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PacifiCare Life and Health Insurance Company & United Healthcare Insurance Company

CA DOI Targeted Claims Examination

Entrance Conference

August 6th, 2007

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PacifiCare Life and Health Insurance Company

Network Management Overview

Elena McFann, VP, Network Management & Integration
James Congleton, VP, Network Data Management

Member Appeals Overview

Heather Mace-Meador, Director, Appeals

Provider Dispute Resolution Overview

Ellen Vonderhaar, Vice President, Claims

Claims Overview

Ellen Vonderhaar, Vice President, Claims

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Network Management Overview

- Organizational Structure
- 2006 Network Transition and Recruitment
- Life of a Physician Contract

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Organizational Structure

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UnitedHealth Networks

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Mike McDonnell
UnitedHealth Networks

Networks Management Ed Novinski	Network Operations Tim Kaja	Network Development and Expansion Mark Allen	UnitedHealth Pharmaceutical Solutions Tim Heady	Quality and Affordability Programs Gino Tenace	Consumer Decision Support and Advocacy Paul Conlin	UHN Technology and Capability Enablement Steven Mueller	UHN Administration Mark Allen
Roles & Responsibilities	Roles & Responsibilities	Roles & Responsibilities	Roles & Responsibilities	Roles & Responsibilities	Roles & Responsibilities	Roles & Responsibilities	Roles & Responsibilities
• Contracting Commercial and Government • Reimbursement Policy • National Strategic Support	• Contract Control & Installation • Credentialing • NDB Operations • Provider Service (RDO, NSA, MSA, SSA and Settlement) • Operational Oversight (PCSU, Fraud & Abuse Provider Portals) • Centralized Physicnal Contracting Unit • ARO Operations • Integration & Program Deployment • Strategic Relationships • Health Care Purchasing Solutions, Lab and Other Programs	• Network Development and Expansion • Inter-segment Account Management • Sales Support • Shared Savaings and OON Opportunities • Leased Network Management • OneNet PPO	• Commercial Rx Benefit Management • Rx Sales • PDL Development and Management • Pharmacy Network Management • Specialty Program Management • Business and Product Development • Operations/ Clinical Programs	• Clinical Integrated Network Program Management • Premium/ Designation Program Operations (up to POC) • HCAI Coordination • Affordability Liaison • Regional Medical Expense Management	• Clinical Operations • Inpatient/ Outpatient Care Programs • Premium/ designation Program Operations (post-POC) • Medical and Reimbursement Policy Implementation • Medical Appeals • Clinical Operations Oversight (Commercial Services, external vendors)	• UHN Capability Development • Technology-Enabled Solution Management • Emptoris Operations • Repricing and Pricing Enablement and Onboarding • NOB Capability Development • Contracting Tools Development • Clinical Technology	• Clinical and Network • Business Planning, Metrics and Reporting • Internal Communications & Education • M&A Liaison • Shared Service Oversight (HC, RE, Legal, Finance, etc.) • Compliance/ BRM/Audit Coordination

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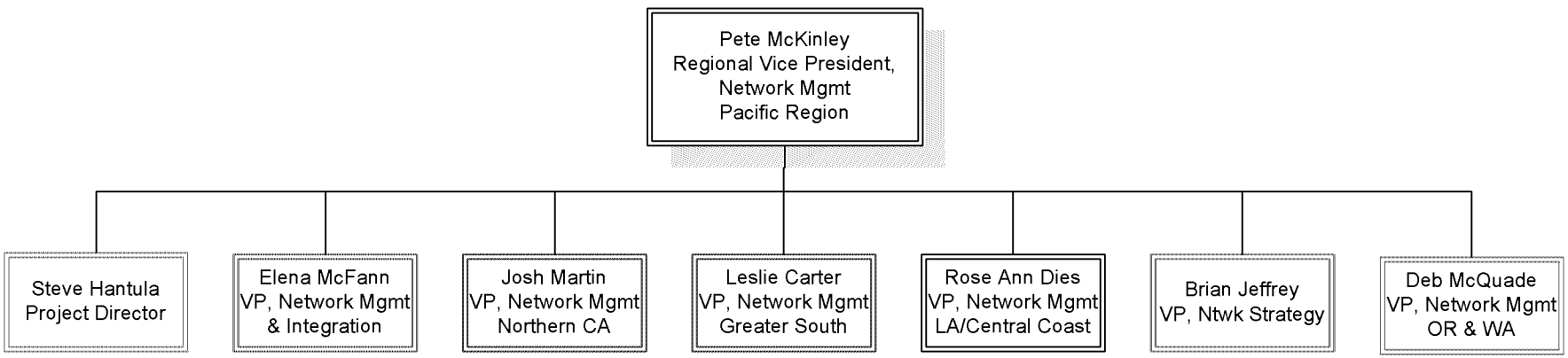
Network Management: Pacific



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2006 Network Transition and Recruitment

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CareTrust Network Transition

- Pre-transaction network access in California:
  - UnitedHealthcare membership → CareTrust Network (CTN), a for-profit subsidiary of Blue Shield of California
  - PacifiCare membership → directly contracted network
- US Department of Justice required UnitedHealth Group to terminate the CTN relationship within 1 year of filing DOJ Final Judgment
  - UnitedHealthcare expected to continue accessing CTN for its membership through end of 2006
- CTN provided 180 days notice of termination, effective June 22, 2006
- CTN Gap for UnitedHealthcare membership: 25 hospitals and 8,000 physicians
- Pacific Region Network Management leads contracting efforts, drawing upon UnitedHealth Networks resources from across the country

