NEW JERSEY

INDIVIDUAL HEALTH COVERAGE PROGRAM BOARD

20 West State Street, 10th floor
CN 325
Trenton, NJ 08625

January 11, 1996

Directors Present: *J. Donnellan* (Prudential); *M.L.B. Kaplan* (Blue Cross and Blue Shield of New Jersey); L. Moskowitz (Department of Insurance); *R. Rondum; R. Smart* (Mutual of Omaha); *L. Yourman*

Others Present: K. O'Leary, Executive Director; DAG M. Smyth (DOL); DAG M. Goldman (DOL); E. DeRosa, IHC Program Assistant Director

[The names of persons participating via teleconference are italicized, *thus*.]

I. Call to Order

J. Donnellan called the meeting to order at 10:42 a.m.. K. O'Leary announced that notice of the meeting had been published in three New Jersey newspapers and posted at the Department of Insurance and the Office of the Secretary of State in accordance with the Open Public Meetings Act. K. O'Leary took roll call and determined that a quorum was present.

II. Review of Minutes

December 12, 1995 Board Meeting

M.L.B. Kaplan questioned whether the minutes accurately reflected the question R. Rondum had posed concerning BCBSNJ and the PHCS fee profile (paragraph 2 of the Actuarial Equivalency discussion of the TAC Report). R. Rondum stated that the minutes accurately reflected her question and no revision was necessary. In response to further inquiry from L. Moskowitz, M.L.B. Kaplan stated that BCBSNJ was using the same standard as other carriers. (i.e. 80th percentile of the PHCS fee profile) However, BCBSNJ bases R&C on the negotiated fee. In response to an inquiry from L. Moskowitz, M.L.B. Kaplan stated that the subscriber was not balance billed for any amount in excess of the negotiated fee.

M.L.B. Kaplan asked that the minutes reflect the fact that he had objected to taking a vote on the actuarial equivalency definition issue at the previous meeting in light of the fact that 2 of the 4 carrier representatives had left the meeting prior to the discussion of the actuarial equivalency definition, and would not be present for the vote.

L. Moskowitz offered a motion that the Board approve the minutes of the Open Session of the December 12, 1995 Board meeting, amended as discussed. R. Rondum seconded the motion. The Board voted unanimously in favor of approving the minutes of the Open Session of the December 12,

1995 Board meeting, with one abstention. (L. Yourman had not received the Federal Express package containing the minutes)

L. Moskowitz offered a motion that the Board approve the minutes of the Executive Session of the December 12, 1995 Board meeting. J. Donnellan seconded the motion. The Board voted unanimously in favor of approving the minutes of the Executive Session of the December 12, 1995 Board meeting, with one abstention. (L. Yourman)

December 27, 1995 Board Meeting

L. Moskowitz offered a motion that the Board approve the minutes of the December 27, 1995 Board meeting. R. Smart seconded the motion. The Board voted unanimously in favor of approving the minutes of the December 27, 1995 Board meeting, with two abstentions. (L. Yourman and R. Rondum)

III. Report of the Executive Director

Expense Report

L. Moskowitz offered a motion to approve the payment of the expenses specified on the 1/11/96 Expense Report. J. Donnellan seconded the motion. The Board voted unanimously in favor of approving the payment of the expenses specified on the 1/11/96 expense report, with one abstention (R. Rondum)

Program Audit

K. O'Leary reported that auditors from Deloitte & Touche had been reviewing materials in the Board offices for several weeks. He met with two of the auditors, Scott Sanders and Tracy Monroe, on January 5, 1996 to discuss some of their recommendations. For example, they recommended that some of the expenses be re-classified. The bookkeeper would be working on that reclassification. They also noted that the numbers were not working out. K. O'Leary said the difference was in the Board's favor, and amounted to about $1400 over the two year period of the audit.

L. Moskowitz stated that the books need to be balanced. R. Rondum said the Board might want to weigh the costs associated with balancing the books against the benefits to be gained with balanced books. J. Donnellan suggested that the Operations Committee look at the issue.

K. O'Leary reported that Scott Sanders wanted to discuss some issues regarding the audit of BCBSNJ and that he would be setting up a meeting of the Operations Committee to have that committee discuss matters related to the audit with Scott Sanders.

M.L.B. Kaplan stated that the auditors requested BCBSNJ to create a special tape which was not the way BCBSNJ normally kept their records. He suggested that the Board should make carriers aware of the recording requirements for paid losses. L. Moskowitz said that the auditors should be invited to meet with Department of Insurance actuaries as well as actuaries from some carriers.

1994 Assessment

K. O'Leary reported having received checks for $25,205,047 out of the $27,294,361 billed for the 1994 assessment. Thus, the Board was only about $2 million short of the amount billed. He said that about $1.1 million was attributable to 4 carriers that had not yet paid the assessment. K. O'Leary would follow-up with those carriers. L. Moskowitz said that failure to pay the assessment could result in compliance action by the Department.

K. O'Leary said he faxed a worksheet to Board members which described some of the appeals. He said he referred some appeals to the Legal Committee and some to the Technical Advisory Committee and asked for recommendations as to how to proceed.

Consent Agreements

K. O'Leary said 2 consent agreements, which followed the same format as other consent agreements entered into with carriers that issued noncomplying association business, had been prepared for Mega Life and Health and PFL Life. He noted that unlike the other agreements, however, these agreements would impose costs on the carriers due to the delays they caused as well as the time involved to bring them to the point of agreeing to enter into the consent agreements.

M.L.B. Kaplan asked whether S 2380 would impact the consent agreements. K. O'Leary said he believed it would not since these carriers issued plans which covered individual members of associations.

M. Smyth commented that the cover memo for the consent agreement for Mega Life and Health described the Department's monitoring of business differently than the consent agreement described it, and that the agreement specified more rigorous monitoring.

M.L.B. Kaplan offered a motion that the Board authorize C. Wowkanech to sign the consent agreements with Mega Life and Health and PFL Life on behalf of the Board. L. Yourman seconded the motion. The Board voted unanimously in favor of authorizing C. Wowkanech to sign the consent agreements with Mega Life and Health and PFL Life.

Ad Hoc Committee Activity

K. O'Leary said he sent a Bulletin to IHC carriers that sell the standard plans. The Bulletin encouraged participation in the Harvard / Brandeis study and invited the carriers to indicate whether they would be willing to participate. Thus far, he received only 4 or 5 responses. Of those, only one carrier indicated an unwillingness to participate, Principal Mutual.

R. Smart said the Ad Hoc committee was charged with encouraging carrier participation as well as reviewing the survey questions. She said she had spoken with many carriers and received favorable responses. She said the carriers generally recognized the need for a study and the importance of carrier cooperation and participation.

R. Smart noted that the sample survey questions included some very pointed questions addressing health. She suggested that if carriers had an early claims warning system that perhaps that data could be analyzed and the survey might not have to solicit the information. L. Moskowitz said that carriers could possibly be asked to evaluate the health status of their IHC book of business. In any event, the Board agreed that no names would ever be attached to health information.

[DAG Michael Goldman arrived at the meeting at 11:40 a.m.]

Legislative Update

K. O'Leary said the Governor signed **S 2380**, a bill that amends the SEH law. Among other things, the bill allows non-standard benefit plans to exist. Non-standard plans would be subject to the same modified community rating, guarantee issue, pre-existing conditions, etc. requirements as the standard plans.

K. O'Leary said **A 2662**, the SEH clean-up bill was also signed.

Eligibility for coverage under the IHC Program was addressed in **S 2349** and **S 2350**. These bills, which are retroactively effective to April 1, 1995, removed the IHC eligibility restriction concerning persons who are eligible for Medicaid. Thus, Medicaid eligible persons may purchase an IHC plan. The bills also modified the pre-existing conditions provision to state that pre-existing conditions credit applies if there has been no more than a 30 day lapse in coverage. The bills also state that Medicaid is valid prior coverage for the purpose of pre-existing conditions credit.

IV. Report of the Technical Advisory Committee

[Report attached to the minutes]

J. Donnellan briefly discussed the 9 rate filings identified as complete on the Report of the Technical Advisory Committee. The Board asked staff to contact MetraHealth Care Plan of New Jersey to determine how the company intends to handle inforce MetLife Health Care Network of New Jersey business which is apparently being re-written by MetraHealth Care Plan of New Jersey.

L. Moskowitz offered a motion to accept the Technical Advisory Committee recommendations and deem the rate filings of the 9 carriers listed on the attached report complete. R. Smart seconded the motion. The Board voted unanimously in favor of deeming the specified rate filings complete.

J. Donnellan said the Technical Advisory Committee recommended that the filings of 2 carriers be deemed incomplete. A striking deficiency of both filings was the failure to include rates.

L. Moskowitz offered a motion to accept the Technical Advisory Committee recommendations and deem the rate filings of the 2 carriers listed on the attached report incomplete. R. Smart seconded the motion. The Board voted unanimously in favor of deeming the specified rate filings incomplete.

J. Donnellan said one carrier that is not yet licensed had submitted a rate filing. The Technical Advisory Committee recommended taking no action until such time as the carrier has secured a license.

L. Moskowitz offered a motion to accept the Technical Advisory Committee recommendation and defer review and action on the filing of the unlicensed carrier listed on the attached report. R. Smart seconded the motion. The Board voted unanimously in favor of taking no action until the carrier secures a license in New Jersey.

V. Report of the Policy Forms Committee

R. Smart said she had reviewed the riders that were created as a means to amend inforce business to conform to the 1996 policy forms changes. She said she compared the riders to the OAL publication of the forms and detected a couple of minor differences which would not affect the benefits a person would receive. She would like to notify carriers that administration must be consistent with the forms, as adopted.

M. Smyth said her office was also asked to consider the use of the riders, but that she would prefer to discuss her review during Executive Session.

VI. Report of the Marketing Committee

C. Nicholas reported that the IHC pamphlet was finalized and went to the printer earlier in the week. It should be ready in about 10 days.

