

**REPORT TO THE TWENTY-SIXTH HAWAII STATE
LEGISLATURE 2011**

**IN ACCORDANCE WITH THE PROVISIONS OF
SECTION 103F-107, HAWAII REVISED STATUTES, ON
MEDICAID HEALTH CARE INSURANCE PLAN
CONTRACTS**

**DEPARTMENT OF HUMAN SERVICES
MED-QUEST DIVISION
May 2011**

MEDICAID HEALTH CARE INSURANCE PLAN CONTRACTS REPORT AS REQUIRED BY SECTION 103F-107, HAWAII REVISED STATUTES

Act 12, Session Laws of Hawaii 2009, codified as section 103F-107, requires all nonprofit or for-profit Medicaid healthcare insurance contractors to submit an annual report to the Department of Human Services, the Insurance Division of the Department of Commerce and Consumer Affairs, and the Legislature. The report is to include information on: (1) expenditures of payments for the MQD contracted services; (2) employment information; (3) descriptions of any on-going state or federal sanction proceedings, prohibitions, restrictions, on-going civil or criminal investigations, and descriptions of past sanctions or resolved civil or criminal cases, within the past five years and related to the provision of Medicare or Medicaid services by the contracting entity, to the extent allowed by law; (4) descriptions of contributions to the community; and (5) a list of any management and administrative service contracts for MQD services made in Hawaii and outside of the state, including a description of the purpose and cost of those contracts. The report shall be attested to by a plan executive located within the State and shall be made accessible to the public.

The Department of Human Services (DHS) is required to provide a written analysis and comparative report on the information submitted by the contracted health plans which follows below. All five of the health plans performing services for the DHS are uniquely different. This analysis provides as much of a comparison as possible while identifying areas that make them unique. The reporting variances can be attributable the broad requirements of the legislation.

Each of the sections of the report has its own comparative analysis. Below is a summary of each portion of the comparative analysis.

Financial Expenditures (Attachment 1)

The QUEST health plans are spending approximately 88% to 93% of their expenditures on payment of claims to providers for medical services. These medical service expenditures are relatively consistent with their contractual obligation of no less than a 90% medical loss ratio.

The QExA health plans are spending 96% of their expenditures on claims submitted by providers for medical services. The QExA health plans are meeting their contractual obligation of no less than a 93% medical loss ratio.

Three of the five health plans participating in the Medicaid program have losses relative to their capitation payments. Both of the QExA health plans have incurred losses (Evercare at \$58.4 million and 'Ohana Health Plan at \$18.3 million). In addition, Kaiser Permanente has incurred losses of \$16 million. The other two QUEST health plans, AlohaCare and HMSA, either have made a small profit or broke even.

Employment Information (Attachment 2)

Due to Kaiser Permanente's unique fully-integrated health care delivery system, their staffing cannot be compared to the other four health plans. The other health plans have from 146 employees to 172 employees to manage their operations in the State of Hawaii. All five health plans have increased their number of employees over the past year.

In comparing the five highest salaries in Hawaii, the HMSA and Kaiser Permanente salaries are more consistent with each other. AlohaCare, Evercare, and 'Ohana Health Plan compensation is similar to each other. 'Ohana Health Plan's salaries are the highest of the three. Evercare's Mainland executives are the highest paid salaries of the three health plans with Mainland operations (Evercare, Kaiser Permanente, and 'Ohana Health Plan). Kaiser and 'Ohana's Mainland executives' compensation is similar to each other.

State or Federal Sanctions (Attachment 3)

Four of the five health plans turned over information on this area. AlohaCare is the only health plan that reported that they have not been subject to either State or Federal sanctions. Attached is a summary of the submissions of Evercare, HMSA, Kaiser Permanente and 'Ohana Health Plan.

Contributions to the Community (Attachment 4)

Three of the health plans provided data only related to their Medicaid lines of business (AlohaCare, Evercare, and 'Ohana Health Plan). Of the three, AlohaCare has larger contributions than both Evercare and 'Ohana Health Plan. In addition, the majority of AlohaCare's contributions are to improve quality of care of their members (quality of care, pay for performance, and increasing provider incentive payments). The information that Evercare and 'Ohana Health Plan provided are more traditional charitable contributions.

Both HMSA and Kaiser Permanente provided information that is for their complete insurance program (i.e., includes their commercial insurance lines of business as well). Therefore, though their charitable contributions are between 4.5-5% of their QUEST capitation payments, these contributions are not solely related to the QUEST program.

Management and Administrative Contracts (Attachment 5)

Four of the five health plans are reporting management and administrative contracts. These health plans are AlohaCare, Evercare, HMSA, and 'Ohana Health Plan.

Kaiser Permanente is reporting that they perform all of their management and administrative functions internally.

DHS found it difficult to perform an analysis of the four health plans that reported management and administrative contracts because of the differences in reporting of resources spent. Both Evercare and 'Ohana Health Plan have expenses reported that include resources spent on services. Both AlohaCare and HMSA were able to dissect resources spent on clients from the information reported.

