



**STATE OF NEW YORK
INSURANCE DEPARTMENT
25 BEAVER STREET
NEW YORK, NEW YORK 10004**

**Circular Letter No. 9 (1999)
May 25, 1999**

To: All Article 43 Corporations, Public Health Law Article 44 Health Maintenance Organizations and Insurers Licensed to Write Health Insurance in New York State

Subject: Adoption of Procedure Manuals

The recent enactments of numerous Federal and New York State statutes have greatly affected the business of providing health insurance benefits and prepaid health services. Taken together these enactments impose significant responsibilities upon insurers who write health insurance and managed care companies and the management and board of directors who are responsible for the overall management and control of the company's operations. The directors of an insurer licensed to write health insurance and of a health maintenance organization (collectively referred to as "company") and, in the case of a controlled company, the parent company must, under long standing principles of corporate governance, confirm that the company is fulfilling all of its responsibilities. However, the requirements of this Letter, including the acknowledgement and confirmation to this Department, apply only to the insurers who are writing health insurance in this State.

In order to fulfill its responsibility to oversee the claims adjudication process it is critical that the board adopt procedures to ensure that all claims are being processed accurately, uniformly, and in accordance with applicable statutes, rules, and regulations. One way for the board to ensure itself that such procedures are in place is to direct the officers responsible for claims adjudication to (i) issue, and up-date as necessary, a claims manual which sets forth the company's claims adjudication procedures; (ii) distribute the claims manual and necessary up-dates to all persons responsible for the supervision, processing and settlement of claims and obtain an acknowledgement of receipt; and (iii) provide the training necessary to ensure the claim manual's implementation including a formal educational program and periodic re-training. It is recommended that the board obtain the following certifications annually: (i) from either the company's director of internal audit or independent CPA that the responsible officers have implemented the procedures adopted by the board, and (ii) from the company's general counsel a statement that the company's current claims adjudication procedures, including those set forth in the current claims manual, are in accordance with applicable statutes, rules and regulations.

The board is reminded that its responsibilities to oversee management's handling of the claims adjudication process extends to outside parties who, pursuant to a management, administrative service, provider or other contract with the company, perform one or more of the claim adjudication procedures normally done by the company itself.

Of equal importance is the adoption of written procedures to enable the board to assure itself that the company's operations in other key areas are being conducted in accordance with applicable statutes, rules and regulations. Examples of additional key areas include: implementation of the Managed Care Bill of Rights (e.g. information dissemination, accessing prompt quality care, grievance/appeal process); underwriting and rating; external appeals (effective 7/1/99); and the accurate and timely reporting of all financial statement schedules and exhibits. In this

regard, the board should be aware that certain schedules are routinely reviewed by the media, provider community, the public and their elected representatives. These schedules include (Schedule references are to the HMDI and HMO Annual Statements):

- N.Y. Schedule G "Salaries and Compensation"
- N.Y. Schedule H "Aging Analysis of Claims Unpaid"
- N.Y. Schedule M "Grievances/Appeals"

The previously recommended annual certification to the board regarding implementation of the adopted procedures and the board's need to oversee outside parties under contract with the company also extends to these additional areas.

It is the Department's intention to undertake frequent targeted Market Conduct investigations to ensure the company's compliance with the applicable statutes, rules and regulations which govern each of the key areas identified in this Circular Letter.

It is requested that the Corporate Secretary acknowledge receipt of this Letter and confirm that it will be distributed to all board members and, if applicable, to the board members of the parent corporation prior to the respective board's next regularly scheduled meeting. Such distribution, receipt and any subsequent discussion should be recorded in the minutes of the respective board's meeting.

Acknowledgements and confirmations by the Corporate Secretary of the company, and, if applicable, the Corporate Secretary of the parent corporation, should be directed to the following:

Article 43 Corporations, HMOs and Accident and Health Insurers should respond to Senior Insurance Examiner Garfield McIntyre (email address: gmcintyr@ins.state.ny.us); licensed life insurers and fraternal benefit societies writing health insurance in this state respond to Principal Clerk Valerie Jones (email address: yjones@ins.state.ny.us); and licensed property/casualty insurers writing health insurance in this state respond to Principal Insurance Examiner Anna Lemecha (email address: alemecha@ins.state.ny.us). All of the above are located at the Department's New York City Office, 25 Beaver Street, New York, NY 10004.

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