Illinois Department of Insurance

BRUCE RAUNER
Governor

JENNIFER HAMMER
Director

August 22, 2017

Land of Lincoln Mutual Health Insurance Company
c/o Mr. James Stephens
Special Deputy Receiver & Chief Executive Officer
Office of the Special Deputy Receiver
222 Merchandise Mart Plaza, Suite 960
Chicago, IL 60654

Re: Land of Lincoln Mutual Health Insurance Company, NAIC 15102
Market Conduct Executed Stipulation and Consent Order

Dear Special Deputy Receiver Stephens:

The Department has reviewed your Company's proof of compliance and deems it adequate and sufficient. Therefore, the Department is closing its file on this exam.

I intend to ask the Director to make the Examination Report and Stipulation and Consent Order available for public inspection as authorized by 215 ILCS 5/132. At the Department's discretion, specific content of the report may be subject to redaction for private, personal, or trade secret information prior to making the report public. However, any redacted information will be made available to other regulators upon request.

Please contact me if you have any questions.

Sincerely,

Jack Engle

Jack Engle, MCM
Assistant Deputy Director-Market Conduct and Analysis
Illinois Department of Insurance
320 West Washington- 5th Floor
Springfield, IL 62767
217-558-1058
E-mail: Jack.Engle@Illinois.gov

ILLINOIS DEPARTMENT OF INSURANCE
MARKET CONDUCT EXAMINATION OF

LAND OF LINCOLN MUTUAL HEALTH INSURANCE COMPANY

MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION:	August 22, 2016 through December 16, 2016
EXAMINATION OF:	Land of Lincoln Mutual Health Insurance Company NAIC Code #15102
LOCATIONS:	222 South Riverside Plaza, Suite 1600 Chicago, IL 60606
PERIOD COVERED BY EXAMINATION:	January 1, 2015 to June 30, 2016 - Complaints July 1, 2015 to June 30, 2016 - Claims
EXAMINERS:	Cynthia Fitzgerald, Examiner-in-Charge Ann McClain, Senior Examiner Gerry Smith, Senior Examiner

TABLE OF CONTENTS

I. SUMMARY 1
II. BACKGROUND 2
III. METHODOLOGY 3
IV. SELECTION OF SAMPLES 4
V. FINDINGS 5
A. Operations and Management 5
B. Complaint Handling 5
C. Claims 6
D. Summary of Issues Related to the TPA 7

I. SUMMARY

A targeted market conduct examination of Land of Lincoln Mutual Health Insurance Company was performed to determine compliance with Illinois statutes, the Illinois Administrative Code and the Affordable Care Act ("ACA"). This examination was called by the Illinois Department of Insurance ("Department" or "DOI") to specifically assess conditions and practices at the company in conjunction with the rehabilitation and liquidation.

This examination report includes a review of Operations and Management; Complaint Handling; and Claims of Land of Lincoln Mutual Health Insurance Company.

The following represents general findings, however specific details are found in each section of the report.

TABLE OF TOTAL VIOLATIONS

Issue#	Statute/Rule	Description of Violation	Population	Files Reviewed	# of Violations	Error %
1	50 Ill. Adm. Code 926.40(a)	DOI Complaints: Company failed to respond in a timely manner to DOI Complaints.	84	84	17	20%
2	50 Ill. Adm. Code 926.40(b)	DOI Complaints: Company failed to provide complete file documentation for DOI Complaints.	84	84	42	50%
3	215 ILCS 5/143d(b)	Consumer Complaints: Company failed to respond in a timely manner to Consumer (Non-DOI) Complaints.	116	116	94	81%
4	215 ILCS 5/132(2)	Consumer Complaints: Company failed to provide complete file documentation for Consumer (Non-DOI) Complaints.	116	116	116	100%
5	215 ILCS 5/357.9	Paid Claims: Company failed to pay claims within 30 days of the file being complete.	184	94	32	34%
6	50 Ill. Adm. Code 919.30(c) and 215 ILCS 5/132(2)	Paid Claims: Company failed to provide complete paid claim file documents.	184	94	27	29%
7	215 ILCS 5/154.6(h)	Closed Without Payment Claims: Company refused to pay claims without conducting a reasonable investigation based on all available information.	184	94	24	26%