VII. Miscellaneous

M.L.B. Kaplan said he understood that C. Wowkanech resigned as Chair of the IHC Board. He expressed his belief that the position of Chair should be filled by a public member. R. Smart said she believed a Carrier could act as Chair without jeopardizing the integrity of the Board.

M.L.B. Kaplan further expressed discomfort that Board positions were inheritable. For example, when he cast his vote for the Vice Chair, he voted for D. Benbow, and did not anticipate that if D. Benbow were to discontinue filling the Prudential seat that someone from Prudential would automatically assume the roles D. Benbow had filled.

L. Moskowitz said he would like the opportunity to discuss these issues with the Commissioner.

M. Smyth noted that the Board scheduled its Annual Meeting for the March Board meeting. Consequently, the period prior to the regular election was minimal. The Board agreed to wait until the Annual Meeting to review Board positions and committees.

M.L.B. Kaplan offered a motion that the Board begin Executive Session. L. Moskowitz seconded the motion. The Board voted unanimously in favor of beginning Executive session.

[Executive Session: 12:20 p.m. - 1:06 p.m.]

L. Moskowitz offered a motion to close the Board meeting. R. Rondum seconded the motion. The Board voted unanimously in favor of closing the Board meeting.

[The meeting closed at 1:06 p.m.]

February 13, 1996

Directors Present: J. Donnellan (Prudential); M.L.B. Kaplan (Blue Cross and Blue Shield of New Jersey); L. Moskowitz (Department of Insurance*);* R. Rondum; R. Smart (Mutual of Omaha); E. Shrem

Others Present: K. O'Leary, Executive Director; DAG M. Smyth (DOL); E. DeRosa, IHC Program Assistant Director

I. Call to Order

J. Donnellan called the meeting to order at 9:48 a.m. E. DeRosa announced that notice of the meeting had been published in three New Jersey newspapers and posted at the Department of Insurance and the Office of the Secretary of State in accordance with the Open Public Meetings Act. E. DeRosa took roll call and determined that a quorum was present.

II. Review of Minutes

M.L.B. Kaplan offered a motion to adopt the minutes of the January 11, 1996 Board meeting, as amended. R. Smart seconded the motion. The Board voted unanimously in favor of adopting the minutes, as amended.

III. Report of the Executive Director

Expense Report

L. Moskowitz offered a motion to approve the payment of the expenses included on the February 13, 1996 expense report. R. Smart seconded the motion. The Board voted unanimously in favor of approving the payment of the expenses shown on the expense report.

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* These draft minutes of the New Jersey Individual Health Coverage (IHC) Program Board have not been reviewed or approved by the IHC Program Board. As a result, the contents may not accurately reflect the actions of the Board, and this draft is subject to change and modification. Please refer to the approved minutes, when available, for the official actions of the IHC Program Board.

Audit

The Operations Committee had a meeting scheduled for February 20, 1996 to discuss the findings of the auditors. The committee hoped to be in a position to present its finding to the Board during the March Board meeting.

Assessment

$25,874,721 out of the $27,294,361 due had been collected thus far. About $700,000 represented an overassessment to Principal Mutual. About $429,000 was attributable to RLI and Lincoln National, and the rest involved carriers that were entering into consent orders. He hoped to wrap up the assessments by the March Board meeting.

FEHBA Premium

K. O'Leary contacted OPM and secured a list of carriers in NJ that had FEHBA premium. He also reviewed annual report materials in the Managed Care office in order to identify the amount of FEHBA premium. He reported having sent letters to the affected carriers concerning the years 1993, 1994 and 1995. He said most had responded.

Legislation

E. Shrem offered to participate in any IHC committee that may be formed to work with the SEH Board in studying individual health insurance.

M. Smyth commented that among other things, the OBRA legislation required IHC carriers to no longer consider Medicaid eligible persons as ineligible for an IHC plan.

Rate Comparison

K. O'Leary discussed a rate spreadsheet, included in Board member packets. This spreadsheet illustrated January 1996 IHC rates filed by various carriers for the same census SEH carriers used when providing data for the SEH rate comparison survey. He noted that in some situations, IHC rates were cheaper than SEH rates. He noted that the high rates for some IHC carriers adversely affected the overall comparison between IHC rates and SEH rates.

L. Moskowitz suggested that K. O'Leary specifically compare the SEH rates to the rates of the 3 IHC carriers that charges the highest rates, to the 3 IHC carriers that charge the lowest rates, and to the 3 IHC carriers that charge median rates.

Children First

K. O'Leary reported that last November or December, Governor Whitman announced that the Health Access Program would become Children First, a program geared solely toward uninsured children.

Since the 4 tier rating structure used by the IHC Program did not allow for a child only rate, and the Children First program would use the IHC standard plans, the IHC Program would need to make allowances for a 5th rating tier.

The child only rate could either be a composite rate for one or more children, or a rate for one child, along with a rate for 2 or more children. L. Moskowitz believed it would cause less disruption and would have less impact on pricing if a composite child rate were to be required. Although, he noted that a composite rate is a less precise rating method.

R. Rondum commented that the Board should use this opportunity to reconsider coverage for grandchildren. She noted that the existing policy forms require a grandparent to adopt the child or secure legal guardianship in order to provide coverage for grandchildren who may live with them and for whom the grandparents are responsible. She said she preferred that grandchildren be eligible for coverage as part of a family unit. R. Smart explained that eligibility for children would allow a grandparent to purchase a plan for the grandchildren, and it would not be necessary to adopt the grandchildren or become a guardian. R. Rondum said that she would be satisfied with the child only eligibility approach to covering grandchildren.

Ann Weiss said Children First would require there to be a responsible adult. L. Moskowitz said a family could buy a family policy, but that Children First would only subsidize the cost for the children who were under age 19.

R. Smart and the Policy Forms Committee would need to review the policy forms to identify any necessary changes. Another forms issue was the necessity of a rider to the benefit provisions of the HMO contract to waive the copayment for preventive care and lead screening. The Policy Forms Committee should be prepared to make a recommendation to the Board during the March Board meeting.

L. Moskowitz noted that another issue, not resolved as yet, was how to handle college students from 19-23 years of age. K. O'Leary noted that this question did not have to be resolved by the Forms Committee, but was for Access to resolve with its subsidy.

Harvard Brandeis Study

R. Smart had continued contact with IHC carriers concerning study participation. 9 carriers had yet to respond. 7 indicated they would participate. 3 indicated an unwillingness to participate. She suggested that carriers with fewer than 500 policies would not need to be involved.

Harvard continued work on the questionnaire. The only thing Harvard would need from the carriers will be a list of persons covered. Harvard agreed they would mail a response form prior to calling any covered persons in order to determine willingness to participate. In addition, Harvard researchers hoped to be able to meet with carrier representatives for approximately 2 hours.

R. Smart indicated that Harvard built the questionnaire from national studies. So, while some of the questions may seem not pertinent, they may be useful in the comparison to national statistics.

A redrafted questionnaire had just been received and would be circulated for comment. L. Moskowitz and J. Donnellan suggested that the draft should also be sent to non-Board member carriers that had indicated a willingness to participate in the study.

[BREAK 11:02 - 11:25]

IV. Report of the Marketing Committee

E. Shrem reported that the pamphlets describing the program were printed and were being packed for shipment that day.

The committee reviewed the Good Faith Marketing Reports from 3 carriers and had requested additional information from each carrier.

E. Shrem said the committee discussed the need for a method to reduce the cost of the IHC plans and suggested that additional higher deductible options may facilitate that result. L. Moskowitz suggested that the Board investigate what the SEH Board has seen in terms of deductibles in excess of $1000 under non-standard plans. He agreed to raise the issue with the SEH Board. He also asked the TAC to look at the rates of the $1000 deductible option over time. Another consideration would be to determine if the additional options would be riders to the plans, or additional options all carriers must offer. He also suggested that maybe instead of adding deductible options, reduced rates may be accomplished by increasing the coinsurance cap.

V. Report of the Technical Advisory Committee

J. Donnellan said the committee had 2 teleconferences since the last Board meeting.

Rate Filings

He advised the Board of 2 issues concerning the TAC rate recommendations. First, the Manhattan National rate filing provided actuarial material for an entire year, but only one rate sheet, for the first quarter. Thus, the committee could only make a recommendation with respect to the first quarter. The second issue was the Metropolitan Life rate filing which was not made until January 4, 1996. The rate filing regulation stated that no rates may be used prior to the date of filing. He said the committee was fact finding in order to be in a position to suggest how to deal with the period from January 1 - January 3, 1996.

M.L.B. Kaplan offered a motion to deem the rate filings shown on the February 13, 1996 TAC report complete. R. Smart seconded the motion. The Board voted unanimously in favor of deeming the specified rate filings complete. [copy of TAC report attached]

Actuarial Equivalency

The committee developed a list of items to request from Time Insurance Company in order to determine if the alternate fee profile satisfied the test of actuarial equivalency.

Loss Ratio Regulation

The committee reviewed the comments received on the proposed regulation, N.J.A.C. 11:20-7 and Exhibit J, and believed no substantive changes should be made to the regulation, as proposed. If the regulation were to be adopted, carriers could be advised they may re-file the 1994 reports. In any event, any carrier that listed a pro-rata assessment that considered amounts that were not actually paid during 1994 on the previously submitted 1994 report would have to submit a corrected report.The Board asked to see the adoption piece before taking action to adopt. TAC will present the material during the March Board meeting.

M.L.B. Kaplan offered a motion to enter executive session. L. Moskowitz seconded the motion. The Board voted unanimously in favor of entering Executive Session.

[Executive Session: 12:22 p.m. - 2:00 p.m.]

K. O'Leary read a summary of the Appeals determinations that were made during Executive Session:

First Option Health Plan	Deny
American Bankers Life Assurance Co.	Deny
Bankers Security Life Insurance Society	Deny in part / Grant in part
Educators Mutual Life Insurance Company	Deny in part / Grant in part
Gulf Insurance Company	Grant
Security Assurance Company	Grant
Great Southern Life Insurance Company	Grant

E. Shrem offered a motion to deny / grant the appeals, as read by K. O'Leary. R. Smart seconded the motion. The Board voted unanimously in favor of denial / granting the appeals, as stated and authorized the

Executive Director to issue final orders, subject to review and approval of the Attorney General's office..

