



Settlement Agreement  
dated as of May 21, 2003  
by and among

Aetna Inc.,  
The Representative Plaintiffs,  
The Signatory Medical Societies, and  
Class Counsel

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**Aetna's 2003 Compliance Report**

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Thomas A. Young  
Internal Compliance Officer  
Aetna Inc.  
January 23, 2004

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## **I. INTRODUCTION**

On May 21, 2003, Aetna Inc. (“Aetna”) and representatives of over 700,000 physicians, as well as various state medical societies and certain national medical associations, entered into an agreement (the “Settlement Agreement”), settling a national class action pending in the federal court for the Southern District of Florida, as well as multiple state court actions, filed against Aetna. This Compliance Report provides an overview of the actions Aetna took during 2003 to comply with the Settlement Agreement and it describes any challenges or difficulties encountered.

## **II. BACKGROUND**

Pursuant to §12.7 of the Settlement Agreement, Aetna has designated Thomas A. Young, Vice President and Chief Privacy and Security Officer, as Aetna’s Internal Compliance Officer. Mr. Young reports to the General Counsel in his capacity as Internal Compliance Officer.

The following describes steps that have been taken by or at the direction of Mr. Young to ensure proper management of the Company’s Settlement Agreement compliance activities:

- Established a Settlement Agreement Compliance Team (“Compliance Team”).
- Inventoried the Settlement Agreement requirements and created a detailed work plan, linking action items to relevant sections of the Settlement Agreement.
- Assigned Compliance Team “Leads” to work with business area point people to facilitate and monitor progress on action items.
- Identified state laws relating to Settlement Agreement commitments and involved Aetna’s Regional Compliance Directors to ensure compliance with same.
- Worked with IT Portfolio Managers to assure that information system work needed for compliance with the terms of the Settlement Agreement was scoped and budgeted appropriately.

- Established biweekly meetings with business area point people, IT Portfolio Managers, Compliance Team Leads and other appropriate personnel to share information of common interest and address any cross-organizational issues.

### **III. 2003 COMPLIANCE ACTIVITIES**

All Settlement Agreement due dates for 2003 were met, and progress is well under way to meet all 2004 due dates. *Appendix A* to this Report describes Aetna's 2003 compliance activities related to individual Settlement Agreement requirements. The Company encountered no challenges or difficulties with respect to its efforts to comply with the Settlement Agreement.

### **IV. CERTIFICATION**

With respect to certain individual Settlement Agreement requirements, Aetna is required to certify that it has satisfied its obligations thereunder. *Appendix B* to this Report includes a Certificate, signed by Thomas A. Young on behalf of the Company, confirming that Aetna has satisfied its obligations with respect to those Settlement Agreement requirements that necessitate a Certification regarding 2003 activities. Documentation is attached evidencing Aetna's satisfaction of each such requirement.

### **V. SUMMARY**

Aetna has complied with all of the Settlement Agreement requirements for 2003. Questions regarding this Report or the attached Appendices may be directed to:

Aetna Inc.  
151 Farmington Avenue  
Hartford, CT 06156  
Attn: Thomas A. Young, MB65  
Phone: (860) 636-1142  
FAX: (860) 636-2776  
Email: [YoungTA@Aetna.com](mailto:YoungTA@Aetna.com)

*Appendix A*

**Aetna's 2003  
Compliance Activities**

**Aetna's 2003 Compliance Activities**

The following are descriptions of specific actions taken by Aetna in 2003 to satisfy individual Settlement Agreement requirements:

<b>Agreement Section</b>	<b>Actions Taken</b>
<b>1.0</b>	<b>No action required.</b>
<b>2.0</b>	<b>No action required.</b>
<b>3.0</b>	<p><b>Commitment to Support Settlement Agreement; Communications with Class Members</b></p> <ul style="list-style-type: none"> <li>• Aetna and Plaintiffs cooperated with each other and took all actions reasonably necessary to obtain Court approval of the Settlement Agreement and entry of the orders of the Court that are required to implement its provisions.</li> <li>• On July 16, 2003, Aetna withdrew its appeal of the Court's September 26, 2002 Order Granting Provider Track Class Certification.</li> </ul>
<b>4.0</b>	<p><b>Preliminary Approval of Settlement</b></p> <ul style="list-style-type: none"> <li>• Aetna and Plaintiffs made all necessary Court filings and jointly sought preliminary approval of the Settlement Agreement, which was granted on June 2, 2003.</li> </ul>
<b>5.0</b>	<p><b>Notice to Class Members</b></p> <ul style="list-style-type: none"> <li>• The Settlement Administrator sent the Mailed Notice to Class Members via first class mail and Aetna paid for the costs of the Mailed Notice, including the mailing costs.</li> <li>• The Settlement Administrator caused the Published Notice to be published in (i) the legal notices section of the national editions of the <u>Wall Street Journal</u> and <u>USA Today</u>, and (ii) <u>The Journal of the American Medical Association</u>. Aetna paid for all associated costs. Aetna, at its expense, also published the Published Notice on Aetna.com.</li> </ul>
<b>6.0</b>	<p><b>Final Approval of Settlement</b></p> <ul style="list-style-type: none"> <li>• Aetna and Plaintiffs jointly sought Final Court Approval, which was granted on November 6, 2003.</li> </ul>