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Key Facts about Transition

- Used contract templates reviewed and approved by the Department of Managed Health Care (DMHC) and provided to the California Department of Insurance (CDI)
- Contracting efforts complicated by DOJ ruling preventing staff from accessing legacy CTN contract terms and rates
- Allowed some contracts to be effective retroactively to June 23, 2006 in order to ensure continuity of care
- ~ 40% of contracts returned by physicians are incomplete, preventing load
  - Missing TINs, incomplete rosters, incomplete demographics, etc.
  - Impact to claims payment and directory information
- Improved access across the state, across all markets for UnitedHealthcare **and** PacifiCare membership

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2006 Contracting Results

- Key Takeaways
  - Leased network for UnitedHealthcare replaced with direct network by June 23, 2006
  - PacifiCare PLHIC membership benefited from network expansion

- Access

Provider Type	CTN as of 1/1/06	PacifiCare Overlap as of 1/1/06	PacifiCare Unique as of 1/1/06	Gap Closed as of 12/31/06	Network as of 12/31/06	2006 Count / Percent Increase
Hospital	310	285	20	21	326	16 / 5%
Total Physician	46,000	38,000	3,200	9,000	50,200	4,200 / 9%
Primary Care Physicians (PCPs)	23,000				25,000	2,000 / 9%
Hospital-Based Physicians (HBPs)	8,800				9,000	200 / 2%
Other MD/DOs	14,200				16,200	2,000/14%

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Life of a Physician Contract

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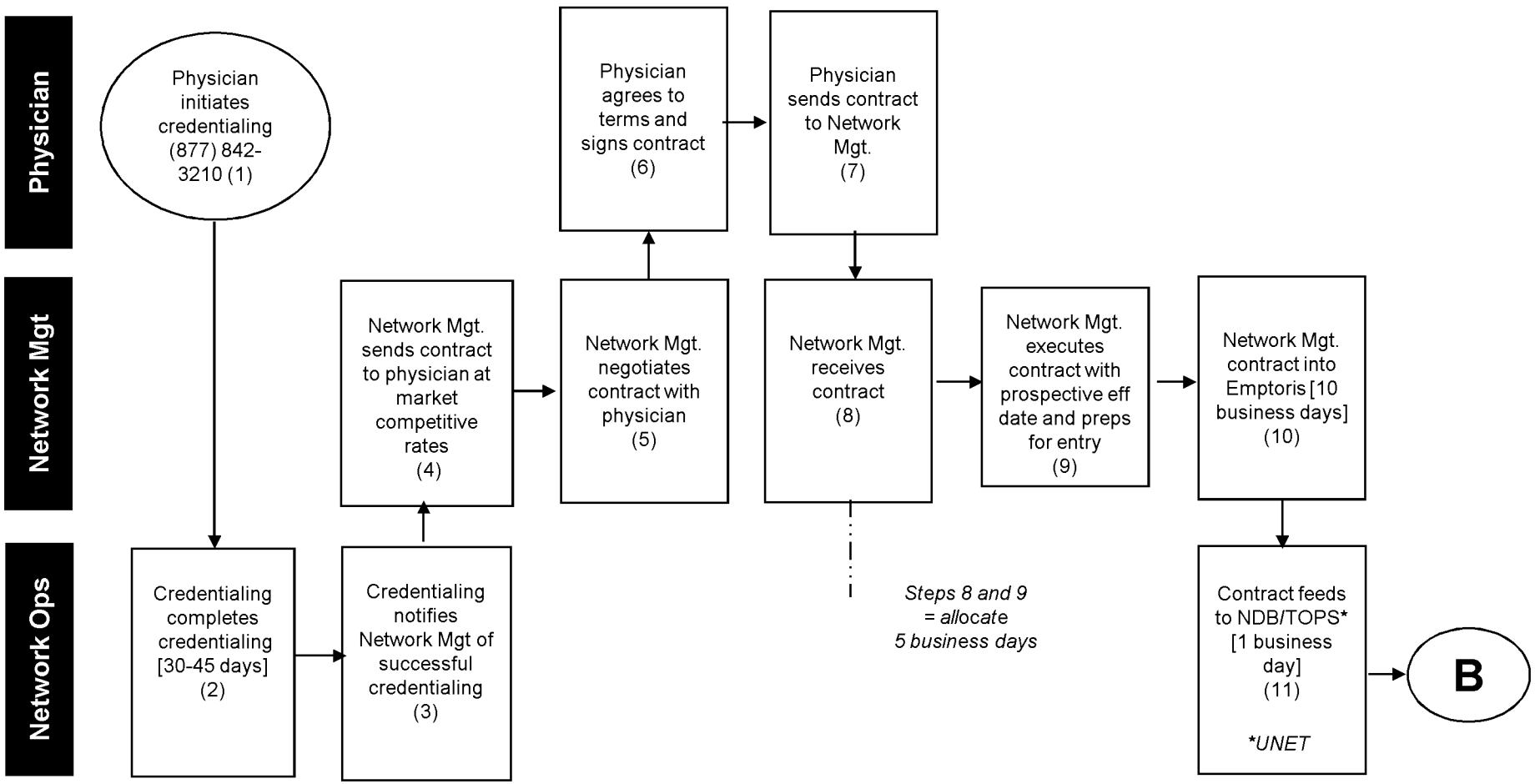
Physician Contract Negotiation and Load



