

FINDINGS OF FACT

I. Jurisdiction.

ALIC is, and throughout the Examination Period was, authorized to operate as a disability insurer pursuant to a Certificate of Authority issued by the Arizona Insurance Director ("Director").

II. Utilization Review and Health Care Appeals.

- A. During the Examination Period, in 16 out of 34 (47% of) appeals, ALIC failed to provide a health care appeals information packet to members or the member's treating provider on request within five business days of the member initiating an appeal.
- B. During the Examination Period, in 20 out of 27 (74% of) requests for informal reconsideration, ALIC failed to mail a written acknowledgment to the member within five business days after receiving the request, or failed to mail a written acknowledgment to the member's treating provider within five business days after receiving the request or failed to do either.
- C. During PEPs 1, 2 and 4, in 5 out of 23 (22% of) informal reconsiderations, ALIC failed to mail notice of its decision to the member within thirty days after receiving a request for informal reconsideration, or to mail notice of its decision to the member's treating provider within thirty days after receiving a request for informal reconsideration, or to include the criteria used and the clinical reasons for the decision. In the files the Department reviewed for PEP 3, the Department did not find a significant number of files with this violation.
- D. During PEPs 3, in 2 out of 7 (29% of) informal reconsiderations, ALIC failed, when a service or claim was denied at the conclusion of the informal reconsideration, to provide the member and the treating provider with a written statement of the decision

1 and the criteria and clinical reasons and the option to proceed. In the files the
2 Department reviewed for PEPs 1, 2 and 4, the Department did not find a significant
3 number of files with this violation.

4 E. During PEPs 2 and 4, in 2 out of 4 (50% of) formal appeals, ALIC failed to mail a
5 written acknowledgment letter to the member and the member's treating provider
6 within five business days after receiving the formal appeal. In the files the
7 Department reviewed for PEPs 1 and 3, the Department did not find a significant
8 number of files with this violation.

9 III. Provider Timely Payment and Provider Grievances.

10 A. During PEPs 1, 2 and 3, in 772 out of 4,825 (16% of) clean claims that ALIC paid
11 late, ALIC failed to pay interest or paid too little interest. In the claims the
12 Department reviewed for PEP 4, the Department did not find a significant number of
13 claims with this violation.

14 B. During the Examination Period, ALIC delayed the payment of clean claims without
15 reasonable justification by paying an inaccurate amount in 743 out of 941 (79% of)
16 clean claims from non-contracted ambulance providers.

17 C. During the Examination Period, ALIC failed to establish or have an effective internal
18 system for resolving payment disputes and contractual grievances, as follows:

- 19 1. ALIC failed to accurately categorize grievances in 7 out of 16 (44% of) its
20 grievance records.
- 21 2. ALIC did not accurately report grievances in the semi-annual grievance
22 reports.

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4 **CONCLUSIONS OF LAW**

5 I. Jurisdiction.

6 The Director has the authority to enter and enforce this order. A.R.S. § 20-142.

7 II. Utilization Review and Health Care Appeals.

- 8 A. During the Examination Period, ALIC violated A.R.S. § 20-2533(C) by failing in 16
9 out of 34 (47% of) appeals to provide a health care appeals information packet to
10 members or the member's treating provider on request within five business days of
11 the member initiating an appeal.
- 12 B. During the Examination Period, ALIC violated A.R.S. § 20-2535(B) by failing in 20
13 out of 27 (74% of) requests for informal reconsideration to mail a written
14 acknowledgment to the member within five business days after receiving the request,
15 or failing to mail a written acknowledgment to the member's treating provider within
16 five business days after receiving the request or failing to do either.
- 17 C. During PEPs 1, 2 and 4, ALIC violated A.R.S. § 20-2535(D) by failing in 5 out of 23
18 (22% of) informal reconsiderations, to mail notice of its decision to the member within
19 thirty days after receiving a request for informal reconsideration, or to mail notice of
20 its decision to the member's treating provider within thirty days after receiving a
21 request for informal reconsideration, or to include the criteria used and the clinical
22 reasons for the decision.
- 23 D. During PEP 3, ALIC violated A.R.S. § 20-2535(F) by failing in 2 out of 7 (29% of)
24 informal reconsiderations, when a service or claim was denied at the conclusion of
25 the informal reconsideration, to provide the member and the treating provider with a

1 written statement of the decision and the criteria and clinical reasons and the option
2 to proceed.

3 E. During PEPs 2 and 4, ALIC violated A.R.S. § 20-2536(B) by failing in 2 out of 4 (50%
4 of) formal appeals, to mail a written acknowledgement letter to the member and the
5 member's treating provider within five business days after receiving the formal
6 appeal.

7 III. Provider Timely Payment and Provider Grievances.

8 A. During PEPs 1, 2 and 3, ALIC violated A.R.S. § 20-3102(A) by failing to pay interest
9 or paying too little interest in 772 out of 4,825 (16% of) clean claims that ALIC paid
10 late.