Medicaid Contract Reporting- HRS 103F-107
Attachment 1- Financial Expenditures

Health Plan	AlohaCare July 1, 2009 - June 30, 2010	Evercare QExA July 1, 2009 - June 30, 2010	HMSA July 1, 2009 - June 30, 2010	Kaiser Permanente July 1, 2009 - June 30, 2010	Ohana Health Plan July 1, 2009 - June 30, 2010
1) An accounting of expenditures of Med-QUEST contract payments for the contracted services, including the percentage of payments:					
Dollars Received- in dollars	\$182,165,233	\$269,282,584	\$270,784,858	\$58,957,263	\$299,340,752
(A) For medical services	\$161,444,008 88.63%	\$305,235,575 96%	\$249,488,765 92.8%	\$67,116,139 89.52%	\$292,931,275 96%
(B) For administrative costs	10,618,517 5.83%	11,512,819 4%	19,483,516 7.2%	7,860,674 10.48%	\$11,718,817 4%
Insurance Premium Tax	N/A N/A	11,015,004 0%	N/A N/A	N/A N/A	\$12,976,454 0.00%
(C) Held in reserve	10,102,708 5.55%	Met reserve requirements 0%	Met reserve requirements 0%	Met reserve requirements 0%	Met reserve requirements 0%
(D) Paid to shareholder	0 0%	0 0%	0 0%	0 0%	0 0.00%
Total of expenditures	\$182,165,233 100.00%	\$327,763,398 100.00%	\$268,972,281 100.00%	\$74,976,813 100.00%	\$317,626,546
Total Gain/Loss	(\$0)	(\$58,480,814)	\$1,812,577	(\$16,019,550)	(\$18,285,794)

No funds from the Evercare QExA program were held in reserve. This is due to the fact that UnitedHealthcare Insurance Company ("UHIC") dba Evercare QExA had expenses in excess of revenues for this time period. However, UHIC does maintain sufficient reserves to meet/exceed the State of Hawaii regulatory requirements, including obligations for the Evercare QExA program. Obligations for the Evercare QExA program include, but are not limited to, the estimated claims for services outstanding (incurred but not reported "IBNR"). UHIC has, and continues to meet, reserve & solvency requirements of the DCCA/Insurance Division for all of its health plan programs in Hawaii, including the Evercare QExA program.

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Attachment 2- Employment Information

Health Plan	AlohaCare July 1, 2009 - June 30, 2010	Evercare QExA July 1, 2009 - June 30, 2010	HMSA July 1, 2009 - June 30, 2010	Kaiser Permanente January 1, 2009 - December 31, 2009	Ohana Health Plan July 1, 2009 - June 30, 2010
2) Employment information					
(A) Total number of full-time employees hired for the contracted services	172	146	168.1	Kaiser Permanente is a fully integrated health care delivery program, consisting of Kaiser Foundation Health Plan, Inc. (KFHP), Kaiser Foundation Hospital (KFH) and Hawaii Permanente Medical Group (HPMG). As such, Kaiser Permanente does not generally contract with providers for the exclusive delivery of care to Medicaid patients. Our physicians and other care delivery providers and facilities are available to deliver healthcare services to all our members, including Medicaid patients, as well as to non-member patients in the community.	159
(B) Total number of employees located in the State and the category of work performed. List categories and identify the number of employees per category during SFY 09.	Clinical Member Services- 58	Member Services- 11	Administration - QUEST- 11.4	Member Services (Quest Department)- 12	Health Services: 80
	Provider Services- 11	Provider Services-16	Administration - General- 21.1	Kaiser Foundation Health Plan, Inc. (KFHP)- 2,018	Finance- 1
	Customer Member Services- 15	Administration-9	Audit and Compliance- 3.5	Kaiser Foundation Hospital (KFH)- 1,849	IT- 2
	Quality Services- 7	Operations-15	Claims Processing- 39.7	Hawaii Permanente Medical Group (HPMG) - Physicians- 420	Pharmacy- 1
	Administrative Services- 81	Clinical Management-60	Finance- 14.6		Quality- 4
		Field Based Service Coordination-35	Information Systems- 20.6		Training- 1
			Legal Services- 1.9		Executive- 23
			Marketing & Communication- 4.4		Health Service- 89
			Medical Management- 14.8		Business Systems Analyst- 2
			Member Servicing- 6.5		Customer Service- 13
		Pharmacy Management- 3.4		Sales - Medicaid- 1	
		Provider Servicing- 18.8		Provider Relations- 22	
		Quality Improvement- 7.4			
Total	172	146	168.1		159

