

**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
November 15, 2000**

Members participating: Gary Cupo; Darrel Farkus (Oxford); Linda Ilkowitz (Guardian); Mary McClure (NYLCare); John Kilgallin (CIGNA); Jane Majcher (DOBI) (arrived at 10:20 a.m.); Bryan Markowitz (arrived at 9:55 a.m.); Vaughn Reale; Robert Shalongo (United Healthcare); Joseph Torella (AmeriHealth); Mike Torrese (Horizon BCBSNJ); Bonnie Wiseman (DOHSS).

Others present: Ellen DeRosa, Deputy Executive Director; DAG Prince Kessie (DOL); Pearl Lechner, Program Accountant; Wardell Sanders, Executive Director (arrived at 10:20 a.m.).

I. Call to Order

E. DeRosa called the meeting to order at 9:45 a.m. E. DeRosa 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. She explained that both W. Sanders and J. Majcher had been called to a meeting with the Commissioner and that they were expected to arrive later during the meeting.

II. Public Comments

E. DeRosa asked if any member of the audience wished to offer comments concerning the items stated on the agenda. No comments were offered.

III. Minutes

Open Session October 18, 2000

Following a discussion concerning the effective date issue that had been discussed during the Legal Committee report presented during the October 18, 2000 meeting, the Board voted on the minutes.

M. McClure offered a motion to approve the minutes of the Open Session of the October 18, 2000 Board meeting. M. Torrese seconded the motion. The Board voted unanimously in favor of the motion.

IV. Staff Report

Expense Report (see attached)

E. DeRosa noted one unusual expense on the Expense Report, a payment to J. Fusco. She explained that with J. Petto out on disability due to knee surgery, J. Fusco had been coming

in to help with responding to inquiries and various other projects. E. DeRosa said it had been wonderful to have the assistance.

V. Reale offered a motion to approve the payment of the expenses specified on the November 15, 2000 expense report. J. Kilgallin seconded the motion. The Board voted unanimously in favor of approving the motion.

Participation Credit for NJ FamilyCare

E. DeRosa explained that staff had received a fair amount of inquiries, largely from brokers, regarding employer groups in which one or more employee is eligible for coverage under NJ FamilyCare. The inquiries concerned whether coverage under NJ FamilyCare could be considered as a valid waiver, meaning that the employee(s) covered under NJ FamilyCare would count toward satisfying the 75% participation requirement. She explained that the law does not provide for participation credit for NJ FamilyCare. In a number of the cases she had discussed with brokers, the groups were ineligible for SEH coverage because the employees covered under NJ Family Care count against participation. E. DeRosa asked the Board whether it would like to address this situation in the legislative recommendations to be made to the Commissioner.

During the Board discussion some Board members raised a number of concerns. For example, there may be adverse selection against the group plan. Another concern was the integrity or legitimacy of the employer group plan. Crowd out is also a concern. Even with the proviso that a person must have been uninsured for at least 6 months in order to be eligible for NJ FamilyCare, there is a fear that some persons will opt to be uninsured for a period in order to take advantage of the NJ FamilyCare Program. Board members noted that it would be helpful to track the source of lives for NJ FamilyCare to be able to determine whether employees are dropping group coverage to be eligible to qualify for the NJ FamilyCare. There should not be an incentive for an employer to encourage employees to participate in NJ FamilyCare as opposed to the employer's plan. Yet, if an employer contributes toward the cost of employee coverage, the employer would save the contribution with respect to any employee who qualifies under NJ FamilyCare. Some Board members expressed support for the idea of providing participation credit. Without participation credit, some groups will simply not be eligible for coverage. Other groups may be non-renewed as of the anniversary because the 75% participation requirement is no longer met. The Board agreed that the issue requires further study. To this end, E. DeRosa agreed to send a memo to Board members to solicit specific reasons for and against allowing participation credit. She will compile the responses and forward them to an ad hoc committee of actuaries who will evaluate cost impact. The following Board members volunteered their actuarial expertise: AmeriHealth, Horizon, Aetna US Healthcare, Oxford, Guardian and CIGNA.

Legislative Report

▪ **S. 13**

W. Sanders said that among other things, this bill would create a "bare bones" plan that would be rated using a 3.5:1 rate band using the factors of age, gender and geographic location. The bill was discussed by the Senate Health Committee during a hearing on November 9, 2000 and was reported out of Committee. He said that a copy of the letter he had sent to the Commissioner outlining the Boards' concerns with the bill that DOBI also agreed with was included in Board materials.

- **S. 197**

W. Sanders said that this bill would permit certain small groups to combine for the purpose of self-funding health benefits or to combine for the purpose of purchasing fully insured coverage. The bill was discussed by the Senate Health Committee during a hearing on November 9, 2000 and was not reported out of Committee. B. Markowitz explained that commenters raised substantial concerns with the bill.

- **S. 1033**

B. Markowitz said this bill would allow physicians to jointly negotiate with health plans.

Recommendations to Commissioner

W. Sanders said that a recommendation on the issue of multiple plans and the satisfaction of the 75% participation requirement was not yet ready to be included in the recommendations to the Commissioner.

SEH and IHC Account Reconciliation

P. Lechner reviewed her November 2, 2000 memo with the Board. She explained that the SEH account has been used to pay salaries, fringe benefits, etc. for the IHC Board as well as the SEH Board. The IHC Board owes the SEH Board for shared expenses that were paid by IHC. In addition, both Boards owe the DOBI money for indirect costs and telephone charges. She explained that SEH owes the IHC Board for some shared expenses that were paid by IHC. That amount would reduce the amount IHC otherwise owes SEH. P. Lechner asked for approval to pay \$8,131.74 to the DOBI for indirect costs and telephone charges. This amount includes a \$4,065.87 payment from the IHC to the SEH Board.

M. McClure offered a motion to approve the payment of \$8,131.74 to the DOBI. L. Ilkowitz seconded the motion. The Board voted unanimously in favor of the motion.

Enforcement Issues

W. Sanders reported that Board materials included a copy of a News Release from North Carolina that reported on the shut down of an unlicensed insurer. Some of the names of plans that are mentioned in the News Release may be familiar because the entities have been operating in New Jersey as well. W. Sanders also said that inquiries regarding the Association Master Trust have been forwarded to DOBI.

2001 Meeting Schedule

W. Sanders said he did not receive notice from Board members regarding conflicts with any of the dates on the draft meeting schedule. He said he would provide final copy to Board members.

V. Policy Forms Committee

E. DeRosa reported that the Committee met for another day-long work session and would be meeting at least once more to further discuss possible forms changes. She said the Committee hoped to have the forms ready for the Board to consider a proposal during the January Board meeting.

E. DeRosa said that after the Committee met she received an optional benefit rider filing from One Health Plan of New Jersey. She said she reviewed the filing and noted it lacked a number of significant elements required for a filing. Since the Board would not be meeting in December, she asked the Board to consider finding the filing incomplete and not in substantial compliance based on a staff recommendation. The basis for the recommendation was set forth in her November 15, 2000 Report of Staff. She noted that a carrier may deem a filing complete and in substantial compliance if the Board does not respond to the filing.

B. Markowitz offered a motion to accept the staff recommendation and find the One Health Plan of New Jersey filing incomplete and not in substantial compliance. V. Reale seconded the motion. The Board voted unanimously in favor of the motion.

VI. Close of Meeting

J. Majcher offered a motion to adjourn the Board meeting. L. Ilkowitz seconded the motion. The Board voted unanimously in favor of the motion.

[The meeting adjourned at 11:00 a.m.]

Attachment: Expense Report