MARKET CONDUCT EXAMINATION

WILLAMETTE DENTAL OF WASHINGTON, INC.

14025 SW FARMINGTON ROAD
BEAVERTON, OREGON 97005

January 1, 2004 – March 31, 2005

Exhibit A
Order No. G 06-41
Willamette Dental of WA, Inc.

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The Honorable Mike Kreidler
Washington State Insurance Commissioner
302 14th Avenue SW
P.O. Box 40258
Olympia, Washington 98504-0258

Dear Commissioner Kreidler:

Pursuant to your instructions and in compliance with the statutory requirements of RCW 48.44.145 and procedures promulgated by the National Association of Insurance Commissioners and the Office of the Insurance Commissioner (OIC), an examination of the market conduct affairs has been performed of:

Willamette Dental of Washington, Inc., NAIC #47050
14025 SW Farmington Road
Beaverton, OR 97005

In this report, Willamette Dental of Washington, Inc. is referred to as WDW or as the Company.

This report of examination is respectfully submitted.

CHIEF EXAMINER'S REPORT CERTIFICATION and ACKNOWLEDGEMENTS

This examination was conducted in accordance with Office of Insurance Commissioner and National Association of Insurance Commissioners market conduct examination procedures. Nancy L. Campbell, AIE, ACS; Sandy Ray, CPCU; Jeanette M. Plitt, CLU; and Richard E Zamudio of the Washington State Office of Insurance Commissioner performed this examination and participated in the preparation of this report.

The examiners wish to express appreciation for the courtesy and cooperation extended by the personnel of Willamette Dental of Washington, Inc. during the course of this market conduct examination.

I certify that this document is the report of the examination, that I have reviewed this report in conjunction with pertinent examination work papers, that this report meets the provisions for such reports prescribed by the Office of Insurance Commissioner and that this report is true and correct to the best of my knowledge and belief.

Leslie A. Krier, AIE, FLMI
Chief Market Conduct Examiner
Office of the Insurance Commissioner
State of Washington

FOREWORD

This examination was completed by applying tests to each examination standard. Each test applied during the examination is stated in this report and the results are reported. Exceptions are noted as part of the comments for the applied test. Throughout the report, where cited, RCW refers to the Revised Code of Washington, and WAC refers to Washington Administrative Code.

Scope

Time Frame

The examination covered the Company's operations from January 1, 2004 through March 31, 2005. This was the first market conduct examination of Willamette Dental of Washington, Inc. This examination was performed in the Seattle OIC office and at the office of Willamette Dental of Washington, Inc.

Matters Examined

The examination included a review of the following areas:

Claims	Provider Activity
Rate and Form Filing	Underwriting
Agent Activity	Administrative Contracts

Sampling Standards

Methodology

In general, the sample for each test utilized in this examination falls within the following guidelines:

92 %	Confidence Level
+/- 5 %	Mathematical Tolerance

Regulatory Standards

Market conduct samples are tested for compliance with standards established by the OIC. The tests applied to sampled data will result in an error ratio, which determines whether or not a standard is met. If the error ratio found in the sample is, generally, less than 5%, the standard will be considered as met. The standards in the area of agent licensing and appointment, and policy and form filings will not be met if any violation is identified. This will also apply when all records are examined, in lieu of a sample.

For those standards, which look for the existence of written procedures, or a process to be in place, the standard will be met based on the examiner's analysis of those procedures or processes. The analysis will include a determination of whether or not the company follows established procedures.

Standards will be reported as Passed (without Comment), Passed with Comment or Failed. The definition of each category follows:

Passed	There were no findings for the standard.
Passed with Comment	Errors in the records reviewed fell within the tolerance level for that standard.
Failed	Errors in the records reviewed fell outside of the tolerance level established for the standard.

COMPANY OPERATIONS AND MANAGEMENT

Company History

Willamette Dental of Washington, Inc., (WDW) was incorporated in November 1995 and is registered as a limited health care service contractor (LHCSC) with the Office of Insurance Commissioner. The certificate of registration was issued on May 3, 1996.

Willamette Dental of Washington, Inc., issues group dental policies. The Company began marketing dental plans in Washington under the corporate name of Columbia Dental of Washington, Inc. The Company's articles of incorporation were amended in January 2003 to reflect the corporate name change to Willamette Dental of Washington, Inc.

