

FINAL
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 11, 2007

Directors participating: Darrel Farkus (United); Sandi Kelly (Horizon BCBSNJ); Gale Simon (DOBI); Christine Stearns (*arrived at 9:40*); Mary Taylor (Aetna Health Inc.); Lisa Yourman (*arrived at 9:45*).

Others present: Ellen DeRosa, Executive Director; DAG Vicki Mangiaracina (DLPS); DAG Eleanor Heck (DLPS); Rosaria Lenox, Program Accountant; Chanell McDevitt, Deputy Executive Director.

I. Call to Order

E. DeRosa called the meeting to order at 9:35 A.M. She announced that notice of the meeting had been published in two newspapers and posted at the Department of Banking and Insurance (“DOBI”), the DOBI website, and the Office of the Secretary of State in accordance with the Open Public Meetings Act. A quorum was not present.

II. Report of Staff

Enrollment Report (2Q07); Discussion about B&E Disclosures

E. DeRosa distributed the enrollment report for 2Q07. Enrollment in the individual market continued to increase, for the sixth consecutive quarter. All of the growth in this quarter is attributable to increases in purchases of the Basic & Essential (B&E) plans. A member noted the natural assumption is that the increase in the B&E enrollment is based on premium costs.

D. Farkus voiced his concern that many people are purchasing B&E plans without recognizing the limitations of the plans. He noted that more and more people are shopping for insurance using the Internet, and many Internet resources emphasize the low costs without also adequately disclosing the limited benefits contained in B&E plans.

E. DeRosa noted that she has begun to receive more complaints about the B&E plans, although still not a large number, most notably because B&E do not cover costs related to ambulance services, which many purchasers fail to realize.

At 9:40 A.M., a quorum was present, permitting the Board to take official action.

III. Minutes

July 10, 2007

C. Stearns made a motion to accept the Open Session minutes of July 10, 2007, with amendments. S. Kelly seconded the motion, and the motion was approved by the Board, with L. Yourman abstaining.

IV. Annual Meeting – Membership of the Board; Officers; Reconstitution of Committees

E. DeRosa reminded the Board that notice had been given that the September meeting is the Board's annual meeting, and that it was necessary to elect certain director seats, appoint a chair and vice chair, and reconstitute committees.

Nominations were received for Horizon Blue Cross and Blue Shield of New Jersey as the health service corporation, and for United Healthcare Insurance Company as the foreign insurer representatives.

Upon tallying the votes, R. Lenox determined that Horizon received six votes, and United received seven; there were no write-in candidates. Accordingly, Horizon and United each have been voted in for a three-year term of office.

E. DeRosa requested nominations from among the directors for the position of Chair for the IHC Board.

G. Simon made a motion to nominate Mary Taylor, Aetna's representative, to serve as Chair for the IHC Board. L. Yourman seconded the motion. The Board voted in favor of the motion.

E. DeRosa requested nominations for the position of Vice Chair for the IHC Board.

M. Taylor made a motion to nominate S. Kelly, Horizon's representative, to serve as Vice Chair for the IHC Board. C. Stearns seconded the motion. The Board voted in favor of the motion.

E. DeRosa reported that she had asked existing committee members if anyone wished to be removed from the committee on which he or she was serving, but all had expressed a desire to continue participation. E. DeRosa reminded Board members of the current composition of the Legal, Technical Advisory (TAC), Operations & Audit (OAC), and Marketing committees, and asked if there was a desire to change the composition of any committee.

S. Kelly made a motion to reconstitute each of the standing committees with the membership as it currently exists for each committee. M. Taylor seconded the motion, and the Board voted unanimously in favor of the motion.

Composition of the committees continues as follows:

- Legal – DOBI, Horizon, Aetna, employer representative
- Technical Advisory Committee (TAC) – DOBI, Horizon, Aetna, Guardian
- Marketing – employer representative, Horizon, Aetna, United
- Operations & Audit (OAC) – DOBI, Aetna, Horizon, United

V. Report of Staff

Expense Report

R. Lenox provided a summary of the September 2007 Expense report, which included expenses totaling \$88,467.62.

M. Taylor made a motion to approve the payment of the expenses on the September 2007 expense report. L. Yourman seconded the motion and the Board voted unanimously in favor of it.

Exemption Requests for 2003/2004 and 2005/2006

E. DeRosa reported that requests for exemptions from assessments for the 2003/2004 and 2005/2006 calculation periods were received from Aetna, AmeriHealth, CIGNA, HealthNet, Horizon and United. She reported that the certifications of nongroup lives for each calculation period had also been received timely from all carriers seeking exemptions. She noted, however, that the certifications of nongroup lives for each carrier are inconsistent with the other reports against which staff compares enrollment and premium (quarterly enrollment reports, exhibit K reports, and HMO quarterly statements), and thus, staff is seeking explanations for the inconsistencies. E. DeRosa stated that some of the inconsistencies are significant. After she has the information from the carriers, she will provide the information to TAC for consideration. She said she expected TAC would have recommendations on exemption filings during the next Board meeting. After the IHC Board takes action on the exemption requests, the Board can then proceed with the assessments.

E. DeRosa noted that inconsistencies in the numbers carriers submit in the various reports are a constant problem. S. Kelly suggested some reasons for the inconsistencies, and M. Taylor suggested that some of the problem might be resolved in future years if the IHC Board were to require carriers to reconcile the certification of nongroup persons report with the reports staff uses for verification, or specify from which report the carrier should draw the numbers.