**Aetna's 2003 Compliance Activities**

<b>Agreement Section</b>	<b>Actions Taken</b>
<b>6.1</b>	<p><b>Opt-Out Timing</b></p> <ul style="list-style-type: none"> <li>• The Opt-Out Deadline was August 29, 2003.</li> <li>• Aetna paid the costs of obtaining a copy of the Opt-Out requests, and jointly with Plaintiffs, supervised the Settlement Administrator's preparation of an Opt-Out list.</li> </ul>
<b>6.2</b>	<b>No action required.</b>
<b>6.3</b>	<b>No action required.</b>
<b>7.0</b>	<b>No action required.</b>
<b>7.1</b>	<p><b>Automated Adjudication of Claims</b></p> <ul style="list-style-type: none"> <li>• This section identifies actions to be undertaken by Aetna prior to December 31, 2004. Aetna has taken action to comply with these commitments and will fully report on its compliance activities in its 2004 Compliance Report.</li> <li>• During 2003, spent ~\$5.6M on system enhancements to improve automated adjudication of claims.</li> <li>• A report, detailing Aetna's 2003 expenditures toward improving the automated adjudication of claims, is provided in <i>Appendix B</i>.</li> </ul>
<b>7.2</b>	<p><b>Physician Access to Information</b></p> <ul style="list-style-type: none"> <li>• Enhanced Physician access to information via the Internet, Clearinghouses and the Provider Web Site as follows: <ul style="list-style-type: none"> <li>? On December 18, 2003, added clearinghouse links on Aetna.com, enabling Physicians to perform the following functions: <ul style="list-style-type: none"> <li>- Register/verify referrals</li> <li>- Precertify procedures</li> <li>- Submit claims for Covered Services</li> <li>- Check Plan Members' eligibility for Covered Services</li> <li>- Check claims status</li> </ul> </li> <li>? As of December 18, 2003, completed a series of technical upgrades to provide comparable functionality to Participating Physicians via the Provider Web Site.</li> </ul> </li> </ul>

**Aetna's 2003 Compliance Activities**

<b>Agreement Section</b>	<b>Actions Taken</b>
7.3	<p><b>Fee Schedules</b></p> <ul style="list-style-type: none"> <li>• Began information systems development work to allow Participating Physicians and Physician Groups (with whom Aetna has a direct, written agreement) to view their complete fee schedules (on a confidential basis) via the Provider Web Site; established an “Interim Process” to enable Participating Physicians and Physician Groups, with whom Aetna has a written contract, to request in writing, fee schedules for up to 50 CPT codes.</li> <li>• Established processes for attempting to include similar fee schedule disclosure requirements in contracts with delegated entities where feasible and/or possible.</li> </ul>
7.4	<p><b>System Investments</b></p> <ul style="list-style-type: none"> <li>• During 2003, spent ~\$4.9M on system improvements and functionalities required by §7.2.</li> <li>• No significant costs were incurred in 2003 with respect to the improvements and functionalities required by §7.3.</li> <li>• A report, detailing Aetna’s 2003 expenditures toward the improvements and functionalities required by §7.2, is provided in <i>Appendix B</i>.</li> </ul>
7.5	<p><b>Precertification Lists on Provider Web Site</b></p> <ul style="list-style-type: none"> <li>• Made Aetna's precertification list (which is applicable to Participating Physicians) available via the Provider Web Site.</li> <li>• Have begun the process of identifying self-funded plan sponsor customized precertification lists applicable to Participating Physicians.</li> <li>• A copy of Aetna’s current standard precertification list applicable to Participating Physicians is provided in <i>Appendix B</i>.</li> </ul>
7.6	<p><b>Advanced Notice of Policy and Procedure Changes</b></p> <ul style="list-style-type: none"> <li>• Provided Participating Physicians with 90 days' advance notice of planned Material Adverse Changes to any Aetna policy or procedure that affects Aetna's performance under contracts with Participating Physicians.</li> <li>• A listing of the dates on which Aetna provided Participating Physicians with advance notice of planned Material Adverse Changes is provided in <i>Appendix B</i>.</li> </ul>

Aetna's 2003 Compliance Activities

Agreement Section	Actions Taken
7.7	<p><b>Reducing Claim Resubmissions</b></p> <ul style="list-style-type: none"> <li>• Increased percentage of claims resolved on initial review by making up to 3 inquiries for additional information from Physicians before denying claims.</li> <li>• The following documents are provided in <i>Appendix B</i>:               <ul style="list-style-type: none"> <li>- A report which evidences improvement during 2003 in the percentage of claims resolved on initial review</li> <li>- Copies of Aetna's "Proactive Calls" policies and procedures for HMO and Traditional products</li> </ul> </li> </ul>
7.8(a)	<p><b>Claim "Bundling" Consistency</b></p> <ul style="list-style-type: none"> <li>• Undertook efforts to cause Aetna's automated "bundling" and other claims payment rules to be consistent across ongoing claims systems and products -- established a work plan for 2004 that Aetna believes is reasonably calculated to ensure that remaining claim "bundling" and claims payment policies will be updated and implemented in 2004, so as to achieve consistency across all claims platforms.</li> <li>• Descriptions of efforts made by Aetna to ensure consistency in automatic claim "bundling" and other claims payment rules across ongoing claims systems and products are provided in <i>Appendix B</i>.</li> </ul>
7.8(b)	<p><b>Claim "Bundling" Consistency</b></p> <ul style="list-style-type: none"> <li>• Helped Participating Physicians understand how Aetna's claim systems adjudicate invoices for specific CPT codes or combinations of such codes as follows:               <ul style="list-style-type: none"> <li>- In April 2003, made Clear Claim Connection<sup>TM</sup> (a code auditing disclosure tool which utilizes the McKesson Corporation ClaimCheck® software product) available to Participating Physicians via the Provider Web Site.</li> <li>- In December 2003, incorporated Aetna's customizations into the ClaimCheck® logic and published the Aetna-specific code logic on the Provider Web Site. The software produces results consistent with the standards of §7.20(b).</li> </ul> </li> <li>• Copies of the following documents are provided in <i>Appendix B</i>:               <ul style="list-style-type: none"> <li>- Aetna press release announcing the availability of Clear Claim Connection<sup>TM</sup></li> <li>- Relevant sections from the Provider Web Site</li> <li>- Pages from a Provider Web Site presentation which "demo" Clear Claim Connection<sup>TM</sup></li> </ul> </li> </ul>