11 B. During the Examination Period, ALIC violated A.R.S. § 20-3102(C) by delaying the
12 payment of clean claims without reasonable justification by paying an inaccurate
13 amount in 743 out of 941 (79% of) clean claims from non-contracted ambulance-
14 providers.

15 C. During the Examination Period, ALIC violated A.R.S. § 20-3102(F) by failing to
16 establish or have an effective internal system for resolving payment disputes and
17 contractual grievances.

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2 **ORDER**

3 **IT IS HEREBY ORDERED THAT:**

4 1. Health Care Appeals Practices. Within 90 days of the filed date of this Order, ALIC shall
5 submit to the Arizona Department of Insurance for the Director's approval a Corrective
6 Action Plan (CAP 1) that provides specific steps ALIC already has taken or will take by
7 certain dates to assure that by a specified implementation date, ALIC is:

8 a. Providing a health care appeals information packet to the member or the member's
9 treating provider on request within five business days of the member initiating an
10 appeal.

11 b. Mailing a written acknowledgment to the member and to the member's treating
12 provider within five business days after receiving a member's request for informal
13 reconsideration.

14 c. Mailing notice of an informal reconsideration decision to the member and to the
15 member's treating provider within thirty days after receiving a request for informal
16 reconsideration and including the criteria used and the clinical reasons for the
17 decision.

18 d. When a service or claim was denied at the conclusion of the informal reconsideration,
19 providing the member and the treating provider with a written statement of the
20 decision and the criteria and clinical reasons and the option to proceed.

21 e. Mailing a written acknowledgment letter to the member and the member's treating
22 provider within five business days after receiving a member's formal appeal.

23 2. Provider Timely Payment. Within 90 days of the filed date of this Order, ALIC shall submit to
24 the Arizona Department of Insurance for the Director's approval a Corrective Action Plan
25 (CAP 2) that provides specific steps ALIC already has taken or will take by certain dates to
assure that by a specified implementation date, ALIC is:

- a. Paying the correct amount of interest on clean claims that it approves and pays late, including claims it approves and pays late after receiving additional information.
- b. Accurately paying the amount required by statute for clean claims it is obligated to pay non-contracted ambulance providers.

3. Provider Grievances. Within 90 days of the filed date of this Order, ALIC shall submit to the Arizona Department of Insurance for the Director's approval a Corrective Action Plan (CAP 3) that provides specific steps ALIC already has taken or will take by certain dates to assure that by a specified implementation date, ALIC shall:

- a. Categorize grievances accurately.
- b. Submit accurate statutory, semi-annual grievances reports to ADOI.

4. Progress in Development of the CAPs. Until the Director approves a CAP, ALIC shall report to the Director each month on its progress in Development of that CAP. Each such monthly report shall include a current draft of the CAP. The first monthly CAP development report is due to the Director 30 days from the date of this Order.

5. Corrective Action Plan Requirements. Each CAP described above shall:

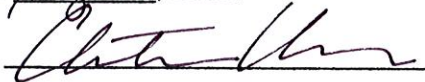
- a. Contain enough detail to allow the Director to determine whether the CAP will accomplish its purpose.
- b. Include testing before final implementation of the CAP.
- c. Include quality improvement review and follow-up.
- d. Identify one individual responsible and accountable for implementation of the CAP.
- e. Provide for ALIC to report to the Director each month starting thirty days from the date the Director approves the CAP regarding development and implementation of the CAP, in a form that includes documentation and is approved by the Director. If the CAP or any item of the CAP has been implemented, provide documentation that demonstrates the results of the changes.

1 f. Provide that within 10 business days of receiving notice that the Director has
2 approved the CAP, ALIC shall submit to the Director evidence that ALIC has
3 communicated the CAP to the appropriate personnel and begun implementation.
4 Evidence of communication and implementation includes, without limitation, memos,
5 bulletins, e-mails, correspondence, procedure manuals, print screens and training
6 materials.

7 6. Civil Penalty. ALIC shall pay a civil penalty of \$57,250 to the Director for deposit in the
8 State General Fund for violations cited above as Conclusions of Law. ALIC shall remit this
9 civil penalty to the Life & Health Division of the Department prior to the Department filing of
10 this Order.

11 The Department will file the Report of the Compliance Examination of ALIC upon the filing of
12 this order.

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14 DATED at Phoenix, Arizona this 26th day of August, 2009.

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17 Christina Urias

18 Director of Insurance
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2 **CONSENT TO ORDER**



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

AETNA LIFE INSURANCE COMPANY

5/17/09
Date

By 


Aetna Life Insurance Company

Gregory S. Martino
Vice President

1 COPY of the foregoing mailed/delivered
this 27th day of August, 2009 to:

2
3 Gerrie Marks
Deputy Director
4 Mary Butterfield
Assistant Director
Consumer Affairs Division
5 Helene I. Tomme
Market Oversight Division
6 Dean Ehler
Assistant Director
7 Property & Casualty Division
Steve Ferguson
8 Assistant Director
Financial Affairs Division
9 David Lee
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13 ARIZONA DEPARTMENT OF INSURANCE
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