MARKET CONDUCT

EXAMINATION REPORT OF

AETNA HEALTH of IOWA INC.

OMAHA, NEBRASKA

AS OF AUGUST 31, 2016

Urbandale, Iowa
August 31, 2016

HONORABLE NICK GERHARDT
Commissioner of Insurance
State of Iowa

Commissioner:

In accordance with your authorization and pursuant to Iowa statutory provisions, a risk-focused market conduct examination has been made of the business practices of

AETNA HEALTH OF IOWA INC.

OMAHA, NEBRASKA

AS OF AUGUST 31, 2016

The statutory home office is located at 15950 West Dodge Road, Suite 400, Omaha, Nebraska.

INTRODUCTION

This limited-scope examination report, containing applicable comments, explanations and findings, is presented herein. In general, this is a report by exception. Comments regarding practices and procedures reviewed during the examination have been omitted from the report if no improprieties were found. Aetna Health of Iowa Inc., is licensed as a health maintenance organization and hereinafter referred to as the "Company", was previously examined as of December 31, 2009.

SCOPE OF EXAMINATION

This risk-focused market conduct examination covers the period from January 1, 2010 through December 31, 2015. It was conducted and performed solely for the Iowa Insurance Division by its examiners. The primary purpose of a risk-focused examination is to review and evaluate the insurer's business processes and controls related to statutory compliance and unfair trade practices. A questionnaire was provided to the Company covering the following general market conduct risks:

Complaints - The National Association of Commissioners (NAIC) define of a complaint as "any written communication that expresses dissatisfaction with a specific person or entity subject to regulation under the state's insurance laws".

Marketing and Sales – This portion of the examination is designed to evaluate the representations made by the regulated entity about its product(s) or services.

Producer Licensing - This portion of the examination is designed to test a regulated entity's compliance with state producer licensing laws and rules.

Policyholder Services - The policyholder service portion of the examination is designed to evaluate a regulated entity's compliance with statutes regarding policy issuance/cancellation, premium notice/billing/refund, consumer inquiry delays/no response and coverage questions.

Claim Practices - The claims portion of the examination is designed to provide a view of how the regulated entity treats claimants and whether that treatment is in compliance with applicable statutes, rules and regulations.

Underwriting Practices - The underwriting portion of the examination is designed to provide a view of how the regulated entity treats the public and whether that treatment is in compliance with applicable statutes, rules and regulations

Based on the Company's response to the questionnaire, review and evaluation of supporting documentation, and information gained from other regulatory agencies, this examination focused on market risks associated with policyholder services. Examination procedures (including, but not limited to, personnel interviews, documentation of policy and procedures, assessment of self-audits and review of third-party contractual obligations) were developed to assess the Company's practices related to policyholder services.

HISTORY

The Company was incorporated February 7, 1985 under the name HMO Iowa, Inc., under the laws of Iowa. On September 1987, the Company was purchased by Principal Financial Group, Inc. and Principal Mutual Life Insurance Company. On May 1, 1993, Principal Holding Company, a wholly owned subsidiary of Principal Mutual Life Insurance Company, acquired all the outstanding shares of the Company. On August 10, 1993, the Company name was changed to Principal Healthcare of Iowa, Inc. On September 1, 1993, United Healthcare of Iowa merged into Principal Healthcare of Iowa, Inc. On April 1, 1998, Principal Healthcare, Inc. was acquired by Coventry Corporation. The Company changed its name to Coventry Health Care of Iowa, Inc. effective January 1, 2000.

On May 7, 2013, Coventry Health Care of Iowa, Inc. was acquired by Aetna, Inc. On July 1, 2015, Coventry Health Care of Iowa, Inc. changed its name to Aetna Health, Inc. (an Iowa corporation). On February 1, 2016, Aetna Health Inc. changed its name to Aetna Health of Iowa, Inc.

TERRITORY AND PLAN OF OPERATION

The Company is licensed to do business in the State of Iowa. The Company manages and insures health care benefits of subscribers under employee benefit plans in the private sector and the public sectors through individual marketplace (on exchange) and individual direct (off exchange). The Company also offers administrative services only ("ASO") contracts with employee benefit plans to provide a full range of health care options without the Company assuming insurance risk. The Company began offered Iowa Health and Wellness Plans ("IHAWP") in 2014.

For the year ending December 31, 2015, net premium income was $311,960,148, as compared to 2014 where net premium income was $197,414,766. The increase of net premium income is primarily a result of the increase in individual membership related to the new Affordable Care Act (ACA).

During the 2015 ACA open enrollment period, 45,162 people initiated enrollment in private plans through the exchange in Iowa. By the end of March 2015, effectuated enrollment had dropped to 39,090. It is worth noting that the Company was the only health care provider to offer products statewide on the public exchange in 2015.

ADMINISTRATION AND OPERATIONS

Since the Company's acquisition by Aetna in 2013, the Company has adopted the business policies and procedures of Aetna. Aetna Life Insurance Company, including its affiliates, has a contractual agreement with HealthPlan Services, Inc. (HPS) to administer services related to individual marketplace/On-Exchange and individual direct/Off-Exchange business. HPS does perform services on behalf of the Company including enrollment, billing, and policyholder services. A contractual provision provides that HPS will follow quality assurance procedures including checkpoint reviews, testing, acceptance, and other procedures for the Company to confirm the quality of HPS's performance. HPS is a registered third-party administrator in Iowa.

HPS shall send a monthly service level report to the Company reporting their service level performance for each of the service level standards. The service level standard categories include: Eligibility Processing, Average Customer Service Telephonic Response Time/Call Abandonment, Premium Rate Changes, New Rate and Benefit Information Integration, Data Feeds for Management Reporting, HPS System Response Time, Availability of HPS' Systems, Financial Reporting, and Monthly Commission Feeds.

The Company also performs its own performance review of HPS through its Business Integrity Unit (BIU). The BIU shares its findings and reports with management and business owners to form a Management Action Plan Summary to resolve any issues found.

POLICYHOLDER SERVICES

Company staff generally service consumer issues related to claim and benefit questions. HPS primarily services calls and processes issues related to enrollment, billing, eligibility and account receivable questions. During the examination period, several deficiencies were noted that impact policyholder service practices.

- The Company did not have effective oversight to monitor HPS' process of sending payment notifications to on-exchange members. The Company has taken corrective action subsequent to the exam date.

- HPS did not have an effective process to monitor, prioritize, review, and address enrollee data flagged by Centers for Medicaid & Medicare Services. The Company has taken corrective action subsequent to the exam date.

- The Company lacked a formal process to escalate and track on-exchange member inquiries that were routed to various business areas outside of Member Services.

- The Company lacked an effective process to monitor adherence by HPS to Tier 1 and Tier 2 Service Level Standards and identify remediation steps to address metrics not achieved.

COMPLAINT HANDLING

The Company was requested to provide its complete record of all ACA marketplace complaints ("complaint log"). The examiner was unable to verify that the complaint log was complete and in compliance with Iowa Administrative Code 191-15.13(1).

A sample of 15 complaints was selected for review from the complaint log provided by the Company. The examiner found that a majority of the sample lacked adequate documentation of complaint resolution.

CONCLUSION

In addition to the undersigned, Amanda Buseman, CFE, MCM, Bouavan Kha, and Dexter Rassavong, examiners for the Iowa Insurance Division, participated in the examination and the preparation of this report.

Respectfully submitted,

__/s/ Virginia West_____
Virginia West, CFE
Examiner-in-Charge
Iowa Insurance Division
State of Iowa