

**APPROVED**  
**MINUTES OF THE MEETING OF THE**  
**NEW JERSEY SMALL EMPLOYER HEALTH BENEFITS PROGRAM BOARD**  
**AT THE OFFICES OF THE NEW JERSEY DEPARTMENT OF INSURANCE**  
**TRENTON, NEW JERSEY**  
**October 18, 1995**

**Members present:** Maureen Lopes, Chair; Dana Benbow, Vice Chair (Prudential); Pamela Dickson/Bonnie Wiseman (DOH); Justin Fiedler (BCBSNJ); Stephen Fischl; Linda Ilkowitz (Guardian); Charlotte Furman (Home Life); Leon Moskowitz (DOI); Susan Peters (Aetna); Fred Title (HIP Of New Jersey); Dutch Vanderhoof.

**Others present:** Kevin O'Leary, Executive Director; Wardell Sanders, SEH Program Assistant Director; Ellen DeRosa, IHC Program Assistant Director; DAG Josh Lichtblau (DOL).

**I. Call to Order**

M. Lopes called the meeting to order at approximately 9:40 AM and announced the notice of the meeting had been published in three newspapers and posted at the Department of Insurance and the Office of the Secretary of State in accordance with the Open Public Meetings Act. A quorum was present.

**II. Public Comments**

No public comments were offered.

**III. Minutes**

*\* F. Title made a motion to approve the draft minutes of the September 27, 1995 meeting as amended. L. Ilkowitz seconded the motion, and the motion was approved by voice vote, with P. Dickson abstaining.*

The Board agreed to discuss the September 27, 1995 executive session minutes in executive session.

**IV. Report of the Marketing Committee**

The Executive Director introduced Shirlee Wenzel, President of Wenzel and Company, the Board's public relations firm. She distributed copies of a status report. Ms. Wenzel reported that they had developed a press list for the Board, had developed a list for radio and television talk show opportunities, had contacted business editors in the state regarding information about the SEH Program, and had begun drafting a new format for the SEH Buyers' Guide. She also indicated that they had developed a draft premium comparison survey based on information provided to the DOI. The Executive Director encouraged Board members to provide comments to the draft premium comparison survey to him, and indicated that the Marketing Committee would meet with Wenzel to discuss distribution of the survey. L. Ilkowitz suggested that marketing

efforts emphasize that the standardized plans still provide a variety of choices, as the plans include various deductible and copay options, and may be offered through different delivery systems.

[D. Vanderhoof and S. Fischl arrived]

D. Vanderhoof noted that the delivery system should be clearly identified in the premium comparison survey. The Board noted that the survey may need a second chart, showing comparative prices for alternate delivery system offerings.

[D. Benbow and M. Willoughby arrived]

#### **IV. Report of the Policy Forms Committee**

M. Lopes reported that Ellen DeRosa, the IHC Assistant Director, working at the direction of the Policy Forms Committee, had developed a first draft of an HMO/POS contract. M. Lopes indicated that the original draft blended the indemnity form and the HMO contract together which produced a document that was confusing. As a result, the IHC Assistant Director was developing a second draft, which separates some elements of both forms, and while there would be some duplication, the goal would be to develop a contract that would be easier to read. M. Lopes noted that the draft was not designed for dual contracting arrangements. The IHC Assistant Director outlined some of the features of the second draft. The Board agreed to hold a meeting on Wednesday, November 1, 1995 for the purpose of discussing the second draft. Board members were told that they would receive copies of the second draft prior to the November 1, 1995 meeting. The Board also agreed that the HMO Association would be provided copies of the draft for its input.

*\* C. Furman made a motion to add a representative from Blue Cross and Blue Shield to the Marketing Committee. L. Ilkowitz seconded the motion, and the motion was approved by voice vote with J. Fiedler abstaining.*

J. Fiedler said that Blue Cross and Blue Shield would provide the Executive Director with the name of the representative who would serve on the Committee.

[Bonnie Wiseman replaced P. Dickson as the DOH representative; M. Willoughby left the meeting]

The Assistant Director reported that the Policy Forms Committee had met and reviewed optional benefit rider filings. A copy of the Committee's recommendations are attached as Exhibit 1.

*\* D. Vanderhoof made a motion to accept the recommendation of the Policy Forms Committee with respect to Colonial Life's rider listed on the attached as "Rider 1" and find the filing complete and in substantial compliance. C. Furman seconded the motion, and the motion was approved unanimously by voice vote.*

*\* D. Benbow made a motion to accept the recommendation of the Policy Forms Committee with respect to Colonial Life's rider listed on the attached as "Rider 2" and find the filing complete*

*and in substantial compliance. C. Furman seconded the motion, and the motion was approved unanimously by voice vote.*

With respect to the rider filings from Colonial Life replacing the Coinsured Charge Limit with a Coinsurance Cap (Labeled Riders 3, 4 and 5) the Board expressed a concern that the riders would represent a decrease in value from the standard plans if the individual limits were set at \$5,000 and \$10,000.