TABLE OF TOTAL VIOLATIONS						
Issue#	Statute/Rule	Description of Violation	Population	Files Reviewed	# of Violations	Error %
8	50 Ill. Adm. Code 919.50	Closed Without Payment Claims: Company failed to deny the claim within a reasonable time of the files being completed.	184	94	22	23%
9	50 Ill. Adm. Code 919.70(a)(2)	Closed Without Payment Claims: Company failed to send a delay notice within 45 days.	184	94	7	7%
10	215 ILCS 5/357.7	Closed Without Payment Claims: Company failed to acknowledge the claim and furnish forms within 15 days.	184	94	3	3%

II. BACKGROUND

The Metropolitan Chicago Healthcare Council ("MCHC"), a membership organization of more than 170 healthcare organizations in the Chicago area, assisted in creating a health insurance CO-OP. The intent was to increase competition among insurance companies, resulting in lower premiums for consumers. With input from leading insurance experts, MCHC submitted an application in November, 2011, to launch the first and only health insurance CO-OP in Illinois.

On April 29, 2013, Land of Lincoln Mutual Health Insurance Company, (the "Company" or "LLH"), obtained its mutual insurance license from the State of Illinois. On July 14, 2016, then-Acting Director of the Illinois Department of Insurance Anne Melissa Dowling sought and obtained an order of rehabilitation for LLH.

LLH's 2015 NAIC Annual Statement (Page 40 Illinois) reflects the following information:

Year	Total Written Premium in Illinois (Per Schedule T of the Financial Annual Statement)	Illinois Market Share
2015	$153,342,153	.29%

Valence Health (Valence) is a third-party administrator ("TPA") responsible for administering claims for LLH. As shown in the report, several of the issues discovered during the examination were related to their services for and interactions with LLH.

III. METHODOLOGY

The market conduct examination places emphasis on a Company's systems and procedures used in dealing with insureds and claimants. The period under review was generally January 1, 2015, through June 30, 2016. The examination included reviews of the following categories:

A. Operations and Management
B. Complaint Handling
C. Claims

The review of these categories was accomplished through interviews with Company personnel and examination of the Company's policies and procedures, third-party information, complaint correspondence and claims files. Each of these categories was examined for compliance with Illinois Department of Insurance rules and regulations, and applicable state laws.

Issues were identified and provided to the Illinois Department of Insurance and the Office of the Special Deputy Receiver. All issues identified as being valid were incorporated in this report.

The following methods were used to obtain the required samples and to assure a statistically accurate and methodical selection. The samples were developed from Company-generated data. The sample size was based on the most recent NAIC's *Market Regulation Handbook.* Random samples were generated using Audit Command Language ("ACL") software. The selected samples were provided to the Company for retrieval.

Operations and Management

The review of the Company's operations and management is designed to determine how the Company operates. Examiners reviewed both publicly available documents, such as annual statements, as well as internal documents such as Company policies and procedures, internal audit reports, and third-party administrator ("TPA") contracts.

Complaint Handling

Department of Insurance ("DOI") complaints and direct consumer ("Non-DOI") complaints for the period January 1, 2015 to June 30, 2016, were reviewed for compliance with applicable state laws and Company guidelines.

DOI Complaints – The population request for this category consisted of complaints received by the Department during the examination period. The Company's complaint log was reconciled with the individual file information and the DOI records to determine the completeness and accuracy of the data recorded. Each complaint file, along with the underlying claim or underwriting file, was reviewed for compliance with regulatory requirements.

Non-DOI Complaints – The population request for this category consisted of complaints received directly by the Company from consumers during the examination period. The Company's complaint log was reconciled with the individual file information to determine the completeness and accuracy of the data recorded. Each complaint file, along with the underlying claim or underwriting file, was reviewed for compliance with regulatory requirements.

Claims

Claims were selected based on settlement occurring within the period under examination. Claims were reviewed for compliance with policy contracts and endorsements, applicable sections of the Illinois Insurance Code (215 ILC 5/1, *et seq.*) and Title 50 of the Illinois Administrative Code (50 Ill. Adm. Code 101 *et seq.*). Reviews were conducted of both paid claims and those closed without payment.

The examiners reviewed 50% of the paid claims and 50% of the claims closed without payment sample for this exam. As LLH is in liquidation, the examiners were directed to identify issues for possible resolution by the Office of the Special Deputy Receiver, LLH, and/or the TPA, and to cease review once sufficiently identified to reduce examination costs and conserve LLH funds.

