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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
September 14, 2000**

Directors Participating: Linda Ilkowitz (Guardian); Sandi Kelly (Horizon Blue Cross Blue Shield of New Jersey); Jane Majcher (Department of Banking and Insurance); Mary McClure (AUSHC); Eileen Shrem; Rebecca Smart (Mutual of Omaha); Lisa Yourman.

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

I. Call to Order

R. Smart called the Board meeting to order at 9:40 a.m. W. Sanders announced that notice of the meeting had been sent to 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.

II. New Jersey Family Health Survey

W. Sanders said that Joel Cantor and Kim Fox from the Center for State Health Policy, from the Institute for Health, Health Care Policy and Aging Research of Rutgers University, were present to speak with the Board about a family health survey. W. Sanders reminded the Board that he had requested input from Board members regarding issues that might be useful to consider in a survey. W. Sanders said that he compiled the suggestions that were offered and that he and E. DeRosa met with J. Cantor and K. Fox several weeks ago to discuss the New Jersey Family Health Survey and that J. Cantor and K. Fox had requested the opportunity to briefly speak with the Board regarding the survey.

J. Cantor discussed the New Jersey Family Health Survey. A copy of the slide presentation is attached.

L. Ilkowitz expressed her support for the objectives of the survey. She also stated her concern that privacy guidelines that are expected to be released within the next several weeks from the Department of Health and Human Services might preclude carriers from being able to share the types of data that J. Cantor might like to receive from carriers. R. Smart echoed the privacy issues concerns. J. Cantor said he was cognizant of privacy issues and offered to provide written information concerning privacy protection that carriers could provide to their Legal Departments to hopefully address any concerns they may have with the release of data.

The Board indicated it would not be in a position to indicate whether it could support the survey until after privacy issues have been addressed.

III. Minutes

August 8, 2000

S. Kelly offered a motion to approve the draft minutes of the Open Session of the August 8, 2000 Board meeting, as amended. J. Majcher seconded the motion. The Board voted unanimously in favor of the motion.

IV. Report of Staff

Expense Report

M. McClure offered a motion to approve the payment of the expenses shown on the September 14, 2000 expense report. L. Ilkowitz seconded the motion. The Board voted in favor of the motion, with E. Shrem and L. Yourman abstaining with respect to reimbursement to them.

Interim Reconciliation Assessment Collections: 1997/1998

W. Sanders said the Board billed for \$5,351,631.96 and that 100% of the amount had been collected.

Letter Regarding Legislative Changes

W. Sanders said the letter to the Commissioner regarding suggested legislative changes to the IHC Program had been sent to the Commissioner and that a copy of the final letter was in the Board materials. He said he received an inquiry from the Commissioner requesting clarification on a couple of issues.

Legislative Update

A.1309: W. Sanders said this bill would amend the Right to Know Law making a wider range of documents available, imposing stringent timeframes for responses to Right to Know requests, and imposing penalties on public persons who are found to have unreasonably denied access to public documents. If an agency has a valid reason to want to prevent access to certain documents, such documents would have to be identified in a regulation as being confidential.

Senator DiFrancesco's Health Care Agenda: W. Sanders said that while no bill had been introduced, there was a press clipping concerning the health care agenda as well as a more comprehensive summary in the Board materials. W. Sanders said that the agenda includes a requirement that IHC Program carriers offer two bare-bones type of plans.

A.1606: In response to an inquiry regarding A. 1606, W. Sanders said this bill, which would allow for modified community rating in the individual market, EPO plans and addresses the calculation of the loss ratio, had passed the Assembly, but that he had no further information as to status.

V. Report of the Operations Committee

W. Sanders said that the Operations Committee carefully reviewed the four bids that were submitted in response to the Request for Proposal for an Audit Firm. Each Committee member scored each bid based on the following objective criteria: general background, experience and qualification of the bidder; experience in handling or administering similar governmental programs; qualifications of personnel to be assigned to the project; demonstrated willingness of the bidder to provide necessary assistance to the IHC Board in the time frames specified in the RFP; cost, including rates and reimbursement policy; ability to handle audits in multiple locations, and strength of the bidder's references. The cumulative results were that Deloitte & Touche (D&T) received the highest score. The Committee recommended that the Board award the auditing contract to D&T, noting that D&T appeared to be best suited for the job.

R. Smart offered a motion that the Board award the auditing services contract to D&T. L. Ilkowitz seconded the motion. The Board voted unanimously in favor of the motion.