Health Plan	AlohaCare July 1, 2009 - June 30, 2010	Evercare QExA July 1, 2009 - June 30, 2010	HMSA July 1, 2009 - June 30, 2010	Kaiser Permanente January 1, 2009 - December 31, 2009	Ohana Health Plan July 1, 2009 - June 30, 2010
(C) Compensation provided to each of the five highest paid Hawaii employees during SFY 10.					
#1					
Name and Title	John McComas, CEO	Cheryl Ellis, MD, Medical Director	Robert Hiam, President and Chief Executive Officer	Janet A. Liang- Regional President, Hawaii	James Tan, Sr. Medical Director
Description of position	Responsible for the overall operations of the healthplan.	Medical Director for the QExA clinical program including medical management oversight	President and Chief Executive Officer	Regional President of KFHP and KFH, Hawaii region	Oversees clinical direction of medical services and quality improvement functions at the health plan
Total Compensation	\$282,917	\$275,000	\$833,250	\$569,194	\$390,199
Annual Salary	\$223,350	\$240,000	\$660,000	\$353,924	\$282,200
Additional Compensation	\$71,958	\$35,000	\$173,250	\$215,270	\$107,999
#2					
Name and Title	Cindy Neeley, CFO	David Heywood, Executive Director	Michael Gold, Executive Vice President, Chief Operating Officer, and Assistant Treasurer	Susan R. Murray, Vice President, Quality/Service & Hospital Administrator	Erhardt Preitauer, Executive Director
Description of position	Responsible for the financial operations of the plan.	Overall management responsibility for the QExA program	Chief Operating Officer and Executive Vice President	Vice President of Hospital Services for KFH, Hawaii Region	Executes strategies to meet or exceed annual goals and objectives in four areas: sales and marketing, provider contracting and network management, site operations and staff management. This position has profit and loss responsibility for the region and develops and manages an annual budget.
Total Compensation	\$188,730	\$238,806	\$671,625	\$429,736	\$324,723
Annual Salary	\$178,080	\$182,700	\$540,000	\$231,154	\$242,480
Additional Compensation	\$10,650	\$56,106	\$131,625	\$198,582	\$82,243
#3					
Name and Title	Dr. Richard Banner, Medical Director	William Guptail, Chief Operating Officer	Edward Van Lier Ribbink, Executive Vice President, Chief Financial Officer, and Treasurer	William J. Corba, Vice President, Chief Marketing Officer	David Herndon, VP Finance
Description of position	Responsible for the clinical aspects of the Health Plan to ensure the delivery of quality health care services as defined and measured by national and local standards.	Overall management responsibility for QExA program operations and medical management	Chief Financial Officer and Executive Vice President	Vice President of Marketing, Sales, and Business Development, Communications, and Community Relations for KFHP and KFH, Hawaii Region	Position directs, coordinates, and administers all financial aspects of the health plan's operations.
Total Compensation	\$179,000	\$205,837	\$477,375	\$362,945	\$213,732
Annual Salary	\$179,000	\$168,300	\$402,000	\$220,157	\$149,778
Additional Compensation	N/A	\$37,537	\$75,375	\$142,788	\$63,954
#4					
Name and Title	Patrick Brennan, Director of Plan Operations	Debra Hughes, Director of Operations	Gwen Miyasato, Executive Vice President and Assistant Secretary	Susan L. Ganz, Executive Director, Business Planning and Community Benefit	Linda Morrison, Sr. Director State Operations
Description of position	Oversees the operations of the; Claims, Customer Service, Enrollment and Provider Relations Departments. Builds and leads the operations team in achieving corporate strategic goals and objectives.	Management of QExA claims processing, network development, and operational functions	Executive Vice President	Executive Director, Business Planning and Community Benefit	Executes strategies to meet or exceed annual goals and objectives in the areas of customer service, provider contracting and network management, site operations and IT of the health plan.
Total Compensation	\$160,714	\$144,900	\$427,500	\$330,830	\$199,136
Annual Salary	\$150,063	\$119,900	\$360,000	\$140,780	\$161,733
Additional Compensation	\$10,650	\$25,000	\$67,500	\$190,050	\$37,403

Health Plan	AlohaCare July 1, 2009 - June 30, 2010	Evercare QExA July 1, 2009 - June 30, 2010	HMSA July 1, 2009 - June 30, 2010	Kaiser Permanente January 1, 2009 - December 31, 2009	Ohana Health Plan July 1, 2009 - June 30, 2010
#5					
Name and Title	Stella Catalan, Sr. Director of Clinical Operations	Kathleen Wiant, Health Services Director	Richard Chung, Senior Vice President	Brian M. Yoshii, Vice President, Strategic Support Services & BIO - Hawaii	Wendy Morriarty, Sr. Director, Field Clinical Programs
Description of position	The Senior Director of Clinical Operations is responsible for the leadership, administration, and general management of the Clinical Operations division.	Management of QExA medical management and clinical programs	Senior Vice President	Vice President, Strategic Support Services & BIO - Hawaii	Sr. Director, Field Clinical Programs
Total Compensation	\$117,011	\$126,000	\$392,118	\$301,659	\$193,286
Annual Salary	\$117,011	\$120,000	\$335,000	\$193,986	\$132,134
Additional Compensation	N/A	\$6,000	\$57,118	\$107,673	\$61,152

