

**Report to the
Massachusetts Division of Insurance**

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

**UnitedHealthcare of New England, Inc.
UnitedHealthcare Insurance Company
48 Monroe Turnpike, Trumbull, CT 06611**

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

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

May 7, 2012

Table of Contents

FOREWORD	4
PROFILE.....	5
SCOPE OF EXAMINATION.....	7
EXAMINATION RESULTS	8
REPORT SUBMISSION	12
APPENDIX.....	13

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:

**UnitedHealthcare Insurance Company
UnitedHealthcare of New England, Inc.**

(“The Companies”)

at their administrative office located at:

**48 Monroe Turnpike
Trumbull, CT 06611**

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 UnitedHealthcare Insurance Company and United HealthCare of 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

UnitedHealthcare Insurance Company

UnitedHealthcare Insurance Company (formerly The MetraHealth Insurance Company and The Travelers Insurance Company of Illinois), a Connecticut corporation which has its home and principal executive offices at 185 Asylum Street, Hartford, Connecticut 06103. The Company is licensed as a life, accident and health insurer in the Virgin Islands, District of Columbia, Commonwealth of the Northern Mariana Islands, American Samoa, Puerto Rico, Guam and in 49 states except New York.

In November 1994, the Company redomesticated from the State of Illinois to the State of Connecticut and changed its name to The MetraHealth Insurance Company. On January 3, 1995, the Company became a direct wholly-owned subsidiary of The MetraHealth Companies, Inc., a Delaware general business corporation, by contribution of its outstanding stock from The Travelers Group Inc. On October 2, 1995, UnitedHealth Group Incorporated (formerly United HealthCare Corporation) (“United”), a Minnesota general business corporation acquired The MetraHealth Companies, Inc., and its subsidiaries.

On May 31, 1996, The MetraHealth Companies, Inc., the sole shareholder of the Company, merged with and into the UHIC with the Company as the surviving corporation. As a result of the merger, The MetraHealth Companies, Inc., ceased to exist as a separate entity and United now owned all the outstanding shares of the Company directly.

Effective as of January 1, 1997, United Health and Life Insurance Company, a Minnesota domiciled insurance company and affiliate of the Company, merged with and into the Company with the Company as the surviving corporation. As a result of the merger, United Health and Life Insurance Company’s two subsidiaries, (1) United HealthCare Insurance Company of Illinois and

(2) United HealthCare Insurance Company of Ohio became direct wholly-owned subsidiaries of the UHIC and United Health and Life Insurance Company ceased to exist as a separate legal entity. Also, on January 1, 1997, the UHIC changed its name to United HealthCare Insurance Company from The MetraHealth Insurance Company.

Effective as of June 30, 2000, UnitedHealthcare Insurance Company became a direct wholly-owned subsidiary of UHIC Holdings, Inc. (f/k/a Unimerica, Inc.), a Delaware general business corporation, pursuant to approval of the Connecticut Department of Insurance. UHIC Holdings, Inc. is a direct wholly-owned subsidiary of United HealthCare Services, Inc. ("UHS"), a Minnesota general business corporation. UHS is a direct wholly owned subsidiary of United.

As of December 31, 2004, UHIC Holdings, Inc. owns all of the outstanding shares of the Company and United is the ultimate parent in the insurance holding company system.

UnitedHealthcare of New England

UnitedHealthcare of New England, Inc. has its current principal executive office at 475 Kilvert Street, Warwick, Rhode Island 02886-1392. The Company was incorporated in Rhode Island as a non-business corporation on December 14, 1979 under the name Ocean State Master Health Plan, Inc. and has had several name changes since then. The Company became subject to the Rhode Island Insurance Holding Company System Regulatory Law, R.I. § 27-35-1 et seq. ("the Act") and R.I. Reg. XVII (the "Reg.") effective July 13, 2000. As of the date of this filing, the Company is a wholly owned subsidiary of United HealthCare Services, Inc. ("UHS"), a Minnesota general business corporation. UHS, which has its principal executive office at UnitedHealth Group Center, 9900 Bren Road East, Minnetonka, Minnesota 55343, is a wholly-owned subsidiary of UnitedHealth Group Incorporated ("United"). United is a publicly held Minnesota general business corporation, with its principal executive office at UnitedHealth Group Center, 9900 Bren Road East, Minnetonka, Minnesota 55343.

UnitedHealth Group Incorporated (referred to as “United” or “UnitedHealth Group” or “the Company” or “we” or “our”) is the ultimate controlling person in the insurance holding company system.

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 lines of claims with modifier code 50 that were reported during the Examination period. All 11 claims were requested, received and reviewed. The claims were reviewed to verify compliance with M.G.L. c. 176O, § 5A.

No exceptions were noted.

The Company identified a universe of 29,129 lines of claims with a V diagnosis code that were reported during the Examination Period. A random sample of 109 claims was requested, received and reviewed. The claims were reviewed to verify compliance with M.G.L. c. 176O, § 5A.

No exceptions were noted.

The Company identified a universe of 22,061 denied claims reported during the Examination Period. A random sample of 109 claims was requested, received and reviewed. The claims were reviewed to verify compliance with M.G.L. c. 176O, § 5A.