VI. Report of TAC

Rate Filings

S. Kelly said that TAC reviewed four rate filings, as specified on the Report of TAC.

J. Majcher offered a motion to find the filings specified on the September 14, 2000 Report of TAC as complete. R. Smart seconded the motion. The Board voted in favor of the motion, with S. Kelly abstaining with respect to the Horizon filing and L. Ilkowitz abstaining with respect to the Guardian filing.

The Board asked that future TAC reports specify the names of the Committee members who participated in the meeting in addition to summarizing the recommendations.

Cost Impact

S. Kelly said TAC had completed the assignment concerning the anticipated cost impact of offering a \$5,000 and \$10,000 deductible options with plan A/50. She explained the summary impact spreadsheet that was attached to the TAC Report. She noted that the information is only a projection of what *might* occur if these deductibles were to be introduced and that no Board member should assume that the projection is a definitive statement as to the rate impact. It was assumed that as the number of persons covered under existing plans who shift to the \$5,000 or \$10,000 deductible plan increases, the greater will be the increase to the rates for existing plans. She said that while the spreadsheet included a section illustrating what might happen if the new plan deductibles were to have 20% penetration, it seemed unlikely that the new deductibles would attract such a significant segment of the market within the first year.

S. Kelly said that TAC did not consider whether the \$5,000 and \$10,000 deductible should replace one or more existing deductible option. She noted that in the past, TAC believed that only two deductibles per plan should be offered.

W. Sanders said he would like the Commissioner to be made aware of the possibility of the \$5,000 and \$10,000 deductible options in light of the fact that Senator DiFrancesco had indicated he will introduce a bill including bare-bones plan options. The Board noted that with the \$5,000 and \$10,000 deductible options there would be high out of pocket exposure, and the Board wondered if the Commissioner might have a concern with plans that provide catastrophic coverage with such significant initial exposure. Consumers have indicated a desire for high deductible plans which would be in addition to the bare bones type plan Senator DiFrancesco has suggested.

VII. Executive Session

W. Sanders said the Board needed to receive some legal advice and vote on Executive Session minutes and asked for a motion to begin Executive Session.

E. Shrem offered a motion that the Board begin Executive Session. M. McClure seconded the motion. The Board voted in favor of beginning Executive Session.

W. Sanders said the Board would have no further discussion in Open Session following the Executive Session.

[Executive Session: 11:25 a.m. – 12:10 p.m.]

[Break: 11:25 a.m. – 11:38 a.m.]

VIII. Close of Meeting

M. McClure offered a motion to adjourn the Board meeting. E. Shrem seconded the motion. The Board voted unanimously in favor of accepting the motion. The meeting adjourned at 12:10 p.m.

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THE NEW JERSEY INDIVIDUAL HEALTH COVERAGE PROGRAM BOARD
AT THE OFFICES OF THE NEW JERSEY DEPARTMENT
OF BANKING AND INSURANCE
TRENTON, NEW JERSEY
October 10, 2000**

Directors Participating: Claudine Harper (AUSHC); Linda Ilkowitz (Guardian); Sandi Kelly (Horizon Blue Cross Blue Shield of New Jersey); Jane Majcher (Department of Banking and Insurance); Rita Rondum; Rebecca Smart (Mutual of Omaha); Lisa Yourman.

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

I. Call to Order

R. Smart called the Board meeting to order at 9:38 a.m. W. Sanders announced that notice of the meeting had been sent to 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.

W. Sanders explained that the Open Public Meetings Act requires certain entities, such as the IHC Board, to provide members of the public with notice of meetings and an opportunity for the public to observe the deliberations of the entity. It does not require public entities to receive input from members of the public. Nevertheless, the IHC Board received a request from Clarica (formerly The Mutual Group) and its counsel to address the Board regarding the IHC Board's audit of Clarica's 1996 net paid loss statement. The IHC Board granted the request. W. Sanders noted that this would not be an evidential hearing, and it was not expected that members of the Board would enter into dialog with representatives of Clarica or Clarica's counsel.

II. Presentation by Clarica

Representing Clarica were the following persons: Cynthia Borrelli from Bressler Amery & Ross as counsel for Clarica; Douglas H. Starck, in-house counsel for Clarica; and Paul J. Charney, internal auditor from Clarica.

