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**MINUTES OF THE MEETING OF
THE NEW JERSEY INDIVIDUAL HEALTH COVERAGE PROGRAM BOARD
AT THE OFFICES OF THE NEW JERSEY DEPARTMENT
OF BANKING AND INSURANCE
TRENTON, NEW JERSEY
January 4, 1999**

Directors Participating: *Jeff Beck* and *Bill Kramer* (Aetna U.S. Healthcare); *Mary McClure* (The Prudential); *Ritamarie Rondum*; *Eileen Shrem*; Gale Simon (Department of Banking and Insurance); *Rebecca Smart*, Chair (Mutual of Omaha); *Lisa Yourman*.

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

Note: The names of persons who participated via teleconference are listed above in italics, *thus*.

I. Call to Order

W. Sanders called the Board meeting to order at 2:10 p.m. He announced that notice of the meeting had been published in three New Jersey newspapers and posted at the Department of Banking and Insurance and the Office of the Secretary of State in accordance with the Open Public Meetings Act. Since many directors participated via teleconference, he called roll. A quorum was present.

II. Executive Session

W. Sanders explained that the Board needed to discuss a matter concerning litigation with Horizon Blue Cross Blue Shield and asked for a motion to enter into Executive Session.

E. Shrem offered a motion that the Board enter into Executive Session. G. Simon seconded the motion. The Board voted unanimously in favor of entering Executive Session.

[Executive Session: 2:11 p.m. – 2:35 p.m.]

III. Close of Meeting

E. Shrem offered a motion to adjourn the Board meeting. G. Simon seconded the motion. The Board voted unanimously in favor of the motion. The meeting adjourned at 2:36 p.m.

**MINUTES OF THE MEETING OF
THE NEW JERSEY INDIVIDUAL HEALTH COVERAGE PROGRAM BOARD
AT THE OFFICES OF THE NEW JERSEY DEPARTMENT
OF BANKING AND INSURANCE
TRENTON, NEW JERSEY
January 12, 1999**

Directors Participating: Jeff Beck (Aetna U.S. Healthcare); Sandi Kelly (Horizon Blue Cross Blue Shield of New Jersey); Mary McClure (The Prudential); Gale Simon (Department of Banking and Insurance); Rebecca Smart, Chair (Mutual of Omaha).

Others Participating: Ellen DeRosa, Deputy Executive Director; DAG Eleanor Heck (DOL); Pearl Lechner, Program Accountant; Joanne Petto, Assistant Director; Wardell Sanders, Executive Director.

I. Call to Order

W. Sanders called the Board meeting to order at 9:45 a.m. He announced that notice of the meeting had been published in three New Jersey newspapers and posted at the Department of Banking and Insurance and the Office of the Secretary of State in accordance with the Open Public Meetings Act. A quorum was present.

II. Minutes

December 10, 1998

S. Kelly offered a motion to approve the minutes of the Open Session of the December 10, 1998 Board meeting. R. Smart seconded the motion. The Board voted unanimously in favor of accepting the motion.

III. Report of Staff

Expense Report (See Attachment)

R. Smart offered a motion to approve the payment of the expenses shown on the January 12, 1999 expense report. S. Kelly seconded the motion. The Board voted unanimously in favor of accepting the motion.

Computer Equipment

W. Sanders reported that he requested and received information from Information Management Services of the Department of Banking and Insurance concerning the purchase of computers, printers and software for Board staff. He said the Department was in the throes of purchases of new equipment for Department employees and had negotiated very good prices. The Boards could take advantage of the same negotiated prices. He said the computers would have Windows 95, WORD 97, Lotus Notes, and have internet capabilities. The cost for computers, printers, and necessary software for the 5 staff members would be approximately \$17,000, a cost to be shared with the SEH Board. W. Sanders reminded the Board that new computer equipment was included in

the 1999 budget. Therefore, a specific vote concerning the computer equipment would not be necessary.

Carrier Mailings

W. Sanders reported that the IHC and SEH market share reports and non-member certifications that carriers must file by March 1, 1999 were included with the Annual Statement mailing that was released by the Department in December 1998. He noted that the SEH non-member certification was inadvertently omitted from the mailing to life and health carriers and that a correction mailing was being done. R. Smart said that the under 50 Medicare Supplement program also sent market share and non-member certifications as part of the Annual Statement mailing. She offered to provide copies of the package to staff in the event any inquiries or filings are directed to Board staff so that Board staff may appropriately refer the callers or filings.

Audit Status

W. Sanders reported that the field work for the 1996 reimbursable loss audits was complete, except for TMG. With respect to the 1995 reimbursable loss audit of Horizon Blue Cross Blue Shield, W. Sanders said that Horizon provided information to Deloitte & Touche in December 1998. It was determined that a portion of the Medicaid settlement for which Horizon sought reimbursement was applicable to over 65 business. Thus, Horizon agreed that the reimbursable loss amount should be reduced by approximately \$2.3 million.

HIP

G. Simon reported that there would be some court activity concerning HIP on January 15, 1999.

Cost Reduction/ Modified Community Rating

E. DeRosa reported that she received comments from a Board member and a call from another member indicating the memo was acceptable. E. DeRosa asked that any other Board members please provide any comments quickly.

M. McClure suggested that it might be wise to conduct a study as to why individual policies were being canceled. She said the Board could request a list of terminating insureds from the carriers and then the Board could hire a firm to do a survey. J. Petto noted that the Marketing Committee discussed a survey a number of months ago, but that the Marketing Committee wanted to survey persons who called the toll free number for information to inquire as to whether they bought coverage, and if they did not, why not. She said that after further consideration as to the utility of such a survey, the Committee decided against it.