L. Moskowitz offered a motion to deny the petition for rulemaking, and consider the request during the next annual review of the policy forms. M.L.B. Kaplan seconded the motion. The Board voted in favor of the motion, with one vote in opposition (R. Rondum)

R. Smart offered a motion to ask the TAC to review the issue of the assessments of partially exempt carriers to determine a method to include those carriers in the redistribution of assessments. R. Rondum seconded the motion. The Board voted in favor of the motion, with one vote in opposition (J. Donnellan)

E. Shrem offered a motion to allow Bankers Life and Security Company to non-renew its 11 inforce IHC cases, subject to Board stipulated notification requirements. R. Smart seconded the motion. The Board voted unanimously in favor of the motion.

L. Moskowitz offered a motion to close the meeting. E. Shrem seconded the motion. The Board voted unanimously in favor of closing the meeting. [The meeting adjourned at 2:05 p.m.]

March 12, 1996
1996 ANNUAL MEETING

Directors Present: J. Donnellan (Prudential); M.L.B. Kaplan (Blue Cross and Blue Shield of New Jersey); L. Moskowitz (Department of Insurance*);* R. Rondum; R. Smart (Mutual of Omaha); G. Young (USHealthcare), L. Yourman

Others Present: K. O'Leary, Executive Director; DAG M. Smyth (DOL); E. DeRosa, IHC Program Assistant Director

I. Call to Order

J. Donnellan called the meeting to order at 9:40 a.m. K. O'Leary announced that notice of the meeting had been published in three New Jersey newspapers and posted at the Department of Insurance and the Office of the Secretary of State in accordance with the Open Public Meetings Act. K. O'Leary determined that a quorum was present, noting that E. Shrem and C. Wowkanech were absent.

J. Donnellan said the Board would consider some agenda items in a different order than noted on the agenda.

II. Election for Two Board Seats

E. DeRosa asked if there were any carriers in the audience that wanted to vote at that time. There being none, E. DeRosa announced the following election results:

Health Maintenance Organization licensed in the state of New Jersey
US HealthCare: 11
AmeriHealth: 3

First Option: 1 [write in vote]

Mutual Health Insurer of the state subject to Subtitle 3 of Title 17B of the NJ Statutes
Prudential: 14
Other: 0

III. Board Member Positions

CHAIR

R. Smart nominated J. Donnellan, personally, to serve as CHAIR, for as long as he represents The Prudential Insurance Company of America, and if J. Donnellan no longer served as the representative for Prudential, the seat of Chair would be vacant. R. Rondum seconded the nomination.

L. Moskowitz asked if the Plan of Operation allowed a specific representative from a carrier to be so nominated rather than the carrier itself. R. Smart said she had reviewed the Plan of Operation and it was silent in that regard.

R. Smart said J. Donnellan had a history with the Program, having served as Interim Administrator, he had represented the Program during various public presentations, and he demonstrated personal integrity.

Vote: 5 in favor
2 abstained [J. Donnellan, M.L.B. Kaplan]

VICE CHAIR

M.L.B. Kaplan nominated R. Smart, as an individual, to serve as VICE CHAIR. L. Yourman seconded the nomination. [Thus, she would serve as long as she is the Board representative from Mutual of Omaha, and if she were no longer the representative from Mutual of Omaha, the seat of Vice Chair would be vacant.]

R. Rondum commented that R. Smart, like J. Donnellan, had a history with the program and had also demonstrated personal integrity.

Vote: 6 in favor
1 abstained [R. Smart]

SECRETARY

R. Smart nominated L. Yourman to serve as SECRETARY. R. Rondum seconded the nomination.

Vote: 6 in favor
1 abstained [L. Yourman]

The Board discussed the fact that the position of Secretary, while included in the Plan of Operation, may not be a necessary position. Since the current Plan requires the election of a Secretary, one was elected. The Board, however, recognized the need for consumer involvement among the officers of the Board. In developing the permanent Plan of Operation, the Board agreed to re-examine the position of Secretary.

Committees of the Board

The nominations for the roles of Chair and Vice Chair for the various committees are for the named persons, not the carriers these persons represent.

LEGAL COMMITTEE

R. Smart nominated M.L.B. Kaplan to serve as CHAIR of the Legal Committee. L. Moskowitz seconded the nomination.

Vote: 6 in favor
1 abstained [M.L.B. Kaplan]

M.L.B. Kaplan nominated R. Smart to serve as VICE CHAIR of the Legal Committee. L. Yourman seconded the nomination.

Vote: 6 in favor
1 abstained [R. Smart]

M.L.B. Kaplan nominated a representative from Prudential, Aetna and US HealthCare to serve on the Legal Committee. G. Young seconded the nomination.

Vote: 7 in favor (unanimous)

POLICY FORMS COMMITTEE

M.L.B. Kaplan nominated R. Smart to serve as CHAIR of the Policy Forms Committee. J. Donnellan seconded the nomination.

Vote: 6 in favor
1 abstained [R. Smart]

R. Smart nominated R. Rondum to serve as VICE CHAIR of the Policy Forms Committee. L. Yourman seconded the nomination.

Vote: 6 in favor
1 abstained [R. Rondum]

J. Donnellan nominated a representative from BCBSNJ, Prudential, Washington National and Time to serve on the Policy Forms Committee. G. Young seconded the nomination.

Vote: 7 in favor (unanimous)

TECHNICAL ADVISORY COMMITTEE

G. Young nominated J. Donnellan to serve as CHAIR of the Technical Advisory Committee (TAC). R. Smart seconded the nomination.

Vote: 6 in favor
1 abstained [J. Donnellan]

J. Donnellan nominated S. Kelly to serve as VICE CHAIR of the TAC. R. Smart seconded the nomination.

Vote: 7 in favor (unanimous)

J. Donnellan nominated a representative from US HealthCare, the Department of Insurance, Aetna and HIP to serve on the TAC. L. Yourman seconded the nomination.

Vote: 7 in favor (unanimous)

OPERATIONS COMMITTEE

R. Smart nominated J. Donnellan to serve as CHAIR of the Operations Committee. G. Young seconded the nomination.

Vote: 6 in favor
1 abstained [J. Donnellan]

G. Young nominated L. Moskowitz to serve as VICE CHAIR of the Operations Committee. M.L.B. Kaplan seconded the nomination.

Vote: 6 in favor
1 abstained [L. Moskowitz

R. Smart nominated L. Yourman to serve on the Operations Committee. G. Young seconded the nomination.

While C. Wowkanech was an existing member of the Operations Committee, the Board decided to defer naming him to serve on this Committee until C. Wowkanech had an opportunity to state whether he would be willing to serve on the Operations Committee.

G. Young agreed to check with the HMO Association to determine if there might be a carrier willing to serve on the Operations Committee, preferably a carrier willing to send a representative with a background in accounting.

Vote: 6 in favor
1 abstained [L. Yourman]

MARKETING COMMITTEE

R. Smart nominated E. Shrem to serve as CHAIR of the Marketing Committee. M.L.B. Kaplan seconded the nomination

E. DeRosa reported that E. Shrem had indicated a willingness to continue to serve a Chair of the Marketing committee during the last meeting of the Marketing Committee.

Vote: 7 in favor (unanimous)

G. Young nominated Mercedes Smith to serve as VICE CHAIR of the Marketing Committee. L. Moskowitz seconded the nomination.

Vote: 7 in favor (unanimous)

M.L.B. Kaplan nominated a representative from US HealthCare, BCBSNJ and HIP to serve on the Marketing Committee. L. Yourman seconded the nomination

Vote: 7 in favor (unanimous)

COMPLAINT COMMITTEE

R. Smart nominated L. Yourman to serve as CHAIR of the Complaint Committee. G. Young seconded the nomination.

Vote: 6 in favor
1 abstained [L. Yourman]

L. Moskowitz nominated R. Rondum to serve as VICE CHAIR of the Complaint Committee. L. Yourman seconded the nomination.

Vote: 6 in favor
1 abstained [R. Rondum]

IV. Report of the Operations Committee

J. Donnellan introduced Scott Sanders and Mike Sonderby, auditors from Deloitte and Touche (D&T) who had been invited to come to the Board meeting to discuss the audit report of the reimbursable losses of BCBSNJ for 1993 and 1994. J. Donnellan advised the Board that the Operations Committee previously met with the auditors and had discussed the draft report.

The audit was similar to the audit of the financial statements of any company. The audit had reviewed premiums, expenses and losses. As a result of the audit, D& T recommended some adjustments to what BCBSNJ had filed as reimbursable losses.

S. Sanders further explained that they reviewed premium earned, claims paid, expenses and net investment income. The auditors asked BCBSNJ to provide detailed support for each item reported on Exhibit K. The auditors then tested transactions on a sample basis. The audit reviewed approximately 12% of total individual business written by BCBSNJ.

With respect to the premium earned amount reported by BCBSNJ, S. Sanders stated there were unreconciled differences and unsupported annual adjustments. The auditors were not provided support for the differences, and they were not given explanations for the adjustments. M. Sonderby explained that the adjustments were attempts made by BCBSNJ to balance their system.

S. Sanders continued with a discussion of the claims paid item. BCBSNJ did not include claims system amortization and management incentives as expenses on their Exhibit Ks. The Department of Insurance permitted BCBSNJ to amortize, for annual statement purposes, the cost of a claims system purchased before 1993 over 5 years, beginning in 1993. He said these expenses had been included on statutory reports, and to reconcile those reports, D&T recommended it would have been appropriate to likewise include the amounts in the data provided to the IHC Program Board. However, since the claims system is used for lines of business other than individual health, S. Sanders said BCBSNJ should report only approximately 33 to 35% of the claims system amortization as IHC expenses.

S. Sanders said the auditors used statutory accounting principles and the IHC Regulations to establish guidelines for the audit.

