

MINUTES OF THE MEETING
OF THE
NEW JERSEY SMALL EMPLOYERS HEALTH BENEFITS PROGRAM
BOARD OF DIRECTORS
JANUARY 5, 1994
OFFICES OF THE DEPARTMENT OF INSURANCE
TRENTON, NEW JERSEY

A meeting of the New Jersey Small Employers Health Benefits Program Board of Directors was held on Wednesday, January 5, 1994 at the Offices of the Department of Insurance in the Mary C. Roebling Building in Trenton, New Jersey. Members of the Board present at the meeting were Maureen Lopes, Emily Crandall, David Swords, Frederick Title, Dana Benbow, Leon Moskowitz, John Bellingham, Kenneth L. Robinson, Jr., Larry St. John and Melanie Willoughby, constituting a quorum of the Board. Also present were Valerie Bollheimer, Deputy Attorney General for New Jersey and Carla Williams, Deputy Attorney General. After Chairman Lopes' statement that the meeting was being held pursuant to a published notice of the meeting, the meeting was called to order. Minutes of the December 1, 1993 meeting of the Board were approved as amended.

A proposed annual budget was handed out by James Donnellan, representing the temporary administrator for the Board. After discussion concerning various budget items, upon motion duly made and seconded, it was unanimously voted: to delay action on the 1993 budget figures but to approve a \$700,000 projected budget for 1994.

Valerie Bollheimer next discussed the procedure for assessments contained in the Plan of Operation regulations and noted that it was a mechanical process for the Finance Committee to actually calculate the assessments. Dana Simmons noted that the Finance Committee is to draft regulations to capture the information from carriers on market share for the purposes of the assessment. Ms. Bollheimer stated that assessments can be interim and that the regulation will also capture whether the carrier is or is not a member for purposes of assessment and that a carrier's membership will be certified annually. After drafting, the regulation will be brought to the Board for review.

Ms. Lopes next reported on three recommendations received from the Advisory Committee. With respect to a request from Garden State Health Plan and U.S. Life concerning a wrap around product, the Committee recommended that the proposal

be approved by the Board. After discussion of the mechanics of assessments, the calculation of loss ratios and the adoption of risk-assuming/reinsuring status, upon motion duly made and seconded, it was voted: that the recommendation of the Advisory Committee concerning the wrap around product be approved by the Board subject to review by the New Jersey Department of Insurance.

Next discussed was a proposal by Blue Cross & Blue Shield of New Jersey regarding its alternative utilization review program. Ms. Bollheimer stated that case management (or "alternative treatment") and Centers of Excellence are not part of the variable UR language of the contracts. Blue Cross agreed with her interpretation. The plan of Blue Cross for a 50 percent reduction for all covered charges for non-compliance on non-emergency hospital admissions, not just on hospital charges for such admissions, was discussed. Blue Cross stated that the purpose of its language was to affect the doctor who is making the calls on care. The Advisory Committee felt that the penalty language does not comply with the Board regulations which state that the penalty only applies to hospital charges and that the variable language must be no less favorable to the insured. It was the opinion of the Committee that the Blue Cross language was not as favorable as the variable language of the policies. It was also the opinion of the Committee that the balance of the UR language was acceptable but that the penalty language proposed by Blue Cross would require regulatory changes. The Advisory Committee recommended that the UR provision of Blue Cross be approved with the exception of the penalty language which should apply only to hospital charges. After discussion, and upon motion duly made and seconded, it was voted: that the Board approve the Committee recommendation, subject to review by the New Jersey Department of Insurance and also subject to the requirement that a clear and conspicuous notice be included stating that the utilization review language is alternative language approved by the Board. All voted in favor of the motion with the exception of Blue Cross which voted against the motion.

Ms. Lopes next noted that twice recently carriers have used different definitions of emergency care in utilization review language than the definition used in the standard policy language. The Board's consensus was to remind carriers that utilization review language should use the same definition as contained in the standard policy language. The Advisory Committee felt that the use of a seven day standard for notice of non-emergency admissions was more restrictive than the regulatory language and the Board agreed that utilization review language should include "or as soon as reasonably possible" in its notice provision. Upon motion duly made and seconded, it was voted: that the Board adopt the Advisory Committee recommendation, subject to review by the New Jersey Department of Insurance and further subject to the use of a

clear and conspicuous notice that the utilization review is alternative language approved by the Board.

Ms. Lopes next updated the meeting on recent public relations efforts and noted that a news release had been prepared by her and was distributed yesterday. The Department of Insurance has issued an order for carriers to provide premium information on a representative employer. The order has been mailed to carriers with the required information to be returned to the Department of Insurance by January 19. The Buyers Guide may be mailed to carriers with election materials in mid-January. The Marketing Committee will hold a briefing for legislative staff and then will prepare a mailing to all members.

Ms. Lopes next recommended that a work group be formed to formulate issues on forced conversion and other matters to be raised with the legislature so that any new legislation will address those issues. The consensus of the Board was that such a committee should be formed and Ms. Lopes appointed Emily Crandall, Frederick Title, a representative of Blue Cross, Melanie Willoughby, David Swords, a representative of The Prudential and a Department of Insurance representative to the committee. The group will meet quickly in order to be ready for the January 20 legislative committee hearing date.

Leon Moskowitz next addressed carrier rate filings and stated that filings should be four tiered. Carriers filing on other than the four tier basis are not complying with the regulation. Also discussed and reaffirmed was that the \$10,000 limit on out-of-pocket expenses is fixed for all standard policies. It was also the consensus understanding of the Board that Plan B cannot be an in-network benefit for a PPO. It would fall under the 50 percent limit on coinsurance. It was also the Board's consensus that the Department of Insurance should refuse, with notice to the carrier, any filing by a carrier which is not in substantial compliance with the regulations and should refer the filing to the Board to advise the Board that the carrier may not be in compliance with its certification of policy forms.

Next, the following resolution was read to the Board:

"Resolution to Close the Meeting to the Public

The Board of Directors of the New Jersey Small Employer Health Benefits Program hereby resolves to close the meeting to the public for the purpose of discussing legal advice falling within the attorney-client privilege pursuant to NJSA10:4-12(b)7."

Now therefore, be it resolved that for the purposes stated above, the Board will now go into closed session which will be closed to the public. Upon motion duly

AS AMENDED

made and seconded, the resolution was unanimously adopted.

Following the conclusion of the executive session, the meeting of the Board was declared adjourned.

RECORDER OF MINUTES:

Kenneth L. Robinson, Jr.
Chubb LifeAmerica
(201) 631-2300 (New telephone number)

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