Willamette Dental of Washington, Inc., is a wholly owned subsidiary of Willamette Dental of Idaho, Inc., and one (1) of six (6) affiliated Willamette Dental companies: Willamette Dental Insurance, Inc., Willamette Dental Group, P.C., Willamette Dental of Idaho, Inc., Willamette Dental Management Corporation, and Eugene C. Skourtes, Inc., P.S., doing business as Willamette Dental Group.

Company Operations and Management

Dr. Eugene C. Skourtes is the founder and sole shareholder of Willamette Dental of Washington, Inc., and the other Willamette Dental companies. WDW is governed by a three (3) member Board of Directors. The current members of the board are:

Board Member	Term Began	Term Expires
Dr. Eugene C. Skourtes	2004	2005
Stephen J. Petruzelli	2004	2005
Wee Yuen Chin	2004	2005

Findings

The following Company Operations and Management Standards passed without comment:

#	Company Operations and Management Standard	Reference
1	**The company is required to be registered with the OIC prior to acting as a health care service contractor in the State of Washington.**	**RCW 48.44.015(1)**
2	**The company is required to report to the OIC any changes to the registration documents, including Articles of Incorporation, Bylaws, and Amendments at the same time as submitting such documents to the Secretary of State.**	**RCW 48.44.013**
3	**When the company registers with the OIC, it is required to state its territory of operations.**	**RCW 48.44.040**

GENERAL EXAMINATION FINDINGS

The Company's records and operations were reviewed to determine if the Company does business in accordance with the requirements of this state.

Findings

The following General Examination Standards passed without comment:

#	General Examination Standard	Reference
1	**The company does business in good faith, and practices honesty and equity in all transactions.**	**RCW 48.01.030**
2	**The company must facilitate the examination process by providing its accounts, records, documents and files to the examiners upon request.**	**RCW 48.44.145(2)**
3	**The company may not discourage members from contacting the OIC and may not discriminate against those members that do contact the OIC.**	**WAC 284-30-572(2)**

CLAIMS

Claims Procedures

Willamette Dental of Washington, Inc., provided the examiners with an outline of its claims procedures and appeals process. The procedures are clear, concise, and accurately describe the processes in place to adjudicate claims.

Claims Processing

Willamette Dental Group (WDG), an affiliate of the Company, assumes the risk of providing services for WDW members. The majority of patient claims are the result of services provided by WDG employed dentists, and all of these encounters are capitated. In the event that WDG cannot meet the clinical needs of a member, it will make a referral to an outside dentist. WDG assumes sole responsibility for paying the outside dentist's charge. The outside dentist bills WDG for the charge, less any applicable member copayments.

Claims Review

The Company processed 129,602 claims during the examination period. There were 128,428 capitated claims (encounters) and 1,174 claims that were for services obtained from providers outside WDW's network. The examiners reviewed a total of 229 claims: 163 capitated and 66 out-of-network claims. The out-of network claims included 38 referrals, 25 denials, and three (3) emergency claims.

During review of the Company's claims, the examiners noted that some of the explanations of benefits that were sent to members did not identify Willamette Dental of Washington, Inc. as the company that had processed the claims. The company was identified as Willamette Dental of Idaho Inc. Willamette Dental of Washington, Inc. is the only company of the Willamette affiliates that is registered as an LHCSC in the State of Washington and must be identified as the entity doing business.

The following Claims Standards passed without comment:

#	Claims Standard	Reference
1	**The company shall provide no less than urgent and emergent care to a child who does not reside in the company's service area.**	**RCW 48.01.235(3)**
2	**The company shall not deny benefits for any service performed by a denturist if the service performed was within the lawful scope of such person's license, and the agreement would have provided benefits if services were performed by a dentist.**	**RCW 48.43.180, RCW 48.44.500**
6	**All plans shall cover emergency services necessary to screen and stabilize a covered person.**	**RCW 48.43.093**

The following Claims Standard passed with comment:

#	Claims Standard	Reference
4	**The denial of any claim must be communicated to the provider or facility with the specific reason the claim was denied.**	**WAC 284-43-321(4)**

Claims Standard #4:
The explanation of benefits for one (1) claim (OIC #60) only states that the payment was denied. The actual reason for denial was that the provider was non-participating. Review of the claims sample did not demonstrate a trend of WDW providing insufficient reasons for denial.

