Illinois Department of Insurance

JB Pritzker
Governor

Dana Popish Severinghaus
Director

VIA ELECTRONIC MAIL

January 11, 2023

Mr. Mark Selna, President & CEO
c/o Kristie Meier
Quartz Health Plan Corporation
840 Carolina Street
Sauk City, WI. 53583

Re: Quartz Health Plan Corporation, NAIC 95101
Quartz Health Benefit Plan Corporation, NAIC 95796
Market Conduct Examination Report Closing Letter

Dear Mr. Selna:

The Department has received your Company's proof of compliance. Therefore, the Department is closing its file on this exam.

I intend to ask the Director to make the Examination Report and Stipulation and Consent Order available for public inspection as authorized by 215 ILCS 5/132. At the Department's discretion, specific content of the report may be subject to redaction for private, personal, or trade secret information prior to making the report public. However, any redacted information will be made available to other regulators upon request.

Please contact me if you have any questions.

Sincerely,

Erica Weyhenmeyer

Erica Weyhenmeyer
Chief Market Conduct Examiner
Illinois Department of Insurance
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Springfield, IL 62767
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ILLINOIS DEPARTMENT OF INSURANCE
MARKET CONDUCT EXAMINATION

OF

QUARTZ HEALTH PLAN CORPORATION

MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION:	August 30, 2021 through May 12, 2022
EXAMINATION OF:	Quartz Health Plan Corporation, NAIC #: 95101
LOCATION:	840 Carolina Street Sauk City, WI 53583
PERIOD COVERED:	Claims, Complaints, Internal Appeals, and external reviews: January 1, 2020 through April 30, 2021
EXAMINERS:	Illinois Department of Insurance: Chris Heisler, Examiner-in-Charge, CIE, MCM, FLMI, ARC John Drake, AIE, MCM, APIR, ChFC, CLU, RHU, FLMI, HIA Alan Klinc, MCM The INS Companies: Tim Clement, MPH André Mumper-Ham, AMCM, MCM Sam Muszynski, JD, MCM Shelly Schuman, AIE, AMCM, CICSR, FLMI, PAHM, HIA Tanya Sherman, AMCM, MCM Kirk Stephan, PharmD, MCM

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I. FOREWORD

This is a comprehensive market conduct examination report of the Quartz Health Plan Corporation (the "Company"), NAIC Code 95101. This examination was conducted at other authorized offsite locations.

The Illinois Department of Insurance ("Department") examined both Quartz Health Plan Corporation ("QHPC") and its associated company, Quartz Health Benefit Plans Corporation ("QHBPC"), NAIC Code 95796 at the same time. Separate market conduct exam reports were prepared for each company. This report is specifically for Quartz Health Plan Corporation.

This examination report is generally a report by exception. However, failure to criticize specific practices, procedures or files does not constitute approval thereof by the Illinois Department of Insurance ("DOI" or "Department").

During this examination, the examiners cited errors made by the Company. Statutory citations were as of the examination period unless otherwise noted.

II. SCOPE OF THE EXAMINATION

The Department has the authority to conduct this examination pursuant to, but not limited to, 215 ILCS 5/132.

The purpose of the examination was to determine if the Company complied with the Illinois Insurance Code (215 ILCS 5/1 et seq.), the Illinois Administrative Code (50 Ill. Admin. Code 101 et seq.), and to consider whether the Company's operations are consistent with the public interest. The primary period covered by this review was January 1, 2020 through April 30, 2021, for complaints, appeals, and external reviews unless otherwise noted. Errors outside of this period discovered during the examination, however, may also be included in the report.

The examination involved the following business functions and lines of business: complaints, provider relations, marketing, and sales, underwriting and rating, claims, appeals, network adequacy, utilization review, mental health parity, and pharmacy review.

In performing this examination, the examiners reviewed a sample of the Company's practices, procedures, products, and files. Therefore, some noncompliant events may not have been discovered. As such, this report may not fully reflect all the practices and procedures of the Company. As indicated previously, failure to identify or criticize improper or noncompliant business practices in this state or other jurisdictions does not constitute acceptance of such practices.

III. SUMMARY

The following table represents general findings with specific details in each section of the report.

TABLE OF TOTAL VIOLATIONS						
QUARTZ HEALTH PLAN CORPORATION						
Criticism	Crit #	Statute /Rule	Description of Violation	Samples	# Of Violations	Error %
Claims (MHSUD Denied Claims)	1	919.50 (a)(1)	Failed to provide the insured with a reasonable written explanation of the basis of denial.	3	3	100%
Claims (MHSUD Denied Claims)	2	IAC 919.50 (a)(1) and further defined under Section 919.40	Failed to include the Notice of Availability of the Department of Insurance on the EOB.	3	3	100%
Claims (Medical Denied Claims)	3	919.50(a)(1) and further defined under Section 919.40	The EOB doesn't contain the required Notice of Availability of the Department of Insurance.	2	2	100%
Claims (Medical Denied Claims)	4	IAC 919.50(a)(1)	Failure to provide the insured with a reasonable written explanation of the basis of denial.	2	1	50%
Pharmacy Review	5	215 ILCS 5/370c.1(e),(g) and 45 CFR § 146.136(c)(4)(i)	Excluding MH/SUD automatic authorizations on medications makes the process more burdensome, potentially affecting member compliance.	NA	NA	100%
Pharmacy Review	6	215 ILCS 5/370c(b)(6.5)	Imposing a formulary exception request which is a prior authorization on Evzio.	NA	NA	100%
Pharmacy Review	7	215 ILCS 5/370c (b)(6.5)(A)	Prior authorization treatment limitation on Naltrexone (Vivitol).	NA	NA	100%
Pharmacy Review	8	215 ILCS 5/370c.1(e),(g) and 45 CFR § 146.136(c)(4)(i)	Restrictive policy on Vyvanse.	1	1	100%
Pharmacy Review	14	215 ILCS 5/356z.19 cardiovascular disease	Failure to develop and implement a process to communicate the importance and value of early detection and proactive management of cardiovascular disease.	NA	NA	100%
Pharmacy Review	15	215 ILCS 5/370c.1 (e), (g) & 45 CFR § 146.136 (c) (4) (i) General Rule	Imposing a quantity limitation of 1 tablet per day on all strengths of Pristiq, Khedezla, or desvenlafaxine.	3	3	100%
Pharmacy Review	16	215 ILCS 5/370c.1 (e) , (g) & 45 CFR § 146.136 (c) (4) (i) General Rule	Imposing a quantity limitation of 1 tablet per day on all strengths of Latuda or lurasidone.	2	2	100%
Pharmacy Review	17	215 ILCS 5/370c(b)(6.5)	Imposing a prior authorization, step therapy, and higher tier placement on a substance abuse medication, Lucemyra.	1	1	100%