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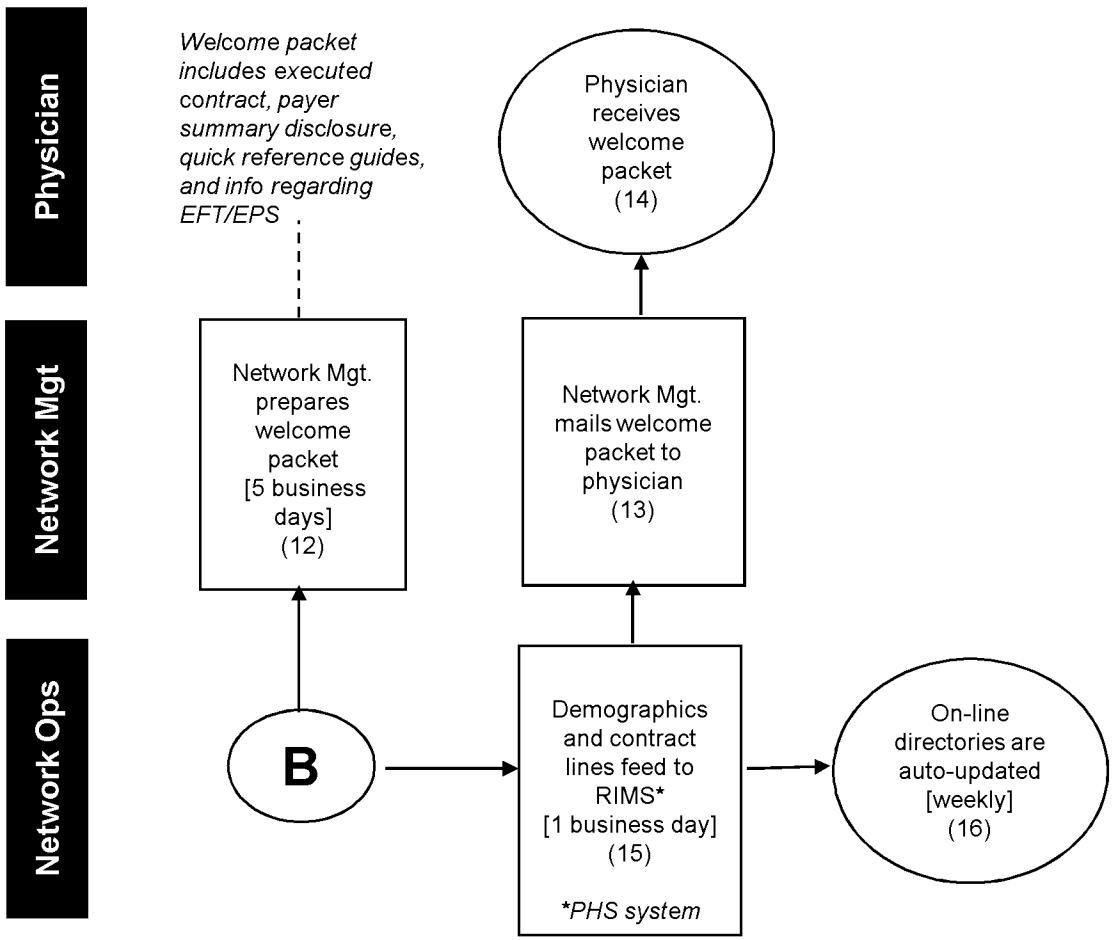
Physician Contract Negotiation and Load (cont.)



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Member Appeals Overview

- Management/Staffing
- Volumes
- Workflow

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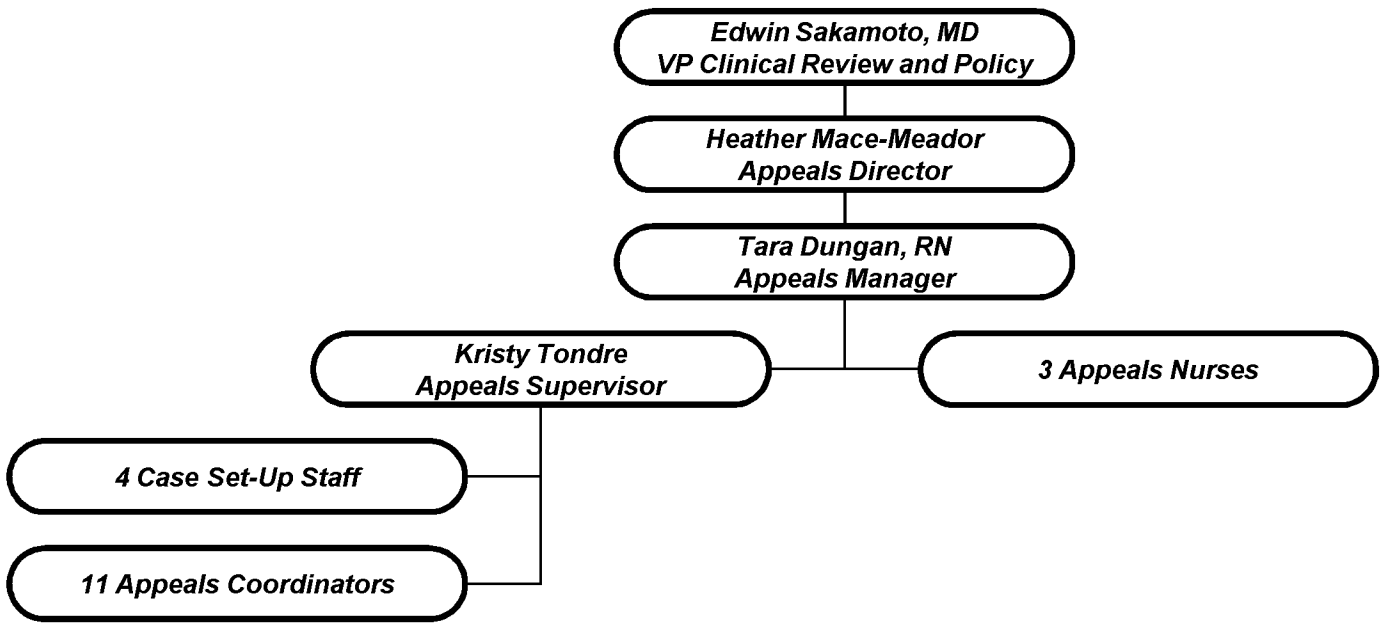
Management/Staffing