## Aetna's 2003 Compliance Activities

Agreement Section	Actions Taken
7.8(c)	<p><b>Disclosure of CMS-related Claims Payment Rules on Provider Web Site</b></p> <ul style="list-style-type: none"> <li>• Effective December 2003, Aetna disclosed (on the Provider Web Site) the Aetna payment rule for each area in which CMS has promulgated a definitive rule or approach that is relevant to payment of Physicians for Covered Services. As CMS does not collect these rules in a single area, Aetna personnel reviewed the voluminous CMS web materials, identified each payment rule for each area appearing to fit the description in §7.8(c) and verified that Aetna's Provider Web Site discloses Aetna's payment rule or methodology concerning that subject.</li> <li>• Provided a link (on the Provider Web Site) to CMS-related claims payment rules.</li> <li>• A copy of the section of the Provider Web Site that provides the link to CMS-related claims payment rules is provided in <i>Appendix B</i>. <i>Appendix B</i> (tab 7.8(a)) includes the relevant section from the Provider Web Site that lists Aetna's policies pertaining to claim payment rules.</li> </ul>
7.8(c)(i)	<p><b>Disclosure of Aetna's Customizations to ClaimCheck® Logic</b></p> <ul style="list-style-type: none"> <li>• Beginning December 18, 2003, published (on the Provider Web Site) a list of Aetna customizations to the ClaimCheck® logic.</li> <li>• A copy of the relevant section of the Provider Web Site that discloses Aetna's customizations to the ClaimCheck® logic is provided in <i>Appendix B</i>.</li> </ul>
7.8(c)(ii)	<p><b>Process Change for Routine Review of Clinical Records</b></p> <ul style="list-style-type: none"> <li>• Updated policies/procedures to reflect that Aetna will not routinely require submission of clinical records before or after payment of claims (except in the instances identified by the Settlement Agreement).</li> <li>• Disclosed (on Aetna.com and the Provider Web Site) the categories of claims that require submission of clinical records before or after payment.</li> <li>• Copies of relevant sections of Aetna.com and the Provider Web Site are provided in <i>Appendix B</i>.</li> </ul>

**Aetna's 2003 Compliance Activities**

Agreement Section	Actions Taken
7.8(c)(iii)	<p><b>Disclosure of Services Determined Inappropriate to Report with Modifiers 25 and 59</b></p> <ul style="list-style-type: none"> <li>• Aetna is in the process of compiling the list of circumstances under which it has determined that it is not appropriate to report services or procedures with modifiers 25 and 59.</li> <li>• Documentation to evidence satisfaction of requirement §7.8(c)(iii) will be produced with Aetna's 2004 Compliance Report.</li> </ul>
7.8(d)	<p><b>Update Disclosures made in §7.8(c) and the Customization Lists Specified in §7.8(c)(i) and §7.8(c)(ii)</b></p> <ul style="list-style-type: none"> <li>• Established a process for updating the disclosures and customization lists required by §7.8(c).</li> <li>• No updates were made between the dates the disclosures and lists were implemented and December 31, 2003.</li> <li>• No related documentation has been produced, because no update has occurred.</li> </ul>
7.9	<p><b>Physician Advisory Board (formerly known as Physician Advisory Committee)</b></p> <ul style="list-style-type: none"> <li>• Established a Physician Advisory Board. The nine members have been selected.</li> <li>• Established an electronic mailbox (on the Provider Web Site and Aetna.com) that enables any Physician to communicate/submit ideas to the Physician Advisory Board.</li> <li>• Held preliminary organizational conference calls with the initial six Board members on October 9 and November 18, 2003. At the October 9 meeting, the initial members discussed (i) the purpose of the Board, (ii) the scope of the Board's responsibilities, and (iii) the process and timetable for selecting the remaining three Board members. At the November 18 meeting, the six initial Board members reviewed nominations for and selected the remaining three Board members.</li> <li>• Scheduled the first formal Physician Advisory Board meeting for April 2, 2004.</li> <li>• A copy of an Aetna press release, identifying the Physician Advisory Board members, is provided in <i>Appendix B</i>.</li> <li>• No formal Physician Advisory Board meetings were held in 2003. Aetna's 2004 Compliance Report will include a list of the dates on which the Physician Advisory Board met.</li> <li>• A list of the Physician Advisory Board's 2004 recommendations, together with Aetna's responses thereto, will be produced with Aetna's 2004 Compliance Report.</li> </ul>

**Aetna's 2003 Compliance Activities**

Agreement Section	Actions Taken
7.10	<p><b>Billing Dispute External Review Board</b></p> <ul style="list-style-type: none"> <li>• Established a new dispute resolution process for Physician billing disputes, as follows:               <ul style="list-style-type: none"> <li>- Worked with Class Counsel to select the organization(s) that will constitute a Billing Dispute External Review Board to resolve Physician disputes that involve the types of issues set forth in §7.10(a).</li> <li>- Subject to further discussion with Class Counsel, established External Review Board Operating Policies and Procedures, as described in §7.10(a), (b), (c), (e), (f), (g), (h), and (i).</li> <li>- Published (on the Provider Web Site) Aetna's Internal Appeals Process</li> </ul> </li> <li>• No issues were considered by the Billing Dispute External Review Board between the Implementation Date (November 6, 2003) and December 31, 2003. A summary of the issues and results from the Billing Dispute External Review Board's 2004 proceedings will be produced with Aetna's 2004 Compliance Report.</li> </ul>
7.11	<p><b>Medical Necessity External Review Process</b></p> <ul style="list-style-type: none"> <li>• At present, eligible Members can access the Medical Necessity External Review Process. System and workflow enhancements are under way to expand the Medical Necessity External Review Process to allow Physicians the opportunity to request a review and to have the review handled as prescribed in §7.11 (e), (f), (g), (h), (i), and (j).</li> <li>• Via the 4Q 2003 publication of <i>Aetna Link</i>, an Aetna electronic newsletter that is distributed to plan sponsors, recommended that self-funded plan sponsors adopt Aetna's Medical Necessity External Review Process.</li> </ul>
7.12	<p><b>ERA/EFT Software - Physician Reimbursement</b></p> <ul style="list-style-type: none"> <li>• System and workflow enhancements are under way to support reimbursement to Qualifying Physician Offices for their ERA/EFT software costs (up to \$500 per office).</li> <li>• Documentation to evidence satisfaction of the §7.12 requirements will be produced with Aetna's 2004 Compliance Report.</li> </ul>