TABLE OF TOTAL VIOLATIONS

QUARTZ HEALTH PLAN CORPORATION

Criticism	Crit #	Statute /Rule	Description of Violation	Samples	# Of Violations	Error %
Pharmacy Review	18	215 ILCS 5/356z.4 Coverage for contraceptives	Failure to place Annovera and Lo Loestrin FE on the formulary and offer them at the appropriate cost-sharing tier.	3	3	100%
Pharmacy Review	19	215 ILCS 5/370c.1 (e), (g) & 45 CFR 146.136 (c) (4) (i) General Rule & § 156.111 State selection of EHB-benchmark plan	Limiting medication-assisted treatment (MAT) to a maximum of 30 days per fill, wouldn't allow a 90 day fill, or allowing a member to use a mail-order benefit during the exam period.	7	7	100%
Pharmacy Review	20	215 ILCS 5/370c(b)(6.5)	Placing brand substance abuse medications, Nicorette, Nicoderm, Nicotrol (nicotine) inhaler, and Nicotrol (nicotine) nasal spray as non-formulary medications on their formulary. Il Mental Health & Substance Use Disorder Parity November 2020, all smoking cessation medications required a prior authorization for therapy beyond 180 days.	4	4	100%
Pharmacy Review	21	215 ILCS 5/356z.20 Cancer drug parity	Criticized for implementing a split fill program on various oral oncology medications.	20	20	100%
Pharmacy Review	22	215 ILCS 5/370c(b)(6.5)	Criticized for placing brand substance abuse medications, Antabuse and Zyban, as non-formulary medications on their formulary.	2	2	100%
Pharmacy Review	23	215 ILCS 5/370c.1 (e), (g) & 45 CFR § 146.136 (c) (4) (i) General Rule	Criticized for limiting anti-anxiety medications to a maximum of 30 days per fill, and wouldn't allow a 90 -day fill, or allow a member to use a mail-order benefit during the exam period 1/1/2020 to 4/30/2021.	7	7	100%
Pharmacy Review	25	215 ILCS 5/370c.1 (e), (g) & 45 CFR § 146.136 (c) (4) (i) General Rule	Criticized for limiting antipsychotic medications to a maximum of 30 days per fill, and wouldn't allow a 90-day fill, or allow a member to use a mail-order benefit during the exam period.	7	7	100%
Pharmacy Review	26	215 ILCS 5/370c(b)(6.5)	Criticized for imposing a quantity limit of 2 units every 7 days on Narcan Nasal Spray, naloxone cartridges, and naloxone syringes.	3	3	100%
Pharmacy Review	27	215 ILCS 134/45.1 (d)(e)	Medical exceptions procedures required which states upon granting of an exception request, the insurer, health plan, utilization review organization, or other entity shall authorize the coverage for the drug prescribed by the enrollee's treating health care provider, to the extent the prescribed drug is a covered drug under the policy or contract up to the quantity covered.	20	18	90%

TABLE OF TOTAL VIOLATIONS						
QUARTZ HEALTH PLAN CORPORATION						
Criticism	Crit #	Statute /Rule	Description of Violation	Samples	# Of Violations	Error %
Pharmacy Review	28	215 ILCS 5/356z.5 Prescription Inhalants.	Criticized for limiting coverage of the following prescription inhalants used for members who suffer from asthma or other life-threatening bronchial ailments: albuterol sulfate neb solution, albuterol sulfate HFA, levalbuterol tartrate, Proair Digihaler, Proair RespiClick, Proair HFA, Proventil HFA, Ventolin HFA, and Xopenex HFA.	9	1	11 %
Pharmacy Review	29	215 ILCS 5/370c.1 (e), (g) & 45 CFR § 146.136 (c) (4) (i) General Rule	Criticized for limiting all smoking cessation medications, such as nicotine patch, nicotine gum, nicotine lozenge, Nicorette, Micoderm CQ, bupropion SR, Chantix, Nicotrol, NTS, Quit, Nicotrol nasal spray, and Zyban to a maximum of 30 days per fill, and wouldn't allow a 90-day fill or allow a member to use a mail-order benefit during the exam period.	12	12	100%
Pharmacy Review	30	215 ILCS 5/370c.1 (e), (g), 45 CFR § 146.136 (c) (4)(i) General Rule, 215 ILCS 134/45.1 Medical exceptions procedures required (e)	Criticized for imposing a restrictive medically necessary policy on Spravato compared to MED/SURG during the exam period.	1	1	100%
Pharmacy Review	31	215 ILCS 5/370c.1 (e), (g), 45 CFR § 146.136 (c)(4)(i) General Rule	Imposed a more restrictive medically necessary policy on Zulresso during the exam period.	1	1	100%

IV. BACKGROUND

I. COMPANY PROFILE

History:
Quartz Health Plan Group (QHP) is not-for-profit health maintenance organization based in Wisconsin. Quartz was a wholly owned subsidiary of Gundersen Lutheran Health System (GHS) until May 1, 2016. On May 2, 2016, Gundersen Health System entered into a partnership with University Health Care, Inc. (UHC). Gundersen Health took 25% interest, and University Health took 75% interest in Quartz Health Plan Group. On July 1, 2017 an Exchange Agreement was entered into by GHS and UHC with Iowa Health Systems (IHS). GHS interest became 20.53%, UHC interest became 61.58% and HIS received 17.89%. Quartz Health Plan operates in 26 counties in south central and southwestern Wisconsin, 6 counties in northern Iowa, and 8 counties in northern Illinois.