Board members were given material that specified recommended modifications to the net losses for 1993 and 1994.

S. Sanders said the auditors presented BCBSNJ with recommended adjustments in December 1995 and January 1996. He believed they had reached closure. He noted, however, that BCBSNJ had not yet provided a representation that the audit report was, in fact, their financial statement.

R. Rondum asked if the audit had been completed as quickly as expected. S. Sanders said the first meeting was conducted in June. At that time, the auditors recognized that the audit was not likely to be done within the ideal 90 days. He explained that support for bulk adjustments required additional time for BCBSNJ to provide, as well as additional time for the auditors to audit the supporting documentation.

M.L.B. Kaplan said that BCBSNJ accepted the adjustment totals.

J. Donnellan asked M.L.B. Kaplan about the claims system amortization and management incentives. M.L.B. Kaplan said BCBSNJ would not include those amounts provided the Board agreed to accept the loss amounts as reported on the Exhibit Ks.

M.L.B. Kaplan said BCBSNJ provided the auditors with a "living tape." Such tape changes regularly. Thus, the data the auditors used reflected ongoing changes and was not the data as of a fixed point in time. He said that if BCBSNJ were asked to include the claims system amortization and management incentives on the Exhibit K, they would do so.

L. Yourman asked for clarification of the refunds not paid item. M.L.B. Kaplan said the controller had set up a reserve for the refund. BCBSNJ paid refunds, as due. The refund not paid represented amounts not payable.

G. Young suggested that BCBSNJ might be concerned about the impression on the public as well as carriers if BCBSNJ were to be reimbursed for claims system amortization and management incentives. S. Sanders said their audit report was intended to make the IHC report consistent with statutory reporting and the annual statement.

S. Sanders acknowledged the auditors had used a data file which was constantly updated. He noted, however, that the biggest concern D&T identified were unsupportable adjustments to premium earned and accounts receivable.

M.L.B. Kaplan said that to avoid the "living tape" issue in the future, BCBSNJ had frozen the tape as of 12/31/95.

R. Smart offered a motion to begin Executive Session. J. Donnellan seconded the motion. The Board voted unanimously in favor of beginning Executive Session.

[Break: 11:30 a.m. - 11:43 a.m.]

[Executive Session: 11:43 a.m.- 1:30 p.m.]

V. Report of the Marketing Committee

M. Jordan said the Marketing Committee reviewed additional materials for the 3 carriers CIGNA, Prudential, Principal Financial that had submitted Good Faith Marketing Reports.

Prudential: M. Jordan noted that Prudential marketed HMO plans only and did not report any Medicaid or Medicare risk enrollment. Prudential enrolled ***28.14%*** of the target of non-group lives. If Medicaid and Medicare Risk enrollment were subtracted from the enrollment reported by other HMO carriers, the enrollment reported by Prudential would be consistent with the enrollment achieved by other HMOs.

Principal Financial: M. Jordan said the carrier enrolled 41.5% of the market target. Among other things, the carrier used television as a marketing tool. He noted, however, that the majority of the marketing efforts were not specific to IHC plans. Rather, the carrier focused on name recognition.

CIGNA: M. Jordan said the committee evaluated all the materials the carrier provided and concluded the carrier failed to make a good faith effort to market IHC plans. The only identified marketing effort was a limited mailing to New Jerseu residents. Assuming extremely favorable results for a mailing, the carrier would not have approached even half the assigned market target. In fact, CIGNA enrolled only about 7% of its market target, an increase of about 400 lives from 1993. E. DeRosa explained that she had contacted CIGNA and specifically asked if CIGNA had conducted any other marketing efforts in support of IHC business besides the 126,682 residence mail drop which was mailed to a purchased list of magazine subscribers. CIGNA provided no additional materials. L. Moskowitz expressed concern with the possibility of denying the good faith marketing report, and suggested that the carrier probably undertook other efforts but had neglected to report them.

M. Jordan summarized the Committee's recommendations:

Prudential and Principal Financial: APPROVE
CIGNA: DISAPPROVE

M.L.B. Kaplan offered a motion to approve the Good Faith Marketing Report submitted by Prudential. G. Young seconded the motion. The Board voted in favor of approving the Prudential report. (6 in favor, 1 abstained [J. Donnellan])

G. Young offered a motion to approve the Good Faith Marketing Report submitted by Principal Financial, with the caveat that the carrier must demonstrate a more genuine effort directed toward IHC business in the future. R. Smart seconded the motion. The Board voted unanimously in favor of approving the Principal Financial report.

R. Smart offered a motion to disapprove the Good Faith Marketing Report submitted by CIGNA as not meeting the test specified in the IHC regulation, and deny an exemption from the 1994 loss assessment. M.L.B. Kaplan seconded the motion. The Board voted to disapprove the CIGNA report. (6 in favor, 1 abstained [L. Moskowitz])

J. Donnellan offered a motion to direct the Executive Director to draft and sign an order to CIGNA to deny request for exemption for 1994 because the IHC Board found no good faith marketing effort. M.L.B. Kaplan seconded the motion. The Board voted unanimously in favor of the motion.

VI. Report of the Policy Forms Committee

R. Smart reviewed the strategy the Policy Forms Committee followed in crafting modifications to the standard forms to accomplish child only coverage, as necessary for the Children First Program. She distributed revised policy language. Board members were asked to review the proposed language. The Board would consider proposing the language during the April Board meeting. She noted that the HMO plan required an additional change since the Children First Program requested that copays be waived for well child care. R. Smart commented that the materials she distributed included a rider to accomplish the copayment waiver.

The anticipated timing of the introduction of the Children First Program would require that all materials be in place by August.

The Board noted that, in addition to the policy forms, which appear as an appendix to the IHC regulations, the regulations themselves, and in particular N.J.A.C. 11:20-3, would require modification.

R. Smart shared a spreadsheet containing a summary of the Exhibit Qs (Certification of Compliance) received thus far.

R. Smart briefly discussed a memo she distributed to Board members outlining an issue the Policy Forms Committee had been asked to consider concerning the "maintenance" benefit contained in the mental or nervous conditions provision. She invited comment.

VII. Review of Minutes

M.L.B. Kaplan offered a motion to adopt the minutes of the February 13, 1996 Board meeting. R. Smart seconded the motion. The Board voted in favor of adopting the minutes, with 2 abstentions. (G. Young, L. Yourman)

VIII. Report of the Executive Director

Expense Report
K. O'Leary noted that the biggest item was the bill from D&T. He presented 2 questions:
1) Does the Board want to make payment prior to receipt of the final audit report?
2) How should the bill be split between BCBSNJ and the Board?

K. O'Leary also noted that the bill provided by D&T did not offer any back-up.

L. Moskowitz offered a motion to approve the payment of the expenses included on the March 12, 1996 expense report except the D&T expense. R. Rondum seconded the motion. The Board voted unanimously in favor of authorizing the payment of the expenses, less the D&T expense.

Losses for 1995
Three carriers filed for reimbursement of losses: BCBSNJ, Sanus and Time. Travelers had reported a loss on Exhibit K, but since the carrier had requested a conditional exemption, it could not file for reimbursement.

M.L.B. Kaplan stated his company's losses were on pre-reform plans. BCBSNJ had imposed large rate increases on the old plans. People terminated coverage, but incurred covered charges before termination. Thus, there were many claims incurred but not reported as of the time of plan termination.

J. Donnellan offered a motion to initiate a reimbursable losses audit for BCBSNJ and Time, and notify Travelers that it could not seek reimbursement since it had requested a conditional exemption. The loss amount reported by Sanus was minimal, so no audit would be necessary. G. Young seconded the motion. the Board voted unanimously in favor of initiating the audit and giving notice to Travelers.

L. Moskowitz said he would like BCBSNJ and Time to explain what happened in 1995 to produce the reported losses. He asked if the RFP which resulted in the contract with D&T considered carriers other than BCBSNJ. K. O'Leary said he would check.

Assessment Appeals
K. O'Leary briefly discussed the nature of the assessment appeals the Board received since the last meeting.

Acacia only writes disability income plans and should thus be a non-member.

Federal Home Life filed an amended Exhibit K in which it excluded premium attributable to credit insurance.

General American Life reported it had understated its net earned premium on Exhibit K and re-filed the Exhibit.

Greater Atlantic filed Exhibit K late and requested reimbursement of losses. Before the Board would consider the Exhibit K and losses, however, it wanted clarification as to what the carrier sold in 1995 given the fact that the carrier had not filed the required Certification of Compliance..

HIP stated that its conversion lives should be included as non-group persons.

John Alden incorrectly included premium for stop loss coverage on Exhibit K and modified Exhibit K to exclude such premium.

Principal Mutual requested and was granted a conditional exemption. The assessment should be recalculated.

Reliance Insurance Company is a property/casualty carrier, but it does sell some prescription only plans as well as other supplemental plans which are included in the definition of a health benefits plan.

Sun Life Assurance Company of Canada writes only disability income and stop loss coverage and should be considered a non-member.

Time Insurance Company and Fortis are affiliated carriers. Therefore, Fortis should not have been separately assessed.

USHealth Care reported conversion lives, as HIP had done. Corporate Health should be treated as an affiliate exempt from assessment (pro-rata).

R. Smart offered a motion to take action on the appeals as follows:

Acacia	**Grant**
Federal Home Life	**Grant**
General American	**Use new Exhibit K**
Greater Atlantic	**Pending Additional Information**
HIP	**Grant following TAC review**
John Alden	**Grant**
Principal	**Grant**
Reliance Insurance Co.	**Deny**
Sun Life	**Grant**
Time	**Rescind Fortis assessment**
USHealthCare	**Grant**

J. Donnellan seconded the motion. The Board voted unanimously in favor of the specified action.

[Break: 3:20 p.m. - 3:30 p.m.]
[L. Yourman left before the meeting resumed]

1993 and 1994 Assessment Reconciliation
K. O'Leary said he had been working on the 1993 and 1994 assessments in light of the decision concerning FEHBA premium as well as the HIP appeal regarding conversion lives. He commented that the Interim Administrator had been very diligent about the requirement to file Exhibit K and non-member certifications by March 1. Consequently, unless a carrier filed an appeal of the assessment, some non-members may have been assessed. Likewise, some carriers may have been assessed based on premium that was not derived from a health benefits plan.