Health Plan	AlohaCare July 1, 2009 - June 30, 2010	Evercare QExA July 1, 2009 - June 30, 2010	HMSA July 1, 2009 - June 30, 2010	Kaiser Permanente January 1, 2009 - December 31, 2009	Ohana Health Plan July 1, 2009 - June 30, 2010
(D) Compensation provided to each of the five highest paid nationwide employees during SFY 10.					
#1					
Name and Title	NONE	Stephen J. Hemsley, President & CEO	NONE	George C. Halvorson, Chairman and Chief Executive Officer	Heath Schiesser, President & CEO
Description of position		Chief executive for UnitedHealth Group and affiliates		Chairman and CEO of KFHP and KFH, programwide across the nation.	Position is responsible for the overall success of the organization, including development and execution of the organization's strategic and business plans, ensuring operational and financial excellence and string for service excellence and improvement in clinical quality.
Total Compensation		\$8,901,916		\$6,592,049	\$5,615,605
Annual Salary		\$1,300,000		\$1,188,160	\$213,846
Additional Compensation		\$7,601,916		\$5,403,889	\$5,401,759
#2					
Name and Title	NONE	George Mikan III, Exec. VP & CFO	NONE	Christine L. Malcolm, Sr. Vice President, Hospital Strategy & National Facilities	Charles Berg, Executive Chairman
Description of position		Senior financial executive for UnitedHealth Group and affiliates		Sr. Vice President, Hospital Strategy & National Facilities	Determines and drives the strategy, policy, operational planning and execution of work processes for the Company. Provides senior executive oversight for all aspects of the business.
Total Compensation		\$5,756,390		\$2,043,046	\$4,136,788
Annual Salary		\$700,000		\$221,193	\$774,038
Additional Compensation		\$5,056,390		\$1,821,853	\$3,362,750
#3					
Name and Title	NONE	William A. Munsell, Executive Vice President and President of Enterprise Services Group	NONE	Louise Liang, Sr. Vice President, Quality and Clinical Systems Support	Alec Cunningham - Chief Executive Officer
Description of position		Senior executive responsible for UnitedHealth Group Enterprise Services		Sr. Vice President, Quality and Clinical Systems Support	Chief Executive Officer
Total Compensation		\$5,716,168		\$1,789,775	\$1,437,512
Annual Salary		\$700,000		\$67,908	\$549,423
Additional Compensation		\$5,016,168		\$1,721,867	\$888,089
#4					
Name and Title	NONE	Anthony Welters, Exec. VP& President of Public and Senior Markets Group	NONE	Bernard J. Tyson, Executive Vice President, Health Plan and Hospital Operations	Rex Adams, COO of WellCare
Description of position		Senior executive responsible for UnitedHealth Group's government and senior programs		Executive Vice President, Health Plan and Hospital Operations	Has overall responsibility for the operations and performance of the organization. Executes the strategic direction of the business and maximizes the complex economic model. Oversees the day-to-day operations of the entire division including call center operations, customer service initiatives, member acquisition/retention strategies and communication, financial operations, and marketing.
Total Compensation		\$6,039,861		\$1,729,972	\$1,459,498
Annual Salary		\$700,000		\$680,034	\$503,846

Health Plan	AlohaCare July 1, 2009 - June 30, 2010	Evercare QExA July 1, 2009 - June 30, 2010	HMSA July 1, 2009 - June 30, 2010	Kaiser Permanente January 1, 2009 - December 31, 2009	Ohana Health Plan July 1, 2009 - June 30, 2010
Additional Compensation		\$5,339,861		\$1,049,938	\$955,652

Health Plan	AlohaCare July 1, 2009 - June 30, 2010	Evercare QExA July 1, 2009 - June 30, 2010	HMSA July 1, 2009 - June 30, 2010	Kaiser Permanente January 1, 2009 - December 31, 2009	Ohana Health Plan July 1, 2009 - June 30, 2010
#5					
Name and Title	NONE	Larry C. Renfro, Executive Vice President and Chief Executive Officer of Public and Senior Markets Group	NONE	Arthur M. Southam, Executive Vice President. Health Plan Operations	Thomas O'Neil III, Vice Chairman of WellCare
Description of position		Senior executive responsible for UnitedHealth Group government and senior programs		Executive Vice President of Health Plan Operations for KFHP and KFH, programwide	Plans and directs all aspects of the Company's Business Development policies, initiatives and product or geographic expansion in state markets. Conducts financial analyses and makes recommendations regarding new business opportunities. Delivers results against established financial targets.
Total Compensation		\$6,770,671		\$1,687,491	\$1,717,583
Annual Salary		\$535,385		\$713,074	\$334,616
Additional Compensation		\$6,235,286		\$974,417	\$1,382,966

Additional Compensation includes bonus, stock awards, option/SAR awards, and any other additional compensation to include additional benefits beyond that provided to all FT employees (i.e., additional health benefits, automobiles, etc.).

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State or Federal Sanctions

(3) Descriptions of any on-going State or Federal sanction proceedings, prohibitions, restrictions, on-going civil or criminal investigations, and descriptions of past sanctions or resolved civil or criminal cases, within the past five years and related to the provision of Medicare or Medicaid services by the contracting entity, to the extent allowed by law.

Response

To the best of our knowledge and belief, the contracting entity, UnitedHealthcare Insurance Company ("UHIC"), is not a party to any ongoing state or federal sanction proceedings, prohibitions, restrictions, or ongoing civil or criminal investigations related to the provision of Medicare or Medicaid services. As a health insurance company operating in 49 states, 5 territories and the District of Columbia, it is subject to various market conduct and financial audits in the normal course of business, which may or may not result in the implementation of corrective action plans. We do not consider these to be civil or criminal investigations within the scope of the request.

UHIC is also subject to various civil actions in the form of litigation or agency proceedings, mostly involving benefit disputes with members and providers. UHIC's cases in Hawaii are described in the table below (Table 1, UHIC Civil Litigation related to the Provision of Medicare or Medicaid Services in Hawaii). Four of the cases involve two members pursuing claims in two venues at once. UHIC is also currently involved in cases in other jurisdictions outside of Hawaii relating to the provision of Medicare or Medicaid services, typically involving either member or broker disputes regarding benefit payments, none of which involve residents of Hawaii or the Hawaii QExA Program.

Finally, UHIC has not been sanctioned in the State of Hawaii related to the provision of Medicare or Medicaid services. UHIC has only had penalties imposed in one other jurisdiction related to the provision of Medicare or Medicaid services, none of which involve residents of Hawaii or the Hawaii QExA Program. These are identified in the second chart below (Table 2, UHIC Sanctions Related to the Provision of Medicare or Medicaid Services).

