

**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
August 1, 2006**

Directors participating: Darrel Farkus (Oxford); Ulysses Lee (Guardian); Steve Lenox; Gale Simon (DOBI); Neil Sullivan (Horizon BCBSNJ) (arrived at 9:50 a.m.); Mary Taylor (Aetna Health Inc.).

Others present: Ellen DeRosa, Executive Director; DAG Eleanor Heck (DOL); Rosaria Lenox, Program Accountant.

I. Call to Order

E. DeRosa called the meeting to order at 9:32 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 present.

II. Minutes

June 20, 2006

U. Lee offered a motion to accept the Open Session minutes of the June 20, 2006 Board meeting, as amended. S. Lenox seconded the motion. The Board voted unanimously in favor of the motion.

III. Report of Staff

Expense Report

M. Taylor offered a motion to approve the payment of the expenses on the August 2006 expense report. G. Simon seconded the motion. The Board voted unanimously in favor of the motion.

B&E Marketing Reports for 2005

E. DeRosa reminded the Board that the filing requirements in N.J.A.C. 11:22.6(c) are very objective and require only three things:

- Send a copy of the application that shows B&E is listed
- Send evidence of at least one marketing effort
- Send a certification

E. DeRosa said that for each report submitted she verified that the application lists the B&E plan, as required, and that the certification was provided. She said she copied and included one sample of each carrier's marketing efforts in the materials provided to the Board. She noted that some carriers provided evidence of more than one effort.

The Board discussed the fact that a several of the filings were submitted after the May 1, 2006 due date and recommended that those carriers be specifically reminded that the reports are due no later than May 1 of each year.

Aetna Life Insurance Company

M. Taylor recused herself from consideration of the filing submitted by Aetna Life Insurance Company since the filing was submitted by her employer.

G. Simon offered a motion to find that Aetna Life demonstrated it had marketed the B&E plan in good faith in 2005. D. Farkus seconded the Motion. The Board voted unanimously in favor of the motion.

AmeriHealth, Celtic, CIGNA, HealthNet, Horizon

M. Taylor offered a motion to find that AmeriHealth, Celtic, CIGNA, HealthNet, and Horizon demonstrated they had marketed the B&E plan in good faith in 2005. U. Lee seconded the Motion. The Board voted unanimously in favor of the motion.

Oxford, United

D. Farkus recused himself from consideration of the filings submitted by Oxford, United Insurance Company since the filings were submitted by his employer.

M. Taylor offered a motion to find that Oxford and United demonstrated they had marketed the B&E plan in good faith in 2005. G. Simon seconded the motion. The Board voted unanimously in favor of the motion.

B&E Forms Filings

AmeriHealth

E. DeRosa explained that AmeriHealth amended the prior 125 Basic and 125 Preferred riders such that they appropriately amend the July 2006 specimen B&E policy form. The enhanced coverage provided by the riders is consistent with the enhanced coverage the prior riders provided.

D. Farkus offered a motion to approve the AmeriHealth 125 Basic and 125 Preferred riders that amend the B&E plan. S. Lenox seconded the motion. The Board voted unanimously in favor of the motion.

Horizon

[Neil Sullivan arrived at the meeting.]

N. Sullivan recused himself from consideration of the Horizon filing since the filing was submitted by his employer.

E. DeRosa said Horizon revised their existing EPO plan consistent with the amendments the Board made to the specimen B&E plan except the Horizon EPO form continues to include the utilization review text that was included in standard plans prior to July 1, 2006 and the form includes a definition of medically necessary and appropriate from N.J.S.A. 17B:30-50.

M. Taylor offered a motion to approve the Horizon B&E EPO policy form filing. S. Lenox seconded the motion. The Board voted unanimously in favor of the motion.

Oxford

D. Farkus recused himself from consideration of the Oxford filing since the filing was submitted by his employer.

E. DeRosa said Oxford revised their EPO policy form consistent with the amendments the Board made to the specimen B&E plan.

G. Simon offered a motion to approve the Oxford B&E EPO policy form filing. N. Sullivan seconded the motion. The Board voted unanimously in favor of the motion.

IV. Report of the Marketing Committee

D. Farkus said the Committee discussed distribution of the 2006 Buyer's Guide. The Committee recommended that hard copies of the Buyer's Guide be available for consumers. Those hard copies need not be produced at a printer, but may be produced as photocopies of the text. Whenever possible, brokers and consumer should access the Buyer's Guide on the website.

D. Farkus emphasized that the Buyer's Guide is not a marketing piece. If the Board wishes to pursue creation of a marketing piece, D. Farkus said the Committee recommended that it be very basic, perhaps no more than one page.

The Board asked the Marketing Committee to work toward the creation of such marketing piece.

V. Report of the Technical Advisory Committee

E. DeRosa said TAC met on July 27, 2006 to consider several rate filings and a B&E quarterly report.

Aetna Life Rate filing

M. Taylor recused herself from consideration of the rate filing submitted by Aetna Life since the filing was made by her employer.

E. DeRosa said the Aetna Life B&E rate filing did not provide the historical experience used in setting the rates. She said TAC noted the rates are 4 times the rates for similar coverage available from other carriers. She said TAC recommended that the Board ask for a detailed derivation of how they arrived at the rates that justifies the 75% loss ratio certification. For the reasons stated, E. DeRosa said TAC recommended that the filing be found incomplete. E. DeRosa noted that Aetna Life's last B&E rate filing expired in September 2005. The carrier has not had rates for the B&E plan for effective or renewal dates 10/1/05 and later.