R. Smart suggested that if carriers did not do what they needed to do, the Board did not have an obligation to look back for continuing reconciliation.

Notices
K. O'Leary stated he would send a notice concerning program losses by March 15, 1996. He proposed sending the notice only to carriers that were members in 1994. He also said he would attempt to release the 1996 minimum enrollment share by May 1. He noted, however, that the calculation was dependent on information to be provided by the Department of Insurance.

Study
K. O'Leary reported that M. Lopes held a meeting the prior week and had invited interested parties. He included his March 8, 1996 memo in Board packets which outlined the meeting. The purpose of the meeting was to solicit input concerning the SEH Board study of the impact of allowing individuals to purchase group coverage. K. O'Leary said some of the attendees clearly favored allowing individuals into the group market. He asked if any IHC Board members would be interested in working on the study and noted that E. Shrem had previously volunteered.

Funds Transfer
K. O'Leary explained that Edward Troy, Assistant Commissioner Management and Budget for the Department of Insurance, had asked for a Board resolution to request a transfer of funds form the IHC Treasury Account to the Board account at CoreStates Bank. The Board previously had an arrangement for an automatic "sweep" of funds into the Board account. L. Moskowitz suggested that the Operations Committee should meet with Ed Troy to determine what arrangement can be made to allow for transfer without specific Board resolutions.

The Board directed the Executive Director to draft a resolution concerning the transfer of funds to the board account and authorized J. Donnellan to sign it on behalf of the Board.

Enrollment Reports
K. O'Leary reported that year end enrollment increased to about 186,000 from 168, 000 as of the end of the third quarter. He said pre-reform BCBSNJ plan enrollment had decreased to about 31,000. L. Moskowitz suggested BCBSNJ should be more aggressive in encouraging the pre-reform plan policyholders to purchase reform plans.

Rising Costs of Coverage
K. O'Leary said the TAC was already looking at high deductible options as well as an increase in the coinsurance cap. He suggested that the Board might also consider a mechanism to allow persons who purchase high deductible plans to be able to take advantage of provider discounts negotiated by managed care plans by somehow purchasing access to approved HMO/SCA networks to take advantage of the negotiated discount. L. Moskowitz said the Board should undertake a meaningful discussion of the overall plan design. He said the Board also should consider whether it makes sense for the IHC and SEH plans to be similar.

IX. Report of the Legal Committee

M.L.B. Kaplan reported the Committee discussed two questions.

Manhattan National was requiring applications to be signed in black ink. The Committee believed the carrier would have to accept the application, regardless of the color of the ink. The carrier could ask the applicant to sign another application, in black, for purpose of microfilming, but that the first signed application would determine the coverage effective date.

CGT, the TPA for Travelers, was sending out bills for grace period premium. The committee concluded there was nothing in the IHC forms or regulations to prohibit such collection. R. Smart indicated the language could specifically address the requirement to pay the grace period premium, if that were to be the desired result.

[G. Young left the meeting at 4:20 p.m.]

X. Report of the Technical Advisory Committee

Rate Filings
J. Donnellan briefly discussed the rate filing recommendations contained on the Report of the TAC, as distributed to Board members.

L. Moskowitz offered a motion to accept the recommendations of the TAC, and deem complete the rate filings for BCBSNJ, Celtic and Prudential specified on the TAC report. R. Smart seconded the motion. The Board voted unanimously in favor of accepting the recommendations of the TAC, with J. Donnellan abstaining as regards the Prudential filing, and M.L.B. Kaplan abstaining as regards the 2 BCBSNJ filings.

Alternate Fee Profile
Time agreed to use the PHCS profile. J. Donnellan asked if the Board was interested in amending the IHC regulations such that a carrier could not file to use an alternate profile. The Board suggested it would be appropriate to wait until the next modification of the IHC regulations.

Loss Ratio Regulation
J. Donnellan stated there was one Board response that may require minor modification. he would discuss the modification with the Department of insurance Actuaries.

L. Moskowitz offered a motion that the Board adopt the amended Loss Ratio Regulation, N.J.A.C. 11:20-7, subject to final resolution between the Chair of TAC and the Department of Insurance. R. Smart seconded the motion. The Board voted unanimously in favor of adopting the loss ratio regulation.

Ongoing Projects
J. Donnellan explained that he was working on the requested study change in price of the $1000 deductible plans, over time. In addition, S. Kelly was working on a re-draft of the regulation addressing carriers that partially meet their market target.

XI. Harvard/Brandeis Study

R. Smart said she forwarded Board member comments to K. Swartz. She said K. Swartz appreciated the comments and apologized that the draft the Board received and reviewed contained so many errors.

The study team would like to contact a technical person at each carrier participating in the study.

The study team was working on a letter to send to carriers to request names. The study will be flexible about whether to directly send letters to the covered persons or to allow the carriers to send the letters, then bill the study.

XII. Audit Comments

M.L.B. Kaplan said that BCBSNJ was not initiating any changes to the filed 1993 and 1994 Exhibit Ks. Any changes were being suggested by the auditors. He reiterated that the auditors had used a “living tape” and that BCBSNJ had frozen the tape that would be used for the 1995 audit.

M.L.B. Kaplan said that the auditors they use, Arthur Anderson, had completed a full annual statement audit in one-third of the time if took D&T to audit losses.

XIII. Close of Meeting

L. Moskowitz offered a motion to adjourn the meeting. M.L.B. Kaplan seconded the motion. The Board voted unanimously in favor of adjourning the meeting. *[The meeting closed at 4:55 p.m.]*

April 9, 1996

Directors Present: J. Donnellan (Prudential); M.L.B. Kaplan (Blue Cross and Blue Shield of New Jersey); L. Moskowitz (Department of Insurance)*[arrived at 11:00 a.m.];* R. Rondum; E. Shrem *[arrived at 10:45 a.m.],* R. Smart (Mutual of Omaha); C. Wowkanech, L. Yourman

Others Present: K. O'Leary, Executive Director; DAG M. Smyth (DOL); E. DeRosa, IHC Program Assistant Director

I. Call to Order

J. Donnellan called the meeting to order at 9:40 a.m. E. DeRosa announced that notice of the meeting had been published in three New Jersey 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. Review of Minutes

M.L.B. Kaplan offered a motion to adopt the minutes of the open session of the March 12, 1996 Board meeting, as amended. L. Yourman seconded the motion. The Board voted unanimously in favor of adopting the minutes, as amended. [1 abstained - C. Wowkanech]

III. Report of the Executive Director

Expense Report

M.L.B. Kaplan offered a motion to approve the payment of the expenses included on the April 9, 1996 expense report. L. Yourman seconded the motion. The Board voted unanimously in favor of approving the payment of the expenses noted on the expense report with R. Rondum abstaining with respect to expenses for which she requested reimbursement.

1994 Assessment Appeals

CIGNA appealed the reconciliation of the 1993 assessment, included in the 1994 assessment, stating that the 1993 exemption had not been properly applied to Connecticut General and affiliates.

C. Wowkanech offered a motion to grant the appeal and allow for a proper 1993 reconciliation. M.L.B. Kaplan seconded the motion. The Board voted unanimously in favor of granting the appeal.

1995 Reimbursable Losses

K. O'Leary said he mailed a notice to all carriers to advise them of the amount of reported losses. He said he received a call from National Casualty, and as a result of that conversation, National Casualty provided a revised Exhibit K, and requested reimbursement of $6,383,317 in losses. K. O'Leary also explained that while Sanus requested reimbursement of losses, Sanus had filed a conditional exemption request and was therefore ineligible to submit a request for reimbursement. K. O'Leary said he released a notice to carriers during the first week of April in which he provided an estimated loss share amount as well as the minimum non-group persons enrollment target. With the addition of the National Casualty losses and the removal of the Sanus losses, the total amount sought by carriers as reimbursement for losses was $79,252,166.

1993 Reconciliation

K. O'Leary distributed a spreadsheet detailing the 1993 reconciliation. He explained that the reconciliation considered granted assessment appeals, reductions to net earned premium due to the removal of FEHBA premiums, and the inclusion of community rated conversion lives as eligible non-group persons. He then explained each column on the spreadsheet.

1994 Reconciliation

K. O'Leary distributed a spreadsheet detailing the 1994 reconciliation. In addition to considering granted assessment appeals, reductions to net earned premium due to the removal of FEHBA premiums, and the inclusion of community rated conversion lives as eligible non-group persons, this reconciliation took into account the denial of the pro-rata exemption for CIGNA in light of the Board's disapproval of CIGNA's Good Faith Marketing Report.

Billing / Board Account

K. O'Leary suggested he could bill for the 1993 and 1994 reconciliations at the same time as the 1995 assessment or the reconciliations could be billed separately from the assessment, and asked for direction from the Board. He said he thought he could have everything ready to bill by mid-May.

K. O'Leary said the Board had $12,574,092 in the trust account. He suggested that the Board could authorize the transfer of $8 million to BCBSNJ. The Board owed about $3.5 million to carriers as a result of appeals. R. Smart asked to defer discussion of any transfer to BCBSNJ until after the Board considered the audit.

L. Yourman inquired about past practices concerning the payment of interest on moneys paid. K. O'Leary said that if a carrier appealed and prevailed, the carrier was paid interest.

Study

K. O'Leary said the Legislature ordered a study, to be completed by July 1, concerning the placement of one life groups in the individual market as opposed to the small group market. The SEH Board authorized K. O'Leary to hire a researcher, and he said a researcher had already begun work. Arrangements had been made to obtain some actuarial support from actuaries at The Prudential and The Guardian.