IV. SELECTION OF SAMPLES

	Total Files	# Reviewed	% Reviewed
A. Operations and Management			
1. Internal/External Audits	3	3	100%
2. Third-party Contracts	11	11	100%
B. Complaint Handling			
1. DOI Complaints	84	84	100%
2. Consumer Complaints	116	116	100%
C. Claims			
1. Paid Claims	184	94	51%
2. Claims Closed Without Payment	184	94	51%

Policy Type	Population of Paid Claims	% of Total Population	% of Total Sample (184)	25% of Sample Total	Additional 25%	Total of Sample Reviewed
Individual	496,706	81%	149	38	38	76
Small Group	89,367	15%	27	7	7	14
Large Group	25,600	4%	8	2	2	4
TOTAL	**611,673**	100%	184	47	47	94

V. FINDINGS

A. Operations and Management

1. Internal/External Audits

No violations were noted. The examiners reviewed the steps taken by LLH to address the audit findings, but did not have access to the steps, if any, taken by the TPA to address the findings.

2. TPA Contracts Review

No violations were noted. LLH has a TPA agreement that includes claims processing and servicing. The examiners reviewed the contract to ensure they included reviews of business functions, audit schedules and oversight provided by the Company. As mentioned above, the examination team did not have access to documentation necessary to determine if the TPA took any action or made any corrections based on audit findings.

3. Policies and Procedures for Claims and Complaints

No violations were noted. LLH policies and procedures for claims and complaints were reviewed. The Company has policies and procedures in place, however, the significant issues identified with claims and complaints reveals these policies and procedures may not have been adequate or adequately implemented.

B. Complaint Handling

1. DOI Complaints

In 17 complaints reviewed, the Company failed to respond timely to the DOI complaint as required by 50 Ill. Adm. Code 926.40(a). (Issue #1)

In 42 complaints reviewed, the Company did not provide complete file documents as required by 50 Ill. Adm. Code. 926.40(b). (Issue #2)

2. Non-DOI Complaints

In 94 complaints reviewed, the Company failed to respond timely to a directly received complaint as required by 215 ILCS 5/143d(b). (Issue #3)

In 116 complaints reviewed, the Company failed to provide complete file documentation as required by 215 ILCS 5/132(2). (Issue #4)

C. Claims

1. Claims – Paid

In 32 claims reviewed, the Company failed to pay the claim within 30 days of the file being complete as required by 215 ILCS 5/357.9. (Issue #5)

The Company's responses lacked any additional documentation to support the response supplied by the TPA, which completed a spreadsheet populated with an explanation. The examination team analyzed the responses from the TPA and categorized the responses into the following tables. Note that several samples have multiple reasons.

An analysis of claims paid greater than 30 days after the file was complete, is shown below:

Number of Claims	Response Explanation	Responsibility
14	Provider configuration errors or delays	LLH & TPA
10	Pricing or repricing delays	LLH & TPA
7	Incorrect benefit configuration	LLH & TPA
4	LLH Audit Hold	LLH
2	Correspondence claims backlogged due to LLH system rebuild	LLH
2	Preauthorization issues	LLH
1	Member accumulator error	TPA
1	Customer Service Inquiry	TPA
1	Reprocessed to corrected business unit	Unknown

In 27 claims reviewed, the Company failed to provide complete claim file documents as required by 50 Ill Adm. Code 919.30(c) and 215 ILCS 5/132(2). Upon request for missing documents, the Company did not supply actual documentation for review, but relied on the TPA to respond with a narrative. (Issue #6)

2. Claims – Closed without Payment

In 24 claims reviewed, the Company refused to pay claims without conducting a reasonable investigation based on all available information as required by 215 ILCS 5/154.6(h). Specifically, claims were denied with a statement that services were not covered, when in fact, the provider had simply used an inaccurate modifier. By stating that the services were not covered, and not indicating an inaccurate modifier, the provider or insured would not know to correct the modifier and therefore, get the claims paid. (Issue #7)

In 22 claims reviewed, the Company failed to deny the claim within a reasonable time of the claim file being complete as required by 50 Ill. Adm. Code 919.50. (Issue #8)

In seven (7) claims reviewed, the Company failed to send a delay notice within 45 days as required by 50 Ill. Adm. Code 919.70(a)(2). (Issue #9)

