



# Illinois Department of Insurance

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PAT QUINN  
Governor

ANDREW BORON  
Director

April 22, 2014

Mr. Frank D'Antonio  
President  
Coventry Health Care of Illinois, Inc.  
2110 Fox Dr  
Champaign, IL 61820

*sent via USPS certified mail  
return receipt requested*

Dear Mr. D'Antonio:

A Market Conduct Examination of your company was conducted by authorized examiners designated by the Director of Insurance pursuant to Illinois Insurance Code Sections 132, 401, 402, 403 and 425 of the Illinois Insurance Code. The examination covered the period January 1, 2011 through December 31, 2012.

A copy of the examination report is enclosed with this letter as well as a Stipulation and Consent Order. As required by the Illinois Insurance Code Section 132, the Director must notify the company concerning the contents of the verified examination report before filing it and making the report public of any matters relating thereto, and must afford the company an opportunity to demand a hearing with reference to the facts and other evidence therein contained. The company may request a hearing within 10 days after receipt of the examination report by giving the Director written notice of the request, together with a statement of its objections. The examination report will generally not be filed until a hearing is completed. Companies that do not demand a formal hearing may submit their rebuttal with respect to any matters in the examination report. The rebuttal will be considered by the Director before the examination report is filed.

Since no violations were found during this targeted examination, the Department intends to close this exam if there are no objections from the company to the enclosed examination report. Please provide a formal written response to the Department by no later than May 8, 2014.

Once the report of examination has been filed, the exam report, the company's rebuttal, if any, and corresponding Orders (if applicable) are public documents under the Freedom of Information Act (5 ILCS 140/1 *et al.*) and may be posted on the Department's website. In the event of a formal hearing, the record of the hearing, the Hearing Officer Recommendations, and the Director's final Order are also public documents and may be posted on the Department's website.

Please contact me if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read 'Lysa Saran', written in a cursive style.

Lysa Saran  
Acting Deputy Director  
Consumer Outreach and Protection  
Illinois Department of Insurance  
122 S. Michigan Avenue, 19th Floor  
Chicago, IL 60603  
Phone: 312-814-1767  
Cell: 312-833-4396  
E-mail: [Lysa.Saran@Illinois.gov](mailto:Lysa.Saran@Illinois.gov)

This Market Conduct Examination was conducted pursuant to Sections 5/132, 5/401, 5/402, 5/403 and 5/425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/402, 5/403 and 5/425). It was conducted in accordance with standard procedures of the Market Conduct Examination Section by duly qualified examiners of the Illinois Department of Insurance.

This report is divided into five parts. They are as follows: Summary, Background, Methodology, Findings and Technical Appendices. All files reviewed were reviewed on the basis of the files' contents at the time of the examination. Unless otherwise noted, all overcharges (underwriting) and/or underpayments (claims) were reimbursed during the course of the examination.

No company, corporation, or individual shall use this report or any statement, excerpt, portion, or section thereof for any advertising, marketing or solicitation purpose. Any company, corporation or individual action contrary to the above shall be deemed a violation of Section 149 of the Illinois Insurance Code (215 ILCS 5/149).

The Examiner-in-Charge was responsible for the conduct of this examination. The Examiner-in-Charge did approve of each criticism contained herein and has sworn to the accuracy of this report.

Lysa Saran  
Acting Deputy Director Consumer Outreach and Protection  
Illinois Department of Insurance