S. Kelly noted that enrollment has been steadily decreasing. She said it was obvious from looking at the monthly rate sheet that rates had increased significantly.

W. Sanders commented that the rules for securing small employer coverage were somewhat relaxed with respect to the purchase of coverage for two employees who are

married. He said that if both are bona fide employees, they may secure coverage in the small employer market.

J. Beck said Assemblyman Felice has expressed interest in a bill that would require modified community rating in the individual market.

The Board noted that public members, although not present at the current meeting, had previously expressed their opinions concerning a movement toward modified community rating. The Board asked staff to use the summary memo that was provided to the Board as the basis for a memo to the Commissioner to recommend that the Commissioner seek legislation that would require modified community rates in the individual market. The memorandum should set forth the majority and minority opinions of Board members.

Medical Savings Account (MSA) Index of Deductible

E. DeRosa reported that she received information from both S. Kelly and R. Smart concerning the indexing of the high deductibles under plans that could be used in conjunction with a Medical Savings Account. She said she had been trying, unsuccessfully, to speak with someone at the Internal Revenue Service. She explained that the information she had received gave the new deductible amounts but failed to address what happens to inforce plans. She also said that many individuals purchase the high deductibles that could be sold in conjunction with a Medical Savings Account without securing a Medical Savings Account. The Board would need to address whether to discontinue the \$1500 and \$2250 individual and corresponding \$3000 and \$4500 deductibles for other than individual deductibles. She said she had begun working on the proposal to amend the forms and corresponding regulations.

Outreach

W. Sanders reported that he spoke to a group of benefit managers from small employers at a law firm in Princeton on December 15, 1998.

W. Sanders noted that a copy of the 1997 Annual Statement that was produced by the Department was included in Board materials.

E. DeRosa reported that she spoke to the Monmouth-Ocean chapter of the National Association of Health Underwriters on December 17, 1998.

Reimbursable Loss Payments for 1996

W. Sanders said he would send a letter to carriers that sought reimbursement for 1996 to advise them that part of the funds that the Board collected to reimburse losses for 1996 was tied up in escrow pending the resolution of litigation. Therefore, the Board would not be in a position to reimburse carriers for the balance due upon completion of the reimbursable loss audits. He reminded the Board that the Board had paid 80% of the amount requested to all carriers seeking reimbursement, except for Metropolitan Life and Travelers, since neither of these carriers provided the required Performance Report. He said that he expected to receive the Performance Reports for these two carriers soon. Upon receipt of the Performance Reports, he said the Board should release 80% of the

requested amount, as it had done for the other carriers that sought loss reimbursement in 1996. The balance remaining in the Board's account, including interest, could be distributed to the carriers that sought reimbursement.

IV. Report of the Technical Advisory Committee

Rate Filings

S. Kelly reviewed the recommendation of TAC to find the rate filings identified on the TAC Report (copy attached) as complete.

R. Smart offered a motion to accept the recommendation of TAC and find the rate filings identified on the TAC Report as complete. Mary McClure seconded the motion. The Board voted unanimously in favor of the motion, with S. Kelly abstaining with respect to the Horizon filing.

V. Executive Session

W. Sanders said the Board needed to discuss a contractual issue and the Board's litigation with CIGNA and asked for a motion to enter Executive Session. He said the contract issue would be discussed following the Executive Session.

S. Kelly offered a motion that the Board begin Executive Session. R. Smart seconded the motion. The Board voted unanimously in favor of the motion.

[Executive Session: 10:20 a.m. - 10:55 a.m.]

VI. Final Business and Close of Meeting

M. McClure offered a motion to approve payment of \$221,444 to Deloitte & Touche for services performed during 1998, with an additional \$71,504 paid for out-of-pocket expenses upon receipt of acceptable back-up documentation. G. Simon seconded the motion. The Board voted unanimously in favor of the motion.

S. Kelly offered a motion to adjourn the Board meeting. M. McClure seconded the motion. The Board voted unanimously in favor of the motion.

Attachments:

Expense Report
Report of TAC

**MINUTES OF THE MEETING OF
THE NEW JERSEY INDIVIDUAL HEALTH COVERAGE PROGRAM BOARD
AT THE OFFICES OF THE NEW JERSEY DEPARTMENT
OF BANKING AND INSURANCE
TRENTON, NEW JERSEY
January 29, 1999**

Directors Participating: *Sandi Kelly* (Horizon BCBSNJ); *William Kramer* (Aetna U.S. Healthcare); *Jane Majcher* (Department of Banking and Insurance); *Ritamarie Rondum*; *Eileen Shrem*; *Rebecca Smart*, Chair (Mutual of Omaha); *Lisa Yourman*.

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

Note: The names of persons who participated via teleconference are listed above in italics, *thus*.

I. Call to Order

W. Sanders called the Board meeting to order at 10:15 a.m. He announced that notice of the meeting had been published in three New Jersey newspapers and posted at the Department of Banking and Insurance and the Office of the Secretary of State in accordance with the Open Public Meetings Act. Since many directors participated via teleconference, he called roll. A quorum was present.

II. Withdrawal Filings

W. Sanders reported that the Legal Committee considered withdrawal filings from three carriers and recommended that the Board find the filings complete and approve them.

Connecticut General Life Insurance Company Market Withdrawal

E. Shrem offered a motion to accept the recommendation of the Legal Committee and find the Connecticut General Life Insurance Company market withdrawal filing complete and approve the filing. R. Rondum seconded the motion. The Board voted unanimously in favor of the motion.