Table 1, UHIC Civil Litigation related to the Provision of Medicare or Medicaid Services in Hawaii

Case Name	File Number	Court	Description	Status
<i>G., Parent and Next Friend of K., A Disabled Child, et. al. v. State of Hawaii, Department of Human Services; UnitedHealthcare Insurance Company d/b/a Evercare; et. al. AND G., Parent and</i>	Civ Nos. 08-00551 ACK-BMK AND 09-00044 ACK-BMK (consolidated)	United States District Court, District of Hawaii	These consolidated cases involve challenges to Hawaii's QExA program. The plaintiffs challenge the validity of Hawaii's RFP process as well as the overall legality of the program under state and federal law.	The federal defendant side of these consolidated cases has been resolved in favor of defendants via summary judgment motion. One issue remains for trial, which commenced in November 2010. We are currently awaiting

Evercare QExA Medicaid Report for the SFY ending June 30, 2010

<i>Next Friend of K., A Disabled Child, et. al. v. United States Department of Health and Human Services; UnitedHealthcare Insurance Company d/b/a Evercare; et. al.</i>				disposition.
<i>Alohacare v. J.P. Schmidt, Insurance Commissioner, State of Hawaii Department of Commerce and Consumer Affairs; UnitedHealthcare Insurance Company d/b/a Evercare; et. al</i>	Civil No. 09-1-1514-07 EEH	Supreme Court, State of Hawaii	Plaintiff sought an agency declaration that Evercare and Wellcare (Ohana) were not properly licensed to administer the QExA program, which was denied by the Insurance Commissioner.	The Hawaii Circuit Court affirmed the finding of the Insurance Commissioner that Evercare and Wellcare (Ohana) are appropriately licensed. Plaintiff filed an appeal to the Supreme Court and arguments are currently scheduled for March, 2011.
<i>Hawaii Coalition for Health v. UnitedHealthcare Insurance Company d/b/a Evercare, et. al</i>	IC-08-112	Insurance Division, Hawaii Department of Commerce and Consumer Affairs	Patient advocacy group sought an agency determination invalidating various provisions in Evercare's provider contracts under HRS Chapter 432E.	The Insurance Commissioner denied the petition as hypothetical and speculative. No appeal taken; case closed.
<i>Hubert Motzek v. Secure Horizons by UnitedHealthcare</i>	3SC09-1-396	Small Claims Division of the District Court of the Third Circuit, Hawaii	Member dispute regarding claim payment.	Plaintiff did not show up for trial on March 3, 2010, resulting in dismissal. Case closed.
<i>H. M.v. Evercare</i>	HER-09-152033	Insurance Division, Hawaii Department of Commerce and Consumer Affairs	Member dispute regarding benefit determination.	Case resolved via settlement.
<i>H. M. v. Evercare</i>	Administrative Hearing	Med-QUEST Division, Department of Human Services, State of Hawaii	Member dispute regarding benefit determination.	Case resolved via settlement.
<i>H. H. v. Evercare</i>	HER-09-152408	Insurance Division, Hawaii Department of Commerce and Consumer	Member dispute regarding benefit determination.	Case open.

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		Affairs		
<i>H. H. v. Evercare</i>	Administrative Hearing	Med-QUEST Division, Department of Human Services, State of Hawaii	Member dispute regarding benefit determination.	Case open.
<i>S. A. J. v. Evercare</i>	HER-10-153666	Insurance Division, Hawaii Department of Commerce and Consumer Affairs	Member dispute regarding benefit determination.	Case resolved via settlement.
<i>A. D. S. v. Evercare</i>	HER-10-154685	Insurance Division, Hawaii Department of Commerce and Consumer Affairs	Member dispute regarding benefit determination.	Case open.

Table 2, UHIC Sanctions Relating to the Provision of Medicare or Medicaid Services

State	Reviewing Agency	Year	Fine Amount	Brief Description of Findings
CT	Department of Insurance	2007	\$1,300	Late report submission
CT	Department of Insurance	2007	\$9,200	Failure to provide requested information in a timely manner.
MA	Department of Revenue	2009	\$130.83	Penalty for not e-filing 2007 tax return
CT	State of Connecticut Department of Social Services	2008	\$600,000	State appeal on dual eligible skilled nursing facility claim payment

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Hawaii Medical Service Association
Attachment 3- State and Federal Sanctions

(3) Descriptions of any on-going State or Federal sanction proceedings, prohibitions, restrictions, on-going civil or criminal investigations, and descriptions of past sanctions or resolved civil or criminal cases, within the past five years and related to the provision of Medicare or Medicaid services by the contracting entity, to the extent allowed by law.

Each health plan should include a write-up that includes the information provided in the description for the period of SFY10. Exclude any protected health or personally identifiable information (PHI) from this write-up.

None.