*\* C. Furman made a motion to accept the recommendation of the Policy Forms Committee with respect to Colonial Life riders listed on the attached as "Rider 6," "Rider 7" and "Rider 8" and find the filing complete and in substantial compliance, but noted that, beginning on January 1, 1996, Colonial Life's riders could not conflict with recent changes to N.J.A.C. 11:21-3.1 which would prohibit carriers from offering more than one option with respect to the family cash deductible limit, and further limiting its finding of completeness to the riders when used with the \$500 and \$1,000 deductible options only. D. Benbow seconded the motion, and the motion was approved unanimously by voice vote.*

*\* L. Ilkowitz made a motion to accept the recommendation of the Policy Forms Committee with respect to the Employers Health Insurance's riders listed on the attached as "Rider 1" and "Rider 2" and find the filing complete and in substantial compliance. L. Moskowitz seconded the motion, and the motion was approved unanimously by voice vote.*

*\* L. Ilkowitz made a motion to accept the recommendation of the Policy Forms Committee with respect to Home Life Financial's PPO riders and find the filing complete and in substantial compliance. L. Moskowitz seconded the motion, and the motion was approved by voice vote, with C. Furman and D. Vanderhoof abstaining.*

*\* L. Ilkowitz made a motion to accept the recommendation of the Policy Forms Committee with respect to Home Life Financial's POS riders and find the filing complete and in substantial compliance. S. Peters seconded the motion, and the motion was approved by voice vote, with D. Furman and D. Vanderhoof abstaining.*

D. Vanderhoof explained that his reason for abstaining from the motions regarding the Home Life optional benefit rider filings was his belief that a survivor benefit provided in the riders would be either a hidden life insurance benefit in the amount of the premium charged to the dependents, or that the dependents would be charged a different premium than other dependents under the rider. The Board discussed the issues raised by D. Vanderhoof; the motion to find the riders complete and in substantial compliance was not amended.

The Assistant Director also reported on a draft rule adoption to the proposal amending the optional benefit rider regulation, N.J.A.C. 11:21-3.2(d), and the participation requirement regulation, N.J.A.C. 11:21-7.6. Channell McDevitt of the Department reported that the Department had provided guidance on the draft response to a comment from First Option regarding the limitations on ridering of dental and vision coverage, and explained the response to the Board.

*\* L. Moskowitz made a motion to approve the draft response to the comment from First Option regarding dental and vision riders. C. Furman seconded the motion, and the motion was approved unanimously by voice vote.*

The Assistant Director then explained the draft responses to comments received from Blue Cross and Blue Shield of New Jersey. Blue Cross's comment noted a concern about employee movement from any employer-sponsored plans, and resulting problems of adverse selection. The Board discussed the proposed expansion of credit for other small employer-sponsored health benefits coverage toward meeting participation requirements. The Executive Director asked if there was a concern about adverse selection. D. Benbow noted that adverse selection, to some extent, had already become a reality in the marketplace. After some discussion the Board agreed that with respect to an employee's ability to move from one employer plan to another, the Board did not intend to permit an employee to move without restriction between employer offered plans. The Board further noted that it believed that as a matter of administration, carriers, in consultation with the employer, would identify any open enrollment period during which period an employee would be able to move from one employer-offered plan to another.

*\* F. Title made a motion to approve the draft responses for the rule adoption and moved to adopt the proposed changes. L. Moskowitz seconded the motion, and the motion was approved with J. Fiedler abstaining.*

#### **V. Report of the Legal Committee**

The Executive Director referred to a revised draft of the Code of Ethics. He described the changes from the previous draft. First, he noted that the opening provided an interpretive context for the manual, noting that the volunteer Board members were selected because of their interests, not despite them, and that the variety of interests on the Board would result in a balanced entity. Second, he noted that the manual takes the position that representatives on the Board should neither benefit from their positions on the Board nor be penalized for their voluntary service. M. Lopes noted that the manual should indicate that her representation is of employers not employees. Third, the Executive Director noted that the section on the acceptance of gifts was modified so that it would be clear that carrier representatives could receive payment for their work on the Board from their employer. The Board then discussed the issue of recusal; M. Lopes recommended that a definition be added. It was noted that Board-member carriers could have someone other than the Board member or alternate present to address any questions raised by the Board. The Board discussed the need to provide the Commission on Ethical Standards with some background information on the unique composition of the Board. DAG Lichtblau asked the Board to provide him with any such background information so that he could submit it with the Board's draft manual.