The following Claims Standards failed:

#	Claims Standard	Reference
3	**The company shall pay or deny claims subject to the required minimum standards. The company pays interest on undenied and unpaid clean claims that are more than 61 days old.**	**WAC 284-43-321(2)**
5	**The company administers coordination of benefits provisions as required.**	**Chapter 284-51 WAC**

Claims Standard #3:
The Company's claims processing system does not record the claim received date or the claim payment date. Without the ability to record and track this information, the examiners were unable to confirm that the company processes claims timely. The only date recorded in the

database was the process date, which is the date the claims data was manually entered into the claims system.

Subsequent event: In August 2005 WDW added a field for received dates in its claims processing system.

Claims Standard #5:

- **WAC 284-51-050(4)(a):** WDW's contracts state that it will coordinate benefits if a covered member has coverage under more than one (1) plan. WDW informed the examiners that a provider group may, or may not, inquire about other coverage that a member may have. If a member does not volunteer this information, no coordination is done. The responsibility for confirming other coverage is placed on the provider group and WDW does not conduct any oversight to assure that coordination of benefits occurs on all eligible claims.
- **WAC 284-51-050(7):** WDW also informed the examiners that it does not track COB savings.

AGENT ACTIVITY

Agent Licensing and Appointment Procedures

The Company provided the examiners with a statement regarding agent licensing and appointment procedures. The procedures merely state that copies of licenses and appointments are maintained by its affiliate, Willamette Dental Insurance, Inc., commissions are paid monthly, and appointments are renewed every two (2) years. The Company did not provide any information that would demonstrate how it confirms the validity of an agent's license or the process it uses for appointing agents.

Agent Activity Review

Of the 50 underwriting files that were reviewed, 30 agents were associated with those groups. The licensing and appointment status for these 30 agents, along with the agents associated with the 26 quotes that were issued during the exam period were compared with OIC records to ensure that agents were licensed and appointed prior to solicitation of business on behalf of the Company.

Findings

Note: Standards #1 and #2 have a zero tolerance level.

Standard #3 was not tested in this examination. WDW did not revoke the appointment of any agents during the examination period.

The following Agent Activity Standards failed:

#	Agent Activity Standard	Reference
1	**The company requires that agents and brokers are licensed for the appropriate line of business with the State of Washington prior to allowing them to solicit business or represent the company in any way.**	**RCW 48.17.060(1), RCW 48.17.060(2), RCW 48.44.011(2)**
2	**The company ensures that agents are appointed to represent the company prior to allowing them to solicit business on behalf of the company.**	**RCW 48.17.160, RCW 48.44.011(2)**

Agent Activity Standard #1:
One (1) quote (OIC #Q7) was provided to an agent that did not hold a valid license in the State of Washington.

Agent Activity Standard #2:
There were two (2) new group files where the agent was not appointed with WDW until after the group's effective date of coverage (OIC #41, Group #Z872; OIC #43, Group #Z938).

RATE AND FORM FILING

Four (4) standard contracts were filed during the exam period:

- Small Group Standard Contract effective 7/1/02 (SM 7/02)
- Small Group Standard Contract effective 8/1/04-replaced the 7/1/02 contract (SM 8/04)
- Large Group Standard Contract effective 7/1/02 (LG 7/02)
- Large Group Standard Contract effective 8/1/04-replaced the 7/1/02 contract (LG 8/04)

Rate and Form Filing Review

In conjunction with review of the Company's underwriting practices, the examiners used the same random sample of 50 groups chosen as the sample for the underwriting section. Files were reviewed to assure that the contract forms being used and the rates that are being billed to the group by the Company have been appropriately filed and/or approved by the OIC.

Findings

The following Rate and Form Filing Standard passed without comment:

#	Rate and Form Filing Standard	Reference
3	**All contract forms and rates have been filed with the OIC on transmittal forms prescribed by and available from the Commissioner.**	**WAC 284-43-925**

The following Rate and Form Filing Standards failed:

#	Rate and Form Filing Standard	Reference
1	**All contract forms have been filed with and approved by the OIC prior to use.**	**RCW 48.44.040, WAC 284-43-920**
2	**All rates have been filed with the OIC prior to use.**	**RCW 48.44.040, WAC 284-43-920**

Rate and Form Filing Standard #1:
The examiners noted, and the Company confirmed, that WDW alters filed contracts to meet the specific needs of groups. There were 13 groups that were issued contracts that had been altered. These amended contracts were not filed with or approved by the OIC prior to use. (See Appendix 1.)