Quartz Health Plan Corporation (QHPC) is a Wisconsin stock service insurance corporation organized under Chapter 611 of the Wisconsin Statutes. QHPC is a licensed HMO in Wisconsin and Illinois. QHPC writes business in the Wisconsin and Illinois commercial markets, including small group, large group, and individual.

Operations:
Quartz Health Benefit Plan Corporation and Quartz Health Plan Corporation share the same organizational structure for all service areas from offices in the State of Wisconsin.
Written premium and market share in Illinois per the NAIC Market Analysis Review System for QHPC are as follows:

Line of Business	2020 Premiums Written	2020 Market Share	2019 Premiums Written	2019 Market Share
Group Accident & Health	$283,724	0.002%	$1,204,422	0.007%
Individual Accident & Health	$-773,673	0.0%	$5,555,247	0.082%

V. METHODOLOGY

The market conduct examination process places emphasis on an insurer's systems and procedures used in dealing with insureds and claimants. Both group and individual health lines of business were reviewed in this examination.

The scope of this examination focused on a review including the following areas:

A. Company Operations and Management
B. Complaints
C. Marketing and Sales
D. Producer Licensing
E. Policyholder Services
F. Underwriting and Rating
G. Claims
H. Appeals
I. Network Adequacy
J. Provider Credentialing
K. Quality Assessment and Improvement
L. Utilization Reviews
M. External Review
N. Pharmacy Review
O. Mental Health Parity

The review of these categories was accomplished through examination of material related to the Company's operations and management, complaint files, marketing and sales, producer licensing, policyholder services, underwriting and rating, claims, appeals, network adequacy, provider credentialing, quality assessment and improvement, utilization review, external review, pharmacy review and mental health parity, as well as interviews with various Company personnel and Company responses to the coordinator's handbook, interrogatories and criticisms. Each of the categories listed above was examined for compliance with Illinois statutes and the Illinois Administrative Code.

The following method was used to obtain the required samples and to ensure a statistically sound selection. Surveys were developed from Company-generated Excel spreadsheets. Random statistical file selections were generated by the examiners from these spreadsheets. In the event the number of files was too low for a random sample, the sample consisted of the universe of files.

Company Operations and Management

A review was conducted of the Company's underwriting and claims guidelines and procedures, policy forms, third party vendors, internal audits, record retention policy and procedures, certificate of authority, previous market conduct examinations and annual statements. These documents were reviewed for compliance with Illinois statutes and the Illinois Administrative Code. There were no exceptions noted.

Complaints

The Company was requested to identify all consumer, Illinois Department of Insurance complaints and provider complaints received during the exam period and to provide copies of the complaint logs. All complaint files and logs were received. The files were reviewed for compliance with Illinois statutes and the Illinois Administrative Code. There were no exceptions noted.

Marketing and Sales

The Company was requested to provide a list of all advertising materials whether printed or audio/visual approved for use by field personnel and provide all policy and procedures for the exam period. There were no exceptions noted.

Producer Licensing

The Company was requested to provide policies and procedures or other documentation demonstrating that the Company maintains required records of licensed and appointed producers and in jurisdictions, where applicable, the licensed Company agrees with the Department's records. Provide policies and procedures or other documentation demonstrating that Company practices related to termination of producers complies with applicable standards, Illinois statutes and the Illinois Administrative Code. The Company provided a listing of all producers soliciting business for the Company for Illinois business at any time during the exam period. There were no exceptions noted.

Policyholder Services

The Company was requested to provide policies and procedures for premium collection/billing practices, timely policy issuance and insured-requested cancellations, premium refunds, and reinstatements. The policyholder services related transactions, premium refunds and reinstatement files and responses to information requests were received and reviewed for compliance with Illinois statutes and the Illinois Administrative Code. There were no exceptions noted.

Underwriting and Rating

The Company was requested to provide a sample individual accident and health policy including all disclosures for a policy written in Illinois, provide policies and procedures or other documentation demonstrating how the Company assures that all mandated disclosures are in accordance with applicable statutes, rules, and regulations as well as provide policies and procedures documenting Company requirements that cancellation/nonrenewal, discontinuance and declination notices comply with policy and contract provisions. The Company identified a universe for lapsed policies and involuntary terminations during the exam period and random samples of files were made from these sections. The lapsed policies and involuntary terminations responses to information requests were received and reviewed for compliance with Illinois statutes and the Illinois Administrative Code. Exceptions are noted in the report.

Claims

The Company was requested to provide a list of medical, mental health and substance use disorder claims during the exam period and to include all paid and denied claims. The Company identified the universe of all paid and denied claims; random samples of the files were made by the examiners and submitted to the Company. The files and responses to information requests and interrogatories were reviewed to ensure the claims were processed in compliance with the policy, Illinois statutes, the Illinois Administrative Code, and the Paul Wellstone and Pete Domenici Mental Health Parity and Addiction Equity Act of 2008 45 C.F.R §146 et seq. Exceptions are noted in the report.

Appeals

The Company was requested to identify all appeals for the exam period. All appeal files were received and reviewed for compliance with Illinois statutes and the Illinois Administrative Code. Exceptions are noted in the report.

Network Adequacy
The Company was requested to provide policies and procedures that it maintains a network that is sufficient in number, files an access plan, and provides all required contracts and forms, as well as provide policies and procedures or other documentation demonstrating that the health carrier provides at enrollment a provider directory that lists all providers who participate in its network. No exceptions were noted.

Provider Credentialing
The Company was requested to provide policies and procedures or other documentation demonstrating that the Company establishes and maintains a program for credentialing and re-credentialing. There were no exceptions noted.

Quality Assessment and Improvement
The Company was requested to provide policies and procedures or other documentation demonstrating that the Company develops and maintains a quality assessment and improvement program. There were no exceptions noted.