**Aetna's 2003 Compliance Activities**

<b>Agreement Section</b>	<b>Actions Taken</b>
7.13(a)	<p><b>Expedited Credentialing of Physicians</b></p> <ul style="list-style-type: none"> <li>• Aetna has made commercially reasonable efforts to complete primary source verification within 90 days of its receipt of applications from new Participating Physicians.</li> <li>• Subsequent to the Execution Date, primary source verification for new Participating Physicians was completed within 90 days as follows:               <ul style="list-style-type: none"> <li>- 3Q 2003 - 97.1%</li> <li>- 4Q 2003 - 98.1%</li> </ul> </li> <li>• Aetna now permits Physicians and Participating Physician groups to submit applications prior to the time when a new Physician becomes actively employed in a Participating Physician group.</li> <li>• Beginning in June 2003, Regional Credentialing Committees met at least once every 45 days to review/consider applications.</li> <li>• A list of dates on which Regional Credentialing Committee meetings took place between June 1, 2003 and December 31, 2003 is provided in <i>Appendix B</i>.</li> </ul>
7.13(b)	<p><b>No "All Products" Clauses</b></p> <ul style="list-style-type: none"> <li>• Removed or stopped enforcing "All Products" clauses from Physician contracts prior to May 21, 2003.</li> </ul>
7.13(c)	<p><b>Termination Provisions</b></p> <ul style="list-style-type: none"> <li>• As of December 31, 2003, standard Physician contract language was updated to reflect §7.13(c) requirements for those contracts entered into in states that do not require a filing with state regulatory agencies. In states that do require a filing, the process is under way.</li> <li>• While updates to contracts are being made, Aetna is administering Physician contracts consistent with the §7.13(c) requirements.</li> </ul>

## Aetna's 2003 Compliance Activities

Agreement Section	Actions Taken
7.14(a)	<p><b>Physician Fee Schedules – Standardization of Rates</b></p> <ul style="list-style-type: none"> <li>• On October 1, 2003, distributed to appropriate personnel a policy statement that fee schedules may not be updated more than once in a 12-month period. Subsequent to the Implementation Date, Aetna did not update any fee schedule referred to in <i>Appendix B</i> more than once.</li> <li>• An inventory of all Aetna Market Fee Schedules, together with the date each schedule was last updated, is provided in <i>Appendix B</i>.</li> </ul>
7.14(b)	<p><b>Physician Fee Schedules – Payment for Administration of Injectibles, Vaccines, etc.</b></p> <ul style="list-style-type: none"> <li>• Aetna's fee schedules reflect that (i) Aetna will pay for the administration of vaccines and injectibles in addition to paying for the vaccines and injectibles themselves and (ii) Aetna will pay for the cost of injectibles and vaccines at the rate set forth in the applicable fee schedule.</li> <li>• As of October 16, 2003, Aetna updated its Market Billable Lists to ensure capitated Participating Primary Care Physicians receive fees in addition to the capitation payments for primary care services administered pursuant to the schedules recommended by any of the following: the U.S. Preventative Services Task Force, the American Academy of Pediatrics and the Advisory Committee on Immunization Practices, as applicable -- Aetna pays for vaccines newly recommended by these institutions, as of the effective dates of such recommendations.</li> <li>• Clarified Clinical Policy Bulletin (CPB) process to state that CPBs will be issued within the 120-day required timeframe after publication of Physician Specialty Society recommendations.</li> <li>• During 2003, Aetna created or revised 228 Clinical Policy Bulletins. While Aetna did not have a formal system to track which, if any, of these actions reflected recommendations from a Physician Specialty Society, Aetna is not aware of any such recommendation that Aetna has not addressed through the Clinical Policy Bulletin process. Aetna is in the process of establishing a formal system in 2004 to keep track of the relationship between the Clinical Policy Bulletin process and Physician Specialty Society recommendations. For further information concerning the Clinical Policy Bulletin process, please see §7.16(b) below.</li> <li>• A report listing the dates on which Aetna completed updates to its fee schedules to reflect that Aetna will pay for the administration of vaccines and injectibles in addition to paying for the vaccines and injectibles themselves is provided in <i>Appendix B</i>.</li> <li>• A copy of Aetna's policy regarding Immunizations Billed with Administration Code and E&amp;M Service is provided in <i>Appendix B</i>.</li> </ul>

