New Jersey Small Employer Health Insurance Program ("SEH")
May 5, 1993 Meeting
Offices of Department of Insurance
Trenton, New Jersey

Board members in attendance: M. Lopes - NJBIA (Ch), J. Bellingham - NJ BC/BS, M. Willoughby - NJRMA, K. Robinson - Chubb, V. Wicks - HIP/Rutgers, A. Bossi - The Prudential, J. Eick - The Travelers, Barbara Levy - Aetna, L. Moskowitz - DOI, E. Crandall - Guardian, N. Featherstone - DOH

I. Call to Order/Roll Call

A quorum being present, Chair Lopes called the meeting to order at approximately 9:45 a.m. A copy of the Agenda and a roster of attendees is on record and maintained by the Department of Insurance ("DOI").

II. Review of Minutes

Minutes of the April 21 meeting, as amended, were distributed. Minutes of the April 28 meeting were distributed and discussed. Several amendments were agreed upon and, as amended, were approved unanimously. Final copies of the amended April 28 minutes will be distributed at a future meeting.

III. Organization of May 19 Meeting

Chair Lopes described preliminary plans for handling the May 19 joint meeting with the Individual Health Coverage (IHC) Board, at which the Boards hope to receive comments from the public on the five benefit plans they have been developing.

While the joint meeting is not a public hearing, Ms. Lopes noted there will be notice to the public of the meeting. A press advisory will be mailed out later in the week and a press briefing held next week to describe the purpose of the May 19 meeting.

Outlines of the benefit plans will be mailed out in advance of the May 19 meeting. The meeting will be co-chaired by the chairs of each board. Ms. Lopes reviewed the procedures they hope to follow at the joint meeting to assure that comments and questions can be handled in an orderly and timely manner and so that all points of view can be heard.

IV. Report of the IHC Board

Mr. Moskowitz gave a brief update on IHC activities: the Plan of Operation is nearly finished and a technical subcommittee of the Finance Committee hopes to have draft forms for assessments and loss reporting ready soon.

The IHC Board seems to be leaning toward establishing a standard HMO plan based on a $15 copay, with a higher and lower copay available by rider at the HMO's option to offer. The benefits in the plan are consistent with the requirements for federally qualified HMOs.

The IHC Board also discussed the statutory basic health plan ("bare bones"). In order for it to be more affordable, the basic plan will need to have inside limits on several of the benefits. A draft regulatory approach to do this was developed over a year ago and will be reviewed again to address details in the basic plan to make it more affordable for use under the IHC program.

V. Old Business

A. Benefit Plan Discussion

Emily Crandall, who chairs the Drafting Group developing actual contract language, noted for the Board's attention that the effort to draft contract language is raising questions, some of which will need Board attention when the draft plans and decision matrix are presented to the Board in a few weeks. For instance, in several cases, the same provisions in the current New Jersey Insurance Law apply to some, but not all, regulated entities. The drafting group will need guidance on how to create a level playing field under the plans being drafted for these new programs.

The Chair distributed current copies of materials that have been used throughout the Board meetings outlining, in draft form, the benefits and exclusions to be contained in the plans the Board will mandate. The Board agreed the term "covered services" should be used instead of "benefits".

The Board spent considerable time reviewing these materials once more so they could be further revised for mailing and use at the May 19 meeting. The full scope of actual changes will be reflected on the revised forms distributed to the public.

By resolution, the Board voted to go into executive session to review matters subject to the attorney-client privilege.

Anne Bossi distributed a chart, a copy of which is attached to the minutes on file with the Department of Insurance, which

was an attempt to: incorporate the summaries of the tentative cost sharing provisions for each of the plans and include provisions showing how all delivery systems, managed or indemnity, could be used by a carrier to satisfy the obligation to offer these plan coverages.

The Board reviewed the chart in detail and discussed how to accomplish the goal of accommodating the use of all delivery systems to meet the obligation to offer the plans mandated by the Board. Some concern was expressed that some carriers, not licensed to operate an HMO, might be unable to offer the program coverages without additional regulatory or legislative authority to use a provider network. While the DOI indicated it would reexamine the scope of its present regulatory authority, the Board agreed that additional wording should be considered for addition to the technical corrections bill to clarify the DOI's ability to authorize such network-based arrangements.

The Board also discussed the range of deductibles to be used with the five plans. There was a desire to provide deductibles in levels the market would purchase while not creating incentives for anti-selection based on plan design. After discussion, the Board decided that Plan B should have a deductible range of $250-$500-$750 and that Plans C and D would have a range of $250-$500-$1000. The $250 deductible level would be mandated; the options available by rider.

The Board also debated whether pharmaceuticals should be a covered service, available only by rider, or excluded altogether. The sense of the group was to include these services in all plans subject to their own coinsurance and benefit maximum.

With respect to the HMO coverage, the Board agreed that the $15 copay plan would be the standard and a higher and lower copay available by rider, which the HMO would have the option to offer.

Report of Drafting Group

Emily Crandall discussed the HIAA's PHCS system under which subscribers obtain data on customary and reasonable fees for medical services and procedures. She indicated the drafting group concluded the five plans should have a standard for making customary and reasonable cost determinations and that the Board could pass a resolution that the PHCS system would constitute the accepted table for the time being.

The Board discussed how such a table would be used, whether other systems are available, and how the PHCS services might be purchased if that service was adopted by the Board. After

discussion, they agreed to take up the matter at a future meeting for further discussion or action.

Format for May 19

The Board discussed what materials were best to present to the public at this stage for purposes of the May 19 meeting. They agreed that a press release would be prepared and reviewed by the Marketing Committee, that the HMO chart would be revised with three columns reflecting the $15 standard copay and options, that the chart handed out by Ms. Bossi would be revised to footnote the use of multiple delivery systems, and that a detailed summary of the Plan A statutory plan would also be provided, in addition to the statement of Public Notice.

Ms. Crandall noted that the actual policy forms being developed by the Drafting Group would not be finalized by May 19 but that she would submit a list of issues to accompany the drafts when ready so the Board can make final decisions on several key contract issues to enable the policy forms to be finalized as soon thereafter as possible.

Mr. Moskowitz indicated that, in light of insurer concerns over antitrust, the DOI would, on its own, try to develop some broad pricing guidelines for the plans in case the issue comes up at the May 19 meeting.

VI. Proposed Legislation

The Board asked Mr. Hank Meisner, The Prudential, to review the latest draft of the bill (S-1686) to make technical corrections to the SEH act. Mr. Meisner outlined the corrections suggested by an informal group of industry representatives to bring the bill closer to the Board's original intent to close several perceived loopholes concerning group out of state trusts, MEWAS, and similar arrangements.

One point the Board could not come to full agreement on concerned the various interpretations of the language in both the original law and the technical corrections bill addressing the treatment of federally qualified HMO's under the program.

Mr. Meisner was asked to convey to legislative staff the Board's desire to have amendments made to the bill to assure all loopholes are closed and was also asked to convey its lack of full agreement over the HMO language, which is still under discussion by the Board.

It was agreed that either the Chair or Co-Chair would speak in support of the technical corrections bill when heard by the

relevant legislative committees next week.

Close of Meeting

The meeting was adjourned by Chair Lopes at approximately 4:45 p.m.

Recorder of minutes:
Jim O'Connor, The Prudential
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