Utilization Reviews
The Company was requested to identify all utilization reviews for the exam period. The Company identified the universe of medical, mental health and substance use disorder utilization reviews; random samples of the files were made by the examiners and submitted to the Company. The utilization review files and responses to information requests were received and reviewed for compliance with Illinois statutes and the Illinois Administrative Code. There were no exceptions noted.

External Review
The Company did not have any external reviews for the exam period.

Pharmacy
The Company was requested to provide a list of medical, mental health and substance use disorder pharmacy claims, drug utilization reviews, formularies and policy and procedures during the exam period. The Company identified the universe of all paid and denied claims; random samples of the files were made by the examiners and submitted to the Company. The files and responses to information requests and interrogatories were reviewed to ensure the claims were processed in compliance with the policy, Illinois statutes, the Illinois Administrative Code, and the Paul Wellstone and Pete Domenici Mental Health Parity and Addiction Equity Act of 2008 45 C.F.R §146 et seq. Exceptions are noted in the report.

Mental Health Parity
The Company was requested to identify and provide all pharmacy policies and procedures used during the experience period for mental health and substance use disorder (MHSUD) requirements. In accordance with the requirements of the examination, the data, and responses to follow up information requests were reviewed. The parity analyses, pharmacy documentation and responses to follow up information requests and interrogatories were reviewed for compliance with Illinois statutes, the Illinois Administrative Code, as well as the Mental Health Parity Addiction Equity Act (MHPAEA) and Affordable Care Act (ACA) regulations. Exceptions are noted in the report.

VI. SAMPLE SELECTION

Survey	Reviewed	% Reviewed
COMPLAINTS		
Provider Complaints	5	100.0%
PRODUCER LICENSING		
Producer Licensing	249	100.0%
POLICYHOLDER SERVICES		
Premium Refunds	2	100.0%
CLAIMS		
Medical Paid Claims	2	0.4%
Medical Denied Claims	2	1.8%
Mental Health Substance Use Disorder Paid Claims	1	6.7%
Mental Health Substance Use Disorder Denied Claims	3	60.0%
UTILIZATION REVIEW		
Utilization Review	2	8.7%
PHARMACY		
Medical and Surgical Pharmacy Paid	2	0.2%
Medical and Surgical Pharmacy Denied	2	0.6%
Mental Health Substance Use Disorder Pharmacy Paid	2	1.6%
Mental Health Substance Use Disorder Pharmacy Denied	4	5.3%

VII. FINDINGS

A. Company Operations and Management
    1. There were no criticisms of the operations and management.

B. Complaints
    1. Provider Relations Complaints
        a. There were no criticisms of provider relations complaints.

C. Marketing and Sales
    1. There were no criticisms of marketing and sales

D. Producer Licensing
    1. There were no criticisms of producer licensing.

E. Policyholder Services
    1. Premium Refunds
        a. There were 2 files reviewed. No exceptions were noted.

F. Claims
    1. Medical Claims-Paid
        a. There were 87 files reviewed. No exceptions were noted.

    2. Mental Health Substance Use Disorder Claims-Paid
        a. There were 66 files reviewed. No exceptions were noted.

    3. Medical Claims-Denied
        a. Crit #3 - In 2 instances of the 2 medical denied Claim files reviewed, for an error percentage of 100%, the Company failed to include the notice of availability of the Illinois Department of Insurance on the Explanation of Benefits (EOB) on denied claims. This is a violation of 50 Ill. Adm. Code 919.50(a)(1) and further defined in 919.40.
        b. Crit #4 - In 1 instance of the 2 medical denied claim files reviewed, for an error percentage of 50%, the Company failed to provide the insured with a reasonable written explanation of the basis of denial. This is a violation of 50 Ill. Adm. Code 919.50(a)(1).

    4. Mental Health Substance Use Disorder Claims-Denied
        a. Crit #2 - In 3 instances of the 3 medical denied Claim files reviewed, for an error percentage of 100%, the Company failed to include the notice of availability of the Illinois Department of Insurance on the Explanation of Benefits (EOB) on denied claims. This is a violation of 50 Ill. Adm. Code 919.50(a)(1) and further defined in 919.40.
        b. Crit #1 - In 3 instances of the 3 medical denied claim files reviewed, for an error percentage of 100%, the Company failed to provide the insured with a reasonable written explanation of the basis of denial. This is a violation of 50 Ill. Adm. Code 919.50(a)(1).

G. Utilization Review
    1. Utilization Review
        a. There were 2 files reviewed.
        b. No exceptions were noted.

H. External Review
    1. External Review
        a. There were no external reviews during the exam period.

I. Pharmacy Review
    1. Pharmacy Medical and Surgical Claims-Paid
        a. There were 2 files reviewed.
        b. No exceptions were noted.
    2. Pharmacy Mental Health Substance Use Disorder Claims-Paid
        a. There were 2 files reviewed.
        b. No exceptions were noted.
    3. Pharmacy Medical and Surgical Claims-Denied
        a. There were 2 files reviewed.
        b. No exceptions were noted.
    4. Pharmacy Mental Health Substance Use Disorder Claims-Denied
        a. There were 4 files reviewed.
        b. No exceptions were noted.
    5. Pharmacy Review
        a. Crit #5 - For an error percentage of 100%, the Company excluded MH/SUD automatic authorizations on medications during the exam period which makes the process more burdensome for both members and their healthcare provider, timely, potentially affecting member compliance when the member is on a stable medication regimen, causes unnecessary delays in treatment, and less efficient for members when prescribed MH/SUD medications compared to MED/SURG medications which were exclusively selected. This is a violation of both 215 ILCS 5/370c.1(e),(g) and 45 CFR § 146.136 (c)(4)(i).
        b. Crit #6 – For an error percentage of 100%, the Company imposed a formulary exception request which is a prior authorization on Evzio (naloxone hcl solution auto-injector 0.4mg/0.4ml and naloxone hcl solution auto-injector 2mg/0.4ml on both brand and generic). Evzio's non-formulary status and requiring a prior authorization through a formulary exception request is in violation of 215 ILCS 5/370c (b)(6.5). Additionally, once approved Evzio would be placed as a Tier 3 medication which is also a violation.
        c. Crit #7 – For an error percentage of 100%, the Company imposed a prior authorization/medical necessity review on Vivitrol (extended-release naltrexone) during the exam period when members would obtain this medication under their medical benefit. Vivitrol is used in medication assisted treatment (MAT) indicated for the prevention of relapse to opioid dependence, following opioid detoxification and treatment of alcohol dependence in patients who are able to abstain from alcohol in an outpatient setting. The Company acknowledged that a prior authorization restriction was in place between 01/01/2020 and 04/01/2020. This is a violation of 215 ILCS 5/370c (b)(6.5)(A).
        d. Crit #8 – For an error percentage of 100%, the Company had restrictive criteria on the only FDA approved medication for Binge Eating Disorder (BED) with a prior authorization/step therapy involving only one class of pre-requisite

