BlueCross BlueShield of Vermont
An Independent Licensee of the Blue Cross and Blue Shield Association.

Kevin Goddard
Vice President Marketing and External Affairs

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DEPT. OF INSURANCE

March 25, 2003

Rebecca C. Heintz, Esq.
Vermont Department of Banking, Insurance, Securities
and Health Care Administration
89 Main Street Drawer 20
Montpelier, VT 05620-3101

Dear Rebecca,

I'm writing to provide some additional information that we believe is instructive and to ask that it be included in the final report that the Department develops in connection with the Market Conduct Examination that it conducted in early 2002.

As you may know, BCBSVT conducts provider satisfaction surveys each year to assess the general satisfaction levels of our providers and help us identify areas for improvement. The survey assessing our performance in 2002 was recently completed. I've enclosed a summary of the results, and you will notice that satisfaction levels in 2002 – the period during which complaints prompted the Department to conduct its Market Conduct Exam – improved in virtually every specific area. Indeed, in the area that was the specific focus of the exam, claims timeliness, the 3.67 satisfaction rating (on a five-point scale) was the highest in four years.

We believe that this provides further evidence that the short period in which claim processing timeliness was affected by system upgrade work represented a brief aberration in our performance. It also suggests that the steady improvement in our overall claims timeliness, accuracy, and in the accessibility and responsiveness of our provider service representatives is recognized by the provider community and reflected in their satisfaction with Blue Cross and Blue Shield of Vermont.

Thanks for your attention to this matter. Please don't hesitate to call if you have questions about this or would like further information about the survey.

Sincerely,

Kevin Goddard

Enclosure

cc: J. Peter Yankowski
William R. Milnes, Jr.

P.O. Box 186 · Montpelier, VT 05601-0186
Corporate Office 802-223-6131 · FAX Number 802-229-0511

2002 VHP Physician Satisfaction Survey

Five Point Scale Summary

Administrative Service

Satisfaction Rating Category	1999	2000	2001	2002
Overall service provided by BCBSVT	3.78	3.71	3.62	3.88
Timeliness of claims payment	3.65	3.65	3.53	3.71
Accuracy of claims payment	3.65	3.56	3.55	3.67
Accuracy of claims adjustments requested by your office	3.39	3.46	3.38	3.56
Timeliness of claims adjustments requested by your office	3.39	3.34	3.24	3.42
Ability to reach customer service representatives regarding claim issues	N/A	3.20	3.26	3.69
Professionalism of customer service representatives	3.99	4.00	4.10	4.12
Responsiveness of customer service representatives	3.99	3.78	3.79	3.92
Ability to reach provider relations staff regarding policy issues	N/A	3.28	3.05	3.42
Professionalism of provider relations staff	3.88	3.95	3.88	3.94
Responsiveness of provider relations staff	3.88	3.67	3.37	3.66
Clarity of BCBSVT materials for physicians	3.59	3.65	3.60	3.81

Utilization Management

Satisfaction Rating Category	1999	2000	2001	2002
Professionalism of the RN or MD that you spoke with	3.86	3.83	4.23	4.35
Timeliness of decision	3.39	3.69	3.83	3.91
Process of notifying you of our decision	3.44	3.74	3.76	3.89
Helpfulness of RN case manager in facilitating your patients needs	N/A	3.82	3.93	4.10
After hours responsiveness of clinical staff *(if applicable)*	N/A	3.44	3.44	3.80
Percentage of physicians who would recommend our case management services to peers or patients		84%	90%	85%

Communications of Policies and Guidelines

	Always or Almost Always 2000	*Always or Almost Always* 2001	*Always or Almost Always* 2002
How often do you counsel your patients who smoke about the risks of smoking and the benefits of quitting?	**85%**	**79%**	**69%**

	Training Sessions/ Seminars	*News-letters*	*The Internet*	*Meetings At Your Office*	*Other*
What is the best way for BCBSVT to improve your understanding of our utilization management criteria?	**19%**	**49%**	**7%**	**17%**	**8%**

	In Writing/ Mailings	*News-letters*	*The Internet*	*Meetings At Your Office*	*Other*
What is the best way for BCBSVT to communicate its policies and guidelines?	**44%**	**27%**	**13%**	**11%**	**5%**