D. Starck explained that Clarica does not market and has no inforce health insurance in any state. He explained that they have located the data tapes that were prepared on 12/31/96. Those tapes were driven to the office in Canada via ground transportation to ensure that the data on the tapes would not be damaged during the security scanning at the airports. The data system that was operational in 1996 was then reactivated and data from the Canadian office was made available at the Wisconsin location. He said that claims data for 1996 was now available at the Clarica offices in Wisconsin and that auditors from Deloitte & Touche (D&T) had already spent time in the Wisconsin office reviewing the data. D. Starck said that Clarica provided a 60-page response letter to audit inquiries previously made by D&T. He also said that he believed that Clarica would be in a position to address claims, expenses and premium issues by the end of the week (October 13, 2000). He said that Clarica would need until the end of October to address net investment income issues.

III. First Executive Session

W. Sanders said that the Board would discuss this information during Executive Session and advised the Clarica representatives that the Board would reconvene following Executive Session.

R. Smart offered a motion for the Board to begin Executive Session. L. Yourman seconded the motion. The Board voted unanimously in favor of the motion.

[Executive Session: 9:48 a.m. – 10:50 a.m.]

[Break: 10:50 a.m. – 11:00]

IV. Discussion of Clarica Presentation

W. Sanders noted the following:

1. The Board has been extremely patient. All other 1996 audits have been completed.
2. The Board understands that Clarica believes that all information necessary to complete the claims, premium and expenses of the loss audit will be provided by October 13, 2000 and that all information necessary to complete the net investment income portion of the audit will be provided by October 31, 2000. The Board will allow Clarica to proceed with providing data for the audit within these timeframes.
3. The Board recognizes that the audit process involves a dialog. The Board also recognizes that it has a fiduciary responsibility and that the Board has been incurring additional expenses as a result of the prolonged nature of the audit. Therefore, the Board asks that Clarica agree to bear the entire cost of the audit for any periods beyond the date of the next Board meeting, November 14, 2000.
4. The Board just learned of the prescription drug coverage rider that was noted on the enrollment form that was provided to D&T. Such prescription coverage was not specified in the standard health benefit plans and would have an impact on the audit and reimbursement to which Clarica may be entitled. In addition, use of a non-standard benefit may be an issue for enforcement since carriers may not offer coverage other than the coverage specified in the standard health benefit plans. The Board requests a written explanation as to the nature of this coverage. The Board will address the impact of such coverage with D&T.
5. During the presentation from Clarica it was suggested that premium, expenses and net investment income were "back burner" issues. The Board wants to ensure that Clarica understands that there are no "back burner" issues. All information required to complete the audit of 1996 losses must be handled rapidly.

Doug Starck thanked the Board for its consideration of the information he had provided. He said that Clarica would proceed to provide the necessary data to enable the 1996 audit to be completed. He said he was not familiar with the prescription drug coverage issue and would investigate.

V. Minutes

September 14, 2000

J. Majcher offered a motion to approve the draft minutes of the Open Session of the September 14, 2000 Board meeting, as amended. Linda Ilkowitz seconded the motion. The Board voted in favor of the motion, with R. Rondum abstaining.

VI. Report of Staff

Expense Report

S. Kelly offered a motion to approve the payment of the expenses shown on the October 10, 2000 expense report. J. Majcher seconded the motion. The Board voted unanimously in favor of the motion.

Legislative Update

S. 13: W. Sanders said this bill would amend both the IHC and SEH Acts by requiring carriers to offer a bare bones plan with benefits as described in the bill. The contract for the bare bones plans would not be a standard plan. Carriers would be required to file the contract forms for the bare bones plan with the Department. The rates for the bare bones plan would vary based on age, gender and geographic location, based on a 3.5:1 ratio. Carriers could file riders of increasing value to amend the bare bones plan. The bill does not specify the review or approval process for either forms or rates.

L. Ilkowitz suggested that the Board might be able to amend the old Plan A to create a standard version of the bare bones plan and thus eliminate the issue of having a non-standard plan in a standard plan market.

Since the benefit design of the bare bones plan fails to include some essential data such as deductible and coinsurance requirements, the Board was not in a position to ask TAC to try to price the benefit design.

1999 Census Data

According to the 1999 census report, both national and New Jersey levels of uninsured have decreased.

VII. Report of TAC

Rate Filings

S. Kelly said that TAC reviewed three rate filings, with one from Aetna Life and two from United, and recommended that all be found complete.

R. Smart offered a motion to find the Aetna Life filing as complete. J. Majcher seconded the motion. The Board voted unanimously in favor of the motion.

R. Smart offered a motion to find the two filings from United Healthcare (indemnity and HMO) as complete. L. Ilkowitz seconded the motion. The Board voted unanimously in favor of the motion.