medications which are used off label, didn't consider other medications or classes of medications which could also be used based on recommended APA practice guidelines or prescribed based on a healthcare provider's professional judgement, compared the restrictive criteria to that of specialty medications, failed to complete an NQTL analysis of the treatment limitation on Vyvanse in order to determine parity compliance, provided comparable examples from MED/SURG that accept both FDA approved as well as off label use medication/medication classes as acceptable pre-requisite medications, and provided comparable examples from MED/SURG that utilize a limited number of medications/medication classes as acceptable choices for treatment or that accept many therapeutic options/classes of medications used for treatment is not comparable and is a more stringent application of the criteria used for the only medication FDA approved for this diagnosis. The same processes, strategies, evidentiary standards, and other factors used in the development of the criteria on Vyvanse isn't comparable with respect to MED/SURG medications. Therefore, the treatment limitation on Vyvanse used in the treatment of BED is in violation of 215 ILCS 5/370c.1 (e),(g) and the Mental Health Parity and Addiction Equity Act (MHPAEA) 45 CFR § 146.136 (c)(4)(i).

e. Crit #14 – For an error percentage of 100%, the Company does not have a policy and procedure specific for cardiovascular disease. Cardiovascular disease is a leading cause of death and disability, and the State of Illinois requires that an insurer providing group or individual policies of accident and health insurance, or a managed care plan shall develop and implement a process to communicate with their adult enrollees on an annual basis regarding the importance and value of early detection and proactive management of cardiovascular disease. This is a violation of 215 ILCS 5/356z.19 cardiovascular disease.
f. Crit #15 – For an error percentage of 100%, The Company imposed a quantity limitation of 1 tablet per day on all strengths of Pristiq, Khedezla, or desvenlafaxine which is commercially available as 25mg, 50mg, and 100mg. With a maximum dose of 400mg per day based on FDA approved dosing and manufacturer recommended max dosing for Major Depressive Disorder (MDD), a member would be required to get a quantity limitation override from their provider/doctor when prescribed for any dosages between 100mg to 400mg per day. Limiting Pristiq, Khedezla, desvenlafaxine and not allowing members to obtain its FDA approved and manufacturer recommended max dosing for a mental health indication (MDD) isn't comparable to MED/SURG medications. Therefore, this quantity limitation for Pristiq, Khedezla, and desvenlafaxine is discriminatory to mental health members and is in violation of 215 ILCS 5/370c.1 (e), (g) and 45 CFR § 146.136 (c)(4)(i) General rule.
g. Crit #16 - For an error percentage of 100%, the Company imposed a quantity limitation of 1 tablet per day on all strengths of Latuda which is commercially available as 20mg, 40mg, 60mg, 80mg, and 120mg. With a maximum dose of 160mg/day based on a schizophrenia diagnosis, a member would be required to get a quantity limitation override in order to obtain the FDA approved maximum dose for this diagnosis. Limiting Latuda or lurasidone and not allowing members to obtain its FDA-approved and manufacturer-recommended max dosing for a mental health indication (schizophrenia) isn't comparable to MED/SURG medications. Therefore, this quantity limitation on Latuda or lurasidone is discriminatory to mental health members and is in

violation of 215 ILCS 5/370c.1 (e),(g) and 45 CFR § 146.136 (c)(4)(i) General rule.

h. Crit #17 – For an error percentage of 100%, the Company required a prior authorization/formulary exception request and/or step therapy requirement for Lucemyra for the entire exam period. This approval process creates a barrier to treatment for a medication indicated for the mitigation of opioid withdrawal symptoms to facilitate abrupt opioid discontinuation in adults. The use of prior authorization/step therapy criteria is inconsistent with ASAM and isn't in compliance with 215 ILCS 5/370c (b)(6.5)(A)(B). Additionally, Lucemyra was placed on Tier 3 which is also a violation of 215 ILCS 5/370c (b)(6.5).
i. Crit #18 – For an error percentage of 100%, the Company failed to place Annovera and Lo Loestrin FE on the formulary and offer them at the appropriate cost-sharing tier. Both of these medications were denied for products, not on the formulary, product/service not covered plan/benefit exclusion, or prior authorization required during the experience period. This is a violation of 215 ILCS 5/356z.4 Coverage for contraceptives.
j. Crit #19 - For an error percentage of 100%, the Company limited the following Medication Assisted Treatment (MAT) medications: Buprenorphine sublingual tablets, buprenorphine/naloxone sublingual films, buprenorphine/naloxone sublingual tablets, naltrexone, Bunavail, Suboxone films, and Zubsolv to a 30 day supply and member's couldn't obtain a 90 day supply or be eligible for the Choice90 program which would help ensure medication compliance, reduce barriers to treatment, and allow members to conveniently continue treatment without interruption. The Company didn't use the same processes, strategies, evidentiary standards, or other factors when limiting these substance abuse medications which isn't comparable and is discriminatory to substance abuse members which are violations of 215 ILCS 5/370c.1 (e),(g) and 45 CFR § 146.136 (c)(4)(i) General rule. Additionally, the Centers for Medicare & Medicaid Services (CMS) approved Illinois to be the first and only state to change their Essential Health Benefit (EHB) benchmark plan to include mental health and opioid-related additions effective 1/1/2020. Based on the Access to Care and Treatment (ACT) Plan the state has added several additional covered benefits for QHPs such as prohibition on prior authorizations, dispensing limits, fail first policies for buprenorphine or brand equivalent products, and removal of barriers to prescribing buprenorphine or brand equivalent products for medication-assisted treatment of opioid use disorder. Therefore, limiting 30 days per fill on these six buprenorphine containing medications (all strengths of buprenorphine sublingual tablets, buprenorphine/naloxone sublingual films, buprenorphine/naloxone sublingual tablets, Bunavail, Suboxone films, and Zubsolv) wouldn't be in compliance with these requirements for QHPs as approved by CMS per § 156.111 State selection of EHB-benchmark plans.
k. Crit #20 – For an error percentage of 100%, Nicotrol cartridge inhalers and Nicotrol nasal spray were covered on the formulary but did require a prior authorization (PA). Nicorette and Nicoderm were non-formulary medications requiring a non-formulary exception request which follows the same process as a prior authorization request. ASAM doesn't establish prior authorization requirements on substance abuse medications therefore, all four are in violation of 215 ILCS 5/370c (b)(6.5). Since Nicorette and Nicoderm were non-formulary medications (also required a step therapy component in their approval process), and Nicotrol cartridge inhalers and Nicotrol nasal spray had