Protective Life Insurance Company Market Withdrawal

E. Shrem offered a motion to accept the recommendation of the Legal Committee and find the Protective Life Insurance Company market withdrawal filing complete and approve the filing. R. Rondum seconded the motion. The Board voted unanimously in favor of the motion.

Horizon Blue Cross Blue Shield of New Jersey Plan Option Withdrawal

W. Sanders explained that the filing addressed point-of-service options that had been available with Plans C and D. He said the Committee recommended that the notice letter be revised.

E. Shrem offered a motion to accept the recommendation of the Legal Committee and find the Horizon Blue Cross Blue Shield of New Jersey plan option withdrawal filing complete and approve the filing, subject to receipt of an appropriately modified notice. W. Kramer seconded the motion. The Board voted in favor of the motion with one abstention, S. Kelly.

III. Modified Community Rating

S. Kelly asked if the Board would discuss a recommendation concerning modified community rating during the teleconference. W. Sanders said that the Board would discuss the issue during the February 9, 1999 meeting when the discussion would be in-person as opposed to via teleconference.

IV. Executive Session

W. Sanders explained that the Board needed to discuss matters concerning litigation with CIGNA and Horizon Blue Cross Blue Shield and asked for a motion to enter into Executive Session.

R. Smart offered a motion that the Board enter into Executive Session. L. Yourman seconded the motion. The Board voted unanimously in favor of entering Executive Session.

[Executive Session: 10:30 a.m. – 10:50 a.m.]

V. Close of Meeting

E. Shrem offered a motion to adjourn the Board meeting. R. Smart seconded the motion. The Board voted unanimously in favor of the motion. The meeting adjourned at 10:50 a.m.

**MINUTES OF THE MEETING OF
THE NEW JERSEY INDIVIDUAL HEALTH COVERAGE PROGRAM BOARD
AT THE OFFICES OF THE NEW JERSEY DEPARTMENT
OF BANKING AND INSURANCE
TRENTON, NEW JERSEY
February 9, 1999**

Directors Participating: Jeff Beck (Aetna U.S. Healthcare); Sandi Kelly (Horizon Blue Cross Blue Shield of New Jersey); Jane Majcher (Department of Banking and Insurance); Mary McClure (The Prudential); Eileen Shrem; Rebecca Smart, Chair (Mutual of Omaha); Lisa Yourman (arrived at 9:52 a.m.).

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

I. Call to Order

W. Sanders called the Board meeting to order at 9:45 a.m. He announced that notice of the meeting had been published in three New Jersey newspapers and posted at the Department of Banking and Insurance and the Office of the Secretary of State in accordance with the Open Public Meetings Act. A quorum was present.

II. Minutes

January 4, 1999

R. Smart offered a motion to approve the minutes of the Open Session of the January 4, 1999 Board meeting. J. Majcher seconded the motion. The Board voted in favor of accepting the motion, with one abstention, S. Kelly.

January 12, 1999

M. McClure offered a motion to approve the minutes of the Open Session of the January 12, 1999 Board meeting. J. Majcher seconded the motion. The Board voted unanimously in favor of accepting the motion.

January 29, 1999

R. Smart offered a motion to approve the minutes of the Open Session of the January 29, 1999 Board meeting. S. Kelly seconded the motion. The Board voted unanimously in favor of accepting the motion.

III. Report of Staff

Expense Report (See Attachment)

J. Beck offered a motion to approve the payment of the expenses shown on the February 9, 1999 expense report. J. Majcher seconded the motion. The Board voted unanimously in favor of accepting the motion.

Board Member Nominations

W. Sanders reported that nomination forms had been mailed to all IHC member carriers for the two seats whose terms expire in March 1999. The two seats for which nominations may be made are the seats for an HMO and for a domestic mutual health insurer. The Board briefly discussed the fact that Prudential is the sole carrier that meets the qualifications of a domestic mutual health insurer and noted that the IHC Act would need to be modified in order for the seat to be filled if, at some future date, Prudential no longer qualifies as a domestic mutual health insurer.

Cost Reduction/ Modified Community Rating

E. DeRosa reported that she received comments from S. Kelly regarding the draft memorandum on modified community rating, but that no other Board member had provided comments in advance of the Board meeting, as had been requested. She said that given the brief time frame during which the Legislature will be in session prior to the summer recess, it would be important to release the memorandum to the Commissioner as soon as possible following the Board meeting. E. DeRosa said that if the Commissioner agrees with the Board's recommendation and wishes to pursue a legislative change to allow modified community rating, there would be a narrow window of opportunity during the current legislative session.

The Board discussed the draft memorandum to Commissioner LaVecchia and agreed to the following changes:

- The majority opinion in favor of modified community rating based on age should reflect the opinion of seven Board members.
- The majority opinion should be structured to reflect that five of the seven Board members support an immediate movement to a 2:1 rate band and two of the seven support a phase-in to modified community rating, initially with a 1.75:1 rate band that would transition to a 2:1 rate band.
- The minority opinion should be expanded to discuss exploring use of smoker/non-smoker rates as a way to reduce cost and should also address the need for marketing efforts to publicize the Program.
- Note that the Summit recommendations that are outlined in the memorandum have not been implemented.
- Add a discussion of the 75% loss ratio requirement and the requirement that refunds be provided in the event the minimum loss ratio is not satisfied. Include refund history to show the number of carriers that provided refunds each year.
- Explain the use of the factors on the charts that illustrate possible rate changes.
- Remove names of specific staff or Board members except in the final recommendation section.