In three (3) claims reviewed, the Company failed to acknowledge the claim and furnish forms within 15 days as required by 215 ILCS 5/357.7. (Issue #10)

D. Summary of Issues Related to the TPA

The examination of LLH revealed the following areas of concern regarding the TPA:

Internal Audit Results

LLH's Internal Audit Report, dated February 2016, found that 10-14% of claims were delayed due to discrepancies in the claim's adjudication related to network, eligibility or benefit structures. LLH provided details on what they did to improve the claims adjudication process after the report. These were reviewed by the examiners and no violations were discovered. However, there was no information provided to the examiners on the steps taken by the TPA (or if they were even instructed to take any).

Claims Processing

Since the TPA indicated they do not create separate benefit configurations for each plan, the plan name on the TPA's system does not consistently match the plan name on LLH's system. In at least one instance, that position produced an incorrect plan description in the Aldera claims processing system. The TPA said that since the plan had the same pricing as another plan, instead of creating a benefit structure for that plan, they just pointed to an existing plan. As the examination team moved through the claims, it became obvious to the examiners that claims were delayed due to benefit structure, network configuration and other internal systems problems with the TPA.

STATE OF COLORADO)
) ss
COUNTY OF BOULDER)

I, Cynthia Fitzgerald, being first duly sworn upon his/her oath, deposes and says:

That she was appointed by the Director of Insurance of the State of Illinois (the "Director") as Examiner-In Charge to examine the insurance business and affairs of Land of Lincoln Healthcare Company, (the "Company"), NAIC #15102.

That the Examiner-In-Charge was directed to make a full and true report to the Director of the examination with a full statement of the condition and operation of the business and affairs of the Company with any other information as shall in the opinion of the Examiner-In-Charge be requisite to furnish the Director with a statement of the condition and operation of the Land of Lincoln Healthcare's business and affairs and the manner in which the Company conducts its business;

That neither the Examiner-In-Charge nor any other persons so designated nor any members of their immediate families is an officer of, connected with, or financially interested in the Company nor any of the Company's affiliates other than as a policyholder or claimant under a policy or as an owner of shares in a regulated diversified investment company, and that neither the Examiner-In-Charge nor any other persons so designated nor any members of their immediate families is financially interested in any other corporation or person affected by the examination;

That an examination was made of the affairs of the Company pursuant to the authority vested in the Examiner-In-Charge by the Director of Insurance of the State of Illinois;

That she/he was the Examiner-in-Charge of said examination and the attached report of examination is a full and true statement of the condition and operation of the insurance business and affairs of the Company for the period covered by the Report as determined by the examiners;

That the Report contains only facts ascertained from the books, papers, records, or documents, and other evidence obtained by investigation and examined or ascertained from the testimony of officers or agents or other persons examined under oath concerning the business, affairs, conduct, and performance of the Company.

Cynthia M Fitzgerald
Examiner-In-Charge

Subscribed and sworn to before me
this 3rd day of February, 2017.

CW Winslow
Notary Public

CHELSEA WINSLOW
NOTARY PUBLIC
STATE OF COLORADO
NOTARY ID 20184033091
MY COMMISSION EXPIRES AUGUST 29, 2020

STATE OF ILLINOIS
DEPARTMENT OF INSURANCE

IN THE MATTER OF:

LAND OF LINCOLN MUTUAL HEALTH INSURANCE COMPANY
222 SOUTH RIVERSIDE, SUITE 1600
CHICAGO, IL 60606

STIPULATION AND CONSENT ORDER

WHEREAS, the Director of the Illinois Department of Insurance ("Department") is a duly authorized and appointed official of the State of Illinois, having authority and responsibility for the enforcement of the insurance laws of this State; and

WHEREAS, Land of Lincoln Mutual Health Insurance Company ("Company"), NAIC 15102, is authorized under the insurance laws of this State and by the Director to engage in the business of soliciting, selling and issuing insurance policies; and

WHEREAS, a Market Conduct Examination of the Company was conducted by a duly qualified examiner of the Department pursuant to Sections 132, 401, 402, 403, and 425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/402, 5/403, and 5/425); and

WHEREAS, as a result of the Market Conduct Examination, the Department examiner filed a Market Conduct Examination Report which is an official document of the Department; and