[D. Cieslik replaced J. Fiedler as the representative of Blue Cross and Blue Shield]

*\* M. Lopes made a motion to forward the draft ethics manual, as amended at the meeting, to the Attorney General's Office for review. D. Ceislik seconded the motion, and the motion was approved unanimously by voice vote.*

The Executive Director reported that four carriers (National Health Insurance Company, Bankers Multiple Line Insurance Company, Bankers Security Life Insurance Company, and the Farm Family Life Insurance Company) had sought non-member status for calendar year 1994 pursuant to N.J.S.A. 17B:27A-25(d), which provisions granted an exemption from the Act for certain association plans. He noted that the Board's regulation for non-member status filings was set forth at N.J.A.C. 11:21-8.3, and that the regulation requires a showing that the carrier "[h]as issued only one group health insurance policy in New Jersey." The Executive Director reported that the Legal Committee had considered the filing and recommended that the filings from National Health Insurance Company, Bankers Multiple Line Insurance Company and Bankers Security Life Insurance Company be denied since their policies had not been issued in New Jersey. It was noted that A-2662, which recently had been vetoed conditionally by the Governor, would remove the above-referenced exemption altogether. The Executive Director also noted that these three entities had been granted non-member status in the previous year based on the facts then before the Board, but the facts now indicated that the carriers did not meet the requirements of N.J.A.C. 11:21-8.3. D. Vanderhoof noted that he had a concern about the regulation and whether it was consistent with statute. The Executive Director noted that the Legal Committee believed that there was sufficient statutory support for its regulation. The Executive Director further noted that the Board could go back and reconsider its existing regulation, but that it had filing now pending before it.

*\* D. Benbow made a motion to deny non-member status to the National Health Insurance Company, Bankers Multiple Line Insurance Company, and Bankers Security Life Insurance Company and to require the carriers to come into compliance with all aspects of the Program. D. Vanderhoof seconded the motion, and the motion was approved unanimously by voice vote.*

It was noted that any carrier, upon being denied non-member status, would be provided notice of the Board's decision, noting that the carrier had a right to appeal the decision. L. Moskowitz asked that the notice to the carrier set forth the time for compliance, and that the letter be reviewed by the Department.

The Executive Director referred to a draft rule proposal amending N.J.A.C. 11:21-7.7 which would amend the filing requirements for carriers filing to lower their contribution requirements. L. Moskowitz expressed a concern that the draft proposal did not provide verifiable standards of review. He noted that DOI would recommend that the rule be amended to require a carrier filing to lower its contribution requirement that it make a showing that the participation level was 75 percent or greater at the end of one year or the carrier would be required to cancel the policy. M. Lopes asked the Board whether it should struggle to develop standards for review, develop a one-year review procedure as suggested or both.

## **VI. Report of the Executive Director**

The Executive Director presented a copy of the expense report attached hereto as Exhibit 2. It was recommended that the bill for Wenzel and Company be moved in to a category for public relations. The Executive Director noted that the IHC Board's communication consultant was reviewing the Department of Correction's 800 number operation.

*\* L. Moskowitz made a motion to approve the expense report attached as Exhibit 2. D. Cieslik seconded the motion, and the motion was approved unanimously by voice vote. [Met 2/3rds supermajority requirement.]*

The Executive Director reported that the bookkeeper was putting the books into order so that they could be audited. With respect to outreach, he reported that he had been invited to Kentucky to speak with officials there about implementing reform; he noted that his comments would be limited to objective information. He reported that the letter to the Legislature regarding the Medical Savings Accounts had not yet been sent because the DOI wanted to make sure that the letter was conveyed by the Commissioner. L. Moskowitz noted that the transition in the Department had delayed transmission of the letter to the Legislature. D. Benbow expressed a concern that the letter not be delayed too long, as the Board had a statutory obligation to provide the Legislature with a report.

The Executive Director reported on a bill concerning treatment for Lyme disease. The Executive Director asked the Board if it wished to register its opinion with the DOI. M. Lopes noted that any bill requiring that certain coverage be offered, has the effect of increasing the cost of insurance.

## **VII. Executive Session**

*\* F. Title made a motion to enter into executive session for the purpose of receiving legal advice and to discuss enforcement issues. L. Ilkowitz seconded the motion, and the motion was approved unanimously by voice vote.*

## **VIII. Close of Meeting**

*\* D. Benbow made a motion to find the optional benefit rider filing from Colonial, with respect to riders numbered 3, 4 and 5, to be incomplete and not in substantial compliance, as the riders appear to contain benefit decreases. F. Title second the motion, and the motion was approved unanimously by voice vote.*

*\* D. Benbow made a motion to close the meeting. C. Furman seconded the motion, and the motion was approved unanimously by voice vote.*