Rate and Form Filing Standard #2:
The examiners noted that there were eight (8) groups that were being charged unfiled rates. (See Appendix 2.)

UNDERWRITING

Underwriting Procedures

The examiners were provided with the following:

- Underwriting Guidelines WA 3-04
- Underwriting Guidelines WA REV 3-05
- Underwriting Renewal Process 0601051

The guidelines describe employer and employee eligibility and participation requirements.

Underwriting Process

The underwriting and enrollment of groups is handled by the Company's affiliate, Willamette Dental Management Corporation (WDMC). A new group submits a group master application, employee enrollment forms, and the first month's premium. A group number is assigned and the group's benefit and rate information is added to the Company's computer system. Identification cards and benefit booklets are prepared and forwarded to the group along with an administration kit.

Underwriting File Review

The following is a breakdown of the total population and random samples selected for review:

Type of Business	Total Population	Sample Selected
New Business	63	11
Inforce Business	211	36
Terminated Business	16	3
Total	**290**	**50**

The examiners reviewed the files to ensure that:

- Rates and benefits were appropriate to the group demographics.
- Members of groups were not unfairly denied coverage.
- Notifications of renewal action or termination were provided in a timely manner.
- The Company's underwriting guidelines were applied consistently throughout the sample.

Findings

The following Underwriting Standards passed without comment:

#	Underwriting Standard	Reference
2	**Dependent children cannot be terminated from an individual or group plan because of developmental disability or physical handicap.**	**RCW 48.44.210**
3	**All plans shall cover newborn infants and congenital anomalies from the moment of birth.**	**RCW 48.44.212(1)**
4	**No plan may deny coverage solely on account of race, religion, national origin, or the presence of any sensory, mental, or physical handicap.**	**RCW 48.44.220**
5	**Adoptive children shall be covered on the same basis as other dependents.**	**RCW 48.44.420**
6	**Dependents shall have the right to continue coverage in the event of loss of eligibility by the principal enrollee.**	**RCW 48.44.400**
7	**All plans shall offer optional coverage for the treatment of temporomandibular joint disorders (TMJ) and maintain proof of offer as required.**	**RCW 48.44.460, WAC 284-44-042**

The following Underwriting Standard failed:

#	Underwriting Standard	Reference
1	**The company complies with the prescribed requirements for enrollment and coverage of a child under the health plan of the child's parent.**	**RCW 48.01.235**

Underwriting Standard #1:

WDW's current contracts require the dependent child to reside with the custodial parent in order to be eligible for coverage. RCW 48.01.235(1) states a child may not be denied enrollment under the health plan of the child's parent on the grounds that the child was born

out of wedlock, not claimed as a dependent on the parent's federal tax return, or does not reside with the parent or in the issuer's or insured plan's service area. Even though the contract language is incorrect, the examiners confirmed through claims review and underwriting review that the standard is being administered appropriately. However, assurances that all members were notified of enrollment and coverage provisions either by issue of new contracts or amendments could not be confirmed.

PROVIDER ACTIVITY

Provider Contracting Process

WDW maintains a closed network. The Company has one (1) provider contract between Willamette Dental Group (WDG), its affiliate, and WDW. The providers are employees of Willamette Dental Group (WDG), and providers are bound by an employee agreement with WDG. The Company affirmed that providers are credentialed during the hiring process and are regularly monitored as long as they are employed with WDG.

Provider Manuals

The Company provided two (2) manuals for review: Health Information Privacy Policies and Procedures and Quality Improvement Guidelines and Clinical Policies. Both manuals are comprehensive and include all required contract provisions.

Provider Activity Review

The examiners reviewed a listing of providers. The majority of the providers practice within a clinic environment. WDW operates as a staff model provider of care, and all of the dental professionals are employees of Willamette Dental Group (WDG). The contracts between the dentists and WDG are employee agreements. The examiners reviewed the contract between WDW and WDG in addition to the employee agreement between participating dentists and WDG. The provider contract between WDW and WDG, the employee agreement, and the provider manuals address and comply with required contract provisions.