WHEREAS, the Market Conduct Examination Report cited various areas in which the Company was not in compliance with the Illinois Insurance Code (215 ILCS 5/1 *et seq.*) and Department Regulations (50 Ill. Adm. Code 101 *et seq.*); and

WHEREAS, nothing herein contained, nor any action taken by the Company in connection with this Stipulation and Consent Order, shall constitute, or be construed as, an admission of fault, liability or wrongdoing of any kind whatsoever by the Company; and

WHEREAS, the Company is aware of and understands their various rights in connection with the examination and report, including the right to counsel, notice, hearing and appeal under Sections 132, 401, 402, 407, and 407.2 of the Illinois Insurance Code and 50 Ill. Adm. Code 2402; and

WHEREAS, the Company understands and agrees that by entering into this Stipulation and Consent Order, they waive any and all rights to notice and hearing; and

WHEREAS, the Company and the Director, for the purpose of resolving all matters raised by the report and in order to avoid any further administrative action, hereby enter into this Stipulation and Consent Order.

NOW, THEREFORE, IT IS AGREED by and between the Company and the Director as follows:

1. The Market Conduct Examination indicated various areas in which the Company was not in compliance with provisions of the Illinois Insurance Code and Department Regulations; and

2. The Director and the Company consent to this Order requiring the Company to take certain actions to come into compliance with provisions of the Illinois Insurance Code and Department Regulations.

THEREFORE, IT IS HEREBY ORDERED by the undersigned Director that the Company shall:

1. Institute and maintain policies and procedures whereby the Company shall respond to the Department of Insurance by the date specified when notified of a complaint received by the Department as required by 50 Ill. Adm. Code 926.40(a).

2. Institute and maintain policies and procedures whereby the Company shall provide adequate documentation which explains all actions taken or not taken when responding to complaints as required by 50 Ill. Adm. Code 926.40(b).

3. Institute and maintain policies and procedures whereby the Company shall provide a written response to written inquiries and complaints within twenty-one (21) days of receipt as required by 215 ILCS 5/143d(b).

4. Institute and maintain policies and procedures whereby the Company shall provide examiners adequate access to all books, records, documents, and any or all papers relating to the business, performance, operations, and affairs of the Company as required by 215 ILCS 5/132(2).

5. Institute and maintain policies and procedures whereby the Company shall ensure claims are paid within thirty (30) days following receipt by the insurer of due proof of loss as required by 215 ILCS 5/357.9.

6. Institute and maintain policies and procedures whereby the Company shall maintain detailed documentation in a claim file in order to permit reconstruction of the Company's activities relative to the claim as required by 50 Ill. Adm. Code 919.30(c).

7. Institute and maintain policies and procedures whereby the Company shall not refuse to pay claims without conducting a reasonable investigation based on all available information as required by 215 ILCS 5/154.6(h).

8. Institute and maintain policies and procedures whereby the Company shall provide the insured a reasonable written explanation for delay, accompanied by a Notice of Availability of the Department of Insurance, when a claim remains unresolved for forty-five (45) days from the date it is reported as required by 50 Ill. Adm. Code 919.70(a)(2).

9. Institute and maintain policies and procedures whereby the Company shall affirm or deny liability on claims within a reasonable time as required by 50 Ill. Adm. Code 919.50.

10. Submit to the Director of Insurance, State of Illinois, proof of compliance with the above nine (9) orders within thirty (30) days of execution of this Order. No civil forfeiture is levied against the Company, in order to conserve Company funds for payment of claims and ongoing operations due to its ordered rehabilitation and liquidation

NOTHING contained herein shall prohibit the Director from taking any and all appropriate regulatory action as set forth in the Illinois Insurance Code including, but not limited to, levying additional forfeitures, should the Company violate any of the provisions of this Stipulation and Consent Order or any provisions of the Illinois Insurance Code or Department Regulations.

On behalf of LAND OF LINCOLN MUTUAL HEALTH INSURANCE COMPANY

Signature

James Stephens
Name

Special Deputy
Title

Subscribed and sworn to before me this
31st day of July 2017.

Notary Public

OFFICIAL SEAL
JENNIFER YNIGUEZ
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:12/13/20

DEPARTMENT OF INSURANCE of the
State of Illinois:

DATE 8/2/17

Jennifer Hammer | pjd
Jennifer Hammer
Director