J. Beck offered a motion that the memorandum on Affordability of Individual Health Coverage, modified as described above, be sent to Commissioner LaVecchia. M. McClure seconded the motion. The Board voted in favor of the motion, with one abstention, J. Majcher.

Legislative Report

W. Sanders said that the Legislature will be in session through March and noted that the discussions during April and May will largely be devoted to budget considerations.

Following the summer recess, given the fact that this is a lame duck year for the

Assembly, W. Sanders said there might not be any legislative activity after the elections.

W. Sanders noted that the mental health parity bill, S. 86 and A. 660 had passed the Senate, but has been in the Assembly on second reading since November 1998.

W. Sanders said that A.2121, the Prompt Payment of Claims Bill, had passed both the Senate and Assembly and awaited signature by the Governor.

W. Sanders noted that A. 2628 would allow a child who was covered under an IHC plan during the 12-month period preceding application for NJ KidCare to be eligible for NJ KidCare, provided the application to NJ KidCare was made prior to January 1, 1999.

W. Sanders reported that SCR78, a resolution that addressed the Board's elimination of Plan A, did not appear to be the topic of any subsequent discussion. He noted that staff sent a memorandum to the Legislators to explain the Board's reasoning in having eliminated Plan A and the subsequent introduction of Plan A/50.

Outreach

W. Sanders reported that he spoke at a seminar on individual health coverage sponsored by Alpha Center in Washington, D.C. on January 20, 1999. He noted that a copy of a paper prepared by Harvard-Brandeis researchers was distributed to participants. He said he requested and received permission to copy and distribute to the Board. He cautioned that the paper was still in draft form and must not be distributed to persons who are not Board members.

IV. Report of the Technical Advisory Committee

Rate Filings

S. Kelly reviewed the recommendation of TAC to find the rate filings identified on the TAC Report (copy attached) as complete.

R. Smart offered a motion to accept the recommendation of TAC and find the rate filings identified on the TAC Report as complete. Mary McClure seconded the motion. The Board voted unanimously in favor of the motion, with S. Kelly abstaining with respect to the Horizon filing.

1997 Loss Ratio Report Filings

S. Kelly reported that TMG, a carrier that reported enrollment during 1997, has failed to provide the 1997 loss ratio report that was required to be filed by August 15, 1998. E. DeRosa described her unsuccessful communications efforts to both the carrier and the Third Party Administrator for TMG. S. Kelly added that the carrier has similarly failed to file the 1997 SEH loss ratio report. S. Kelly said TAC suggested that the matter be referred to Enforcement and Consumer Protection.

R. Smart offered a motion to forward the matter of TMG's failure to file the loss ratio report to Enforcement and Consumer Protection. S. Kelly seconded the motion. The Board voted unanimously in favor of the motion.

V. High Deductible Plan Options (Medical Savings Account (MSA) Plans)

E. DeRosa distributed a memorandum on MSA deductibles to Board members. She reminded the Board that she had been trying to speak with someone from the Internal Revenue Service (IRS) concerning Revenue Procedure 98-61 which provided the inflation-adjusted deductible amounts for tax years beginning in 1999. She reported that she spoke with an IRS representative late the prior day and secured the information she had been seeking. E. DeRosa reported that the inflation adjusted deductible amounts consistent with those set forth in Revenue Procedure 98-61 must be used as of the beginning of the calendar year in which the taxpayer's tax year begins. For example, a single taxpayer who purchased a health plan with a \$1500 deductible in 1998 may not keep the \$1500 deductible as of January 1, 1999 if he or she wishes to receive the favorable tax treatment associated with a MSA.

With respect to the guaranteed renewability features of HIPAA, E. DeRosa reported that the IRS person with whom she spoke indicated that the carrier would not be nonrenewing the plan with the 1998 deductible levels. Rather, the taxpayer would request that the plan be revised to include the 1999 deductibles in order to continue to enjoy the favorable tax advantages associated with a MSA. E. DeRosa said that the inflation-adjusted deductible amounts would be released each year around December 15. Therefore, there will never be ample time to prepare for the new deductibles that become effective the following January 1.

E. DeRosa said it was essential to propose language for standard plans C and D such that carriers that wish to make plans available that could qualify for use in connection with a MSA could do so. She said that in light of the inflation-adjustments to occur each year, she believed it wise to modify the plans to refer to the inflation-adjusted amounts rather than specify only the particular amounts for a certain tax year. Therefore, in subsequent years, no policy forms action would be necessary. She recommended that the Board use

the expedited rule proposal process that would enable the Board to adopt the changes during the March 1999 meeting.

E. DeRosa reported that there are over 8500 plans in force with the 1998 level of deductibles that were available in connection with an MSA. She suggested that the Board might not want to withdraw these deductible options since they have been so popular. Rather, she suggested that if a carrier that had the 1998 deductible levels in force wished to non-renew the plans, the carrier could file to withdraw the options pursuant to the Board's withdrawal regulation.

After a brief discussion concerning how to best handle inforce plans with the 1998 MSA deductible levels, the Board decided to continue the discussion during Executive Session.

VI. Executive Session

R. Smart said the Board needed to discuss MSA deductible options and the Board's litigation with CIGNA and Horizon Blue Cross Blue Shield and asked for a motion to enter Executive Session. She said the MSA deductible options would be discussed following the Executive Session.

S. Kelly offered a motion that the Board begin Executive Session. R. Smart seconded the motion. The Board voted unanimously in favor of the motion.

[Break: 11:12 a.m. – 11:20 a.m.]

[Executive Session: 11:20 a.m. – 12:21 p.m.]