	2001	2002
Percentage of physicians with internet access	79%	86%

	Yes	No
Have you accessed the provider site on our website which is www.bcbsvt.com?	28%	72%

	2002
How would you rate the topics available on our website?	3.77
How would you rate the services available on our website?	3.55

General Rating

	2000	2001	2002
Over the last 90 days, did BCBSVT's overall performance get better, stay the same, or get worse?	2.99	3.04	3.06

	2000	2001	2002
Would you recommend BCBSVT to your colleagues who were considering becoming participating providers?	3.69	4.09	4.07

	2002
Compared to the other health plans with which you participate, how does BCBSVT rate in terms of service?	3.45

	2000	2001	2002
Survey response rate	14% (242)	35% (269)	40% (309)

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March 13, 2003

Rebecca C. Heintz, Esq.
Vermont Department of Banking, Insurance, Securities,
and Health Care Administration
89 Main Street, Drawer 20
Montpelier, VT 05620-3101

Re: BCBSVT Market Conduct Examination

Dear Rebecca:

The following includes our formal response to the Blue Cross and Blue Shield of Vermont ("BCBSVT") Market Conduct Examination Report ("Report") issued on February 12, 2003. The Report addresses issues relating to compliance with three regulatory requirements: 1. Timely adjudication of provider claims; 2. Payment of interest on certain claims whose adjudication was deemed to be untimely; and 3. Timely response to consumer complaints forwarded to BCBSVT by the Vermont Department of Banking, Insurance, Securities and Health Care Administration ("BISHCA").

BCBSVT places high importance on its capabilities to respond in a timely manner to both provider claims and consumer inquiries and complaints and recognizes its obligation to pay interest on claims which have not been adjudicated within the time periods required by law or regulation. It also agrees that consumer issues raised by BISHCA should be responded to in a timely and informative manner. The documentation supporting BCBSVT's responses to recommendations # 1 - # 6 is evidence of the seriousness of its commitment, as well as its success in addressing issues raised in the Report.

BCBSVT asks that BISHCA take into account the fact that the claims processing delays cited in the Report occurred during the systems unification conversion process. As the data submitted in connection with Recommendations # 1 - # 4 indicates, BCBSVT's compliance, in terms of adjudicating claims within regulatory time frames and paying interest when such time frames have not been met, has significantly improved. Thus, to some extent, claims processing delays were a consequence of BCBSVT's efforts to improve its service to subscribers in the long term. Indeed, the company believes and an internal audit has demonstrated that it is currently operating in substantial compliance with all laws and regulations in this regard, with our shared objective of meeting the reasonable expectations of our providers, customers and subscribers. We hope that our current operating levels will be reflected in the final document that becomes part of the public record.

Before addressing the specific recommendations, please allow us to outline a number of serious concerns we have about assertions in the narrative section of the Department's report:

- On page three, the report makes reference to a separate review of the Plan's System Unification Project. The reference appropriately acknowledges that the information will be proprietary. We request that the reference be removed from the introductory section of this report.
- Also on page three, the report asserts that the exam was prompted by concerns expressed by several physicians, hospitals and other providers. It goes on to say "the concerns were corroborated by significant declines in consumer satisfaction data . . . " and makes reference to Appendix H. It is clear to us that the data in Appendix H does not support the claim of a decline in consumer satisfaction. We ask that the assertion of a decline in consumer satisfaction, as well as the reference to Appendix H, be removed.

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- On page 5, in the Findings section, the report makes reference to the number of claims paid by BCBSVT during 2001, as well as the percent paid and the percent denied. We do not understand the relevance of this to the examination and asked that the reference be removed.
- On page 6, in the Conclusion section, it appears to us that the examiners constructed their findings in the light least favorable to BCBSVT, and that they did not fairly represent their findings. The first finding listed is that 16 percent of managed care claims were not processed within 45 days, essentially focusing on the subset of our total claims payments that had the highest non-compliance rate. We believe the primary finding should be amended to clearly state that 92 % of claims were processed within the 45-day requirement and that the examiners found that 8 percent of all claims were non-complaint during the period; if the 16 percent is referenced as a subset, then the other subset also should be referenced, i.e., that only 2 percent of indemnity claims were non-complaint.
- On page 9, in the Conclusion section, we believe the examiners should merely note that BCBSVT responses were compliant and adequate. References to "not always as expansive as BISHCA staff ideally desired," "opportunities for improvement" and a staff member's "more terse writing style" seem to us to be gratuitous and irrelevant. We ask that they be removed.