- Member appeals team is located in San Antonio, Texas
- Average tenure with the company is 8 years. Average tenure with the Appeals department is 6 years.
- Appeals Coordinators and Nurses received Fair Practices Claims Settlement Training in May, 2007



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Volumes

- Average 74 claims-related member complaints/appeals per month (June, 2006-May, 2007)

- Average claims-related member appeals overturn rate 33% (June, 2006-May, 2007)

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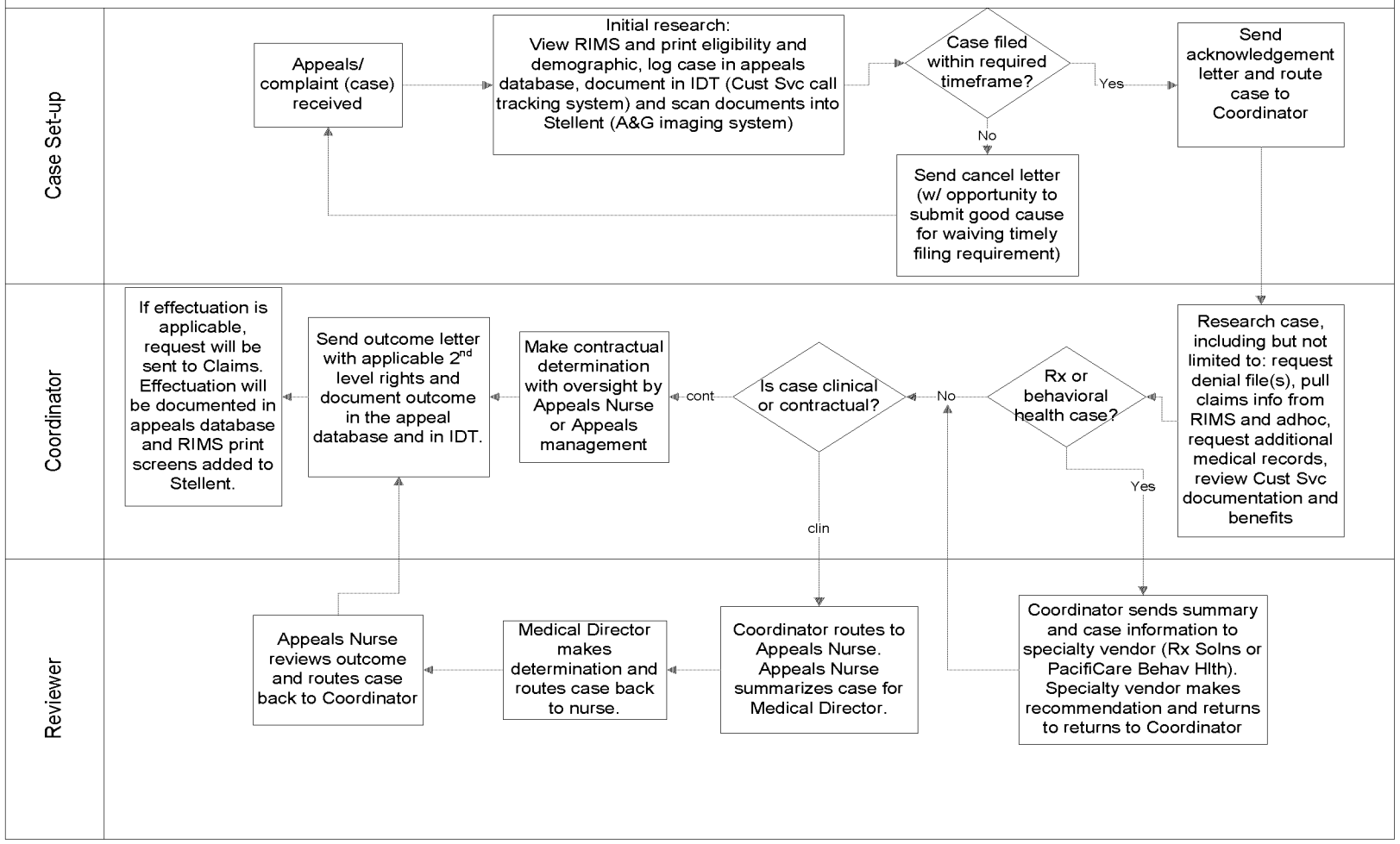
Appeals and Complaint (High-Level) Workflow



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Provider Dispute Resolution Process Overview

- Claims Rework Organizational Structure
- Provider Dispute Resolution Guidelines
- Resolution Timeline Requirements
- Provider Dispute Reporting
- Provider Dispute Workflow