Resolved civil cases within the past five years

1. Provider Organization v. HMSA
 Provider organization alleges unfair and deceptive trade practices and tortious interference with prospective economic advantage. Plaintiffs seek declaratory and injunctive relief. HMSA's Motion for Judgment on the Pleadings was granted on all counts. Case was appealed to the Hawaii Supreme Court, which issued a decision affirming in part and vacating in part the Circuit Court actions and remanding certain claims to Circuit Court. Stipulation of Dismissal with Prejudice filed July 20, 2009.
2. Providers v. HMSA
 Providers allege unfair and deceptive trade practices and tortious interference with prospective economic advantage. Plaintiffs seek declaratory and injunctive relief. HMSA's Motions for Dismissal and Judgment on the Pleadings were granted on all counts. Case was appealed to the Hawaii Supreme Court, which issued a decision affirming in part and vacating in part the Circuit Court actions and remanding certain claims to Circuit Court. Stipulation of Dismissal with Prejudice filed July 20, 2009.
3. Providers v. Blue Cross Blue Shield Association, et al.
 Providers filed a lawsuit on August 8, 2002, alleging RICO violations. Settlement was entered into by HMSA and other defendants. The court granted preliminary approval of the settlement. Final approval of settlement granted; Final Order April 21, 2008.
4. Providers v. Blue Cross Blue Shield Association, et al.
 Allied health care providers filed a lawsuit on November 11, 2003, alleging RICO violations. HMSA was dismissed from the case on March 14, 2007.
5. Providers v. HMSA, HPH
 Provider filed lawsuit alleging breach of contract (Participating Physician Agreement), unfair and deceptive trade practices, bad faith and other causes of action. HMSA's Motion for judgment on the Pleadings and Motion to Dismiss were granted in part and denied in part. On October 5, 2005, the Intermediate Court of Appeals vacated the courts order and remanded the case for further proceedings. Provider filed First Amended Complaint on February 12, 2007. HMSA filed Motion to Enforce Judgment and Rule to Show Cause Why Plaintiffs and Their Attorneys Should Not Be Held in Contempt, on September 9, 2008 in

Providers v. Blue Cross Blue Shield Association, et al., in U.S. District Court for Southern District of Florida. Stipulation to Dismiss filed March 31, 2009.

6. Member v. HMSA

Member filed this lawsuit on December 19, 2005, accusing HMSA of intentional infliction of emotional distress as a result of her not being able to receive medication from pharmacies, and respondeat superior liability for terroristic threatening. HMSA's Motion for Judgment on the Pleadings granted August 30, 2006.

7. Member v. HMSA

Action filed by former QUEST member for breach of contract, bad faith, intentional infliction of emotional distress, negligent infliction of emotional distress, punitive damages. Tort claims dismissed with prejudice, contract breach claim settled. Stipulation to Dismiss filed August 25, 2008.

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Attachment 3- State and Federal Sanctions

(3) Descriptions of any on-going State or Federal sanction proceedings, prohibitions, restrictions, on-going civil or criminal investigations, and descriptions of past sanctions or resolved civil or criminal cases, within the past five years and related to the provision of Medicare or Medicaid services by the contracting entity, to the extent allowed by law.

Instructions:

Each health plan should include a write-up that includes the information provided in the description for the period of SFY10. Exclude any protected health or personally identifiable information (PHI) from this write-up.

OIG Corporate Integrity Agreement (CIA)

Kaiser-Hawaii's fifth, and final, CIA annual report was submitted to the OIG on July 23, 2010. On August 5, 2010, the OIG released Kaiser-Hawaii from the CIA.

Voluntary Disclosure Re: Government Payor Fee-for Service Professional Services

On November 18, 2010, Kaiser-Hawaii received letters from the OIG instructing it to refund \$32,111.27 in connection with claims it submitted to Medicare from October 1, 2000 to September 30, 2004, and \$19,508.08 in connection with claims it submitted to Medicaid for the same time period, related to the voluntary disclosure described in the previous report. The OIG has not proposed any further sanctions or remediation. The OIG will not be entering into a formal settlement agreement with Kaiser-Hawaii concerning the voluntary disclosures, and Kaiser Hawaii will not obtain a formal release of all issues under the disclosure because the OIG has decided to treat this as a straightforward overpayment.

**WELLCARE HEALTH INSURANCE OF ARIZONA, INC.
D/B/A OHANA HEALTH PLAN**

**MEDICAID CONTRACT REPORTING – HRS 103F-107
ATTACHMENT 3 – STAE AND FEDERAL SANCTIONS**

Request for Information

Descriptions of any on-going State or Federal sanction proceedings, prohibitions, restrictions, on-going civil or criminal investigations, and descriptions of past sanctions or resolved civil or criminal cases, within the past five years and related to the provision of Medicare or Medicaid services by the contracting entity, to the extent allowed by law.

Response

WellCare Health Insurance of Arizona, Inc. d/b/a Ohana Health Plan (“Ohana”) does not have any state or federal sanctions to disclose other than those matters discussed in the Form 10-K filed with the Securities and Exchange Commission by WellCare Health Plans, Inc., the parent company of Ohana. Those matters are summarized in the paragraphs below.

In May 2009, WellCare Health Plans, Inc., and its affiliates and subsidiaries (the “Company”), entered into a Deferred Prosecution Agreement (the “DPA”) with the United States Attorney’s Office for the Middle District of Florida (the “USAO”) and the Florida Attorney General’s Office, resolving previously disclosed investigations by those offices. Pursuant to the terms of the DPA, the Company has paid the USAO a total of \$80.0 million. The term of the DPA is thirty-six months, but such term may be reduced by the USAO to twenty-four months upon consideration of certain factors set forth in the DPA. As a part of the DPA, the Company has retained a Monitor for a period of 18 months from his retention in August 2009.

In February 2009, CMS notified the Company that, effective March 7, 2009, the Company had been sanctioned through a suspension of marketing of, and enrollment into, all lines of the Company’s Medicare business. CMS’s determination was based on findings of deficiencies in the Company’s compliance with Medicare regulations related to marketing activities, enrollment and disenrollment operations, appeals and grievances, timely and proper responses to beneficiary complaints and requests for assistance and marketing and agent/broker oversight activities. In response to the CMS suspension, we made certain changes to our Medicare marketing sales force and launched a company-wide initiative to analyze the processes and procedures for each of the issues identified by CMS and to ensure that we comply fully with CMS requirements going forward. CMS removed the sanctions on November 4, 2009.

