

**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 12, 2005**

**Members participating from 12<sup>th</sup> floor conference room in Trenton:** Vicki Mangiaracina (DOBI); Mary McClure (Aetna); Jim Stenger; Mike Torrese (Horizon); Dutch Vanderhoof.

**Members participating via teleconference from other locations:** Tom Collins; Gary Cupo (joined the call at 12:15 p.m.); Darrel Farkus (United); John Foley (CIGNA); Jack Kalosy (HealthNet); Margaret Koller; Ulysses Lee (Guardian); Tony Taliaferro (AmeriHealth); Joseph Tricarico, Jr. (DOHSS);

**Others participating:** Ellen DeRosa, Deputy Executive Director; DAG Karyn Gordon (DOL); Rosaria Lenox, Program Accountant; Wardell Sanders, Executive Director; Neil Vance, Chief Actuary Life and Health (DOBI).

**I. Call to Order**

J. Stenger called the meeting to order at 10:03 a.m. W. Sanders announced that notice of the meeting had been published in two newspapers and posted at the Department of Banking and Insurance (“DOBI”), the DOBI website, and the Office of the Secretary of State in accordance with the Open Public Meetings Act. W. Sanders took roll call. A quorum was present.

The Board welcomed Margaret Koller as a member of the public at large. He said Beth Ward, representing organized labor, was unable to attend the meeting.

Since some Board members were participating via teleconference W. Sanders asked everyone to identify themselves when speaking.

**II. Public Comments**

Lynne Crowe asked if the approved Board meeting minutes could be posted on the web site. W. Sanders said he would look into it.

**III. Review of Minutes**

*Minutes of November 17, 2004*

**D. Vanderhoof offered a motion to approve the minutes of the Open Session of the November 17, 2004 SEH Board meeting, as amended. M. Torrese seconded the motion. By roll call vote Board voted in favor of approving the motion with M. Koller abstaining.**

#### **IV. Staff Report**

**J. Kalosy offered a motion to approve the payment of the expenses specified on the January 2005 expense report. T. Collins seconded the motion. By roll call vote the Board voted unanimously in favor of approving the motion.**

##### *Legislative Update*

W. Sanders reported that S.963, a bill which to expand both the duration and eligibility for state continuation, had been signed as P.L. 2004, c. 162. The Board would discuss it as part of the Legal Committee report.

W. Sanders reported that S. 1572 was introduced and would allow 3.5:1 rating in both the individual and small employer markets.

W. Sanders said a hearing was scheduled for January 19, 2005 to consider health care expenditures and administrative costs.

W. Sanders said Acting Governor Codey spoke of expanding access to care and mental health coverage in his state of the state address.

With respect to federal legislation, W. Sanders reported that final HIPAA regulations have been published and staff began reviewing the regulations and the Legal Committee would also be reviewing and discussing them.

##### *Fund Transfer*

R. Lenox asked the Board to authorize the transfer of \$63,000 from the Wachovia account to the DOBI to cover staff salaries and benefits until April 2005.

**D. Farkus offered a motion to authorize the transfer of \$63,000 from the account at Wachovia to the DOBI for salaries and benefits. M. Torrese seconded the motion. By roll call vote the Board voted unanimously in favor of the motion.**

#### **V. Legal Committee**

W. Sanders reported that the SEH Legal Committee considered P.L. 2004, c. 162 which expanded the eligibility for state continuation to include spouses in the event of death or divorce and children upon death of the employee or reaching the limiting age. The law also allows 18 months for employee continuation, 29 months for a totally disabled employee and 36 months for dependent continuation events. He said the Committee noted the law was effective 90 days after signing which brings the effective date to March 7, 2005. The law will apply to new issues and renewals on or after March 7, 2005. W. Sanders said the Committee believes that the date of the qualifying event determines if the law applies to a group and persons covered under the group. For example, if a person terminates employment on March 1, 2005, the existing continuation law applies

even if the group plan becomes subject to the new law at some point during the 12-month continuation period.

J. Stenger requested a side-by side comparison of the old continuation law to the new law. T. Collins asked what form would be used to elect continuation and asked if it could be standardized. W. Sanders noted that carriers can use their own administrative forms. He explained that the Board previously looked at standardizing an administrative form for continuation and determined it was not necessary. D. Vanderhoof noted that the new continuation law does not allow continuation for an employee whose work hours are reduced making the employee ineligible for coverage, except if the reduction is to fewer than 25 hours per week. E. DeRosa noted that the existing continuation law does not allow continuation in such a situation.

## **VI. Loss Ratio Reports 2003 and 2005 Premium Comparison Survey**

N. Vance provided a summary of the loss ratio reports for 2003. He said the overall loss ratio was 79.0%, becoming 79.4% after adding dividends. In the standard market, refunds were largely due to Aetna Health and Horizon HealthCare. He noted that six carriers would be paying refunds due to non-standard business. N. Vance discussed some market share information and comparative loss ratio information.

N. Vance said the premium comparison survey data was due November 1, 2004. He noted that based on what he has been reviewing in rate filings, rates for this renewal cycle have increased from 5% to 35%. He commented that increases for closed panel HMO products seem lower than the increases for plans that have greater flexibility.

Several Board members asked why enrollment data has not been released recently. E. DeRosa explained that J. Petto had been working with a major carrier to get reporting information.

*[M. Koller left the meeting at 11:05 a.m.]*

## **V. Legal Committee (Continued)**

W. Sanders said the Legal Committee continued to discuss a draft bulletin relating to what constitutes “offering” coverage, replacement of coverage and adding new plans; and issuing coverage to cover out-of-state employees.

The Board discussed the Bulletin text that would require carriers to provide a comprehensive description of the standard plans and optional riders. E. DeRosa explained why she believed it was essential to provide comprehensive information particularly as regard to optional benefit riders. She noted that some optional benefit riders amend myriad sections of the standard plans, often unrelated. She said that unless someone looking at the rider description recognizes that the rider does something to the durable medical equipment provision, for example, the person would assume the benefit is the standard benefit. The Board agreed that carriers should provide a list of “red flags”

so purchasers are aware that the benefit is not the standard benefit. E. DeRosa suggested that she could draft text as an example to include with the Bulletin.

The Board considered the section of the draft Bulletin that discusses how the DOBI treats rating errors in the quoting and billing process. The DOBI regulation found at N.J.A.C. 11:21-9.6 is the basis for action the DOBI takes when evaluating a quoting or billing errors. The Board determined that the information contained in the Bulletin was not necessary since the DOBI would enforce its own regulation.

The Board extensively discussed purchasing additional or replacement plans. Unable to reach consensus, the Board decided to continue the discussion during the next Board meeting.

**D. Vanderhoof offered a motion to table the discussion of the draft Bulletin. M. Torrese seconded the motion. By roll call vote the Board voted in favor of the motion.**

## **VII. Close of Meeting**

**D. Vanderhoof offered a motion to adjourn the Board meeting. T. Collins seconded the motion. By roll call vote, the Board voted unanimously in favor of the motion.**

*[The meeting adjourned at 1:03 p.m.]*