On the first page of the Report, it is noted that a study of BCBSVT's Systems Unification Project is confidential due to the proprietary nature of its contents. While recognition of confidentiality in this particular situation is appreciated, there is a significant amount of proprietary and confidential information contained within appendices A-H that has not been so recognized. For example, 1 VSA § 317(c)(9) broadly defines a trade secret as non-public information that would create an advantage in the marketplace if disclosed. As such, BCBSVT urges and requests that BISHCA remove all of the appendices from the Report and instead, treat them as examination work papers which are confidential documents under Vermont law. 1 VSA § 317(c).

There is a second issue related to inclusion of the appendices within the text of the Report and that is the failure to conduct sampling in a manner required to produce statistically significant results. Vermont has, by reference, adopted the National Association of Insurance Commissioners ("NAIC") Market Conduct Handbook ("Handbook"). 8 VSA §3573. The Handbook contains various requirements for conducting statistically significant studies. It does not appear, however, that these approaches were followed in a number of the studies described and set forth in the appendices.

Appendix D provides an example of the problem. On page 21 of the Report, there is a sentence that reads, in part: "A review of this small sample of claims <u>confirmed</u> that..." (emphasis added). A small sample cannot be deemed an appropriate basis for making any material statement about delays in processing resubmitted claims. This fact is itself acknowledged in the final sentence of Appendix D.

BCBSVT raises these issues with the reviews set forth in the appendices because they contain confidential proprietary information, they have not been conducted in a manner necessary to produce statistically significant results and contain numerous subjective (and, in our view, somewhat slanted) comments which are not based on objective fact. For these reasons, BCBSVT again asks that the appendices be removed from the Report.

BCBSVT responds to the specific recommendations as follows:

1. **Recommendation #1:** Many steps have been taken to raise employee awareness of the requirements for timely filing.

   The key item that was identified as the primary cause for difficulty in the timely processing of claims was the actual monitoring by management staff. With the procedures that have been put in place for reporting and monitoring significant progress has been made in the processing of claims as evidence by the number of claims that have exceeded the 45 day processing requirement and the amount of interest that has been paid. Exhibit 6a contains a summary of interest payments for the third and fourth quarter 2002 and Exhibits 6b, 6c, 6d and 6e are the detail reports that support Exhibit 6a.

   While the market conduct report indicated that there was no documentation of the timely processing requirement there was in fact a document that pertains to Act 159 in the procedures used by the staff at BCBSVT. This information was contained in the Lotus Notes system and attached is a copy of the document included and available to staff for review, please note this was originally made available to staff in 1999 and was subsequently reviewed in December 2002, this document is attached as Exhibit 1. Additionally a procedure for inventory escalation was formalized in October 2002 and added to the manual for all staff, this document is attached as Exhibit 2. In January 2002 a desk procedure was created and has been updated briefly outlining timely filing requirements, this is attached as Exhibit 3. These documents have been incorporated into staff training material and were distributed to all staff and reviewed at staff meetings to reinforce the need to be aware of the timely filing requirements.

   In order to monitor the age of inventories daily reports are provided to management for review. Attached as Exhibits 4a, 4b, 4c, 4d, 4e, 4f, 4g, are recent samples of these reports. Additionally inventory information is posted to the Executive Information System (EIS), the internal system that allows all management within the company to review this material. Also at the regularly scheduled staff meetings of the CEO and all Vice-Presidents this information is reviewed.

   The impact of this monitoring can be seen in the steady improvement in the aging of suspense inventories throughout 2002 and into 2003. Exhibits 5a and 5b are spreadsheets that provide the weekly aging of suspended claims. One of the measures that is closely watched to ensure timely processing is the number of claims processed within 30 days of received. Beginning in October of 2002 the percentage of claims processed within 30 days has been Oct – 99.3%, Nov – 99.4%, Dec – 99.6%, Jan – 99.4%, Feb – 99.2%.