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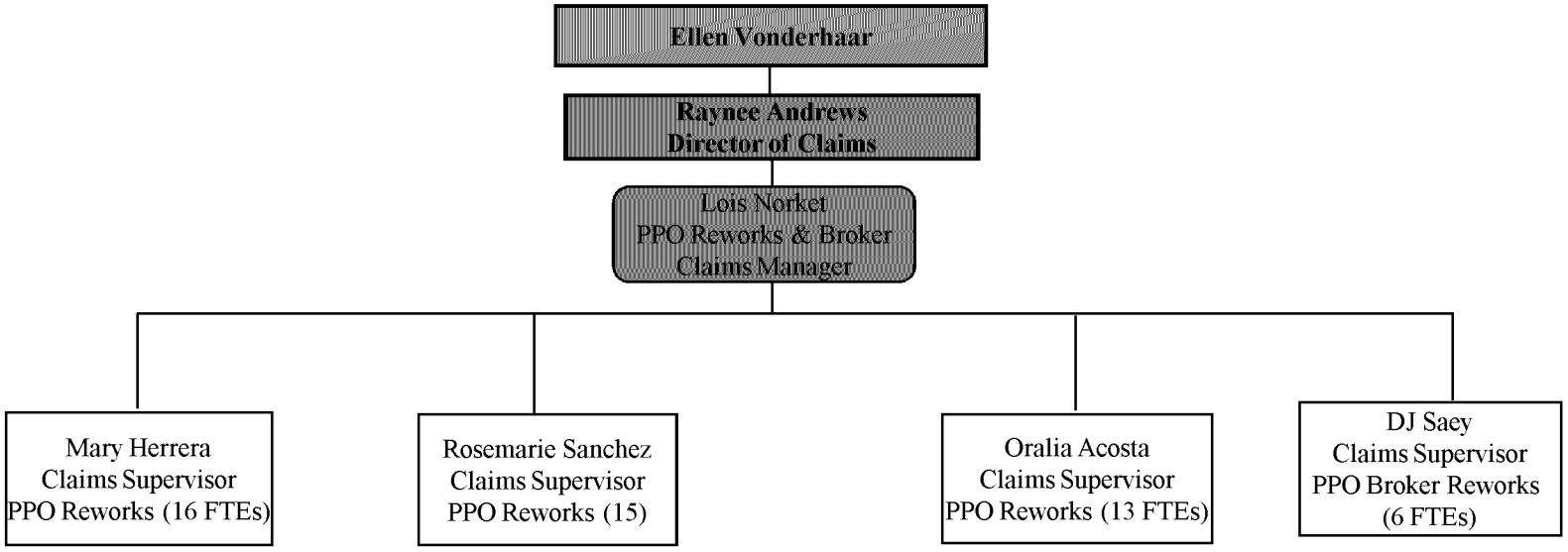
Claims Rework Organizational Structure



Margaret Bechtel

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Provider Dispute Resolution Guidelines

- Providers are notified of right to dispute and instructions on how to submit a Provider Dispute through, explanation of payment, website, customer care, the provider manual and contractual requirements.
- Disputes must be submitted in writing or on the standard industry form
- Disputes are reviewed for the following criteria:
  - Provider name
  - PacifiCare claim number
  - Provider contact information
  - Date of service
  - Clear expectation of the provider's interpretation of payment the payment methodology
  - Documents to support the provider dispute position
- Disputes must be received within 365 days from the last date of action
- Disputes are entered into REVA to track and trend disputes and to report requirements under SB367 and SB634

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Resolution Timeframe Requirements

- Written determination or request for additional information is rendered within 45 working days of receipt
  - Disputes are date stamped on date received in the Company
  - Written acknowledgement sent within 15 working days of receipt
  - Flag built into system and inventory management reports created to ensure timeliness
- Dispute is closed if additional information is not received within 30 days. A new file is opened if information is received after 30 days.
- Claim disputes are paid within 5 working days of the determination
- Interest and penalties are calculated beginning 31 working days from the date of receipt of the original claim if handled incorrectly by the plan, or from the date of receipt of the additional information if dispute is not a result of incorrect handling by the plan

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PROVIDER DISPUTE REPORTING

Receipt Month 2006-2007	Volume
June	0
July	5
August	226
September	575
October	1205
November	1197
December	1398
January	1839
February	1834
March	2435
April	2815
May	3034
Total	**16,563**

Provider Disputes Resolved within 45 Working Days		
Total Disputes Resolved	Total Disputes Resolved within 45 Working Days	Percentage Resolved within 45 Working Days
16,563	15,053	90.8%