In May 2009, the Company resolved a previously disclosed investigation by the United States Securities & Exchange Commission (“SEC”). Under the terms of the Consent and Final Judgment, without admitting or denying the allegations in the complaint filed by the SEC, the Company consented to the entry of a permanent injunction against any future violations of certain specified provisions of the federal securities laws. In addition, the Company agreed to pay a civil penalty in the aggregate amount of \$10 million and disgorgement in the amount of one dollar plus post-judgment interest.

In October 2008, the Civil Division of the United States Department of Justice (the “Civil Division”) informed the Company that as part of the pending civil inquiry, it was investigating four *qui tam* complaints filed by relators against the Company under the whistleblower provisions of the False Claims Act. On June 24, 2010, (i) the United States government filed its Notice of Election to Intervene in three of the *qui tam* matters, and (ii) the Company announced that it had reached a preliminary agreement (the “Preliminary Settlement”) with the Civil Division, the Civil Division of the USAO, and the Civil Division of the United States Attorney’s Office for the District of Connecticut to settle their pending inquiries. On June 25, 2010, the Federal Court lifted the seal in the three *qui tam* complaints in which the government had intervened. Those complaints are now publicly available.

The Company also learned from a docket search that a former employee filed a qui tam action on October 25, 2007 in state court for Leon County, Florida against several defendants, including the Company and one of its subsidiaries (the "Leon County qui tam suit"). As part of the discussions to resolve pending qui tam and related civil investigations discussed above, the Company has been informed that the Leon County *qui tam* suit was filed by one of the federal *qui tam* relators and contains allegations similar to those alleged in one of the recently unsealed *qui tam* complaints.

The Preliminary Settlement is subject to completion and approval of an executed written settlement agreement and other government approvals. If any party objects to the Preliminary Settlement, the Federal Court will conduct a hearing to determine whether the proposed settlement is fair, adequate and reasonable under all the circumstances. Upon execution of the settlement agreement, the Company would, among other things, agree to pay the Civil Division a total of \$137.5 million (the "Settlement Amount").

As previously disclosed, the Company remains engaged in resolution discussions as to matters under review with the United States Department of Health and Human Services' Office of Inspector General (the "OIG"). Those discussions are ongoing and no final resolution has been reached.

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Attachment 4- Contributions to the Community

(4) Descriptions of contributions to the community, including the percentage of revenue devoted to Hawaii community development projects and health enhancements (provided that contracted services shall not be included in the percentage calculations). List

AlohaCare July 1, 2009 - June 30, 2010		Evercare QExA July 1, 2009 - June 30, 2010		HMSA July 1, 2009 - June 30, 2010		Kaiser Permanente January 1, 2009 - December 31, 2009		Ohana Health Plan July 1, 2009 - June 30, 2010	
				Note: Amounts reported represent totals for HMSA and are not specific to QUEST.		Note: Amounts reported represent totals for Kaiser and are not specific to QUEST.			
Community event	Amount	Community event	Amount	Community event	Amount	Community event	Amount	Community event	Amount
Quality Program Payments	\$269,912.97	Contributions less than \$1,000 each	\$1,918.47	Rural Residency Program	\$95,000	CHI Programs and Services	\$ 13,483	Summary of Donations	\$3,850
AlohaCare's goal for the Quality Improvement Funding Program for Community Health Centers (CHCs) is to improve collaboration with the CHCs to demonstrably improve measures of clinical care and service that are important to external evaluation of AlohaCare's performance, specifically HEDIS® and CAHPS measures. There were 13 CHCs and other providers who were included in this program for this fiscal year.	0.15%		0.00%	Financial assistance to the JABSOM to support travel subsidies for residents to allow them to complete rotations in rural areas, and also to support educational programs for high school students considering careers in the health care field.	0.04%	Kaiser Permanente Hawaii promotes healthy eating active living (HEAL) for the community in part by sponsoring fresh day farmers markets at four clinic locations. Market days also provide an opportunity for community outreach for programs like tobacco cess	0.02%	Kapi'olani Community College, Kupuna Education Center, Aging with Aloha, Hawaii families as Allies, Mental Health America of Hawaii, Palolo Chinese Home, Palolo Chinese Home - Quing Ming Ceremony, Maui Adult Day Care Presentations, Hana Health Fair, Hawaii Pharmacists Association	0.00%
Improved Access to Care payments	\$300,000.00			Public Service Announcements	\$317,137	Medical Research	\$ 2,488,681	Member Education- Oahu	\$3,300
Provider Recruitment: The Neighbor Island Access and Availability Project is designed to support the access and availability of providers on neighbor islands. A total of 16 providers were recruited for the neighbor islands, as	0.16%			Support via TV, radio, and print advertising for community health issues such as healthy eating, teen health, and health promotion and disease prevention and nonprofit community organizations such as	0.12%	Research done by Kaiser Permanente physicians and staff and funded by Kaiser Permanente Hawaii that include patient-centered, population and practice based research	4.22%		0.00%
Pay for Performance	\$430,617.00			Community Events	\$120,000	ETP (Educational Theater Program)	\$ 42,547	Member Education- All Other Islands	\$11,000
Pay for Performance incentive payments are for successful completion of Quality Improvement Initiatives.	0.24%			Community events in support of various community health issues and nonprofit community organizations	0.04%	Lessons on healthy lifestyles provided to public elementary schools as plays presented at the schools with follow-up lesson plans to reinforce the learnings.	0.07%	CHAMP	\$1,200
								Rural Family Practice Residency Program	\$5,000
								This organization, part of the Hilo Medical Center and University of Hawai'i, John A. Burns School of Medicine, trains and works to retain family practitioners in rural areas of the State. 'Ohana gave a cash donation.	0.00%