VII. Final Business and Close of Meeting

M. McClure offered a motion to use the expedited rule proposal process to propose necessary forms and regulation changes to address the IRS inflation-adjusted deductible amounts, retaining the inforce 1998 high deductible plan deductible amounts. J. Majcher seconded the motion. The Board voted in favor of the motion with one abstention, S. Kelly.

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

Attachments:

Expense Report
Report of TAC

**MINUTES OF THE ANNUAL MEETING OF
THE NEW JERSEY INDIVIDUAL HEALTH COVERAGE PROGRAM BOARD
AT THE OFFICES OF THE NEW JERSEY DEPARTMENT
OF BANKING AND INSURANCE
TRENTON, NEW JERSEY
March 11, 1999**

Directors Participating: Sandi Kelly (Horizon Blue Cross Blue Shield of New Jersey); Jane Majcher (Department of Banking and Insurance); Mary McClure (The Prudential); Ritamarie Rondum; Eileen Shrem; Rebecca Smart, Chair (Mutual of Omaha); Lisa Yourman.

Others Participating: Ellen DeRosa, Deputy Executive Director; DAG Eleanor Heck (DOL); Pearl Lechner, Program Accountant; Joanne Petto, Assistant Director; Wardell Sanders, Executive Director.

I. Call to Order

W. Sanders called the Board meeting to order at 9:45 a.m. He announced that notice of the meeting had been published in three New Jersey newspapers and posted at the Department of Banking and Insurance and the Office of the Secretary of State in accordance with the Open Public Meetings Act. A quorum was present. He noted that the March 1999 meeting had been designated as the annual meeting.

Elections

Board Member Positions for 3-year terms

HMO carrier seat:	Aetna U.S. Healthcare *- 4 votes Physician Health Services – 3 votes
Domestic Mutual Insurer seat:	Prudential *- 8 votes

* Designates the carriers that won in the election.

Board Officer Positions

Chair

L. Yourman offered a motion to nominate R. Smart as Chair of the IHC Board. E. Shrem seconded the motion. The Board voted in favor of the motion, with one abstention, R. Smart.

Vice Chair

R. Smart offered a motion to nominate L. Yourman as Vice Chair of the IHC Board. E. Shrem seconded the motion. The Board voted in favor of the motion, with one abstention, L. Yourman.

Secretary

M. McClure offered a motion to nominate R. Rondum as Secretary of the IHC Board. R. Smart seconded the motion. The Board voted in favor of the motion, with one abstention, R. Rondum.

Board Committees

The Board reviewed the list designating existing membership on the Board's Committees. The Board agreed that representation from HIP should be discontinued from the two Committees on which HIP served, the Technical Advisory Committee and the Policy Forms Committee. The Board further agreed that since the readopted regulations eliminated the Complaint Committee and the Department of Banking and Insurance had been handling consumer complaints, the Committee could be eliminated.

E. Shrem offered a motion to reconstitute IHC Board Committees retaining current membership with the following exceptions: dissolve the Complaint Committee; and discontinue HIP membership on all Committees. L. Yourman seconded the motion. The Board voted unanimously in favor of the motion.

Committee membership is as follows:

Legal

Mutual of Omaha	R. Smart, Chair
Aetna U.S. Healthcare	W. Kramer, Vice Chair
Horizon BCBSNJ	D. Cieslik
DOBI	G. Simon
Guardian	T. English

Policy Forms

Horizon BCBSNJ	L. Curry, Chair
Public member	R. Rondum, Vice Chair
Prudential	M. Kowaleske
Public member	L. Yourman
DOBI	M. Malloy

Technical Advisory Committee

Horizon BCBSNJ	S. Kelly, Chair
Aetna U.S. Healthcare	B. Sobus, Vice Chair
Prudential	R. Brenner
DOBI	R. Vehec
Celtic	V. Paguia
Guardian	S. Herman

Operations

Mutual of Omaha	R. Smart, Chair
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Public member	L. Yourman, Vice Chair
DOBI	J. Majcher
Horizon BCBSNJ	S. Kelly
Guardian	S. Herman

Marketing

Public member	E. Shrem
Horizon BCBSNJ	J. Camargo, Vice Chair
Prudential	S. Mueller

R. Smart noted that the IHC Board would welcome participation on Committees by representative of carriers that do not hold Board seats. L. Yourman suggested that the Board should send letters to carriers to invite participation on Committees.

III. Minutes

February 9, 1999

E. Shrem offered a motion to approve the minutes of the Open Session of the February 9, 1999 Board meeting. J. Majcher seconded the motion. The Board voted in favor of accepting the motion, with one abstention, R. Rondum.

IV. Report of Staff

Expense Report (See Attachment)

E. Shrem offered a motion to approve the payment of the expenses shown on the March 11, 1999 expense report. M. McClure seconded the motion. The Board voted unanimously in favor of accepting the motion.

Cost Reduction/ Modified Community Rating

W. Sanders noted that a copy of the final memorandum that was sent to the Commissioner concerning cost reduction/modified community rating was included in the Board packets. R. Rondum commented that while she did not agree with the conclusions reached in the memorandum, she thought that the memorandum was comprehensive and professional.

HIP

W. Sanders said that a copy of the open letter concerning HIP that was published in a number of New Jersey papers was included in the Board packets. He noted that the letter included the toll free number that was set up to handle HIP calls as well as the direct numbers for both J. Petto and E. DeRosa. He said that the volume of calls being handled by staff had therefore dramatically increased. In addition, he said the volume of calls coming into the Board's toll free Buyer's Guide number had increased by about 400%.