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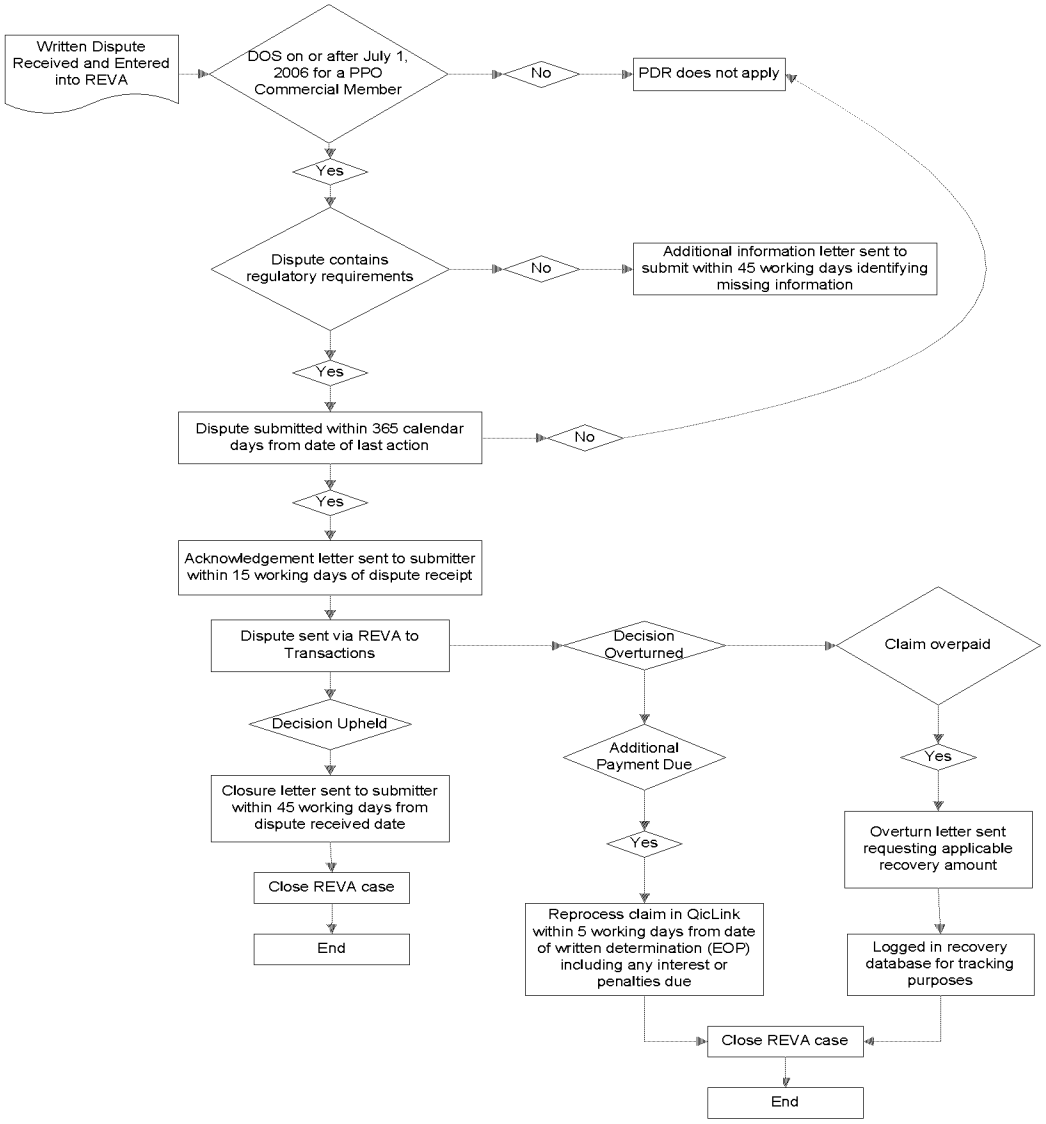
PROVIDER DISPUTE WORKFLOW



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Claims Overview

- Claims Operational Organization
- Department Statistics
- Quality organization
- Quality audits performed
- 2006 Transition activities
- Rework Process
- Rework Statistics
- Systems and Vendors
- Life of a claim

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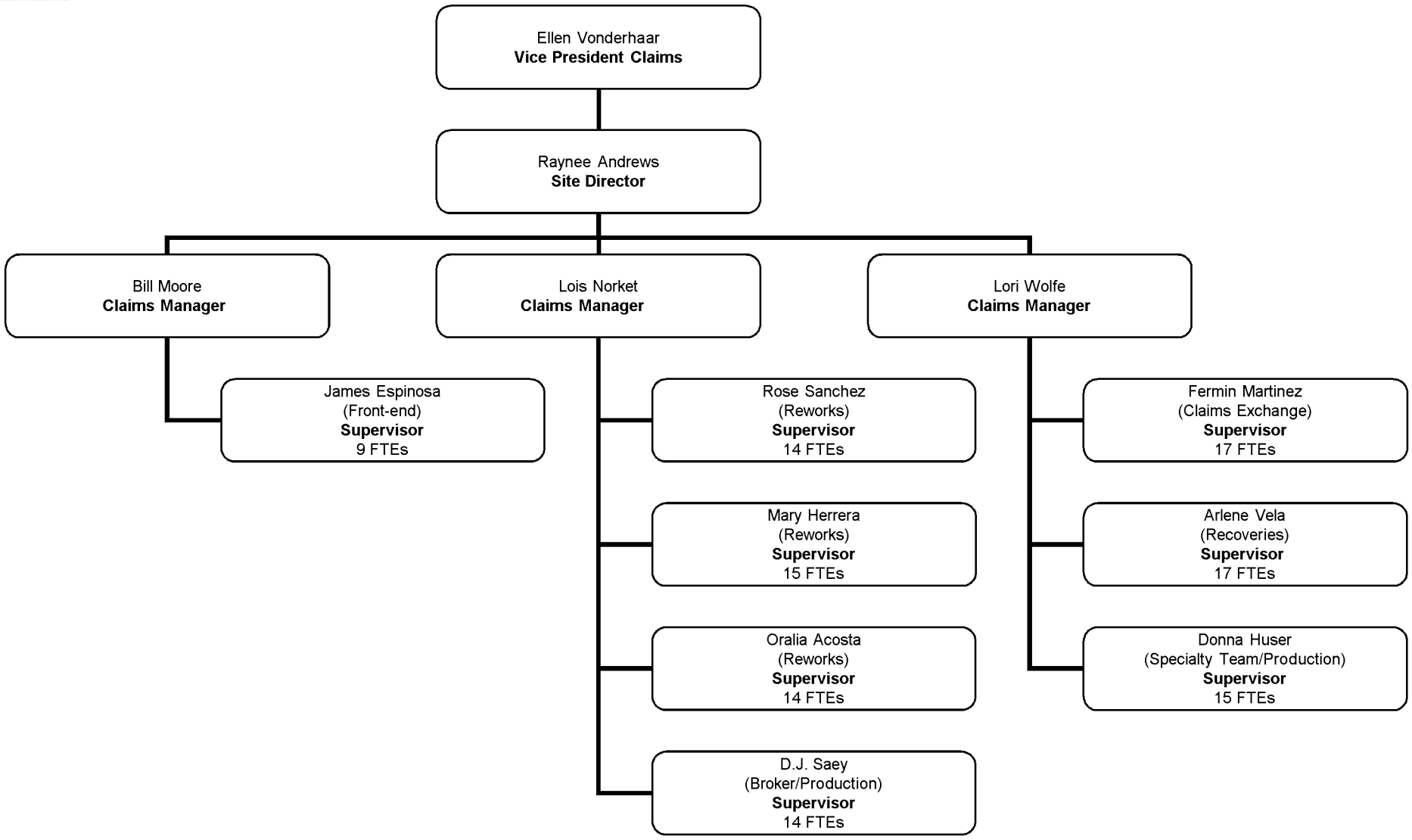
PPO Claims Organizational Chart