## Aetna's 2003 Compliance Activities

Agreement Section	Actions Taken
7.15	<p><b>Assignment of Benefits by Members to Physicians</b></p> <ul style="list-style-type: none"> <li>Aetna accepts valid assignments of benefits by Members to Physicians.</li> </ul>
7.16(a)	<p><b>Medical Necessity</b></p> <ul style="list-style-type: none"> <li>As of December 31, 2003, standard Physician contract language was updated to reflect new “Medical Necessity” definition, as set forth in §7.16(a)(i), for contracts entered into in those states that do not require a filing with state regulatory agencies. In states that do require a filing, the process is under way, except for states that mandate a different definition.</li> <li>While updates to contracts are being made, as permitted by applicable law, Aetna is administering Physician contracts consistent with the “Medical Necessity” definition set forth in §7.16(a)(i).</li> <li>Resources have been assigned to implement Aetna’s commitment to disclose, on an annual, aggregate basis, the percentage of Covered Services recommended or provided by treating Physicians that Aetna denies on the grounds of Medical Necessity.</li> <li>Copies of the annual disclosures specified by §7.16(a)(ii) will be included in Aetna’s 2004 Compliance Report.</li> </ul>
7.16(b)	<p><b>Clinical Policy Bulletin Standards</b></p> <ul style="list-style-type: none"> <li>In adopting or revising clinical policies (e.g., Clinical Policy Bulletins) with respect to Covered Services, Aetna relies on credible scientific evidence published in peer-reviewed medical literature generally recognized by the medical community. In formulating such policies, Aetna takes into account Physician Specialty Society recommendations and the views of Physicians practicing in relevant clinical areas and any other relevant factors.</li> <li>Aetna’s Clinical Policy Bulletins are posted on Aetna.com and the Provider Web Site.</li> <li>Established a process to ensure new Clinical Policy Bulletins are filed with the Physician Advisory Board promptly after adoption.</li> </ul>
7.16(c)	<p><b>Exempting Participating Physicians from Administrative Requirements</b></p> <ul style="list-style-type: none"> <li>Aetna currently anticipates that its 2004 Compliance Report will describe consideration that Aetna has given to exempting selected Participating Physicians from certain administrative requirements.</li> </ul>

## Aetna's 2003 Compliance Activities

Agreement Section	Actions Taken
7.17(a)	<p><b>Time Period for Physicians' Submission of Bills for Services Rendered</b></p> <ul style="list-style-type: none"> <li>• Aetna's Timely Claim Filing Policy has been updated to address the 120-day filing period.</li> <li>• Aetna plans to recommend adoption of the 120-day time period to self-funded plan sponsors via the 1Q 2004 publication of <i>Aetna Link</i>, an electronic newsletter that is distributed to plan sponsors.</li> <li>• Aetna's updated Timely Claim Filing Policy and related training materials are provided in <i>Appendix B</i>.</li> </ul>
7.17(b)	<p><b>Form of Claims Submission</b></p> <ul style="list-style-type: none"> <li>• Aetna accepts both paper claims (submitted on standard forms) and HIPAA-compliant electronic claim submissions.</li> <li>• Aetna does not require Non-Participating Physicians to utilize electronic transactions.</li> <li>• Posted (on Aetna.com and the Provider Web Site) policies and procedures regarding acceptable formats for submitting claims or requesting additional information.</li> <li>• Aetna's policies and procedures regarding acceptable formats for submitting claims or requesting additional information are provided in <i>Appendix B</i>.</li> </ul>
7.18	<p><b>Timeliness for Processing Clean Claims</b></p> <ul style="list-style-type: none"> <li>• Initiated the development of policies and procedures, performance measures and system changes to support the processing of Clean Claims within 15 days (electronic) and 30 days (paper).</li> <li>• Aetna's policies and procedures support date stamping of paper claims.</li> <li>• Aetna's systems acknowledge receipt of electronic claims.</li> <li>• Efforts have been initiated to enhance the IVR system to enable Physicians to determine the date on which Aetna determined a claim to be a "Clean Claim."</li> <li>• Efforts have been initiated to modify systems to support specified interest payment for claims paid later than applicable deadlines.</li> <li>• Aetna plans to attempt to include in its contracts with each clearinghouse a requirement that each such clearinghouse transmit claims to Aetna within 24 hours after such clearinghouse's receipt thereof.</li> <li>• A copy of Aetna's policy regarding the date stamping of paper claims is provided in <i>Appendix B</i>.</li> </ul>

## Aetna's 2003 Compliance Activities

Agreement Section	Actions Taken
7.19	<p><b>No Automatic Downcoding of Evaluation and Management Claims</b></p> <ul style="list-style-type: none"> <li>• Updated the “Evaluation and Management Services” billing and coding policy to include a statement confirming that Aetna does not automatically reduce the code level of evaluation and management codes billed for Covered Services.</li> </ul>
7.20	<p><b>Joint Effort Regarding Claims -Editing Software Reform</b></p> <ul style="list-style-type: none"> <li>• In 2004, Aetna will develop plans to work with McKesson, and/or take other legally appropriate steps, to promote development of claim-editing software that is acceptable to the Physician and insurance communities, per §7.20(a).</li> <li>• Aetna has taken all actions necessary to ensure that its current claims editing logic produces results consistent with the standards set forth in §7.20(b)(i)-(viii) required to be in place as of the Implementation Date.</li> </ul>
7.21	<p><b>EOB and Remittance Advice Content Revisions</b></p> <ul style="list-style-type: none"> <li>• Revised content of (i) the EOB used for traditional products and (ii) the Remittance Advice sent to Physicians, to satisfy requirements set forth in §7.21(a).</li> <li>• Copies of revised EOB and Remittance Advice forms are provided in <i>Appendix B</i>.</li> </ul>
7.22	<p><b>Reducing Overpayments and Refining Overpayment Recovery Efforts</b></p> <ul style="list-style-type: none"> <li>• Enhanced claim payment systems to identify duplicate invoices to Physicians.</li> <li>• Aetna’s Overpayment Recovery policy requires that (i) no overpayment recovery effort be initiated more than 24 months after the original payment (with certain exceptions, as outlined in §7.22) and (ii), except for recovery of duplicate payments, Aetna must provide Physicians with 30 days written notice before initiating overpayment recovery efforts.</li> <li>• Published addresses and procedures (on Aetna.com and the Provider Web Site) for Physicians to return overpayments.</li> <li>• Copies of the following documents are provided in <i>Appendix B</i>: <ul style="list-style-type: none"> <li>- Aetna’s Overpayment Recovery policy</li> <li>- Letter used to provide Physicians with 30 days written notice prior to initiating overpayment recovery efforts.</li> </ul> </li> </ul>