R. Rondum commented that she had previously characterized the IHC Program as the "stealth" program. She noted that the publication of the toll free number as a result of the

closure of HIP serves to demonstrate the need for paid advertising to increase public awareness of the IHC Program.

W. Sanders reported that six HIP Health Centers were closed as of February 28, 1999, and the remaining would close March 31, 1999.

J. Camargo asked if a follow-up communication would be sent to HIP members to encourage them to act to secure replacement coverage if they have not already done so. W. Sanders said he believed a follow-up letter was contemplated. W. Sanders added that such communication would likely address the availability of medical records beyond March 31, 1999.

Final Agency Decision on Horizon BCBSNJ Matter

W. Sanders reported that the final decision on the Horizon matter was included in the Board packets.

4Q98 Enrollment

J. Petto reported that enrollment in 4Q98 was down by 5979 lives as compared to 3Q98.

S. Kelly said that in light of the continued decreases in individual enrollment, Horizon had been working on designing a plan that would provide significant rate relief and hopefully not only stem the enrollment decreases, but also attract new enrollment. She said Horizon believed an Exclusive Provider Organization (EPO) plan would be an attractive alternative to the existing standard plans. She explained that coverage under the EPO plan would be based on the coverage provided in the standard indemnity plans. Coverage would be available, however, only if a network provider provided care and treatment. Non-network coverage would be provided only in situations of medical emergency, as is the case for a closed panel HMO plan. Coverage would be subject to a calendar year deductible and coinsurance. She said Horizon believed it best to issue the plan on indemnity paper due to the difficulty of capturing HEDIS and NCQA data that apply to plans issued on HMO paper. She explained that a plan issued on indemnity paper that has network benefits would have to comply with the Selective Contracting Arrangement (SCA) regulations. She said the SCA regulations require that there be no greater than a 30% difference in benefits between network and non-network benefits. The EPO design has a 100% difference in benefits. She said the EPO plan would essentially be an indemnity plan that provided the cost saving advantages of a network.

E. Shrem expressed concern with the requirement that a covered person use only network providers. R. Rondum asked if the introduction of such a plan would expand the number of plans beyond the 5 permitted by the IHC Act. E. DeRosa explained that the design S. Kelly described could be accomplished by expanding the variable material in the standard indemnity plans. She noted that while the availability of a plan through a different delivery system adds to the number of options within a plan, it does not add to the number of standard plans.

S. Kelly offered to provide more details concerning the suggested EPO design to the Technical Advisory Committee and to the Marketing Committee as well as to all Board members. A suggestion was made to contact Oxford, a carrier that currently sells a PPO plan in the IHC market, to determine if Oxford might be interested in an EPO plan design. The Board agreed that before it would approach the DOBI concerning an amendment to the SCA regulations, it would seek input from Committees as to whether the EPO design should be pursued.

Outreach

E. DeRosa reported that she was the guest speaker at the March 10, 1999 meeting of the Central Jersey Association of Life Underwriters.

J. Petto reported that she was available to answer questions from HIP members at US Diagnostic Center on March 10, 1999.

Rule Proposal

E. DeRosa reported that the Board received neither oral nor written comments on the rule proposal that adds the inflation-adjusted deductible and maximum out-of-pocket amounts to standard plans C and D. She asked that the Board consider voting to adopt the proposed changes. DAG E. Heck asked that a vote be delayed until after she could speak with the Board on the matter during Executive Session.

V. Report of the Technical Advisory Committee

Rate Filings

S. Kelly reviewed the recommendation of TAC that the Board find the rate filings identified on the TAC Report (copy attached) as complete.

Audits of 1996 calculated reserves

S. Kelly said two carriers, AmeriHealth and PFL, used calculated reserves on the Loss Ratio Report, Exhibit J. As had been the practice in the past, she said the Board sought an independent review of the calculated reserves. She said TAC reviewed the report from Apex Management that concluded that the reserves set by both carriers were supportable. She said TAC agreed with the recommendation from Apex.

S. Kelly offered a motion to accept the recommendation of TAC and find the rate filings identified on the TAC Report as complete and accept the 1996 calculated reserve audit results from the reserve audits of AmeriHealth and PFL. R. Smart seconded the motion. The Board voted unanimously in favor of the motion.

VI. Report of the Operations Committee

Status of 1996 Reimbursable Loss Audits

W. Sanders reported that S. Sanders of Deloitte & Touche (D&T) provided the Operations Committee with an update on the status of the 1996 audits. Draft reports and

engagement letters were sent to all carriers, except TMG, in January and February 1999. MetLife, Travelers, Protective and Manhattan National reviewed and approved the draft reports. W. Sanders said that S. Sanders indicated that he would be sending the final reports to the Board in about one week. W. Sanders said that Washington National, National Casualty and Time had not responded to the request for comments on the draft report and engagement letter. He also noted that S. Sanders reported that D&T was still in the process of auditing TMG.

Performance Reports for 1996 Losses

W. Sanders reminded the Board that carriers that seek reimbursement for losses must submit a Performance Report by April of the following year. Thus, Performance Reports for losses incurred in 1996 were to have been submitted by April 1, 1997. W. Sanders reported that MetLife and Travelers had submitted the Performance Reports nearly two years after the due date. He said that the Operations Committee reviewed the reports submitted by both carriers.

W. Sanders reported that the Committee recommended that the Board accept the Performance Report submitted by Travelers, and release 80% of the loss amount requested on Exhibit K as filed in March 1997, or \$4,529,139.60.

L. Yourman offered a motion to accept the recommendation of the Operations Committee and release \$4,529,139.60 to Travelers, representing an 80% payment of the loss amount originally requested. J. Majcher seconded the motion. The Board voted unanimously in favor of the motion.