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PPO Claims Statistics

Auto Adjudication

- **2005** : 46.3%
- **2006**: 52.1%
- **2007:** 51.9%

Membership

- **2005**: 147, 764
- **2006**: 175, 646
- **2007** (as of 6/30): 139, 841

Logged Claims /Receipts

- **2005** : 1.3m
- **2006**: 1.3m
- **2007**: 855,126 through 07/28/07

DROH (Days Receipt on hand)

- **2005** : 6.95
- **2006**: 6.29
- **2007:** 5.18 through 07/28/07

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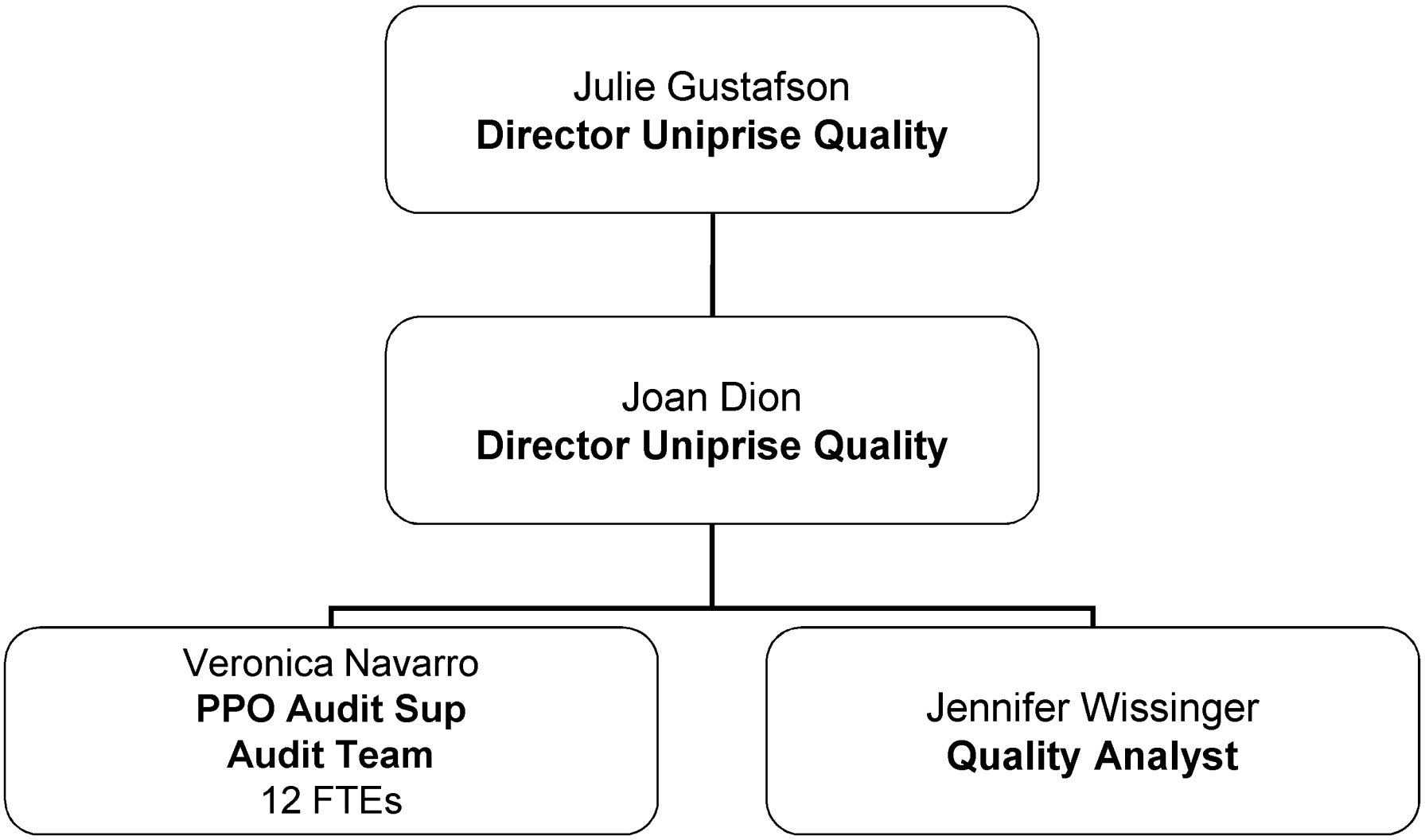
Transactions Quality Org Chart



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Quality Audit Process

- Types of Audits
  - Statistical Audits / Post disbursement audit - random sample based on paid dollars to achieve 95% confidence level of total population and a 3% interval or margin. Claims subject to audit are pulled through the CDS Claims Audit Database on a weekly basis.
  - High dollar audits - $5K Pre disbursement Audit - Audits performed on claims with payable amount of >$5k prior to issuing payment.
  - Performance Guarantee audits are also performed on customers with specific quality requirements outlined in performance guarantees.
  - Auditor Validation – validation audits are performed to measure the quality of the QA auditors.

