uniform Claim Committee

² NUBC is National Uniform Billing Committee

³ HCPCS is Healthcare Common Procedure Coding System

Recommendation(s)

Based on the review of Health New England, Inc.'s responses, it appears that the Company is in compliance with M.G.L. c. 176O, § 5A. Consequently, no recommendations are warranted at this time to address any identified compliance issues.

REPORT SUBMISSION

This report of examination is hereby respectfully submitted.

Examiners:

INS Regulatory Insurance Services, Inc.

Sean Connolly, MCM, Examiner

Frank Kyazze, CIE, Examiner in Charge

Shelly G. Schuman, Supervising Insurance Examiner

APPENDIX

The following summarizes the data analysis conducted during the examination. All analysis were conducted utilizing ACL ® software. Duplicate claims were removed.

Total Number of Claims	641,357
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Total Number of Paper Claims (claims submitted in hard copy form)	549,971
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Total Number of Electronic Claims	91,386
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Top 5 Reasons for Denial;

1. Reimbursement included in case rate/per diem	26.60%
2. Claim Past filing time limit	21.92%
3. Deny: No authorization on file	6.87%
4. Service provided while member was not covered	5.80%
5. Deny- not covered under your contract with Health New England	4.54%

Percentage of Claims Paid	79.58%
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Percentage of Claims Denied	19.81%
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Percentage of Claims Pended	0.61%
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Time to Process Claims

1-15 Days	94.28%
15-30 Days	2.79%
30-45 Days	1.38%
Over 45 Days	1.55%