Findings

The following Provider Activity Standards passed without comment:

#	Provider Activity Standard	Reference
1	**All provider contract forms must be filed with and approved by the OIC prior to use.**	**RCW 48.44.070 WAC 284-43-330**
2	**All provider contract forms must contain and adhere to the prescribed standards.**	**WAC 284-43-320 through WAC 284-43-340**
3	**All plans must allow enrollees to select a primary care provider who is accepting new patients from a list of**	**RCW 48.43.515, WAC 284-43-251**

#	Provider Activity Standard	Reference
	participating providers.	
4	**Company standards for selection of participating providers and facilities do not result in risk avoidance or discrimination by excluding providers or facilities specializing in specific treatments or located in high risk geographic areas.**	**WAC 284-43-310(1)(a) and (b)**

ADMINISTRATIVE CONTRACTS

The examiners reviewed the Business Services Agreement between Willamette Dental Management Corporation (WDMC) and Willamette Dental of Washington, Inc. (WDW). The agreement delegates responsibility of the following operational functions to WDMC: accounting and financial recordkeeping, marketing, advertising, underwriting, billing and collection, and payment of expenses. The examiners noted that the termination provision in this agreement does not require prior notice. Without prior notice, WDW could be left in a precarious position should WDMC cease management of the day-to-day operations as outlined in the contract.

During the financial examination conducted by the OIC, it was discovered that WDW also pays its affiliate, Willamette Dental Insurance, Inc. (WDI), a fee for services rendered. WDW has no employees, and the service fees were allocated on an inter-company basis for staff time spent by WDI employees for WDW operations.

The Company's position throughout the examination was that all of WDW's operational functions and responsibilities have been ceded to its various affiliates and WDW had delegated responsibility and adherence to operational statutes and regulations to WDMC. There are no audit provisions in the administrative agreement that is in place. In addition, the examiners were informed that there are informal, inter-company agreements for the handling of various operational functions. Since there are no contractual audit provisions, WDW has no oversight over WDMC, nor does it have any oversight over its affiliates that informally handle day-to-day operations. WDW is the only entity that is registered as an LHCSC in the State of Washington. Regardless of the informal and formal agreements that are in place, it is ultimately WDW's responsibility to ensure that all relevant statutes and regulations are met.

INSTRUCTIONS AND RECOMMENDATIONS

#	Instruction	Page #
1	The Company is instructed to implement system changes so that timely claim payments can be assured and the standards for prompt pay regulations may be measured. Reference: WAC 284-43-321(2). (Claims Standard #3.)	9
2	The Company is instructed to coordinate benefits on all eligible claims. Reference: WAC 284-51-050(4)(a). (Claims Standard #5.)	9
3	The Company is instructed to track coordination of benefits savings on eligible claims. Reference: WAC 284-51-050(7). (Claims Standard #5.)	9
4	The Company is instructed to ensure that agents and brokers are appropriately licensed prior to allowing them to solicit business on behalf of the Company. Reference: RCW 48.17.060(1), RCW 48.17.060(2), RCW 48.44.011(2). (Agent Activity Standard #1.)	11
5	The Company is instructed to ensure that agents are appointed to represent the Company prior to allowing them to solicit business on behalf of the Company. Reference: RCW 48.17.160, RCW 48.44.011(2). (Agent Activity Standard #2.)	11
6	The Company is instructed to file any deviations from its standard contracts and obtain approval from the OIC prior to use. Reference: RCW 48.44.040, WAC 284-43-920. (Rate and Form Filing Standard #1.)	12
7	The Company is instructed to file any deviations from its standard rate filings prior to use. Reference: RCW 48.44.040, WAC 284-43-920. (Rate and Form Filing Standard #2.)	12
8	The Company is instructed to amend its contract language to accurately reflect the enrollment and coverage requirements for dependent children. All enrolled members must be notified of the requirements no later than 90 days after the adoption of this report. Reference: RCW 48.01.235. (Underwriting Standard #1.)	13

#	Recommendation	Page #
1	It is recommended that the Company identify itself in all manner of correspondence with members, and that it use only the name of the company as it appears on the certificate of registration in Washington. This applies to such items as letters, benefit statements and explanation of benefit forms. (Claims Review.)	8
2	It is recommended that the Company provide sufficient reasons for claim denial on its explanations of benefits. Reference: WAC 284-43-321(4). (Claims Standard #4.)	9
3	It is recommended that the Company implement written procedures for agent licensing and appointment. (Agent Licensing and Appointment Procedures.)	10