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2006 Transition activities and timeframes

- May 1, 2006 – transition of the Cypress mailroom and front end data entry for all PPO claims to Lason. Support/oversight performed by United Vendor Management team and management team in San Antonio.
- July 31, 2006 – >$40K billed PPO claims processing transferred to the vendor MedPlans. Support/oversight of all PPO transferred to San Antonio office.
- July 31,2006 – All remaining PPO reworks processing transitioned to San Antonio office. Accountability for PPO claims and rework processing was transitioned to San Antonio office.
- September 30, 2006 – Transitioned PPO overpayment recovery processing to San Antonio office

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Rework Process

Claims receives reworks through:

- Customer service calls – IDT ORS
- Provider Correspondence - REVA
- Projects from Network Operations - REVA

Reworks are reviewed and processed according to the following:

- Individual provider requests, either call or correspondence, are distributed to staff on a first in first out basis through work queues
- Projects are worked on first in first out basis
- Uphold letters are sent for rework requests where no additional payments are due to provider
- Overturn letters are sent for rework requests where additional payments are due to providers.

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PPO Rework Statistics

PPO REWORKS	2006 Goals	2005 CY	Q1-06	Q2-06	Q3-06	Q4-06	Q1-07	Q2-07
California	95% within 15 days	69.60%	75.00%	94.10%	76.50%	80.14%	84.77%	91.38%

- TAT is based on calendar days

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Claims Processing Systems & Vendors

Systems

- RIMS
- FileNet Imaging
- docDNA
- Host ORS

Vendors

– Lason – Mailroom and front end data entry vendor
– MedPlans Partners – processing directly out of RIMS system
– Private Health Care Systems (PHCS) – pricing vendor

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PacifiCare non-HMO Product Life of a Claim

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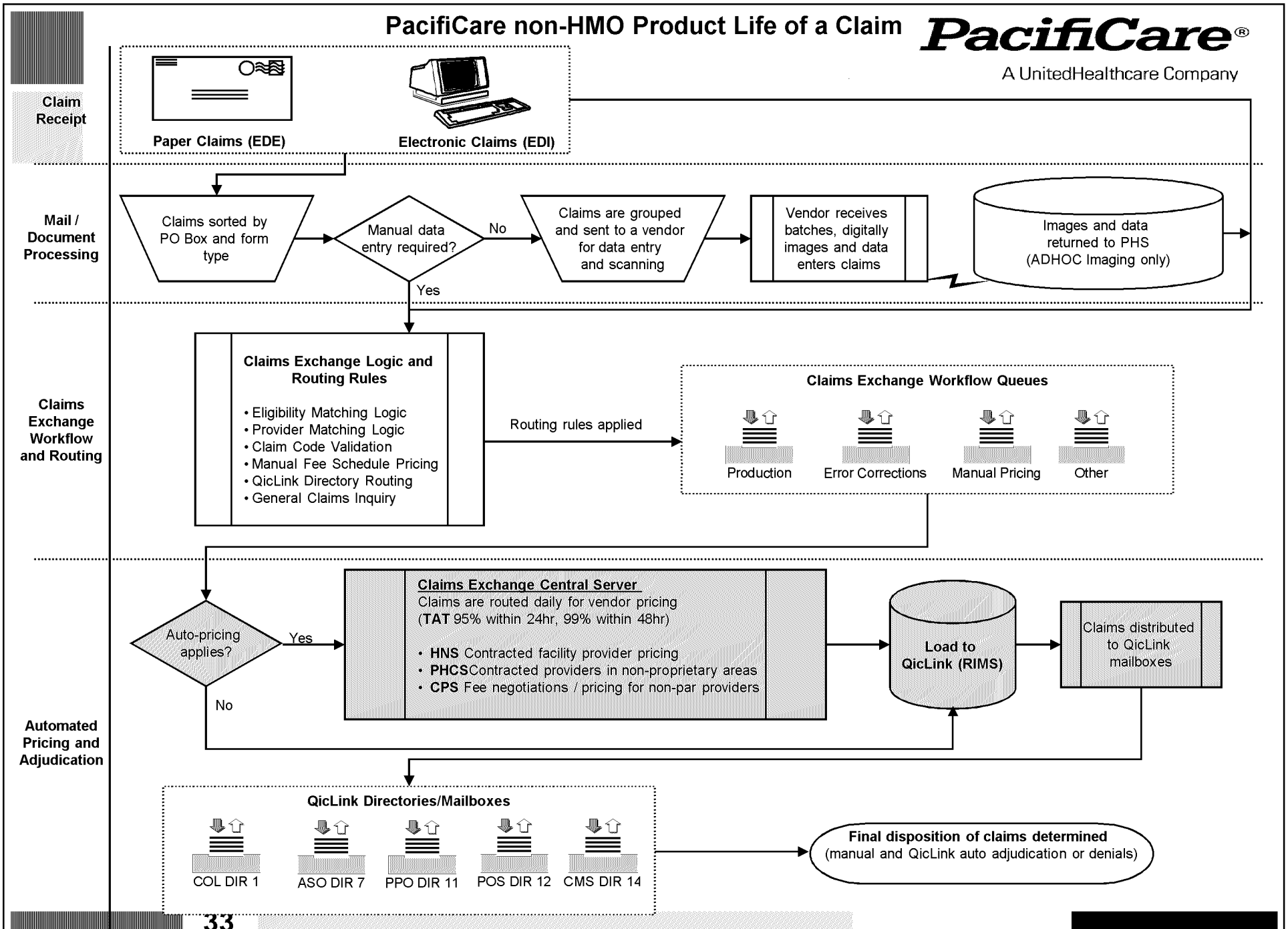

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