a step therapy component in their approval process, all four are in violation of 215 ILCS 134/45.1 (d)(e) for not honoring an approval of a medical exception request for 12 months following the date of the approval or until renewal of the plan. Finally, the Company confirmed that Nicotrol cartridge inhalers and Nicotrol nasal spray were covered at $0.00 cost share after approval however, Nicorette and Nicoderm after approval of a formulary exception request would be covered at the Tier 3 cost share. Therefore, Nicorette and Nicoderm would be in violation of 215 ILCS 5/370c (b)(6.5) since they weren't placed on the lowest tier of the drug formulary developed and maintained by the individual or group health benefit plan that covers brand medications.

l. Crit #21 – For an error percentage of 100%, The Company implemented a split fill program on various oral oncology medications. The split fill program included introductory therapy defined as partial dispensing of 15-day supplies for the first 3 months of therapy, maintenance therapy defined as dispensing of 1-month supplies after the first 3 months, and participation in a medication therapy program coordinated by an oncology pharmacist from the specialty pharmacy. This program included the following restricted oral oncology agents: Afatinib dimaleate (Gilotrif), Alectinib hydrochloride (Alecensa), Axitinib (Inlyta), Bosutinib (Bosulif), Ceritinib (Zykadia), Crizotinib (Xalkori), Dasatinib (Sprycel), Enzalutamide (Xtandi), Erlotinib hydrochloride (Tarceva equivalent), Everolimus (Afinitor 10mg, and generics), Everolimus (Afinitor Disperz), Gefitinib (Iressa), Nilotinib (Tasigna), Olaparib (Lynparza), Osimertinib mesylate (Tagrisso), Pazopanib hydrochloride (Votrient), Ruxolitinib phosphate (Jakafi), Sorafenib (Nexavar), Sunitinib (Sutent), Vemurafenib (Zelboraf). The split fill program is in violation of 215 ILCS 5/356z.20 Cancer drug parity.
m. Crit #22 – For an error percentage of 100%, the Company placed the following brand name substance abuse medications, Antabuse and Zyban as non-formulary medications on their formulary. This creates a barrier to treatment when a member is prescribed these medications for substance abuse treatment. Requiring a prior authorization/medical necessity and/or any step therapy requirements on Antabuse and Zyban is in violation of 215 ILCS 5/370c (b)(6.5). Tier 3 placement for the entire exam period is also a violation.
n. Crit #23 – For an error percentage of 100%, the Company limited the following anti-anxiety medications: alprazolam (tablet, odt, ER, and XR), lorazepam, diazepam, clorazepate, oxazepam, hydroxyzine hcl, and hydroxyzine pamoate These mental health medications were limited to a 30 day supply and member’s couldn’t obtain a 90 day supply/Choice 90 which would help ensure medication compliance, reduce barriers to treatment, and allow members to conveniently continue treatment without interruption. The Company didn’t use the same processes, strategies, evidentiary standards, or other factors when limiting these mental health medications compared to MED/SURG medications which is discriminatory to mental health members and is a violation of both 215 ILCS 5/370c.1 (e),(g) and 45 CFR § 146.136 (c)(4)(i) General rule.
o. Crit #25 – For an error percentage of 100%, the Company limited the following: Abilify mycite, Zyprexa, Compazine, Seroquel XR, Geodon, fluphenazine HCL 5 mg/mL, and prochlorperazine. These medications were limited to a 30 day supply and members couldn’t obtain a 90 day supply/Choice90 which would help ensure medication compliance, reduce barriers to treatment, and allow members to conveniently continue treatment

without interruption. The Company didn't use the same processes, strategies, evidentiary standards, or other factors when limiting these mental health medications compared to MED/SURG medications which is discriminatory to mental health members and is a violation of both 215 ILCS 5/370c.1 (e),(g) and 45 CFR § 146.136 (c)(4)(i) General rule.

p. Crit #26 – For an error percentage of 100%, the Company imposed a quantity limit of 2 units every 7 days on Narcan Nasal Spray, naloxone cartridges, and naloxone syringes. The prescriber would have to obtain an override of this limitation from the Company which would be a violation of 215 ILCS 5/370c (b)(6.5).