No exceptions were noted.

The Company identified a universe of 113,807 paid claims reported during the Examination Period. A random sample of 109 claims was requested, received and reviewed. The claims were reviewed to verify compliance with M.G.L. c. 176O, § 5A.

No exceptions were noted.

Finding(s):

In response to the interrogatory, the Company indicated that:

“To be in compliance with HIPAA standards electronic claim transactions (837s) are required to contain certain components to be syntactically correct. If a claim (837) is not syntactically valid the claim is rejected and a reject acknowledgement is prepared and sent to the clearinghouse that transmitted the claim (837) to UnitedHealthcare. As it pertains to paper claim formats, UnitedHealthcare requires its providers to submit on the CMS 1500 and the CMS 1450 and the UB04. However, on a rare occasion, a claim may be received from a member in a format other than the required format, but, did contain all the necessary information required to process the claim. United would not deny the claim due to the non-standardized format. As it pertains to coding (CPT, DX, HCPCS), UnitedHealthcare maintains the most current health care code sets.

The Coding Integrity Team is responsible for verification of health care code set updates to ensure that UnitedHealthcare’s applications contain the most current standard health care code sets, as scheduled by governing entities. If an invalid code or inappropriate coding is received, and as such the claim cannot be paid, UnitedHealthcare closes or denies the claim as appropriate and notifies the submitter that he/she submitted invalid/inappropriate coding and should resubmit accordingly. This correspondence includes information on how to resubmit the correction accordingly and/or appeal information.”

The Company also indicated the percentage of compliance with each of the seven listed areas as follows:

1. HIPAA compliant codes and forms - 100%
2. HIPAA compliant forms - 100%

3. Standardized claim formats adopted by National Uniform Claim Committee (NUCC) - 100%
4. Standardized formats adopted by the National Uniform Billing Committee (NUBC) - 100%
5. Code sets for International Classification of Diseases (ICD) - 100%
6. Code sets for Current Procedural Terminology (CPT) - 100%
7. Code sets for Common Procedural Coding System (HCPCS) - 100%

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.

Recommendation(s):

Based on a review of UnitedHealthcare Insurance Company and UnitedHealthcare of New England, Inc., it appears that the companies are in compliance with Massachusetts General Law Chapter 1760 § 5A, and no recommendations are warranted at this time to address any identified compliance issues.

Observation 1:

The Company indicated that there have been no internal audits or assessments regarding compliance with M.G.L. 1760 § 5A. The Company also indicated that although the companies do not test for a percentage of compliance, processes are in place to ensure claims are accepted as required by Massachusetts' law. And that the companies have not received any member, provider, or Division of Insurance complaints on the subject.

Observation 2:

During the review of the denied claims, it was determine that several claims were denied with denial code AY - The procedure code submitted is not eligible for payment. "C" HCPC codes are eligible for UB billing only therefore, no benefits are payable. The Company indicated that some of the claims were denied in error and that they had since been reprocessed for payment. The Company was requested to clarify why the claims were denied in error to begin with. The Company provided the following explanation:

“Company Response: For the following sampled claims, the claims were originally denied with remark code AY or FE. As billed, coding is not a standard covered benefit under the plan’s design.

Prior to this review, United had self-identified an issue within a population of claims denying AY and FE incorrectly, these claims fall into that category. Upon the identification of this issue a post adjudication claim correction process was put in place to capture and correct these claims. The correction process has the majority of claims corrected within days of original adjudication. The claim correction process remains in effect today to ensure proper payment.

Claim samples affected:

AY - 15, 22, 30, 32, 33, 48, 53, 54, 55, 56, 57, 59, 71, 75, 76, 83, 86, 87, 89, 94, 96, 97, 105.

FE – 8, 21, 23, 25, 26, 31, 36.”

REPORT SUBMISSION

This report of examination is hereby respectfully submitted.

Examiners:

INS Regulatory Insurance Services, Inc.

Frank W. Kyazze, Examiner-In-Charge

Sean Connolly, Examiner

Shelly G. Schuman, Supervising Insurance Examiner

APPENDIX

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

Total Number of Claims – UnitedHealthcare Insurance Company	131,473
UnitedHealthcare of New England, Inc.	7,537

Total Number of Paper Claims (claims submitted in hard copy form)	108,437
--	---------

Total Number of Electronic Claims	30,573
-----------------------------------	--------

Top 5 Reasons for Denial:

1. Our records show we have already processed this charge	26.44%
2. This service was performed in a facility setting. This code, when accompanied by a facility place of service, is not eligible for reimbursement	13.45%
3. This is not a separately reimbursable service or supply	5.21%
4. The benefit for these services is based on the difference between Medicare's allowable expense and the amount Medicare paid. Please call Medicare	5.01%
5. Your provider did not submit this claim within their contracted time frame or submitted the claim without details on why it should be reprocessed	3.24%

Percentage of Claims Paid	81.87%
---------------------------	--------

Percentage of Claims Denied	15.87%
-----------------------------	--------

Time to Process Claims:

1-15 Days	98.05%
15-30 Days	1.50%
30-45 Days	0.22%

Over 45 Days

0.23%