

**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
January 21, 1998**

Members present: Larry Glover, Chair; Jane Majcher, Vice Chair (DOBI); Karen Dickinson (HIP of New Jersey); Justin Fiedler (BCBSNJ); Charlotte Furman (Anthem Health and Life); Eileen Gallagher (NYLCare); Linda Ilkowitz (Guardian); Bryan Markowitz; Leon Moskowitz (DOHSS); Catherine St. John (Prudential); Dutch Vanderhoof; Eric Wilmer (Celtic).

Others present: Ellen DeRosa, Deputy Executive Director; DAG Eleanor Heck (DOL); DAG Josh Lichtblau (DOL); Joanne Petto, Assistant Director; Wardell Sanders, Executive Director.

I. Call to Order

L. Glover called the meeting to order at approximately 9:45 a.m. W. Sanders 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.

II. Public Comments

L. Glover asked if any person attending the meeting wished to offer any comments. No comments were offered.

III. Minutes

December 17, 1997

D. Vanderhoof offered a motion to approve the minutes of the Open Session of the December 17, 1997 Board meeting. C. Furman seconded the motion and the Board voted in favor of approving the minutes, with two abstentions (L. Glover and L. Moskowitz).

IV. Report of the Policy Forms Committee

E. DeRosa reported the Committee met at the offices of the Department of Banking and Insurance at 10:00 a.m. on January 12, 1998. The Committee considered the following:

- **Optional Benefit Riders**

A. CIGNA HealthCare

Rider 1: Amends the HMO-POS plan to replace the routine eye examination coverage with coverage for eye examinations to determine the need for vision correction and add an allowance for lenses and frames. The rider is unclear as to the frequency of such coverage. The rider expands the scope of the exclusions related to eye care.

Recommendation: Refer to DOBI as a rider of decreasing value.

Rider 2: Amends the HMO-POS plan to replace the routine eye examination coverage with coverage for eye examinations to determine the need for vision correction and add an allowance for lenses and frames.

Recommendation: Incomplete, since a rate filing for this rider has not been made. In addition, since the rider contains a benefit decrease the carrier will be advised it should be re-filed with the DOBI.

L. Moskowitz offered a motion to refer the CIGNA HealthCare riders to DOBI. J. Fiedler seconded the motion and the Board voted in favor of referring the riders to DOBI.

Rider 3: Amends the HMO-POS plan to replace the coinsured charge limit with a coinsurance cap. The coinsurance cap is defined as including the deductible. The carrier filed the rider with the DOBI as a rider of decreasing value. The Board received an informational copy of the filing. Considering the text of the rider, however, the Committee believes the rider is a rider of increasing value and should have been filed with the Board.

Recommendation: Seek clarification from the carrier. No Board action required.

B. United HealthCare

Rider 1: Amends the HMO portion of a dual contract HMO-POS product to provide open access to specialists.

Recommendation: Complete and in substantial compliance.

Rider 2: Amends the indemnity portion of a dual contract HMO-POS product to revise the definition of a point of service plan, removing the references to PCP referral.

Recommendation: Complete and in substantial compliance.

E. Gallagher offered a motion to approve the United HealthCare riders. J. Fiedler seconded the motion and the Board voted in favor of approving the riders.

- **Optional Benefit Riders Bulletin**

E. DeRosa reported that the Committee discussed a draft Bulletin 98-SEH-01 and offered some suggested changes. Copies of the Bulletin, as released, were included in the Board packets.

V. Report of the Marketing Committee

- **Premium Rate Survey**

W. Sanders noted that the SEH Act required the DOBI to publish premium comparison surveys for the small group market. He reported that staff was collecting the data from several carriers. W. Sanders noted that the Survey would be reviewed at the next Marketing Committee meeting and that demographic and county specific information would be placed in the legend on the cover sheet. He reported that the Premium Rate Survey information would also be added to the WEB site.