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Community Partnerships	\$69,460.00			Corporate Giving	\$312,000	Medical Education and Training	\$ 42,547	FACE	\$1,500
As part of AlohaCare commitment to the community, we partner with other community organizations to help with donations, sponsorships, funding etc...Some organizations that we partnered with include: Lanai CHC, Mental Health Kokua, YMCA of Honolulu, SF Healthcare Foundation, Valley of Rainbows.	0.04%			Financial support for nonprofit organizations focused on improving the health of our community	0.12%	Educating interns, residents and fellows and providing continuing medical education and training for health professionals throughout the community.	0.07%		0.00%
Charitable Contributions	\$20,634.00			HMSA Foundation	\$550,357	Total Grants & Donations	\$ 316,912	American Diabetes Association	\$2,500
AlohaCare continues our commitment to the community by providing charitable contributions to other organizations who share our mission. Some organizations that have received our contributions include: UH Foundation, Ronald McDonald	0.01%			HMSA Foundation grants extend HMSA's commitment to providing access to cost-effective health care services; health promotion, education and research; improving health care quality/delivery system	0.20%	Grants and donations given to organizations for work that improves the health and well-being of people throughout the state.	0.54%		0.00%
Total	\$1,090,623.97			Other Community Health Initiatives	\$162,510	Total	\$2,904,170	Palolo Lions Club	\$2,000
% of revenue for community activities	0.60%			Support for Fun Five (afterschool program promoting physical activity and healthy eating to help prevent childhood obesity)	0.06%	% of revenue for community activities	4.93%		0.00%
				HMSA Initiative for Innovation and Quality (HI-IQ)	\$10,487,470			National Healing Research Foundation	\$3,000
				HMSA committed \$50 million to help hospitals and physicians invest in technology, such as electronic medical records, to make Hawaii's health care system more efficient and effective	3.87%				0.00%
				Total	\$12,044,474			Child & Youth Day	\$1,000
				% of revenue for community activities	4.45%				0.00%
								National Kidney Foundation of Hawaii	\$3,000
									0.00%
								Maui Adult Day Care Walk	\$1,000
									0.00%
								Senior Fair	\$5,500
									0.00%
								Caregivers Awareness Day	\$1,000
									0.00%
								Total	\$44,850
								% of revenue for community activities	0.0116%

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Attachment 5- Management and Administrative Contracts

(5) A list of any management and administrative service contracts for Med-QUEST services made in Hawaii and outside of the state, including a description of the purpose and cost of those contracts.

AlohaCare July 1, 2009 - June 30, 2010		Evercare QExA July 1, 2009 - June 30, 2010		HMSA July 1, 2009 - June 30, 2010		Kaiser Permanente July 1, 2009 - June 30, 2010		Ohana Health Plan July 1, 2009 - June 30, 2010	
C&J Telecommunication: C&J provides after-hours and weekend telephone and assistance coverage	\$9,465	MDX-Hawaii: call center (member and provider service) provider network development and support, utilization management and telephonic care coordination	\$4,799,522	Healthways, Inc. HMSA contracts Healthways, Inc. to provide clinical care coordination and disease management services	\$647,846	Kaiser Permanente reports that they do not have any management or administrative service contracts.		TMS: Transportation Services	\$666,820
Hawaii Credential Verification Service HCVS performs credentialing services	\$220	Ceridian: administration of payroll processing for caregivers (personal assistance and CHORE services)	\$105,887	APS Healthcare Bethesda, Inc. HMSA contracts with APS to provide behavioral health case management and inpatient utilization management for QUEST members	\$773,864			HearUSA: Hearing services (rate includes services paid to Hawaii providers for members)	\$95,723
Language Service Associates (LSA): Language Service Associates provides telephonic interpreting in over 200 languages, 24 hours a day, 365 days a year (including holidays).	\$1,728	Logisticare: non-emergent ground and air transportation benefit administration, amount includes payments to transport vendors in Hawaii and Logisticare's administration*	\$498,347	National Imaging Associates, Inc. HMSA contracts with National Imaging Associates provide precertification services for outpatient diagnostic advanced imaging	\$207,796			Advantica: Vision services (rate includes services paid to Hawaii providers for members)	\$642,733
Ingenix: Ingenix, Inc. performs credentialing primary source verification.	\$26,887	Lasermark: member ID card and new member packet vendor	\$19,833	Integrated Services, Inc. (ISI) ISI is contracted to provide outreach to HMSA QUEST members, which includes sending EPSDT information, providing immunization reminders,	\$304,729			WHI: Pharmacy Services	\$129,636
Edwards Enterprises, Inc.: Edwards Enterprises, Inc. provides printing services for AlohaCare's communications materials.	\$244,561	Total	\$5,423,589	East Hawaii IPA Management fee paid for HMSA QUEST members assigned to this Health Center	\$112,526			Ceridian: Self-direct payroll and processing services	\$51,409
EMSS: EMSS generates and mails out AlohaCare membership identification cards, annual member handbooks and new member packets.	\$125,124	* Administration costs are an estimate		Argus Health Systems, Inc. HMSA contracts with Argus to process pharmacy claims electronically at point of service	\$110,675				