Cost Impact

S. Kelly said TAC considered whether the \$5,000 and \$10,000 deductible options with Plan A/50 should be in addition to the existing deductible options, or replace the existing options. She said the Committee believed that the new options could be in addition to the existing options. She said TAC would like to see how the options are received in the marketplace before considering whether to eliminate the existing options.

VIII. Second Executive Session

W. Sanders said the Board needed to receive some legal advice and vote on Executive Session minutes and asked for a motion to begin Executive Session.

R. Smart offered a motion that the Board begin Executive Session. J. Majcher seconded the motion. The Board voted in favor of beginning Executive Session.

W. Sanders said the Board would have no further discussion in Open Session following the Executive Session.

[Executive Session: 11:45 a.m.– 12:10 p.m.]

IX. Close of Meeting

R. Rondum offered a motion to adjourn the Board meeting. L. Ilkowitz seconded the motion. The Board voted unanimously in favor of accepting the motion. The meeting adjourned at 12:10 p.m.

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November 14, 2000**

Directors Participating: Sandy Herman (Guardian); Sandi Kelly (Horizon Blue Cross Blue Shield of New Jersey); Jane Majcher (Department of Banking and Insurance); Mary McClure (AUSHC); Eileen Shrem; Lisa Yourman.

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

I. Call to Order

W. Sanders called the Board meeting to order at 9:50 a.m. W. Sanders announced that notice of the meeting had been sent to 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.

II. Minutes

October 10, 2000

J. Majcher offered a motion to approve the draft minutes of the Open Session of the October 10, 2000 Board meeting, as amended. L. Yourman seconded the motion. The Board voted in favor of the motion, with E. Shrem abstaining. (Both S. Herman and M. McClure indicated that they consulted with the representatives from their respective carriers who participated in the October Board meeting and were therefore able to vote on the minutes of the meeting they had not personally attended.)

III. Report of Staff

Expense Report

W. Sanders noted one new expense on the October Expense Report, a payment to J. Fusco. W. Sanders explained that since J. Petto was out on disability due to knee surgery, that Joan Fusco had been coming in to help respond to inquiries and work on various other projects.

S. Kelly offered a motion to approve the payment of the expenses shown on the November 14, 2000 expense report. J. Majcher seconded the motion. The Board voted unanimously in favor of the motion.

Legislative Update

S. 13: W. Sanders said this bill, which would amend both the IHC and SEH Acts by requiring carriers to offer a bare bones plan with benefits as described in the bill, was heard by the Senate Health Committee on November 9, 2000. He said he understood that the bill had been reported out of Committee. He said that the Boards' concerns with the bill that the DOBI agreed with were included in a memo that was sent to the Commissioner.

S. Kelly said that a major concern in the bill was the different rating rules for the bare bones plan. The bare bones plan would be subject to modified community rating, whereas the standard plans are subject to pure community rating. She expressed concern about market segmentation. S. Kelly asked J. Majcher to note the Board's concerns to the Department.

S. 197 W. Sanders said that this bill, which addresses self-funded MEWAs, was also heard by the Senate Health Committee on November 9, 2000. The bill would require self-funded MEWAs to register with the State, but does not impose other requirements on MEWAs. He said he understood that this bill was not reported out of Committee and that there had been a number of persons speaking in opposition to the bill.

Reconciliation of IHC and SEH Accounts

P. Lechner discussed her October, 2000 memo that addressed reconciliation of the IHC and SEH accounts for fiscal year 2000. Since most of the payments have been paid from the SEH account, the IHC Program owes the SEH program for the proportionate share of expenses for salary and fringe benefits, equipment, furniture, etc. In addition, both the IHC and SEH Boards owe the DOBI for indirect costs and telephone charges. Rather than the IHC Board directly paying the DOBI, it would transfer the amount owed to the DOBI to the SEH account and then payment to the DOBI would come from only the SEH account.

M. McClure offered a motion to pay the SEH Board \$180,571.97. (This payment includes \$180,295.40 due to the SEH Board, \$4,065.87 that the IHC would pay to the SEH Board for the DOBI expense, and is credited with \$3,798.30 that the SEH Board owes to the IHC Board.) S. Herman seconded the motion. The Board voted unanimously in favor of the motion.

Privacy Issues

W. Sanders noted that the Board materials included a copy of a newsletter prepared by Deloitte & Touche that provides a good explanation of the NAIC Privacy Regulation. He said it was provided for information purposes only.

Nomination Forms for Open Carrier Seat

W. Sanders said nomination forms to seek nominations for foreign insurance carriers to fill the seat that was previously held by Mutual of Omaha were sent out. He said the election would be held in December.