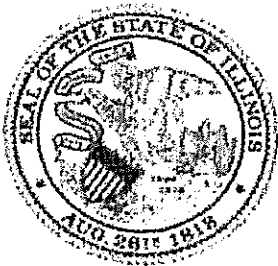


IN THE MATTER OF THE EXAMINATION OF  
COVENTRY HEALTH CARE OF ILLINOIS, INC.  
2110 FOX DR  
CHAMPAIGN, IL 61820

MARKET CONDUCT EXAMINATION WARRANT

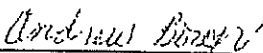
I, the undersigned, Director of Insurance of the State of Illinois, pursuant to Sections 132, 401, 401.5, 402, 403 and 425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/401.5, 5/402, 5/403, and 5/425) do hereby appoint, Barry Wells, of Risk and Regulatory Consulting, LLC, as Examiner-In-Charge, and Margaret Spencer, Linh Nguyen, Teri Harkenrider, Jo-Anne Fameree, Eric Scott, Marc Springer, Adam Sarote, Phil McMurray, Mike Descy, Tom Hayden, Dave Reimer, Randall Stevenson, Josh Windsor, Wayne Johnson, and LeeAnne Creevy, each of Risk & Regulatory Consulting, LLC, as Examiners, to conduct a targeted market conduct examination of Coventry Health Care of Illinois, Inc., NAIC # 74160, to examine the insurance business and affairs of Coventry Health Care of Illinois, Inc., and to make a full and true report to me specifically of the examination of the company's enforcement of provider contracts, including the review of health care claims and other information to determine whether healthcare provider liens have been filed against any personal injury damage awards due to enrollees, instead of claims being filed at the contracted rate under the agreements the company has with its contracted providers.

The persons so appointed shall also have the power to administer oaths and to examine any person concerning the business, conduct, or affairs of Coventry Health Care of Illinois, Inc.



*IN TESTIMONY WHEREOF*, I hereto set my hand and cause to be affixed this Seal.

Done at the City of Chicago, this 14<sup>th</sup> day of May, 2013.

  
\_\_\_\_\_  
Andrew Baron Director

**Coventry Health Care of Illinois, Inc.**  
**2110 Fox Drive**  
**Champaign, IL 61820**

**Market Conduct Examination Report**  
**For the Period January 1, 2011 through**  
**December 31, 2012**

**Examination Report Prepared by Independent**  
**Contractors For the Illinois Department of Insurance**



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## TABLE OF CONTENTS

	Page
Salutation .....	3
Scope of the Examination .....	4
Company and Industry Profile .....	4
Examiners' Methodology .....	5
Factual Findings .....	6

March 17, 2014

## Salutation

Director Andrew Boron  
Illinois Department of Insurance  
122 S. Michigan Ave., 19th Floor  
Chicago, IL 60603

Dear Director Boron:

Pursuant to your authority delegated under the provisions of Illinois Compiled Statutes, pursuant to Sections 132, 401, 401.5, 402, 403 and 425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/401.5, 5/402, 5/403, and 5/425) and in accordance with your Department's instructions, a market conduct examination of the business practices and affairs has been conducted of:

**Coventry Health Care of Illinois, Inc,  
Formerly, PersonalCare of Illinois  
2110 Fox Drive  
Champaign, IL 61820**

hereinafter referred to as "CHCI" or "Company." The following report of the findings of this examination is a report "by exception" and is thus limited to reporting apparent violations of Illinois laws. The report is herewith respectfully submitted.

## Scope of the Examination

The Illinois Department of Insurance (the “ILDOI” or the “Department”) conducted a Targeted Market Conduct Examination (the “Examination”) of CHCI for the period January 1, 2011 through December 31, 2012 (the “Period”). The Examination was called pursuant to Sections 132, 401, 401.5, 402, 403 and 425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/401.5, 5/402, 5/403, and 5/425)

The Department’s goals and objectives of the Examination included determining the Company’s compliance with the requirements of 770 ILCS 23/1 et. seq, Illinois’s Health Care Services Lien Act (the “Act”). The Examination was performed in accordance with applicable Sections of the Illinois Insurance Code. Further, the Examiner’s referred to guidance set forth in the 2012 NAIC Market Regulation Handbook (the “Handbook”) where applicable.

The Examination was conducted under the direction and overall management and control of Representatives of the ILDOI. Representatives from the firm of Risk & Regulatory Consulting, LLC (“RRC” or “the Examiners”) were engaged to complete certain examination procedures.

RRC personnel participated in the Examination in their capacity as market conduct examiners. RRC provides no representations regarding questions of legal interpretation or opinion. Determination of Findings constituting violations or potential violations is the sole responsibility of the ILDOI.

The Examination Report (the “Report”) is a report by exception with modifications. References to practices, procedures, or files that did not contain exceptions are limited. All unacceptable or non-complying practices may not have been identified. As a result, the majority of the material reviewed may not be addressed in this report. The failure to identify specific Company practices does not constitute acceptance of these practices.

## Company and Industry Profile

CHCI was founded in 1986 and is a diversified national managed healthcare company based in Bethesda, Maryland, operating health plans, insurance companies, network rental and workers’ compensation services companies. During the Period, CHCI advised they have 4 million covered members throughout 22 states. Membership, specific to the State of Illinois, where the Company has been providing health care benefits for more than 27 years are as follows:

<b>2011</b>	<b>2012</b>
Fully Insured: 60,492	Fully Insured: 51,511
Self-Funded: 40,409	Self-Funded: 39,686

CHCI provides a range of traditional and consumer-directed health insurance products, including group health, individual health, self-funded administration, Medicare and pharmacy plans. The Company’s network includes over 4,700 participating hospitals, over 580,000 allied health care professionals, and over 64,000 in the retail pharmacy network.