q. Crit #27 – In 18 instances of the 20 medical exception procedures reviewed, for an error percentage of 90%. The Company failed to follow 215 ILCS 134/45.1(d)(e) Medical exceptions procedures required which states upon granting of an exception request, the insurer, health plan, utilization review organization, or other entity shall authorize the coverage for the drug prescribed by the enrollee's treating health care provider, to the extent the prescribed drug is a covered drug under the policy or contract up to the quantity covered. Any approval of a medical exception request shall be honored for 12 months following the date of the approval or until the renewal of the plan. Based on this statute, the Company had medication policies that would fall under medical exceptions procedures required and their approval durations weren't honored for 12 months following their date of approval. The following medication policies would be in violation of this statute: Amikacin Inhaled (Arikayce) (Initial: 6 months, Renewal: 12 months x 1), Corticotropin Gel (HP Acthar) (Initial: 3 months Renewal: 12 months), Diclofenac 3% gel (approval limit: 3 months), Droxidopa (Northera) (approval limits: 2 months with partial fill), Dupilumab (Dupixent) (Initial: 6 months; after 6 months, 12 months), Emapalumab (Gamifant) (approval limits: 3 months), Mepolizumab (Nucala) (approval limits: EGPA: Initial 6 months, Subsequent 12 months), Givosiran (Givlaari) (Approval limits: Initial Approval = 6 months Renewal Approval =12 months), C1 esterase inhibitor (Berinert, Cinryze, Haegarda, Ruconest) (Approval limits: 6 months), Lanadelumab (Takhzyro) (Approval limits: 6 months), berotralstat (Orladeyo) (Approval limits: 6 months), Lumasiran (Oxlumo) (Approval limits: Initial: 6 months Renewal: 12 months), Omalizumab (Xolair®) (approval limits: Urticaria: Initial – 6 months Subsequent – 12 months), Itraconazole/Onychomycosis (approval limits: Onychomycosis: ≤ 4 months for itraconazole), Pegloticase (Krystexxa) (approval limits: Initial – 6 months Renewal – 12 months), Pegvaliase (Palynziq) (approval limits: 40 mg daily trial: 4 months reauthorization: every 12 months), Sapropterin-Kuvan® (Duration Limits: Initial 2 months, Reauthorization-every 12 months) and Sodium Oxybate (Xyrem®) (approval limits: initial 3 months; thereafter indefinite). All these medications from these policies should be approved for 12 months following their date of approval. This is a violation of 215 ILCS 134/45.1 (d)(e) Medical exceptions procedures required. (d)(e).

r. Crit #28 – For an error percentage of 11.1%, the Company limited coverage of the following prescription inhalants used for members who suffer from asthma or other life-threatening bronchial ailments: albuterol sulfate neb solution, albuterol sulfate HFA, levalbuterol tartrate, Proair Digihaler, Proair RespiClick, Proair HFA, Proventil HFA, Ventolin HFA, and Xopenex HFA. Denials, code edits, limits, and allowance of utilization management techniques

such as REFILL TOO SOON on albuterol sulfate neb solution, albuterol sulfate HFA, levalbuterol tartrate, Proair Digihaler, Proair RespiClick, Proair HFA, Proventil HFA, Ventolin HFA, and Xopenex HFA are in violation of 215 ILCS 5/356z.5 Prescription Inhalants.

s. Crit #29 – For an error percentage of 100%, the Company limited all smoking cessation medications to a 30 day supply and member's couldn't obtain a 90 day supply or be eligible for the Choice90 program which would help ensure medication compliance, reduce barriers to treatment, and allow members to conveniently continue treatment without interruption. The Company didn't use the same processes, strategies, evidentiary standards, or other factors when limiting these substance abuse medications which wouldn't be comparable to MED/SURG medications and is discriminatory to substance abuse members. This is a violation of both 215 ILCS 5/370c.1 (e),(g) and 45 CFR § 146.136 (c)(4)(i) General rule.

t. Crit #30 – For an error percentage of 100%, the Company a restrictive medically necessary policy on Spravato compared to MED/SURG medication policies during the exam period. The Company didn't apply the same processes, strategies, evidentiary standards, or other factors regarding non-quantitative treatment limitations on a mental health medication which should be comparable to, and applied no more stringently than, the processes, strategies, evidentiary standards, or other factors used in applying this nonquantitative treatment limitation with respect to MED/SURG medication policies. This is a violation of both Illinois State Statutes 215 ILCS 5/370c.1 (e),(g) and the Mental Health Parity and Addiction Equity Act (MHPAEA) 45 CFR §146.136 (c)(4)(i) General rule. Additionally, based on the step therapy requirement, the initial approval duration is in violation of 215 ILCS 134/45.1 Medical exceptions procedures required (e) since the approval limits on the Spravato policy was 3 months for an initial approval and 12 months for renewal.

u. Crit #31 – For an error percentage of 100%, The Company imposed a more restrictive medically necessary policy on Zulresso during the exam period. The criteria that was used for the Zulresso policy was more restrictive and stringently applied than FDA parameters of the medication and was selective based on inclusion and exclusion criteria as was shown in clinical trials. The Company didn't apply the same processes, strategies, evidentiary standards, or other factors regarding nonquantitative treatment limitations to a mental health medication which would be comparable to and applied no more stringently than, the processes, strategies, evidentiary standards, or other factors used in applying the limitation with respect to MED/SURG medication policies. Therefore, the Zulresso policy violates both Illinois State Statutes 215 ILCS 5/370c.1 (e),(g) and the Mental Health Parity and Addiction Equity Act (MHPAEA) 45 CFR § 146.136 (c)(4)(i) General rule.

STATE OF ILLINOIS
DEPARTMENT OF INSURANCE

IN THE MATTER OF:

QUARTZ HEALTH BENEFIT PLANS CORPORATION &
QUARTZ HEALTH PLAN CORPORATION
840 CAROLINA STREET
SAUK CITY, WI. 53583

STIPULATION AND CONSENT ORDER

WHEREAS, the Director of the Illinois Department of Insurance ("Department") is a duly authorized and appointed official of the State of Illinois, having authority and responsibility for the enforcement of the insurance laws of this State; and

WHEREAS, Quartz Health Benefit Plan Corporation, NAIC 95796, and Quartz Health Plan Corporation, NAIC 95101, is authorized under the insurance laws of this State and by the Director to engage in the business of soliciting, selling and issuing insurance policies; and

WHEREAS, a Market Conduct Examination of the Company was conducted by a duly qualified examiner of the Department pursuant to Sections 132, 401, 402, 403, and 425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/402, 5/403, and 5/425); and

WHEREAS, as a result of the Market Conduct Examination, the Department examiner filed a Market Conduct Examination Report covering the examination period of January 1, 2020 through April 30, 2021, which is an official document of the Department; and