W. Sanders reported that the Committee considered the Performance Report submitted by MetLife and noted the difficulties the third party administrator for MetLife had with providing the requested records to the auditor. He said the committee believed the difficulties the auditor had with securing sample data suggested that there might be cause for concern with the records maintained for MetLife. He said the Committee recommended that the Board not pay any of the loss amounts to MetLife until such time as the Board receives and accepts the final audit report from D&T.

W. Sanders also reported that MetLife asked to correct the net earned premium amount reported on the original 1996 Exhibit K filing. He said they wanted to reduce the amount, which would thereby reduce the assessment liability of MetLife. W. Sanders said that the possibility of imposing a close off date for revising previously submitted filings would need to be discussed with the Attorney General's Office.

W. Sanders said that Travelers filed to increase the reimbursable loss amount for 1996 losses. He said the Committee believed Travelers could increase the amount, but that the 80% payment to be made would be based on the originally submitted loss amount and not the increased amount. The payment of the balance would require another assessment since the Board had only billed for the amount of loss reimbursement that was originally requested.

Interest payment to Horizon BCBSNJ

W. Sanders explained that the Board previously discussed the payment of interest on unpaid loss reimbursement to carriers that seek an exemption in the year following the year in which reimbursement was sought. He said that Horizon sought reimbursement for 1994 and 1995 losses, and filed for an exemption in 1996. Therefore, according to the Board's decision, Horizon should be paid interest earned from January 1996 through March 11, 1999 on the principal balance due to Horizon for 1994 losses, reduced by \$78,598.50, to cover half the cost of the loss audit. The amount of interest payment to be made is \$87,553.32.

M. McClure offered a motion to pay \$87,553.32 to Horizon as interest payment on the principal balance due to Horizon for 1994 losses. R. Rondum seconded the motion. The Board voted in favor of the motion, with S. Kelly abstaining.

VII. Executive Session

W. Sanders said the Board needed to discuss the high deductible plan rule adoption, the Board's litigation with CIGNA and Executive Session minutes and asked for a motion to enter Executive Session. He said the high deductible plan rule adoption would be discussed following the Executive Session.

L. Yourman offered a motion that the Board begin Executive Session in order to receive advice from counsel. E. Shrem seconded the motion. The Board voted unanimously in favor of the motion.

[Break: 10:55 a.m. – 11:05 a.m.]

[Executive Session: 11:05 a.m. – 11:35 a.m.]

VIII. Final Business and Close of Meeting

R. Smart offered a motion to adopt the forms and regulation changes to address the IRS inflation-adjusted deductible amounts. L. Yourman seconded the motion. The Board voted unanimously in favor of the motion.

E. Shrem offered a motion to adjourn the Board meeting. J. Majcher seconded the motion. The Board voted unanimously in favor of the motion. The meeting adjourned at 11:36 a.m.

Attachments: Expense Report, Report of TAC

**MINUTES OF THE MEETING OF
THE NEW JERSEY INDIVIDUAL HEALTH COVERAGE PROGRAM BOARD
AT THE OFFICES OF THE NEW JERSEY DEPARTMENT
OF BANKING AND INSURANCE
TRENTON, NEW JERSEY
April 13, 1999**

Directors Participating: Jeff Beck (Aetna U.S. Healthcare); Sandi Kelly (Horizon Blue Cross Blue Shield of New Jersey); Jane Majcher (Department of Banking and Insurance); Mary McClure (The Prudential); Ritamarie Rondum; Rebecca Smart, Chair (Mutual of Omaha).

Others Participating: Ellen DeRosa, Deputy Executive Director; DAG Barbara Mickle (DOL); Pearl Lechner, Program Accountant; Joanne Petto, Assistant Director; Wardell Sanders, Executive Director.

I. Call to Order

W. Sanders called the Board meeting to order at 9:50 a.m. He announced that notice of the meeting had been published in three New Jersey newspapers and posted at the Department of Banking and Insurance and the Office of the Secretary of State in accordance with the Open Public Meetings Act. A quorum was present. He introduced DAG Barbara Mickle who was present as a substitute for DAG E. Heck.

II. Minutes

March 11, 1999

M. McClure offered a motion to approve the minutes of the Open Session of the March 11, 1999 Board meeting, as amended. J. Majcher seconded the motion. The Board voted in favor of accepting the motion, with one abstention, J. Beck.

III. Report of Staff

April 13, 1999 Expense Report (See Attachment)

S. Kelly offered a motion to approve the payment of the expenses shown on the April 13, 1999 expense report. J. Majcher seconded the motion. The Board voted in favor of accepting the motion, with R. Rondum abstaining with respect to reimbursement due to her.

HIP

W. Sanders said that copies of a number of press articles concerning HIP were included in the Board packets. He noted that the packets also contained a copy of an Order released by Commissioner LaVecchia. He explained that one of the items addressed in the Order would specifically impact IHC carriers in that the Order requires IHC carriers to accept applicants who were previously covered by HIP even if they are already eligible for Medicare. He explained that if HIP coverage had continued to be available, persons

who became eligible for Medicare while already covered by HIP would have been permitted to retain the HIP coverage. This portion of the Order preserves their continued eligibility.

W. Sanders reported that the remaining 17 HIP Health Centers were closed as of March 31, 1999.

W. Sanders said that Board staff continued to provide assistance concerning the coverage issues that resulted from the liquidation of HIP.