Credibility of Enrollment Numbers

K. O'Leary said there had been a recurring story, especially among agents, that the Board was "pumping up the enrollment numbers." He said he wrote an article for the health underwriter newsletter to explain the calculations. He sent his explanation to legislators and various agent newsletters. E. Shrem suggested it would be a good article for the Insurance Reporter since the Reporter reaches all agents. The Board agreed.

Massachusetts Insurance Committee

K. O'Leary said he responded to a request for information on the IHC Program from the Chair of the Insurance Committee in Massachusetts. He said that while he did not initiate opportunities to discuss the New Jersey Program with other states, he did respond to requests for factual information.

Federal

K. O'Leary said he had traveled to Washington with the Commissioner to visit with House and Senate personnel concerning the draft Federal law [Kasselbaum / Kennedy]. He said they were successful in securing agreement to create a carve-out for New Jersey and New York, since these states already had health reform programs which guarantee the types of protection the Federal law seeks to create.

Outreach

Perspective New Jersey Ch. 6 4/11 (2:30 p.m.)
This TV show invited debate on the issue of the self employed in the small group market.

New Legislation

K. O'Leary and L. Moskowitz briefly discussed proposed legislation that would combine the IHC and SEH Boards and create a mandated benefits review function. L. Moskowitz suggested the combined Board would be a stronger entity than each separate Board.

Orders on Appeals

K. O'Leary said he mailed orders on all the assessment appeals the Board had voted on. Both CIGNA and First Option Health Plan filed appeals. He said he would refer the appeals to the Legal Committee for review.

C. Wowkanech offered a motion to enter Executive Session, following a brief break. R. Smart seconded the motion. The Board voted unanimously in favor of beginning Executive Session.

[Break: 11:25 a.m.- 11:40 a.m.]

[Executive Session: 11:40 a.m.- 1:37 p.m.]

IV. Reimbursable Loss Audit

M.L.B. Kaplan summarized the position the New Jersey Supreme Court took concerning a waiver. He then said that the real issue the Board should consider was whether or not the audit of BCBSNJ by Deloitte & Touche (D&T) was accurate. If the Board believed the audit was accurate, it should accept it. If the Board believed the audit was inaccurate, the Board should require the audit to be re-done.

M.L.B. Kaplan said that BCBSNJ intended to reduce its claim for losses in 1993 and 1994 when it elected to remove the amortized cost of the claim system and management incentives from the expenses reported on Exhibit K for 1993 and 1994.

M.L.B. Kaplan stated that the Board decided to delay billing for the assessment for 1994 until a date after that set forth in the regulation. BCBSNJ will thus be paid the reimbursement due later than it should have been paid. As a consequence, BCBSNJ will have lost the ability to earn interest for the period the payment was delayed, so the amount eventually paid to BCBSNJ should include interest. He said the Board required carriers to comply with Board regulations, yet the Board violated its own regulations. He suggested carriers would be distrustful of the Board if the Board failed to comply with its regulations.

R. Smart asked if there was a way the Board could evaluate the audit. J. Donnellan invited M.L.B. Kaplan to commit his concerns with the audit to writing so the Board could consider them.

M.L.B. Kaplan briefly stated that since D&T operated on a fixed fee the firm was not encouraged to spend as much time with the audit as may have been necessary. In addition, the audit commenced a long time after the audit years closed. Further, the nature of the audit was irregular.

R. Smart offered a motion to authorize the transfer of $2 million to BCBSNJ at this time, for a reimbursable loss payment, and when the audit has been accepted, the Board would consider additional payments. L Yourman

seconded the motion. The Board voted in favor of the payment, with one abstention. [M.L.B. Kaplan]

V. Report of the Technical Advisory Committee

J. Donnellan explained that Metropolitan Life submitted rates for the quarter beginning in January on June 4, 1996. He reminded the Board that while the rate filing regulation is a file and use regulation, rates must be filed *before* they can be used. TAC was advised that during the first 3 days of January, the company issued 3 new business cases, and renewed 136 inforce cases, using the rates that were not filed until January 4, 1996. TAC recommended that the Board require Metropolitan to use the rates in effect on December 31, 1995 for business issued or renewed during the first 3 days of January.

J. Donnellan offered a motion to accept the recommendation of TAC and require Metropolitan to rate business issued or renewed on January 1, 2 and 3 using rates in effect on December 31, 1995. E. Shrem seconded the motion. The Board voted unanimously in favor of requiring Metropolitan to rate business issued or renewed on January 1,2 and 3 using rates in effect on December 31, 1995.

R. Smart added that the correspondence to Metropolitan should require proof that the cases were re-rated.

J. Donnellan reviewed the TAC Report of rate filings with the Board.

M.L.B. Kaplan offered a motion to accept the recommendation of TAC and deem the rate filings listed on the TAC report (copy attached) complete. R. Smart seconded the motion. The Board voted unanimously in favor of deeming the rate filings complete, with J. Donnellan abstaining with respect to the Prudential filing.

M. Smyth said that the Board was in a precarious position regarding a withdrawal provision. She suggested the Board may want to refer the matter to the Legal Committee and request that the Legal Committee draft a regulation governing withdrawals. The Board agreed that a regulation governing carrier withdrawals should be developed.

[Break: 2:15 - 2:20]

VI. Report of the Legal Committee

M.L.B. Kaplan said the Legal Committee met to discuss the Code of Ethics the SEH Board developed. The draft code specified when directors should recuse themselves, and that the Chair would be in a position to require a director to recuse himself or herself from a discussion. M.L.B. Kaplan said the Legal Committee recommended that the Board should vote on the decision to ask a director to recuse himself or herself, and it should not be left solely to the Chair.

M.L.B. Kaplan said the Legislature created a Board on which carriers would serve. He suggested that in many instances, the carrier that may have the best information on a given topic may be the carrier that would be asked to recuse itself from the discussion. He offered a couple of examples of past Board discussions in which

carrier members that had an interest in the outcome of a discussion did not recuse themselves. He also gave an example of a discussion during which a public member did recuse herself from a discussion because of a personal interest. He said that when the Board discussed the audit during the March Board meeting, the Board was at a disadvantage since he had information that would have benefited the Board's discussion, yet he had been asked to recuse himself. Regarding the audit, M.L.B. Kaplan said that all carrier directors had an economic interest. He recalled the discussion of interest due to a carrier. He suggested that if he had recused himself he would have had no knowledge of the opinion and noted that he disagreed with the advice given in the opinion.

M.L.B. Kaplan said it would be appropriate for a director to recuse himself or herself if:

- the director or the carrier the director represented was involved in litigation or trial matters, or if there were a potential for litigation; and
- discussions concerned sanctions of a director.

R. Smart noted that the Legal Committee concluded that the decision for a director to recuse himself or herself should be reached by a majority vote of the Board.

M. Smyth commented that the Code would preclude any member from appearing before the Board in any capacity other than as a Board member. She said the conflicts law included a list of mandatory provisions. When an issue or interest is peculiar to a carrier member, there should be a consideration of whether that member should recuse himself or herself. She commented that the examples M.L.B. Kaplan offered were not necessarily appropriate. She suggested that the Board should include language which is sufficiently broad, and avoid offering a list of specific circumstances when a member should recuse himself or herself.

R. Smart said she reviewed the draft Code of Ethics, and would not be interested in changing the language in the manner M.L.B. Kaplan suggested.

E. Shrem offered a motion to accept the draft Code of Ethics, with modifications to address the "love" bill, and send the Code to the Attorney General's Office and ECES for review. L. Yourman seconded the motion. The Board voted in favor of the motion, with one abstention. [M.L.B. Kaplan]

VII. Report of the Policy Forms Committee

R. Smart distributed materials outlining the changes to the policy forms that would be required for the Children First Program.

M.L.B. Kaplan said he thought BCBSNJ had concerns with what was being suggested for proposal. J. Donnellan suggested that any concerns could be brought to the Board during the comment period.

R. Smart explained the preventive rider for HMOs. All HMOs operating in the IHC Program would be able to elect to offer the benefit as an optional rider or could build the benefit into the standard plan text. The election would be similar to what occurs for the optional ABMT benefit.

L. Yourman asked why it was necessary to have a mechanism to waive a $10 copayment. She felt the amount was minimal. R. Smart explained that the waiver of the copayment was specifically requested by the Children First Program.

R. Smart said the committee considered making changes to the forms regarding coverage while in a foreign country, but was not recommending a change.

R. Smart offered a motion to accept the policy forms changes, as drafted, and submit the language to the OAL as a proposal. R. Rondum seconded the motion. The Board voted in favor of proposing the policy forms changes, with one abstention, L. Yourman.

R. Smart offered a motion that the Board propose changes, as drafted, to the rating regulation, addressing children only coverage. R. Rondum seconded the motion. The Board voted unanimously in favor of proposing the changes to the rating regulation.

The Board would use the standard rulemaking process. The proposal would be due to OAL by 4/22/96. The hearing could be held during the June Board meeting.

R. Smart said the Legal committee should look at the Medicaid issue again. She distributed a memo to Board members which described the issue. K. O'Leary suggested that the Board may want to invite Velvet Miller from Human Services to come to a Board meeting to explain how Medicaid may be involved in the payment of IHC premiums for Medicaid eligible persons.

R. Smart explained that the Board needed to be more explicit concerning the denial of the Petition for Rulemaking which requested that carrier coinsurance for mental or nervous conditions in Plan D be increased to 80%, consistent with the coinsurance for all other charges in Plan D.

M.L.B. Kaplan offered a motion to deny the petition requesting an increase in the carrier coinsurance for mental or nervous conditions in plan D to 80%

because the benefit was not cost justified. R. Smart seconded the motion. The Board voted in favor of the motion, with one in opposition, R. Rondum.

VIII. Harvard Brandeis Study

R. Smart said the team was proceeding. A carrier representative had been identified for each carrier. The team was in the process of putting a letter together describing how they planned to go about the survey.

IX. Report of the Marketing Committee

The Buyers Guide draft was sent to Board members. Comments should be provided to C. Nicholas no later than *Friday, April 26, 1996*.