## Aetna's 2003 Compliance Activities

Agreement Section	Actions Taken
7.23	<p><b>Accuracy of Information about Eligibility of Plan Members</b></p> <ul style="list-style-type: none"> <li>• Took the following actions to reduce overpayments and denials resulting from inaccurate eligibility information: <ul style="list-style-type: none"> <li>- In 2003, distributed guidelines for electronic processing of eligibility files to several third party administrators and began to discuss with them additional ways of streamlining eligibility data transfers for plan sponsors.</li> <li>- Worked with plan sponsors to enable greater flexibility in the timing of submission of member eligibility changes.</li> <li>- Assigned performance metrics for eligibility consultants related to timeliness and quality of their handling of member eligibility terminations and reinstatements.</li> </ul> </li> <li>• Copies of the following documents are provided in <i>Appendix B</i>: <ul style="list-style-type: none"> <li>- Aetna's Electronic Eligibility Handbook</li> <li>- Sample “scorecard” for eligibility consultants</li> </ul> </li> </ul>
7.24	<p><b>Provider Service Centers</b></p> <ul style="list-style-type: none"> <li>• Established 9 dedicated Provider Service Centers.</li> <li>• 94% of the Physician-related customer service work has been transitioned to the dedicated Provider Service Centers; the remaining 6% of the work is scheduled to be transitioned by mid-2004.</li> <li>• During 2003, spent ~\$13.2M to establish dedicated Provider Service Centers.</li> <li>• The percentage of calls made to the Provider Service Centers during 2003 that were answered within 30 seconds is provided in <i>Appendix B</i>.</li> <li>• A report, detailing Aetna's 2003 expenditures toward establishing dedicated Provider Service Centers, is provided in <i>Appendix B</i>.</li> </ul>
7.25	<p><b>Effect of Company Confirmation of Patient/Procedure Medical Necessity</b></p> <ul style="list-style-type: none"> <li>• Updated policies and procedures to reflect that (i) Aetna shall not subsequently revoke a medical necessity determination absent fraud, evidence that the information submitted was materially erroneous or incomplete, or evidence of a material change in the Member's condition and (ii) in the event Aetna certifies medical necessity of a course of treatment limited by number, time period or otherwise, then a request for treatment beyond the certified course of treatment shall be deemed to be a new request.</li> <li>• A copy of Aetna’s Medical Review Policy is provided in <i>Appendix B</i>.</li> </ul>

**Aetna's 2003 Compliance Activities**

Agreement Section	Actions Taken
7.26	<p><b>Provider Web Site - Operability/Reliability</b></p> <ul style="list-style-type: none"> <li>• There have been no dates since May 21, 2003 on which Aetna's Provider Web Site has been substantially inoperable.</li> <li>• Minor outages have occurred with respect to certain Provider Web Site functionalities (e.g., Physicians were unable to conduct certain transactions for a short period of time). The overall 2003 reliability and operability of the Provider Web Site was comparable to that of other Aetna web sites.</li> <li>• A report listing the dates on which minor outages have occurred with respect to certain Provider Web Site functionalities is provided in <i>Appendix B</i>.</li> </ul>
7.27	<p><b>Updates to Participating Physician Information</b></p> <ul style="list-style-type: none"> <li>• Aetna's Provider Web Site has the capacity for Physicians to update their name, address and telephone numbers.</li> <li>• Established a process for responding to written notification from Physicians who are no longer Participating Physicians, but who are noted as such on the Provider Web Site. Within 10 business days after receipt of such notice, Aetna will (i) delete reference to the Physician in DocFind, and (ii) make corresponding changes in systems affecting the level of payments and generation of EOBs.</li> <li>• A copy of the process Aetna's network staff follows when responding to written notification from Physicians who are no longer Participating Physicians is provided in <i>Appendix B</i>.</li> </ul>
7.28(a)	<p><b>Capitation - Monthly Capitation Reports</b></p> <ul style="list-style-type: none"> <li>• Provided monthly capitation reports to Participating Physicians, Physician Groups and Physician Organizations, including the data specified in §7.28(a).</li> <li>• Copies of Aetna's capitation report formats are provided in <i>Appendix B</i>.</li> </ul>

## Aetna's 2003 Compliance Activities

Agreement Section	Actions Taken
7.28(b)	<p><b>Capitation - Random Assignment of PCP to Members</b></p> <ul style="list-style-type: none"> <li>• Effective January 11, 2004, Aetna extended its PCP auto-assignment practice to include all markets where 80% or more of applicable Participating Physicians are compensated via capitation – this has resulted in 8 additional markets where Aetna will randomly assign a PCP to a member who has not selected a PCP. 76% of Aetna's Participating Physicians who are compensated via capitation are in markets where PCP auto-assignment is practiced.</li> <li>• Copies of the following documents are provided in <i>Appendix B</i>: <ul style="list-style-type: none"> <li>- Aetna's PCP Assignment process and training materials</li> <li>- Letter that is sent to Members upon PCP auto-assignment</li> </ul> </li> </ul>
7.29(a)	<p><b>No "Gag" Clauses</b></p> <ul style="list-style-type: none"> <li>• All contract language that conceivably limited the free, open and unrestricted exchange of information between Participating Physicians and Plan Members regarding the nature of the Plan Member's medical condition or treatment and provider options and the relative risks and benefits of such options was removed from Physician contracts or was no longer enforced prior to May 21, 2003.</li> </ul>
7.29(b)	<p><b>Ownership of Medical Records</b></p> <ul style="list-style-type: none"> <li>• As of December 31, 2003, updated standard Physician contract language for contracts entered into in states that do not require a filing with state regulatory agencies to confirm that, as between Aetna and Participating Physicians, Physicians own their own medical records and that Aetna has a right to receive or review such records only as reasonably needed. In states that do require a filing, the process is under way.</li> <li>• While updates to contracts are being made, as permitted by applicable law, Aetna is administering existing Physician contracts consistent with the §7.29(b) requirements.</li> </ul>
7.29(c)	<p><b>Arbitration Fee Limits</b></p> <ul style="list-style-type: none"> <li>• There have been no arbitration proceedings initiated since May, 2003.</li> <li>• A process is in place to ensure that Participating Physicians who practice alone or in a practice with &lt;5 Physicians, will pay a maximum of the lesser of (i) 50% of total fee or (ii) \$1,000.</li> </ul>