Operations Committee

W. Sanders said the Committee met right before the Board meeting. Representatives from Clarica and Scott Sanders from D&T participated in the discussion. W. Sanders said the reason for the meeting was to receive a status update on the progress of the 1996 loss audit of TMG (now called Clarica). W. Sanders said Clarica said that all outstanding data would be provided to D&T by the following week (week of November 20, 2000). He noted that as of November 14, 2000, Clarica agreed to bear 100% of the cost associated with the loss audit, as opposed to the 50% share that is specified in the regulation.

IV. Report of TAC

Rate Filings

M. McClure asked that the minutes of this meeting reflect that the representative from Aetna US Healthcare intended to abstain from the vote on the Aetna Life Insurance company filing that had been considered during the October 10, 2000 Board meeting.

S. Kelly said that TAC reviewed two rate filings, with one from Aetna US Healthcare and one from CIGNA. She noted that the Report of TAC did not show a vote for the CIGNA filing because the TAC members had some questions concerning the filing. E. DeRosa said she spoke with the CIGNA actuary following the TAC meeting. The actuary sent corrections to the filing that E. DeRosa distributed to TAC for review. She said she received e-mails from four of the five TAC members stating that the revised filing should be found complete. One TAC member did not respond. Thus, the TAC recommendation would be 4-0-1 in favor of finding the CIGNA filing complete.

J. Majcher offered a motion to find the Aetna US Healthcare and CIGNA filings as complete. E. Shrem seconded the motion. The Board voted in favor of the motion with M. McClure abstaining with respect to the filing from Aetna US Healthcare.

Modified Community Rating

S. Kelly said that in response to a request from the Commissioner, TAC was working on updating the modified community rating data that had been provided in February 1999. She said a copy of the format TAC was using to present the data was attached to the TAC Report. She suggested that the Board should be provided with the updated data before it would be provided to the Commissioner. If any Board members had questions or concerns with the data, the Board could meet to discuss the data before providing it to the Commissioner.

V. Report of the Marketing Committee

E. Shrem said that she noted from the minutes of the October Board meeting that TAC provided the additional information the Board requested concerning the possibility of offering \$5,000 and \$10,000 deductible options with plan A/50. She asked that the Board propose the new deductible options so they could be available as quickly as possible. She said that there is a need for a high deductible catastrophic plan.

W. Sanders said it was his understanding that the Commissioner had some concerns with plans that include such high deductibles and needed more time to consider such a plan design. He said that the Senate Concurrent Resolution 82 suggested that the way to reduce the cost of coverage was to eliminate some of the benefits provided and that increasing the level of cost sharing by increasing the deductible was not the best way to reduce cost.

E. DeRosa asked if the Board believed the \$5,000 and \$10,000 deductible should be standard deductibles that all indemnity carriers must offer, or should they be optional for the carrier to offer. The Board believed the deductible should be standard deductibles, and mandatory for carriers to offer.

M. McClure noted that the materials describing the plans would have to be really clear to explain that the first \$10,000 would be payable by the covered person.

E. Shrem offered a motion that the Board propose an amendment to Plan A/50 to require that carriers offer both a \$5,000 and a \$10,000 deductible in addition to the existing \$1,000 and \$2,500 deductibles. S. Herman seconded the motion. The Board voted in favor of the motion, with J. Majcher abstaining.

W. Sanders noted that the proposal would have to be sent to Governor's Counsel for review before being filed with the Office of Administrative Law.

VI. Executive Session

W. Sanders said the Board had to discuss Executive Session minutes, some legal matters, and a staff issue and asked for a motion to begin Executive Session.

J. Majcher offered a motion that the Board begins Executive Session. E. Shrem seconded the motion. The Board voted in favor of beginning Executive Session.

W. Sanders said the Board would have a short discussion in Open Session following the Executive Session.

[Break: 10:50 a.m. – 11:00 a.m.]

[Executive Session: 11:00 a.m. – 11:50 a.m.]

VII. Final Business and Close of Meeting

L. Yourman offered a motion that the Board propose modifications to Exhibit K to address the manner in which Medicare+Choice premium should be reported and to include separate lines for premium for each of the two years in the two-year calculation period. E. Shrem seconded the motion. The Board voted unanimously in favor of the motion

M. McClure offered a motion to adjourn the Board meeting. E. Shrem seconded the motion. The Board voted unanimously in favor of accepting the motion. The meeting adjourned at 11:55 a.m.