X. Grace Period

T. Smith indicated that while the policy language would not preclude a carrier from collecting a premium for the time coverage was in force during the grace period, he felt that premium should not be collected. He suggested that the Grace Period language be reviewed during the next policy forms review. The Board asked the Policy Forms Committee to review the issue of the Grace Period and bring a proposal to the Board.

XI. Close of Meeting

M.L.B. Kaplan offered a motion to adjourn the meeting. L. Yourman seconded the motion. The Board voted unanimously in favor of adjourning the meeting. [The meeting ended at 3:50 p.m.]

May 7, 1996

Directors Present: J. Donnellan (Prudential); M.L.B. Kaplan (Blue Cross and Blue Shield of New Jersey); L. Moskowitz (Department of Insurance), R. Rondum; E. Shrem R. Smart (Mutual of Omaha); D. Williams (USHealthcare); L. Yourman

Others Present: K. O'Leary, Executive Director; DAG M. Smyth (DOL); E. DeRosa, IHC Program Assistant Director, S. Sanders (Deloitte & Touche)

I. Call to Order

J. Donnellan called the meeting to order at 9:50 a.m. K. O'Leary announced that notice of the meeting had been published in three New Jersey newspapers and posted at the Department of Insurance and the Office of the Secretary of State in accordance with the Open Public Meetings Act. K. O'Leary took roll call. A quorum was present.

II. Review of Minutes

R. Rondum offered a motion to adopt the minutes of the open session of the April 9, 1996 Board meeting, as amended. L. Yourman seconded the motion. The Board voted in favor of adopting the minutes, as amended. [8 in favor; 1 abstained - D. Williams]

III. Report of the Executive Director

Reimbursable Losses Audit
A final audit report was distributed to Board members. S. Sanders described the changes that were made to the draft that was previously distributed to the Board to arrive at this final report. He characterized most changes as cosmetic.

M.L.B. Kaplan asked why the second sentence had been added to the Expenses section of the Note to the Combined Statements of Net Paid Losses - Statutory Basis for Individual Business (Note). S. Sanders noted that the Board asked Deloitte & Touche (D&T) to include such sentence as a result of the Board's review of the draft audit report.

R. Rondum asked S. Sanders if the experience with auditing BCBSNJ allowed D&T to develop an agreed upon procedure for accounting. S. Sanders responded that the BCBSNJ audit was unique given the fact that BCBSNJ had provided Certifications for 1993 and 1994 to accompany the Exhibit Ks for those years in which certain expenses were specifically removed from the expenses reported on the Exhibit Ks.

M.L.B. Kaplan said that the audit regulations assumed a "perfect world." He noted that most carriers operate in more than one state and write multiple lines of business. He said he believed questions would be raised during subsequent audits. M.L.B. Kaplan said that the additional sentence in the Expenses section of the Note was language negotiated among the Board, BCBSNJ and the Attorney General's Office. Thus, the audit report was influenced by the actions of the Board. He stated that Program regulations called for an *independent* audit.

K. O'Leary commented that the Note to the expenses section of the report clarified that the audit report did not take the BCBSNJ Certifications into account and did not influence the substance of D&T's report. He further stated that he had advised M.L.B. Kaplan that no final audit report could have been issued until BCBSNJ issued a representation letter.

R. Rondum offered a motion to accept the final audit report prepared by D&T. L. Yourman seconded the motion.

Discussion:
R. Smart disagreed with M.L.B. Kaplan's questioning of whether an independent audit report was provided. She believed D&T performed and reported a valid independent audit. The inclusion of a sentence in the Expenses section of the Note, describing the report's scope, did not invalidate the independence of the report's conclusions.

M.L.B. Kaplan said BCBSNJ was advised that the statement that appeared in the Expenses section of the Note must be included in *both* the representation letter and in the Note.

L. Moskowitz asked if BCBSNJ took exception to the language. M.L.B. Kaplan said BCBSNJ provided a representation letter that did not include the language and that BCBSNJ had been directed to include the language. BCBSNJ did agree to the language, however, BCBSNJ would not have included it in the representation letter. The inclusion of the final language about the Certifications in the representation letter was eventually negotiated between M.L.B. Kaplan and the Executive Director.

J. Donnellan asked if D&T willingly agreed to add the language to the Note. S. Sanders said it was necessary in order to note that a difference existed between the D&T prepared BCBSNJ financial statements and the Exhibit Ks as prepared by BCBSNJ. J. Donnellan commented that the additional statement clarified the fact that a carrier was permitted to move away from statutory accounting.

By roll call vote, the Board voted to accept the final audit report prepared by D&T. [7 in favor; 1 abstained - M.L.B. Kaplan]

K. O'Leary said that the next issue related to the audit was the amount of losses reported. What amounts will the Board reimburse BCBSNJ for 1993 and 1994? For the years 1993 and 1994, BCBSNJ filed Certifications of the Allocation Methodologies for the IHC Carrier Market Share and Paid Loss Report in conjunction with Exhibit K. Such Certifications explained why the expense amounts shown on Exhibit K differed from the expenses reported on the Annual Statement filed with the Commissioner of Insurance. BCBSNJ did not seek reimbursement for employee incentive expenses and amortization of deferred system development costs for 1993 and 1994. Should BCBSNJ be reimbursed for those expenses, which are included in the D&T report as eligible expenses, or did BCBSNJ waive reimbursement of those expenses in the Certifications? M.L.B. Kaplan said that BCBSNJ intended to suppress the amount of reimbursement for 1993 and 1994. He contended that such action did not waive anything.

R. Smart offered a motion that the Board give effect to the BCBSNJ waivers of reimbursement, as specifically laid out and specifically waived, for employee incentive expenses and amortization of deferred system development costs for 1993 and 1994, when determining the amount of BCBSNJ losses for 1993 and 1994. That is, net paid losses for 1993: $54,153,372 - ($373,000 + $2,596,000), and net paid losses for 1994: $38,081,088 - ($885,000 + $2,238,000). E. Shrem seconded the motion. By roll call vote, the Board voted to approve the motion. [6 in favor; 2 abstained - M.L.B. Kaplan and L. Moskowitz]

Transfer of Funds to BCBSNJ

K. O'Leary asked the Board to consider the Funds Transfer Recommendation which was included in Board member materials. Thus far, the Program has paid reimbursement of $50,964,925.20 to BCBSNJ, which, when added to assessment credits which total $30,442,442 yields a total reimbursement of $81,407,367.20. Total reimbursement due to BCBSNJ for 1992, 1993 and 1994 is $88,255,380. The amount still due to BCBSNJ is $6,848,012.80. The Program had cash of $10,618,690.59. However, considering escrow, refunds due to carriers for 1993 and 1994 as well as the estimated administrative budget, only $5,754,390.01 of that amount was available to use to reimburse BCBSNJ. K. O'Leary noted that when the assessment is collected, the remainder could be paid to BCBSNJ. Thus, the Board could authorize the payment of all or part of $5,754,390.01.

L. Moskowitz noted that the amount to be paid to BCBSNJ would not consider interest on the money that was held.

L. Yourman offered a motion to authorize the Executive Director to release $5,754,390.01 to BCBSNJ within a reasonable time. E. Shrem seconded the

motion. The Board voted in favor of the release of $5,754,390.01 to BCBSNJ. [7 in favor; 1 abstained - M.L.B. Kaplan]

M.L.B. Kaplan commented that BCBSNJ would not be pleased with the Board's decision on the audit. He further stated that BCBSNJ expected to receive reimbursement with interest and that disbursements to other carriers should likewise include interest on the amounts due.

Assessment for 1995 / Reconciliation for 1994

K. O'Leary stated that part of the reconciliation for 1994 was a request for reimbursement by Greater Atlantic. He asked Greater Atlantic to provide a certification that the losses were attributable to standard IHC plans, and Greater Atlantic provided such a certification. He recommended that, given the minimal amount of reimbursement requested, the Board pay such amount. E. DeRosa noted that Greater Atlantic failed to submit a Certification of Compliance and that when questioned about the lack of a Certification, Greater Atlantic explained that the Company could not provide a Certification because the Company was not in a position to issue the standard plans. She noted that Greater Atlantic had not, to date, provided a Certification of Compliance, and according to IHC Regulations, no carrier is allowed to market individual health benefit plans in New Jersey unless and until it files a Certification of Compliance, Exhibit Q. The Board concluded that this is a compliance issue and asked Tom Smith and E. DeRosa to work together to determine exactly what Greater Atlantic had issued.

K. O'Leary explained that Oxford provided a Certification of non-group persons for 1995. Since Board records did not indicate the company had requested a conditional exemption for 1995, he called the company to ask why they sent the certification. The company faxed a copy of what it stated was sent. He suggested the Board might presume that the request for a conditional exemption was in fact sent, and that it was in order. K. O'Leary said the exemption would mean a difference of millions of dollars in terms of the assessment. He said he could bill for the 1995 assessment, assuming Oxford requested an exemption and it was in order, and in the meantime, gather evidence that the request either was or was not made, and ask TAC to review it.

M. Smyth suggested that if the Board accepted K. O'Leary's recommendation, it should notify Oxford, in writing, that the Board reserved the right to verify the request for an exemption, and adjust the assessment if verification could not be made.

M.L.B. Kaplan said that Oxford owed money to the Program until it could be verified that the request was made.

The Board decided to defer a decision on the amount to bill for the 1995 assessment until the next meeting.

Exemption Requests for 1996

Staff prepared a list of carriers that requested exemption from the 1996 reimbursable loss assessment. K. O'Leary noted that BCBSNJ filed for such an exemption, along with 14 other carriers. S. Kelly identified the major carriers that were not included on the list.

Miscellaneous

The Kennedy/ Kassebaum bill passed in the Senate. The bill contained a carve out for New Jersey.

K. O'Leary stated the press during the prior 2 weeks was critical of health insurance reforms in New Jersey, and specifically the IHC program. L. Moskowitz said he thought the Department of Insurance response had focused on the poor purchasing decision of an insured who elected Plan A. K. O'Leary said an Associated Press story, which was based on an article in the Asbury Park Press, focused on the soaring number of uninsured. He reported he wrote an editorial piece in response to the AP story.