## Aetna's 2003 Compliance Activities

Agreement Section	Actions Taken
7.29(d)	<p><b>Effect of Settlement Agreement on Standard Provider Contracts and Individually Negotiated Contracts</b></p> <ul style="list-style-type: none"> <li>• Required modifications to the Company's standard Physician contract templates have been made for contracts entered into in states that do not require a filing with state regulatory agencies. In states that do require a filing, the proposed updated contract language is currently being filed, and this process is expected to be completed in 2004.</li> <li>• While updates to contracts are being made, as permitted by applicable law, Aetna is administering Physician contracts consistent with the Settlement Agreement terms.</li> </ul>
7.29(e)	<p><b>No action required.</b></p>
7.29(f)	<p><b>Privacy of Member Health Information</b></p> <ul style="list-style-type: none"> <li>• Aetna complies with HIPAA, state and other privacy laws.</li> <li>• Copies of the following documents are provide in <i>Appendix B</i>: <ul style="list-style-type: none"> <li>- Aetna's companywide Privacy policies</li> <li>- Aetna's 2003 Privacy Awareness Training</li> </ul> </li> </ul>
7.29(g)	<p><b>No Pharmacy Risk Pools</b></p> <ul style="list-style-type: none"> <li>• Aetna's monitoring process for Physician contracting has been updated to prohibit requirements around the use of pharmacy risk pools.</li> <li>• Copies of the following documents are provided in <i>Appendix B</i>: <ul style="list-style-type: none"> <li>- Aetna's PADU Policy</li> <li>- A PADU communication referencing pharmacy risk pools</li> </ul> </li> </ul>
7.29(h)	<p><b>Stop Loss Coverage</b></p> <ul style="list-style-type: none"> <li>• Aetna does not offer stop loss coverage to Physicians.</li> <li>• To protect Physicians against any possible future contractual restrictions by Aetna re: the purchase of stop loss coverage from insurers other than Aetna, the Company has updated its monitoring process for Physician contracting to prohibit such restrictions.</li> <li>• A copy of a PADU communication referencing Physicians' purchase of stop loss coverage, is provided in <i>Appendix B</i>.</li> </ul>

## Aetna's 2003 Compliance Activities

Agreement Section	Actions Taken
7.29(i)	<p><b>Pharmacy – Formulary and Precertification</b></p> <ul style="list-style-type: none"> <li>• Aetna discloses to Members (via Aetna.com and Aetna’s Member Formulary Guide, which is sent to the Member at the time of enrollment) whether their health plan uses a formulary (and if so, what a formulary is), how Aetna determines which prescription medications are included in the formulary and how often Aetna reviews the list.</li> <li>• Aetna makes formulary information available to Members (via Aetna.com, a Member booklet, and an annual reminder which is sent to the Member midyear) when Pharmacy coverage is provided.</li> <li>• Aetna covers drugs prescribed for non-approved, medically necessary use, except if the Member’s plan expressly excludes such prescriptions.</li> <li>• Aetna discloses to Members (via Aetna’s Member Formulary Guide, which is sent to Members of plans that use a formulary, or by letter post-enrollment to Members of plans that do not use a formulary but require precertification) information on precertification and potential restrictions on non-approved use of prescription medication.</li> <li>• Copies of the following documents are provided in <i>Appendix B</i>: <ul style="list-style-type: none"> <li>- Aetna’s Formulary Policy</li> <li>- Aetna’s 2003 Member Pharmacy Formulary Guide</li> <li>- Annual Reminder Letter (to Member)</li> <li>- Relevant Pages from Aetna.com</li> <li>- Letter regarding precertification (to Member)</li> <li>- Benefit Description from Member booklet</li> </ul> </li> </ul>
7.29(j)	<p><b>Pharmacy – Mail Order Discount Card</b></p> <ul style="list-style-type: none"> <li>• Development of a Pharmacy Mail Order Discount Card program is under way</li> <li>• An application form, that will be made available to Physicians for distribution to individuals, has been drafted.</li> </ul>
7.29(k)	<b>No action required.</b>
7.29(l)	<p><b>Delegated Contracts</b></p> <ul style="list-style-type: none"> <li>• Aetna has established a strategy for endeavoring to include terms that are equivalent to the Settlement Agreement terms in new and renegotiated contracts entered into with Delegated Entities.</li> <li>• Aetna is administering existing Delegated Entity contracts consistent with the Settlement Agreement.</li> </ul>