2. **Recommendation #2** – As evidenced in the Table below, BCBSVT has the capability to, and has, generated interest penalty calculations in each quarter. Also, as evidenced in response to #1 above, the system provides us with aged claim data over 45 days. BCBSVT generated one large and cumulative interest calculation and interest payment run. The Plan performed interest penalty calculations on all claim payments over 45 days for the period January 1, 1997 through March 31, 2002. This comprehensive interest payment brought BCBSVT current regarding compliance with Act 159. The total interest payments for this five-year period were $109,550 and checks were issued on June 6, 2002. Since then, the Plan has performed the interest penalty calculations quarterly and issued checks on the dates listed below.

Period	Payment Date	Provider Interest Paid	Subscriber Interest Paid	Total
1/1/97 - 3/31/02	06/06/02	$100,050	$9,500	$109,550
4/1/02 - 6/30/02	07/31/02	$12,658	$859	$13,517
7/1/02 - 9/30/02	10/31/02	$16,111	$532	$16,643
10/1/02 - 12/31/02	02/11/03	$2,121	$546	$2,667

Procedures have been implemented which require that interest payment calculation be performed quarterly and that interest payments be issued within 30 days quarter end.

3. **Recommendation #3** – Please see the Table in our response to Recommendation #2 which provides the requested information.

4. **Recommendation #4** - BCBSVT confirms that it is current regarding the quarterly payment of interest to all providers with interest penalties in excess of $50 and subscribers in excess of $10. The Plan implemented a process which calls for the accumulation of interest due to individual providers below a cumulative $50 and subscribers below $10 and the quarterly payment of interest is triggered once balances exceed those thresholds. We have adopted this process both because providers have indicated they do not want to receive small denomination checks (in most instances cents) and because of costly administrative and cost efficiencies.

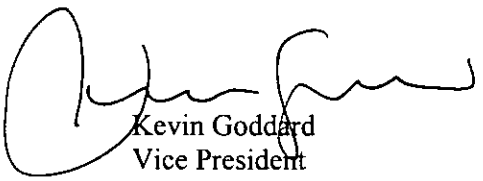
   BCBSVT will schedule annually, an interest penalty payment check run for providers and subscribers below these thresholds. The Plan would request BISHCA support the use of thresholds to avoid unreasonable administrative and cost inefficiencies to both BCBSVT and providers/subscribers.

5. **Recommendation # 5** - BCBSVT objects to any ongoing regulatory requirement which is not part of any statute or regulation. In this case, the Recommendation does not have any limitation in terms of time periods. It is, in essence, an evergreen requirement. Given the cost of producing reports and the fact that the Recommendation only applies to BCBSVT, it asks that Recommendation # 5 be deleted from the Report. BISHCA would, nevertheless, be able to access this type of information on an as needed basis under its general regulatory powers.

6. **Recommendation #6** - On July 1, 2002 the Plan transferred staffing and all accountability for complaints and grievances to the Legal Department. Two dedicated staff members are now assigned responsibility for handling all complaints and grievances. In addition, management has asked staff in all departments to make requests for information responsive to BISHCA complaints/inquiries a priority. BCBSVT intends to reserve the requests for extensions beyond the 15-day response requirement for instances when it is unable to obtain required information from an external source or for very complicated matters. The Plan has developed a database tracking system to monitor timeliness and the reporting from this database is reviewed by management on a bi-weekly basis. Additionally, management meets on a weekly basis with BISHCA staff to discuss any outstanding issues. BCBSVT intends to maintain compliance with the 15-day response requirement for complaints by continuing with the above practices.

BCBSVT expresses its appreciation to BISHCA for its careful consideration of the matters raised in this response. Please note, all exhibits referenced in this response are included on the enclosed compact disk.

Sincerely,



Kevin Goddard
Vice President
Marketing and External Affairs

KG/clt

cc: Peter Yankowski, Deputy Commissioner of Insurance
Susan Gretkowski, Deputy Commissioner of Health Care Administration
Herb Olson, General Counsel
Charles Piasecki, Market Conduct Chief