#	Recommendation	Page #
4	It is recommended that the Company conduct regular audits of its affiliates to assure compliance with Washington statutes and regulations. (Administrative Contracts.)	15
5	It is recommended that the Company obtain administrative contracts with any and all entities and affiliates to ensure legal and financial protection. (Administrative Contracts.)	15

SUMMARY OF STANDARDS

Company Operations and Management Findings:

#	STANDARD	PAGE	PASS	FAIL
1	The company is required to be registered with the OIC prior to acting as a health care service contractor in the State of Washington. Reference: RCW 48.44.015(1).	7	X	
2	The company is required to report to the OIC any changes to the registration documents, including Articles of Incorporation, Bylaws, and Amendments at the same time as submitting such documents to the Secretary of State. Reference: RCW 48.44.013.	7	X	
3	When the company registers with the OIC, it is required to state its territory of operations. Reference: RCW 48.44.040.	7	X	

General Examination Findings:

#	STANDARD	PAGE	PASS	FAIL
1	The company does business in good faith, and practices honesty and equity in all transactions. Reference: RCW 48.01.030.	8	X	
2	The company must facilitate the examination process by providing its accounts, records, documents and files to the examiners upon request. Reference: RCW 48.44.145(2).	8	X	
3	The company may not discourage members from contacting the OIC and may not discriminate against those members that do contact the OIC. Reference: WAC 284-30-572(2).	8	X	

Claims Findings:

#	STANDARD	PAGE	PASS	FAIL
1	The company shall provide no less than urgent and emergent care to a child who does not reside in the company's service area. Reference: RCW 48.01.235(3).	9	X	
2	The company shall not deny benefits for any service performed by a denturist if the service performed was within the lawful scope of such person's license, and the agreement would have provided benefits if services were performed by a dentist. Reference: RCW 48.43.180, RCW 48.44.500.	9	X	
3	The company shall pay or deny claims subject to the required minimum standards. The company pays interest on undenied and unpaid clean claims that are more than 61 days old. Reference: WAC 284-43-321(2).	9		X
4	The denial of any claim must be communicated to the provider or facility with the specific reason the claim was denied. Reference: WAC 284-43-321(4).	9	X	

#	STANDARD	PAGE	PASS	FAIL
5	The company administers coordination of benefits provisions as required. Reference: Chapter 284-51 WAC.	9		X
6	All plans shall cover emergency services necessary to screen and stabilize a covered person. Reference: RCW 48.43.093.	9	X	

Agent Activity Findings:

#	STANDARD	PAGE	PASS	FAIL
1	The company requires that agents and brokers are licensed for the appropriate line of business with the State of Washington prior to allowing them to solicit business or represent the company in any way. RCW 48.17.060(1), RCW 48.17.060(2), RCW 48.44.011(2).	11		X
2	The company ensures that agents are appointed to represent the company prior to allowing them to solicit business on behalf of the company. RCW 48.17.160, RCW 48.44.011(2).	11		X
3	The company must provide the agent with written notice of revocation of appointment and send a copy to the OIC. Reference: RCW 48.17.160(3).	10	NA	NA

Rate and Form Filing Findings:

#	STANDARD	PAGE	PASS	FAIL
1	All contract forms have been filed with and approved by the OIC prior to use. Reference: RCW 48.44.040, WAC 284-43-920.	12		X
2	All rates have been filed with the OIC prior to use. Reference: RCW 48.44.040, WAC 284-43-920.	12		X
3	All contract forms and rates have been filed with the OIC on transmittal forms prescribed by and available from the Commissioner. Reference: WAC 284-43-925.	11	X	

Underwriting Findings:

#	STANDARD	PAGE	PASS	FAIL
1	The company complies with the prescribed requirements for enrollment and coverage of a child under the health plan of the child's parent. Reference: RCW 48.01.235.	13		X
2	Dependent children cannot be terminated from an individual or group plan because of developmental disability or physical handicap. Reference: RCW 48.44.210.	13	X	
3	All plans shall cover newborn infants and congenital anomalies from the moment of birth. Reference: RCW 48.44.212(1).	13	X	
4	No plan may deny coverage solely on account of race, religion, national origin, or the presence of any sensory, mental, or physical handicap. Reference: RCW 48.44.220.	13	X	