The Senate Legislative Oversight Committee met on May 2, 1996. K. O'Leary prepared a report for that hearing. He asked the Board to review it and provide input before he uses it more widely.

R. Rondum said the Program needs to get the good news about the Program out to the press. The press needs to hear correct information. She said it was time for K. O'Leary to get out and do some "schmoozing" instead of him spending so much of his time on financial matters such as the assessments. The Board could hire someone else to handle financial business for the Program. J. Donnellan asked K. O'Leary to put together a concrete proposal to describe what the best type of help would be.

K. O'Leary said that based on available funds, the Access Program would only provide funding for current enrollees until the end of 1997. Thus, affordability would become a more important issue for the IHC Program. J. Donnellan commented that the New Jersey Reform began with a 3 part program: IHC, SEH and Access. The Access Program did not develop to the extent anticipated at the inception of the Reform.

Expense Report

M.L.B. Kaplan offered a motion to approve the payment of the expenses included on the May 7, 1996 expense report. L. Yourman seconded the motion. The Board voted unanimously in favor of approving the payment of the expenses included on the May 7, 1996 expense report.

[Break 11:35 a.m. - 11:52 a.m.]

III. Report of the Technical Advisory Committee

J. Donnellan said that Victor Paguia, an actuary from Celtic Life, was interested in participating in the TAC.

E. Shrem offered a motion to include Celtic Life Insurance Company to the Technical Advisory Committee. R. Smart seconded the motion. The Board voted unanimously in favor of adding Celtic Life to the Technical Advisory Committee.

Rate Filings

J. Donnellan said the TAC recommended that the Board deem rate filings from 5 carriers as **complete**.

L. Yourman suggested the board may want to put out a press release to explain the increases. For example, Trustmark filed for a 35% increase. L. Moskowitz commented that the increases shown on the TAC report were *average* increases. He questioned the usefulness of reporting an average increase. K. O'Leary suggested that TAC should explore developing a standard rate filing format and present recommendations during the June meeting.

M.L.B. Kaplan offered a motion that the Board deem the 5 rate filings shown on the May 7, 1996 TAC report as complete. R. Smart seconded the motion. The Board voted unanimously in favor of deeming the 5 rate filings complete, with D. Williams abstaining with respect to the USHealthcare filing, and M.L.B. Kaplan abstaining with respect to the BCBSNJ filing.

J. Donnellan said the TAC recommended that the Board deem rate filings from 2 carriers as **incomplete**.

Prudential filed rates for the HMO plan with a $15 copay for drugs which is a closed block of business and rates for the HMO plan with 50% reimbursement for drugs. TAC believed the filings were inconsistent with community rating.

M.L.B. Kaplan offered a motion to deem the 2 Prudential rate filings incomplete. R. Rondum seconded the motion. The Board voted in favor of deeming the rate filings incomplete. [7 in favor; 1 abstained - J. Donnellan]

J. Donnellan asked the Board to refer to material in the Board packets which described the MetraHealth issue. The Board deemed a rate filing complete subject to compliance with N.J.S.A. 17B:27A-4b. MetraHealth did not demonstrate compliance with N.J.S.A. 17B:27A-4b. The company has, however, sold individual standard HMO plans in New Jersey since January 1996.

M.L.B. Kaplan offered a motion to deem the November 28, 1995 rate filing for MetraHealth Care Plan incomplete and refer the matter of MetraHealth having marketed standard plans in violation of the requirements of N.J.S.A. 17B:27A-4b to the Department of Insurance for enforcement. R. Rondum seconded the motion. The Board voted in favor of the motion. [6 in favor; 2 abstained - R. Smart and L. Moskowitz]

Metropolitan Life requested guidance concerning the Board's direction, given during the April 9, 1996 Board meeting, that it must use rates in effect on December 31, 1995 to issue and renew business on January 1, 2 and 3 1996. The rates that were in effect for renewal business on December 31, 1995 were the January 1995 rates since the company guaranteed rates for 12 months. Since the rates that would have been used for new business on December 31, 1995 were December 1995 rates, TAC recommended that the renewal business should be renewed using the December 1995 rates.

R. Smart offered a motion that Metropolitan rate renewal business for January 1,2 and 3, 1996 using the December 1995 rates. M.L.B. Kaplan seconded the motion. The Board voted in favor of the motion. [7 in favor; 1 abstention - L. Moskowitz.

Pro-Rata Assessment

J. Donnellan called the Board's attention to an April 22, 1996 memo from K. O'Leary which captured TAC's recommended text changes to N.J.A.C. 11:20-2.17. The revisions to the assessment formula described in that memo would result in partially exempt carriers being included in the re-allocation of assessment amounts which must be re-distributed as a result of full or partial exemptions. L. Moskowitz suggested that maybe it would be appropriate to apply such re-distribution to carriers that failed to enroll at least 50% of their market target. K. O'Leary explained that there was no immediate need to act on the proposed language. J. Donnellan reminded the Board that this language was developed at the Board's request, following a discussion as to the treatment of partially exempt carriers. *If* the Board wished to include partially exempt carriers in the re-allocation of the assessment, the language TAC recommended would be appropriate. The Board was asked to review the result accomplished by this new language to determine if the result is the desired result.

1996 Exemption Requests

The requests for exemption were due May 1 and must be acted upon within 30 days. Thus, the Board must meet before the end of May. The Board agreed to meet on **May 30, 1996 at 10:00 a.m**. Members who wish to participate via teleconference may do so.

IV. Report of the Policy Forms Committee

Annual Review

R. Smart said the Plan of Operations required the Board to evaluate the policy forms at least once per year. There is no requirement, however, that the forms be changed once each year. The Committee met on May 6, 1996 to initially discuss issues that had been raised during the past year. By the June Board meeting the Committee would be prepared to present a list of issues to the Board, with recommendations. If changes are to be proposed, the language would be ready by the July meeting such that it could be proposed in August.

The Committee considered a Compliance and Variability rider and expected to be ready to bring it to the June Board meeting so it could be proposed.

The Committee is prepared to work with TAC recommendations on language to accomplish cost reduction methods, such as higher deductible options. L. Yourman suggested that a step deductible should be considered.

R. Smart said there had been consumer requests for an individual HMO POS plan and she asked D. Williams to seek input from her company as well as HMOs in the HMO Association, if possible.

[D. Williams left the meeting at 1:10 p.m.]

Grace Period

R. Smart said the Policy Forms Committee discussed the Grace Period and concluded that there should be no charge for coverage during the Grace Period. However, if a person incurred claims, the unpaid premium may be deducted from the claim payment before payment is made. The Committee suggested that the language in the pre-existing conditions provision which addresses the 30 day lapse in coverage should address 30 days as measured from the *date coverage was in force on a premium paying basis.*

The Board asked that a Bulletin be developed to address the Grace Period to ensure that all carriers are doing the same thing.

Passive Networks

Another issue the Committee discussed was "passive networks." L. Moskowitz said that the Department was looking into the matter and hoped to have a position by the June meeting. He said one concern was whether there would be balance billing.

Proposal (Children First Text and Medicaid Eligibility Text)

The Board needs to consider whether it want to allow a 5th rating tier given the fact that the Children First Program has no funding. L. Moskowitz expressed concern that the availability of a 5th tier might create adverse selection. High risk children covered under a group plan may be dropped from group coverage in favor of a child only plan.

K. O'Leary was asked to work with L. Moskowitz to discuss the status of Children First with the Commissioner of Health. Staff was asked to discuss the proposal with the Office of Administrative Law to determine if the hearing could still be held, given the fact that one of the main reasons for the proposal appeared to no longer exist.

[Break: 1:45 - 1:58]

V. Harvard Brandeis Study

Board members were asked to review the draft letter included in the Board materials and provide comments to R. Smart by the end of the week (May 10, 1996). L. Moskowitz said the first sentence should be revised to discuss helping people *obtain* instead of helping people *afford*.

The study team has been working on analyzing financial data.

VI. Report of the Marketing Committee

E. Shrem reviewed the report prepared by The Marcus Group with the Board. The Committee was scheduled to meet after the Board meeting to discuss changes to the draft of the Buyer's Guide.

VII. Report of the Complaint Committee

L. Yourman reported having received a copy of a report from Tom Smith's department which provided information on the complaints handled by Department of Insurance staff. T. Smith explained the report addressed only written complaints. T. Smith said he scheduled a meeting with his investigators due to the increasing number of complaints and inquiries concerning the IHC and SEH plans.

VIII. Report of the Legal Committee

Medicaid

The Committee reviewed information regarding the change to the IHC law which allows persons who are eligible for Medicaid to purchase an IHC plan, provided they are otherwise eligible. The change was effective retroactive to April 1, 1995. The Committee suggested that a Bulletin be released to advise carriers that the law had changed, and state that it is expected that carriers would comply with the law.

L. Moskowitz said he would be meeting with Human Services and asked to see the draft Bulletin before he had that meeting. He suggested that it may be wise to delay release of the Bulletin until after his meeting.

CIGNA Appeal

CIGNA requested a hearing to discuss the Board's denial of the Good Faith Marketing Report for 1994. The Legal Committee reviewed CIGNA's grounds for appeal and concluded the request did not raise any issues of material fact, and since there was no dispute of fact that would require a hearing, the request for a hearing should be denied.

E. Shrem offered a motion that the Board deny CIGNA's request for a hearing. M.L.B. Kaplan seconded the motion. The Board voted unanimously in favor of denying the request for a hearing.

E. Shrem offered a motion to move to Executive Session. L. Yourman seconded the motion. The Board voted unanimously in favor of moving to Executive Session.

[Executive Session: 2:37 p.m.- 3:05 p.m.]

M.L.B. Kaplan offered a motion to adjourn the Board Meeting. E. Shrem seconded the motion. The Board voted unanimously in favor of adjourning the Board Meeting. The Meeting adjourned at 3:06 p.m.