M. Taylor recused herself from the vote with respect to whether her employer, Aetna Health Inc., should receive conditional approval of its exemption requests.

S. Kelly recused herself from the vote with respect to whether her employer, Horizon Blue Cross and Blue Shield of New Jersey, should receive conditional approval of its exemption requests.

D. Farkus recused himself from the vote with respect to whether his employer, Oxford Health Plans – United Healthcare, should receive conditional approval of its exemption requests.

G. Simon made a motion to conditionally grant the exemption requests received from Aetna, AmeriHealth, CIGNA, HealthNet, Horizon and United for both the 2003/2004 and 2005/2006 calculation periods. C. Stearns seconded the motion. The Board voted unanimously in favor of the motion.

E. DeRosa noted that only Guardian and Celtic had filed for losses for the 2003/2004 and 2005/2006 calculation periods, and that combined, the losses reported for the 2003/2004 calculation period are less than \$1.5 million, and for the 2005/2006 calculation period are just over \$1,000,000.

VI. Report of the Technical Advisory Committee

S. Kelly recused herself from the vote on the Horizon rate filings because of her employer's interest in the outcome of the vote.

E. DeRosa reported that Horizon submitted a letter requesting a second extension of its rates for its B&E plans effective November 1, 2007, but did not submit a rate filing. Horizon subsequently rescinded the letter, so no action is necessary. Horizon also submitted new rates for its HMO plan, effective August 1, 2007. TAC recommended that the IHC Board find the rate filing to be complete.

M. Taylor made a motion to find the Horizon filing to be complete. L. Yourman seconded the motion, and the Board voted unanimously to approve it.

E. DeRosa reported that TAC reviewed 2Q07 quarterly B&E reports from AmeriHealth, Horizon and Oxford. TAC will continue to evaluate the reports for any evidence of adverse selection.

VII. Report of the Operations and Audit Committee (OAC)

E. DeRosa reported that the OAC has met twice since the prior IHC Board meeting.

August 17, 2007 meeting

M. Taylor reported that the OAC met on August 17, 2007 with Deloitte & Touche (D&T) to discuss the draft administrative audit reports in compliance with Executive Order 122 (McGreevey). The OAC requested some revisions to both the draft reports and the management representation letter. M. Taylor reported that there were discussions between the OAC and D&T without staff present (as required by Executive Order 122); the OAC had indicated no particular concerns had been noted by D&T, and indeed, D&T was very complimentary to R. Lenox and the work she has undertaken getting the financial records and accounts of the IHC Program into good order. D&T had two

recommendations with respect to process improvements: that the Board set forth written process and procedures for the IHC Program accounting; and, that the Board establish an annual review mechanism to assure that no inappropriate activity is occurring or has occurred. D&T stated that they would provide some helpful information with respect to the annual monitoring process.

September 4, 2007

R. Lenox reported that the OAC had reviewed the financial statements for the 2007 fiscal year that ended on June 30, 2007 (balance sheet, revenue and expenditures, cash flow and budget comparison), and she presented the financial reports to the IHC Board. She noted that the OAC had recommended booking late fees paid by carriers as “deferred income,” so she had revised the financial report (presented to the Board) accordingly. The OAC did not yet develop any recommendations for the IHC Board on what to do with the late fees.

C. Stearns asked if a budget had been prepared for FY2008, to which R. Lenox replied that she has a draft budget, but is still waiting on information from the Department of Banking and Insurance regarding a percentage for fringe benefits and overhead allocations. R. Lenox noted that she expects the fringe percentage to be different from last fiscal year (less overall) because of changes made in contributions and cost-sharing for pensions and health plans.

C. McDevitt noted that the OAC had requested some changes to the administrative audit scope of work, and she had received additional comments from V. Mangiaracina. The redlined version presented to the Board included changes based on the comments from the OAC and V. Mangiaracina.

Board members recommended against permitting submission of quotes in response to the scope of work by email or facsimile. In addition, there was brief discussion about the qualifications and performance of some of the potential bidders for the work, and whether the Board may be requesting adequate information. M. Taylor suggested the Board take time to review the draft and not vote on it until the next meeting.

V. Mangiaracina reported that discussions with other individuals in the Attorney General’s office indicate that use of Treasury’s T-2458 contract for the loss audits is not feasible. She explained that the Treasury contract is specifically for the audit of New Jersey’s government agencies using generally accepted government auditing standards; whereas, the loss audits involve audits of private companies, virtually all of whom are located out-of-state. V. Mangiaracina recommended, and both the OAC and Legal Committees agreed, that the IHC Board engage in a full, competitive bid for the loss audits. C. McDevitt stated that the scope of work for the loss audits would be reworked into a Request for Proposal for purposes of a separate competitive bid process for the loss audits.

VIII. Executive Session

E. DeRosa said the Board would need to go into Executive Session to consider draft Executive Session minutes, and discuss current or pending litigation. She said the Board does not intend to conduct additional business following Executive Session.

D. Farkus made a motion to move the meeting into Executive Session. M. Taylor seconded the motion, and the Board voted unanimously to approve it.

[Executive Session: 10:35 A.M. to 11:25 A.M.]

IX. Close of Meeting

M. Taylor offered a motion to close the meeting. L. Yourman seconded the motion. The Board voted unanimously in favor of the motion.

The meeting adjourned at 11:27 A.M.