#	STANDARD	PAGE	PASS	FAIL
5	Adoptive children shall be covered on the same basis as other dependents. Reference: RCW 48.44.420.	13	X	
6	Dependents shall have the right to continue coverage in the event of loss of eligibility by the principal enrollee. Reference: RCW 48.44.400.	13	X	
7	All plans shall offer optional coverage for the treatment of temporomandibular joint disorders (TMJ) and maintain proof of offer as required. Reference: RCW 48.44.460, WAC 284-44-042.	13	X	

Provider Activity Findings:

#	STANDARD	PAGE	PASS	FAIL
1	All provider contract forms must be filed with and approved by the OIC prior to use. Reference: RCW 48.44.070, WAC 284-43-330.	14	X	
2	All provider contract forms must contain and adhere to the prescribed standards. Reference: WAC 284-43-320 through WAC 284-43-340.	14	X	
3	All plans must allow enrollees to select a primary care provider who is accepting new patients from a list of participating providers. Reference: RCW 48.43.515, WAC 284-43-251.	15	X	
4	Company standards for selection of participating providers and facilities do not result in risk avoidance or discrimination by excluding providers or facilities specializing in specific treatments or located in high risk geographic areas. Reference: WAC 284-43-310(1)(a) and (b).	15	X	

APPENDIX 1

Rate and Form Filing Standard #1: All contract forms have been filed with and approved by the Office of Insurance Commissioner prior to use. Reference: RCW 48.44.040, WAC 284-43-920.

OIC ID #	Group #
3, 23, 29, 30, 31, 32, 33, 34, 35, 38, 39	WEA
5	Z686
7	Z204
9, 10, 17, 18, 46, 47	WCIF
14, 15	Z119, Z120
22	Z249
25	Z187
26	Z146
27	Z133
36	Z101
37	Z874B N
44	Z693B N
48	Z683

APPENDIX 2

Rate and Form Filing Standard #2: All rates have been filed with the OIC prior to use. Reference: RCW 48.44.040, WAC 284-43-920.

OIC ID #	Group #	Comments
3, 23, 29, 30, 31, 32, 33, 34, 35, 38, 39	WEA	Group is being charged for optional orthodontia plan. Rates were not included in negotiated filing.
6	Z680V	Filed factors not used in the development of the rates.
7	Z204	Filed factors not used in the development of the rates.
9, 10, 17, 18, 46, 47	WCIF	Filed factors not used in the development of the rates.
11	Z480	Filed factors not used in the development of the rates.
15	Z119	Filed factors not used in the development of the rates.
26	Z146	Filed factors not used in the development of the rates.
36	Z101	Filed factors not used in the development of the rates.

Willamette Dental
Mailing Address:
14026 SW Farmington Road
Beaverton, OR 97005

Administration • 503-644-6444
FAX • 503-644-2170

February 16, 2006

James T. Odiorne
Deputy Insurance Commissioner
P.O. Box 40255
Olympia, WA 98504-0255

Re: Willamette Dental of Washington, Inc.

Dear Mr. Odiorne:

This letter is in response to the Market Conduct Examination report issued by your office on January 18, 2006. Our comments to the report are numbered in accordance with the report and set forth below.

Claims Processing

A comment is made earlier in the report (page 8) that "the majority of claims are capitated". Under a "full-risk" capitation model, all encounters are capitated. Willamette Dental Group ("WDG"), the dental professional service corporation and affiliated of Willamette Dental of Washington, Inc., (the "carrier") assumes the risk of providing for the members in Washington. WDG, to the extent it cannot meet the needs of a particular member, makes the referral to an outside dentist and assumes responsibility for paying the dentist's fee. Under this method, the patient is not subject to billing whatsoever, they only are required to pay the co-pay under the terms of their coverage. WDG dental providers receive the schedule of benefits for a plan, which they enter into their patient management system under a unique group ID so the member is charged correctly. The outside dentist may only collect the co-pay from the patient; billing WDG for the balance of their fee.

The OIC auditors advised during the audit that the carrier is responsible to ensure the provider pays the outside dental bills as claims in the manner of a regulated carrier. We do not understand this assessment, for as stated above, the member/patient is not being billed and is not responsible for the referral fees. The outside dentist is relying solely upon the credit of WDG for payment of the fees. The outside dentist can contact the WDG referring dentist to ascertain the status of the bill as well as any clinical issues that may arise.