Status of 1996 Reimbursable Loss Audits

W. Sanders reported that Deloitte & Touche (D&T) was not able to provide the completed 1996 reimbursable loss audits in time for the Operations Committee to review them in anticipation of the Board meeting. He noted that the completed audits do not include the TMG audit. W. Sanders said that D&T advised him that TMG has not been able to produce the information D&T requested. He said the Operations Committee would meet prior to the next Board meeting to discuss the audits.

Status of 1995 Reimbursable Loss Audit

W. Sanders said that D&T advised him that D&T provided Horizon with a draft report of the 1995 reimbursable loss audit.

Performance Reports for 1997/1998

W. Sanders reported that Celtic Life, Trustmark and Manhattan National Life submitted Performance Reports. He reminded the Board that pursuant to Board regulations, carriers that filed for reimbursement for losses for the 1997/1998 period were required to file a Performance Report by April 1, 1999. He said that based on a preliminary review of the Carrier Market Share and Net Paid Gain/Loss Reports (Exhibit K), it appeared that several other carriers were seeking reimbursement and must therefore submit Performance Reports. He said staff would contact the other carriers that must submit a Performance Report.

1997/1998 Net Paid Losses

E. DeRosa reported that based on the Exhibit K filings received to date, nine carriers incurred losses in excess of a 115% loss ratio. She said that some carriers had not properly calculated net paid losses. Using the premium, claims and investment income reported on each Exhibit K and applying the correct formula, she said the losses were nearly \$20,000,000. She noted that one or more of the carriers that had not filed an Exhibit K on a timely basis may have incurred losses such that they would also have a loss ratio of 115% or greater. W. Sanders noted that staff was actively attempting to secure the missing Exhibit K filings.

The Board suggested that the next update of losses should include enrollment data for the carriers seeking reimbursement.

1999/2000 Preliminary Assessment and Market Targets

W. Sanders said that subject to receipt of the Exhibit K filings, staff would develop the preliminary assessment and market targets. He said the draft would be shared with TAC prior to release. He said that the notice of preliminary assessment and market targets should be sent on or about May 1, 1999. Carriers would have 30 days from the date of mailing in which to make an election to seek a conditional exemption.

Horizon Appeal

W. Sanders reminded the Board that it had issued a Final Agency Decision regarding Horizon's appeal of the 1993 and 1994 reimbursable loss audits on February 9, 1999. He reported that Horizon appealed the matter to the Appellate Division. He said that DAG E. Heck had been assigned to handle the appeal on behalf of the Board.

1998 Annual Report Enrollment Data

J. Petto reported that carriers provided the data required by the annual report. She referred the Board to the handout included in Board materials. The Board suggested that she add an analysis of the 1997 year end data as compared to the 1998 year end data.

Outreach

W. Sanders reported that he participated in a panel discussion on the implementation of HIPAA on April 5, 1999 in Washington, DC. He commented that New Jersey was identified as a state that had exceeded the minimum requirements of HIPAA.

E. DeRosa reported that she was a presenter during three seminars intended to provide information to HIP members. The seminars, sponsored by the Medical Society of New Jersey, were very well attended. She said that the seminars in Paramus and Cherry Hill were covered by broadcast media and stated that she had been on News 4 New York one night and NJN the following night.

J. Petto reported that she went to the two Steinbach stores that were closing to provide information on the IHC Program. She noted that the Response Team from the Department of Labor usually provides information concerning the IHC Program but had not done so for these store closings. E. DeRosa said that she followed-up with the Department of Labor to ensure that the Response Team provides information on the IHC Program during all future plant closing visits.

Plan Design

S. Kelly said that she provided E. DeRosa with a memo outlining the plan design she had discussed during the March Board meeting. E. DeRosa said that she received the memo too late to be able to distribute it to Committees for consideration. E. DeRosa mentioned that she had briefly discussed the plan design with the Department of Banking and Insurance. Given the preliminary impression she had received, she suggested that the design be thoroughly discussed with the Department prior to Board Committees spending time reviewing a design that the Department may find unacceptable. E. DeRosa added that she understands that the Department has never approved an exclusive provider

organization (EPO) plan. The Board asked for a copy of the plan design memo that was prepared by Horizon.

After some discussion concerning the possible merits and drawbacks of an EPO plan, E. DeRosa agreed to set up a meeting to thoroughly discuss the EPO plan design with the appropriate persons at the Department such that the Board would be in a better position to make a decision as to whether to pursue Committee analysis of a plan design. The Board asked that an industry representative be invited to the meeting staff would set up.

IV. Report of the Technical Advisory Committee

Rate Filing

S. Kelly reviewed the recommendation of TAC that the Board find the Horizon rate filing as identified on the TAC Report (copy attached) as complete. She explained that rates for plans with the inflation-adjusted deductibles were retroactively effective January 1, 1999, as required by the IRS for plans issued in conjunction with a medical savings account.

J. Majcher offered a motion to accept the recommendation of TAC and find the rate filing identified on the TAC Report as complete. R. Smart seconded the motion. The Board voted in favor of the motion with S. Kelly abstaining.

V. Executive Session

W. Sanders said the Board needed to discuss advice from counsel, the services of a contractor, a staffing matter and Executive Session minutes and asked for a motion to enter Executive Session. He said there would be no further discussion following the Executive Session.

M. McClure offered a motion that the Board begins Executive Session. J. Majcher seconded the motion. The Board voted unanimously in favor of the motion.

[Executive Session: 10:38 a.m. – 11:35 a.m.]

VI. Close of Meeting

M. McClure offered a motion to adjourn the Board meeting. S. Kelly seconded the motion. The Board voted unanimously in favor of the motion. The meeting adjourned at 11:35 a.m.

Attachments: Expense Report
Report of TAC