WHEREAS, the Market Conduct Examination Report cited various areas in which the Company was not in compliance with the Illinois Insurance Code (215 ILCS 5/1 *et seq.*) and Department Regulations (50 Ill. Adm. Code 101 *et seq.*); and

WHEREAS, nothing herein contained, nor any action taken by the Company in connection with this Stipulation and Consent Order, shall constitute, or be construed as, an admission of fault, liability or wrongdoing of any kind whatsoever by the Company; and

WHEREAS, the Company is aware of and understands their various rights in connection with the examination and report, including the right to counsel, notice, hearing and appeal under Sections 132, 401, 402, 407, and 407.2 of the Illinois Insurance Code and 50 Ill. Adm. Code 2402; and

WHEREAS, the Company understands and agrees that by entering into this Stipulation and Consent Order, they waive any and all rights to notice and hearing; and

WHEREAS, the Company and the Director, for the purpose of resolving all matters raised by the report and in order to avoid any further administrative action, hereby enter into this Stipulation and Consent Order.

NOW, THEREFORE, IT IS AGREED by and between the Company and the Director as follows:

1. The Market Conduct Examination indicated various areas in which the Company was not in compliance with provisions of the Illinois Insurance Code and Department Regulations; and

2. The Director and the Company consent to this Order requiring the Company to take certain actions to come into compliance with provisions of the Illinois Insurance Code and Department Regulations.

THEREFORE, IT IS HEREBY ORDERED by the undersigned Director that the Company shall:

1. Institute and maintain policies and procedures whereby the Company shall provide the insured with a reasonable written explanation of the basis of denial. 50 Ill. Adm. Code 919.50(a)(1)

2. Institute and maintain policies and procedures whereby the Company shall provide the required Notice of Availability of the Department of Insurance. 50 Ill. Adm. Code 919.50(a)(1)

3. Institute and maintain policies and procedures whereby the Company shall not impose a prior authorization treatment limitation on Naltrexone (Vivitol). 215 ILCS 5/370c (b)(6.5)(A)

4. Institute and maintain policies and procedures whereby the Company shall promptly and without delay send notice of termination. 45 CFR § 156.270(b)1

5. Institute and maintain policies and procedures whereby the Company shall develop and implement a process to communicate the importance and value of early detection and proactive management of cardiovascular disease. 215 ILCS 5/356z.19

6. Institute and maintain policies and procedures whereby the Company shall place Annovera and Lo Loestrin FE on the formulary and offer them at the appropriate cost-sharing tier. 215 ILCS 5/356z.4

7. Institute and maintain policies and procedures whereby the Company shall not implement a split fill program on various oral oncology medications. 215 ILCS 5/356z.20

8. Institute and maintain policies and procedures whereby the Company shall honor an approval of a medical exception request for 12 months following the date of the approval or until renewal of the plan. 215 ILCS 134/45.1(d)(e)

9. Institute and maintain policies and procedures whereby the Company shall not limit coverage of the following prescription inhalants used for members who suffer from asthma or other life-threatening bronchial ailments: albuterol sulfate neb solution, albuterol sulfate HFA, levalbuterol tartrate, Proair Digihaler, Proair RespiClick, Proair HFA, Proventil HFA, Ventolin HFA, and Xopenex HFA. 215 ILCS 5/356z.5

10. Institute and maintain policies and procedures whereby the Company shall not impose a nonquantitative treatment limitation with respect to mental health or substance use disorder benefits in any classification comparable to, and applied no more stringently than medical/surgical benefits in the classification. 213 ILCS 5/370c.1 (e), (g) & 45 CFR § 146.136(c)(4)(i) General Rule

11. Institute and maintain policies and procedures whereby the Company shall not impose prior authorization requirements, other than those established under the Treatment Criteria for Addictive, Substance-Related, and Co-Occurring Conditions established by the American Society of Addiction Medicine. 215 ILCS 5/370c (b)(6.5)

12. Institute and maintain policies and procedures whereby the Company shall place all prescription medications approved by the United States Food and Drug Administration prescribed or administered for the treatment of substance use disorders on, for brand medications, the lowest tier of the drug formulary developed and maintained by the individual or group health benefit plan. 215 ILCS 5/370c (b)(6.5)

13. Institute and maintain policies and procedures whereby the Company shall approve a medical exception request for 12 months following the date of the approval or until renewal of the plan. 215 ILCS 134/45.1(e)

14. Institute and maintain policies and procedures whereby the Company shall upon granting of an exception request, the insurer, health plan, utilization review organization, or other entity shall authorize the coverage for the drug prescribed by the enrollee's treating health care provider, to the extent the prescribed drug is a covered drug under the policy or contract up to the quantity covered. 215 ILCS 134/45.1(d)(e)

15. Institute and maintain policies and procedures whereby the Company shall approve a step therapy requirement exception request when the required prescription drug is contraindicated, the patient has tried the required prescription drug while under the patient's current or previous health insurance. 215 ILCS 134/45.1

16. Submit to the Director of Insurance, State of Illinois, proof of compliance with the above fifteen (15) orders within thirty (30) days of execution of this Order.

17. Pay to the Director of Insurance, State of Illinois, a civil forfeiture in the amount of $500,000.$\underline{00}$ to be paid within ten (10) days of execution of this Order.

NOTHING contained herein shall prohibit the Director from taking any and all appropriate regulatory action as set forth in the Illinois Insurance Code including, but not limited to, levying additional forfeitures, should the Company violate any of the provisions of this Stipulation and Consent Order or any provisions of the Illinois Insurance Code or Department Regulations.

On behalf of QUARTZ HEALTH BENEFIT PLAN CORPORATION, and QUARTZ HEALTH PLAN CORPORATION

Signature

Mark Selna
Name

President and CEO
Title

Subscribed and sworn to before me this
8 day of December 2022.

Notary Public

GINA K. YOUNG
NOTARY
PUBLIC
STATE OF WISCONSIN

DATE 12/8/2022

DEPARTMENT OF INSURANCE of the
State of Illinois:

Dana Popish-Severinghaus
Director

SEAL OF THE STATE OF ILLINOIS
AUG. 26TH 1818