- **Front-line Marketing Piece**

W. Sanders reported the front-line marketing piece was designed to be used as a mailer for those times when a Buyer's Guide is not needed. He noted that a similar brochure is available for IHC. Wenzel has the text and is in the process of preparing a layout. W. Sanders requested Board comments no later than January 28, 1998. W. Sanders noted that carriers could distribute more of these brochures and perhaps less of the more costly Buyer's Guides. The front-line piece will be updated on an approximate six-month basis.

- **Buyer's Guide**

W. Sanders reported that the Buyer's Guide was being revised to comply with HIPAA requirements and changes in state law. Regulations require that carriers send out Buyer's Guides within 3 days of the request. W. Sanders stated that a carrier may request a maximum of 1,000 or 115% of its enrollment, whichever is greater. D. Vanderhoof asked if the number of carrier requests was comparable to last year. J. Petto stated that not all carriers have responded to the request for Buyer's Guide quantity. C. Furman asked if the front-line piece would meet the requirements that carriers distribute a Buyer's Guide within 3 days. W. Sanders responded that the front-line piece would satisfy that requirement. W. Sanders also reported that the front-line piece would be reviewed again by the Marketing Committee.

Kris Mattson of Wenzel reported that a final proof of the front-line piece text will be done and the format designed to complement the Buyer's Guide. K. Mattson also stated that Wenzel would send out a press release announcing W. Sanders' appointment as Executive Director. Wenzel will also contact the media for public speaking engagements. L. Glover requested that the Board review and approve the news release prior to distribution.

VI. Report of the Executive Director

- **Expense Report**

L. Glover asked staff to include totals on future expense reports.

L. Moskowitz offered a motion to approve the expense report attached hereto as Exhibit 1. J. Fiedler seconded the motion, and the Board unanimously voted in favor of approving the expense report.

- **Board Member Elections**

W. Sanders reported the nominations were all in and ballots will be mailed out one month prior to the February Board meeting. Carriers have the option of voting in person, or by mail. Newly elected Board members will be seated at the March Board meeting.

- **Assessment Collection**

W. Sanders announced that the SEH Board had collected all but \$400 of the billed amount. He noted that the Board was waiting for payments from 2 carriers.

- **Legislative Update**

W. Sanders reminded the Board that there was a new legislative session. Some of the pending bills had not been heard by the previous sessions and would need to be re-introduced. DAG E. Heck said she had a list of outstanding bills for review by IHC and will provide a copy to W. Sanders. W. Sanders will review those bills to determine which are pertinent to SEH.

W. Sanders advised the Board that all regulations are subject to sunset provisions. The SEH regulations were originally published in 1993. Five years after adoption, the regulations must be repropose and the rules reopened for comment. Also, the rules need to be changed to conform with HIPAA and changes in state law. W. Sanders will draft the necessary changes for review by the Legal Committee and asked the Board members to contact him with any suggested changes. W. Sanders will also contact Don Bryan of DOBI since the existing DOBI regulations, promulgated prior to reform, may require review and revision.

- **3rd Quarter 1997 Enrollment Data**

J. Petto reported the enrollment data was complete for third quarter 1997 and asked the Board members for input on the format. J. Fiedler requested an asterisk notation and footnote for "not applicable" carriers. J. Petto stated that she would make this change to the format. W. Sanders noted that 82% of the SEH plans were now standard plans. L. Moskowitz asked about the profitability of the carriers concerning the loss ratio reports. He asked if it would be of interest to the market place to compare the rates and the loss ratio reports for 1998.

D. Vanderhoof expressed a reluctance to release loss ratio information; consumers may view high loss ratios negatively and not buy from carriers with high loss ratios. L. Ilkowitz noted the difference between HMO and indemnity business; any information released should be carefully reviewed. L. Glover asked W. Sanders to provide L. Moskowitz with a copy of the DOBI report that Bob Vehec produces.

