

## APPROVED

**MINUTES OF THE MEETING OF THE  
NEW JERSEY SMALL EMPLOYER HEALTH BENEFITS PROGRAM BOARD  
AT THE OFFICES OF THE  
NEW JERSEY DEPARTMENT OF BANKING AND INSURANCE  
TRENTON, NEW JERSEY  
June 5, 1997**

**Members present:** Larry Glover, *Chair*; Bob Vehec, *Vice Chair* (DOBI); Linda Ilkowitz (Guardian).

**Members participating by telephone:** Adeline Gallagher (Anthem Health and Life); Eileen Gallagher (NYLCare); Jim Leonard; Amy Mansue (HIP of New Jersey); Leon Moskowitz, (DOHSS); Dutch Vanderhoof; Eric Wilmer (Celtic Life).

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

### **I. Call to Order**

The Executive Director called the meeting to order at approximately 11:05 a.m. and announced that notice of the meeting had been published in three newspapers and posted at the Department of Banking and Insurance ("DOBI") and the Office of the Secretary of State in accordance with the Open Public Meetings Act. A quorum was present.

Some members of the Board were participating by telephone conference. A speaker phone was used so that members of the public could hear the Board members participating by telephone. By virtue of telephone participation, the Board had a quorum.

### **II. Community Rating Report**

The Executive Director reported that the Chair had called for a meeting of the Board in order to discuss a completed draft report on community rating in the small employer market. He noted that the New Jersey Legislature directed the SEH Board to conduct a study to determine the effect of the transition to community rating on a representative number of small employer groups, a transition which would take effect on January 1, 1998 under current law.

The Executive Director noted that the Board conducted a survey of carriers in the small employer market regarding the fulfillment of the legislative mandate to require full

community rating as of January 1, 1998. He reported that the study showed the following:

- 47% of currently covered small employer groups would see their rates increase by as much as 41% as a result of community rating;
- 35% of currently covered small employer groups would see their rates decrease by as much as 23% as a result of community rating;
- 18% of currently covered small employer groups would see no change in rates as a result of community rating; and
- 26 of the 31 carriers responding, or 84%, supported maintaining modified community rating, while 5 favored a community rated market.

The Executive Director noted that the draft that had been provided to Board members had been revised to incorporate comments from Bob Vehec. B. Vehec's comments resulted in a modification to the weighted averages used in the study. The Board also noted some typographical errors. The Executive Director noted that the conclusion of the report stated that the Board supported preserving the current system of modified community rating and eliminating the provision of law that would impose community rating on the small employer market beginning January 1, 1998.

*\* A. Mansue made a motion to approve the report as modified by the Board's comments. L. Ilkowitz seconded the motion, and the motion was approved unanimously by a roll call vote.*

The Board then discussed distribution of the survey. The Board agreed that the survey should be provided to the appropriate committees, Legislative leadership, the Governor's Office, and the Commissioner of Banking and Insurance.

The Board noted that carriers would have to begin to make system changes in September to accommodate full community rating by January 1, 1998. The Board noted that, in order to avoid disruption in the market, the Legislature would have to act before it recesses for the summer if it were to decide to maintain the current system of modified community rating. The staff indicated that it had shared this concern about the timing of any changes to the community rating requirements in the small group market as well as changes to accommodate HIPAA with the Commissioner. The Board members asked if they could obtain copies of any proposed legislation affecting the community rating requirement in the small group market.

### **III. Close of Meeting**