## Aetna's 2003 Compliance Activities

Agreement Section	Actions Taken
7.29(m)	<p><b>Provider Contracts – Copies of Contracts</b></p> <ul style="list-style-type: none"> <li>Aetna has a process in place to respond to a Physician's (or Physician Organization's or Physician Group's) written request for a copy of his/her/their contract. Upon Aetna's receipt of a Physician's request, the request is forwarded to a designated unit in Jacksonville, Florida for fulfillment.</li> </ul>
7.29(n)	<p><b>State and Federal Laws</b></p> <ul style="list-style-type: none"> <li>Aetna has established a process to ensure that implementation of the terms of the Settlement Agreement is in compliance with state and federal law and regulatory requirements. An inventory of all related state and federal law and regulatory requirements has been compiled and reviewed with Aetna's Regional Compliance Directors and impacted Aetna business areas. The responsibility for implementing each state or federal law or regulatory requirement is assumed by either Regional Compliance or the impacted business area(s), depending on the scope of the effort.</li> </ul>
7.29(o)	<p><b>Ability to Modify Means of Disclosure</b></p> <ul style="list-style-type: none"> <li>Aetna has not modified the method or means of any disclosure required by the Settlement Agreement.</li> </ul>
7.30	<b>No action required.</b>
7.31	<b>No action required.</b>
7.32	<b>No action required.</b>
8.1	<p><b>Charitable Foundation</b></p> <ul style="list-style-type: none"> <li>The Charitable Foundation Articles of Incorporation, By-Laws, tax-exempt status, etc., have been drafted in accordance with the requirements of §8.1 and have been reviewed with Class Counsel.</li> <li>Board members have been selected. The Bank of New York has been selected to serve as Trustee for the Foundation.</li> <li>Aetna's contribution of \$20M will be transferred to the Charitable Foundation as of the Effective Date.</li> </ul>

## Aetna's 2003 Compliance Activities

Agreement Section	Actions Taken
8.2	<p><b>Settlement Fund</b></p> <ul style="list-style-type: none"> <li>• An account has been established for the administration of settlement payments to Class Members (the “Settlement Fund”).</li> <li>• Fleet Bank has been selected to serve as the Settlement Fund escrow agent.</li> <li>• Aetna's contribution to the Settlement Fund will be made upon the Effective Date.</li> </ul>
8.3	<p><b>Settlement Administrator</b></p> <ul style="list-style-type: none"> <li>• Poorman-Douglas was selected as the Settlement Administrator.</li> <li>• Aetna and Class Counsel are jointly supervising Poorman-Douglas to ensure that it carries out the responsibilities of the Settlement Administrator, as set forth in the Settlement Agreement.</li> </ul>
8.4	<p><b>Method of Distribution of the Settlement Fund; Contributions to the Foundation</b></p> <ul style="list-style-type: none"> <li>• Have begun working with the Settlement Administrator and Class Counsel to ensure that the required actions will be taken following the Effective Date.</li> </ul>
8.5	<p><b>Payment of Authorized Claims by the Settlement Fund</b></p> <ul style="list-style-type: none"> <li>• Have begun working with the Settlement Administrator and Class Counsel to ensure that the required actions will be taken following the Effective Date.</li> </ul>
8.6	<p><b>Reversion to Foundation of Unclaimed Amounts</b></p> <ul style="list-style-type: none"> <li>• Have begun working with the Settlement Administrator and Class Counsel to ensure that the required actions will be taken following the Effective Date.</li> </ul>
9.1	No action required.
9.2	No action required.

**Aetna's 2003 Compliance Activities**

<b>Agreement Section</b>	<b>Actions Taken</b>
<b>9.3</b>	<p><b>Timing of Fee Payments</b></p> <ul style="list-style-type: none"> <li>• Aetna will pay the Attorneys' Fees and the Representative Plaintiffs' Fees within 5 business days after the Effective Date.</li> </ul>
<b>10.0</b>	<b>No action required.</b>
<b>11.0</b>	<b>No action required.</b>
<b>12.1</b>	<p><b>Compliance Disputes</b></p> <ul style="list-style-type: none"> <li>• Aetna and Class Counsel have named Talbot (Sandy) D'Alemberte, Esq. as Compliance Dispute Review Officer.</li> <li>• Class Counsel have named Julia Smeds Stewart, Esq. as Compliance Dispute Facilitator – Aetna has posted the name and address of the Compliance Dispute Facilitator on Aetna.com.</li> <li>• Aetna has agreed on a method for compensating the Compliance Dispute Review Officer and continues to discuss compensation arrangements for the Compliance Dispute Facilitator.</li> </ul>
<b>12.2</b>	<b>No action required.</b>
<b>12.3</b>	<b>No action required.</b>
<b>12.4</b>	<b>No action required.</b>
<b>12.5</b>	<b>No action required.</b>
<b>12.6</b>	<b>No action required.</b>
<b>12.7</b>	<p><b>Internal Compliance Officer</b></p> <ul style="list-style-type: none"> <li>• Aetna has designated Thomas A. Young, Vice President and Chief Privacy and Security Officer, as Internal Compliance Officer.</li> <li>• Established a process for preparing the Internal Compliance Officer's annual written report (due within 30 days after the end of each calendar year during the Effective Period) and delivering it to the parties identified by §12.7.</li> </ul>

## Aetna's 2003 Compliance Activities

Agreement Section	Actions Taken
12.8	<b>Settlement Commitments Modifiable</b> <ul style="list-style-type: none"> <li>• Aetna has made no alterations or modifications to the agreements and undertakings set forth in §7 during 2003.</li> </ul>
13.0	<b>No action required.</b>
14.0	<b>No action required.</b>
15.0	<b>No action required.</b>
16.0	<b>No action required.</b>
17.0	<b>No action required.</b>
18.0	<b>No action required.</b>
19.0	<b>No action required.</b>
20.0	<b>No action required.</b>
21.0	<b>No action required.</b>
22.0	<b>No action required.</b>
23.0	<b>No action required.</b>
24.0	<b>No action required.</b>
25.0	<b>No action required.</b>
26.0	<b>No action required.</b>

**Certification**  
**and**  
**Supporting Documentation**



**Aetna Inc.**  
**Certification and Supporting Documentation**

**SUPPORTING DOCUMENTATION  
INTENTIONALLY OMITTED**