B. Markowitz asked about the change in the number of lives reported. W. Sanders stated that there has been a steady increase in the number of covered lives. W. Sanders also stated that since there is no exit poll, any decrease or slower increase in number is hard to measure. C. Furman asked how many of the standard plans had been amended by optional benefit riders. W. Sanders stated no data is available on that. D. Vanderhoof observed that with optional benefit riders, enrollees can obtain the type of coverage they want, through a variety of riders to standard plans. W. Sanders noted that the enrollment reports do not capture deductible options. L. Glover asked K. Mattson of Wenzel to look at the enrollment reports to determine if there is a news story the Board can release. C. Furman asked staff to double check the CHUBB enrollment of 182 new lives. J. Petto stated that she would review the Chubb report for accuracy.

- **Outreach**

W. Sanders reported that on January 14, 1998, he spoke to a group of approximately 80 members of the New Jersey Business and Industry Association about recent changes to New Jersey law and the impact of HIPAA on New Jersey small employers and self-employed individuals. E. DeRosa reported that she taped two Comcast News inserts which are scheduled to be aired on multiple occasions throughout February and March.

- **Staff Evaluations**

W. Sanders asked Board members to complete the staff member evaluations before the February 1998 Board meeting.

VII. Report of the Legal Committee

W. Sanders reported that the Committee met via telephone conference on January 16, 1998. The Committee discussed the following issues:

- **Issue 98-01:**

In order to comply with the federal mental health parity law, the Board had discussed the possibility of developing a standard rider to the standard indemnity plans to be available to small employers also subject to that federal law. Would a standard rider to Plans B through E to achieve mental health parity be subject to the guarantee issuance and guarantee renewability provisions of the law?

Discussion: W. Sanders reported that the Committee noted that there would be some small employers that would meet the New Jersey definition of a "small employer" but would also be subject to the federal mental health parity law. The Policy Forms Committee was considering development of a standard rider to modify the mental health benefits under the standard indemnity plans to accommodate the federal law; the standard HMO plan does not have dollar limits or a lifetime maximum. Alternatively, the Policy Forms Committee is investigating the wisdom of amending Plans B through E such that the Mental and Nervous coverage is comparable to that contained in the standard HMO Plan. In response to a question from L. Moskowitz, W. Sanders stated staff had not received any comments from the mental health associations. Of the approximately 94,000 covered lives, a relatively small number would be affected.

Conclusion: The Committee concluded that all standard riders are subject to the guarantee issuance and renewability provisions of the SEH Act. A standard rider for mental health parity would have to be offered to all small employers, even those not subject to the federal law.

- **Issue 98-02:**

P.L.1997, c.146 effective on July 1, 1997, modified a number of definitions in the SEH Act (i.e., "small employer" and "stop loss coverage") which may impact the manner in which a carrier reports its net earned premium on Exhibit CC for 1997 business. In completing Exhibit CC, should carriers refer to the "old" definitions for premium earned during the period January 1, 1997 to June 30, 1997, and then the revised definitions from July 1, 1997 through December 31, 1997, or some other method?

Discussion: W. Sanders reported that the Committee recognized that the law did not specifically address the issue of how carriers should calculate net earned premium for calendar year 1997 where definitional changes were modified mid-year. The Committee noted that the most logical interpretation, and the one that made the most sense administratively, would be to advise carriers to report premium based on the status of the plan at the time of issuance until its renewal date.

Conclusion: The Committee found that Carriers should report net earned premium for small employer health benefits plans in 1997 based on the status of the policy at the time of issuance until the renewal date of the plan. If the plan upon renewal is no longer a small employer health benefits plan, then premium earned after renewal would no longer be considered in the determination of small employer net earned premium.

VIII. Executive Session

D. Vanderhoof offered a motion to move into Executive Session to discuss enforcement issues. J. Fiedler seconded the motion and the Board voted in favor of moving into Executive Session at 10:55 a.m. There being no further open business to discuss, L. Glover announced that the Board would not be returning to Open Session.

[Break 10:55 a.m. to 11:10 a.m.]

IX. Close of Meeting

L. Ilkowitz offered a motion to close the meeting. E. Gallagher seconded the motion and the Board voted in favor of closing the meeting at 1:00 p.m.

Attachments:

Exhibit 1 January 21, 1998 Expenses