WDG, in fact, promptly pay its referral bills, principally because the relationship with outside providers is important to WDG, its dentists, and the welfare of their patients. Outside dentists do not have to take WDG's referrals, and in fact many do not. The relationship between general dentist and specialist is developed over time and is fundamentally a business relationship between professionals. We are not aware of any laws regulating referrals by general dentists or payment of fees by a referring provider.

In good faith, WDG has modified its process for handling vendor payments to comport with the findings in connection with Willamette Dental of Washington, Inc., but respectfully requests reconsideration of the agency categorization of full-risk capitation referrals as a "claims" subject to OIC regulation.

Claim Denials

The first issue relates to a comment that a claim must have a specific reason communicated with a denial. Subject to the discussion above, we do not object to this comment.

The second issue relates to recordation of claim receipt and claim payment. As noted, WDG has implemented record-keeping to record receipt and payment of referral invoices. WDG believes that it has historically paid its vendors in good faith and in a timely manner. We believe we have been able to show OIC that if this activity is deemed to be "claims processing", we can both comply and document compliance.

Coordination of Benefits

WDG coordinates benefits for patients with dual coverage. WDG coordinates benefits in an appropriate and fair manner. WDG does not track COB savings. In this regard, Willamette Dental of Washington, Inc., will modify its practices and/or contracts to ensure compliance with Washington law.

Agent Activity

The Company acknowledges that agents licensed for the appropriate line of business with the State of Washington must be appointed to represent the Company prior to solicitation of business on behalf of the Company.

Underwriting, Rate and Form Filing

After researching the business identified by the report, the Company has determined it needs to expand the administration/taxes percentages to include groups with 50 or less covered employees enrolled and groups with annual premium exceeding $1 Million dollars. The majority of groups identified in the report with filed factors not used in the development of the rates fall into this category.

The Company's revised formula will include:

OIC ID #	Group #	Comments
3,23,29, 30,31,32, 33,34,35, 38,39	W300	We concur with the reports findings; the orthodontia buy-up rates were not included in the rate filing for 2003. This was an oversight on our part and will be included in future rate filings.
6	Z680V	Because the size of the group did not fall into the filing formula's ranges the rates should have been filed as deviating from our filed formula. Revising the formula on file with the OIC will solve this issue for future renewals.
7	Z204	This group is community rated. Because this group will always deviate from the filed formula on file with the OIC. A formal rate filing will be issued outlining any future changes in rates.
9,10,17, 18,46,47	Z301+	Because the size of the group did not fall into the filing formula's ranges the rates should have been filed as deviating from our filed formula. Revising the formula on file with the OIC will solve this issue for future renewals.
11	Z480	Because the size of the group did not fall into the filing formula's ranges the rates should have been filed as deviating from our filed formula. Revising the formula on file with the OIC will solve this issue for future renewals.
15	Z119	We found the administration/tax factors used to project the renewal rates for this group were incorrect due to an incorrect formula used in our underwriting spreadsheet.
16,21,42, 49	Z257	According to our records, the trend we used appears to coincide with the formula on file. We need more information from the OIC to research why the rates are in question.
26	Z146	We found the administration/tax factors used to project the renewal rates for this group were incorrect due to an incorrect formula used in our underwriting spreadsheet.
36	Z101	Because the size of the group did not fall into the filing formula's ranges the rates should have been filed as deviating from our filed formula. Revising the formula on file with the OIC will solve this issue for future renewals.

Enrollment/Coverage of child

The report notes that this standard is being correctly administered, but the Company acknowledges the requirement to correctly address enrollment and coverage of a child in its contracts. The Company further consents to notification of all enrolled members within 90 days after adoption of the report.

Recommendations

1. The Company agrees that the name of the Company, Willamette Dental of Washington, Inc., needs to be clearly identified in all manner of correspondence with members.
2. The Company has requested OIC reconsideration of the claims processing issues as discussed above, but wishes to assure the agency that its provider affiliates process and pay referral claims in professional and timely manner.
3. The Company concurs that written procedures for agent licensing and appointment be implemented.
4. The Company will ensure compliance by its affiliates with applicable Washington statutes and regulations.
5. The Company agrees that administrative contracts with affiliates are necessary to ensure legal and financial protection.

After you have had an opportunity to review these comments, please contact me to discuss further action. I had brief discussions with OIC representatives conducting the audit with regard to claims processing, but would appreciate the benefit of your assessment of this issue.

Sincerely,

Russell House

Russell L. House
General Counsel, Willamette Dental of Washington, Inc.