## Examiners' Methodology

The Examiner's approved workplan was based on a targeted examination approach, which was prepared following the review of preliminary data requests and discussions with the management of CHCI and in consultation with the ILDOI. As previously noted above, the general procedures of the Examination included a review of the applicable Illinois laws, regulations, and bulletins related to the Act. These procedures include an inquiry and review of appropriate information and documentation to better determine the Company's compliance with 770 ILCS 23/1 et. seq.

During the course of the Examination, the Examiners submitted written inquiries known as Information Data Requests ("IDRs") directed to the Company to assist in gathering information and/or clarify the Examiner's understanding of a particular matter. The Company's responses to the IDRs and certain data requested and received were then used to assist in determine compliance with the Illinois Insurance Code and applicable sections of the Illinois Administrative Code.

The Examiners requested and reviewed a variety of relevant information during the course of the Examination, which included:

- Copies of audit reports or findings from audits performed by CHCI of specific hospital providers for the Period.
- Copies of all member inquiries during the Period related to hospital liens.
- A listing of inquiries and complaints received by CHCI during the Period, specifically related to liens filed by a CHCI provider against a member.

Additionally, the Examiner's requested and received a listing of all claims presented to the Company during the Period that involved the following E-codes:

- 3 (e810–e819) Motor vehicle traffic accidents
- 4 (e820–e825) Motor vehicle non-traffic accidents
- 5 (e826–e829) Other road vehicle accidents

The listing received from the Company included 39 E-code claims. In follow up with the Company, the Examiners requested certain information for review anticipated to be included in the claim files, which included the following:

- Specific background/source information related to the claim.
- Information regarding any accompanying claims that would have been related to the date of service of the underlying claim associated with the E-code.

The Examiners reviewed each claim and the supporting materials received from the Company and shared the results of the review with the ILDOI.

Finally, the Examiners and the ILDOI conducted teleconference meetings with the Company on a frequent basis to provide updates concerning the progress of the Examination and share relevant Findings as of the date of the particular discussion.

Failure to identify specific Company practices, however, does not constitute acceptance of such practices. This report should not be construed to either endorse or discredit any insurance product. It is noted that during the course of the Examination, all unacceptable or non-compliant practices of the Company may not have been discovered.

## **Factual Findings**

The Examiners review of the background materials provided by the CHCI and the review of the 39 E-claims was completed to assist in determining whether the frequency of health care provider or health care professional's liens associated with the Company's members was the result of any improper or noncompliant practices or omissions in the Company's protocols and procedures and its arrangements with their health care providers. The Examination did not identify any significant Findings specific to the targeted scope of the Examination.





# Illinois Department of Insurance

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PAT QUINN  
Governor

ANDREW BORON  
Director

May 12, 2014

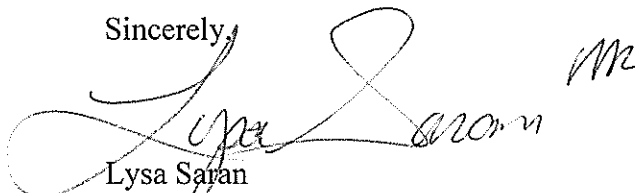
Ms. Linda L. Laugges  
Director of Regulatory Compliance  
Coventry Health & Life Insurance Company  
550 Maryville Centre Drive, Suite 300  
St. Louis, MO 63141-5818

Re: Coventry Health Care of Illinois, Inc.  
*Market Conduct Examination Report – Closing Letter*

Dear Ms. Laugges;

The Department has received the company's response dated May 5, 2014 accepting the market conduct report of examination on Coventry Healthcare of Illinois, Inc. Therefore, the Department is closing its file on this exam. I intend to ask the Director to make the Examination Report available for public inspection as authorized by 215 ILCS 5/132.

Sincerely,



Lysa Saran  
Acting Deputy Director  
Consumer Outreach and Protection  
Illinois Department of Insurance  
122 S. Michigan Avenue, 19th Floor  
Chicago, IL 60603  
Phone: 312-814-1767  
Cell: 312-833-4396  
E-mail: Lysa.Saran@Illinois.gov