G. Simon offered a motion to accept the recommendation from TAC and find the Aetna Life filing for B&E Plans incomplete. N. Sullivan seconded the motion. The Board voted unanimously in favor of the motion.

Oxford Rate Filings

D. Farkus recused himself from consideration of the Oxford filings since they were submitted by his employer.

E. DeRosa said Oxford submitted three filings, one for PPO, another for HMO and a third for indemnity. She explained that Oxford did not give timely notice to persons covered under plans the Board withdrew and thus is maintaining those withdrawn plans until the required 90 days notice has been given. She said TAC was willing to recommend that the three filings Oxford submitted be found complete if Oxford had agreed to the following before the Board meeting: Oxford will issue the July 1, 2006 operative date policy forms to those persons whose plans were continued using the pre-July 2006 forms no later than October 1, 2006. The anniversary date must be preserved and rates for the balance of the 12 month period will be the rates applicable to month for the plan anniversary. For each plan and effective date month Oxford will identify the rate to be charged. Oxford will file rates for PPO Plan D with a \$30 copay and indemnity Plan D with a \$2500 deductible.

E. DeRosa said she and the Department's actuary, Neil Vance who is the Department's representative on TAC, spoke with the Oxford actuary and he was agreeable to the parameters as outlined above. She said she hoped to have received a confirming letter from Oxford before the Board meeting but nothing arrived.

E. DeRosa said TAC had no concern with the rates included in the rate filing. The concern was with who was going to be charged what rate and when. She explained that if the Board were to find the rate filings incomplete, Oxford would have no rates for new

business or renewals. She said TAC believed consumers would be disadvantaged if the Board were to find the filing incomplete. Thus, TAC recommended taking no action. This would mean Oxford could continue to use the rates in the rate filings. Once the confirming letter from Oxford is received, and the Board accepts it, Oxford would be required to make adjustments in some of the premiums that have been charged to some members since July 2006.

The Board agreed to take no action on the rate filing.

1Q06 B&E Report

E. DeRosa said TAC considered the 1Q06 B&E report from Oxford. She said TAC believed there was no evidence of adverse selection.

VI. Report of the Operations & Audit Committee

M. Taylor said the Operations & Audit Committee met on July 25, 2006.

Interim Reconciliation – 1996 Assessment

M. Taylor said 97.79% of the assessment billings were collected. The assessments billed to two carriers, Centennial and Physicians Health Care Services, amounting to \$22,828.75, are not collectible. The amount due from three carriers that have not yet paid is \$151,989.87, and is believed to be collectible.

Monies associated with the challenges to the interim reconciliation have been set aside in Treasury and the Board has \$3,623,514.13 available to distribute. M. Taylor said this amount is 48.54% of the amount billed in the interim reconciliation.

M. Taylor said the Committee recommended making payments to the carriers with 1996 reimbursable losses, and to the carriers due refunds at a rate of 48.54%.

M. Taylor said the Committee considered the interest that has been earned on the funds for the 1996 assessment and recommended that the Board use that amount to pay CIGNA the interest due to CIGNA as of the date of the calculation. She said the Committee understands that after CIGNA receives its 48.54% share of the interim reconciliation collection, CIGNA would still be owed about \$400,000, and acknowledges that interest will accrue on that unpaid amount.

M. Taylor said the Committee considered the fact that Protective is one of the carriers that has not yet paid the interim reconciliation invoice. Accordingly, she said the Committee suggested that the Board calculate the amount to be paid to Protective, but not send the money to Protective until Protective pays the interim reconciliation payment.

G. Simon offered a motion to pay carriers owed reimbursement for 1996 losses and carriers due refunds for 1996 at a rate of 48.54% of the amount due, but delay payment to Protective until such time as Protective pays its assessment. She

amended her motion to pay the interest due to CIGNA. D. Farkus seconded the motion. The Board voted in favor of the motions with U. Lee opposing.

Late Fees

M. Taylor said the Committee considered the collection of late fees on the interim reconciliation assessment. The late fee calculations showed a late fee as low as \$.08 for one carrier. M. Taylor said the Committee believed it appropriate to waive the payment of the fee if the amount due is less than \$1.00. With that stipulation, the Committee recommended billing for the late fees.

N. Sullivan offered a motion to bill for the late fees, but waive the collection of any fee less than \$1.00. D. Farkus seconded the motion. The Board voted unanimously in favor of the motion.

Audits of UICI and Aegon

M. Taylor said the Committee discussed a draft letter to send to the carriers to advise them that they must cooperate with the full audit, or forfeit any reimbursement for the loss periods for which the AUP report was not sufficient to support the requested loss amount.

VI. Executive Session

E. DeRosa said the Board would need to go into Executive Session to consider draft Executive Session minutes, receive legal advice from counsel and discuss current or pending litigation. She said the Board may conduct additional business following Executive Session.

G. Simon offered a motion to begin Executive Session for the stated reasons. M. Taylor seconded the motion. The Board voted unanimously in favor of the motion.

[Executive Session: 10:50 a.m. – 11:15 a.m.]

VII. Close of Meeting

G. Simon offered a motion to close the meeting. U. Lee seconded the motion. The Board voted unanimously in favor of the motion.

The meeting adjourned at 11:16 a.m.

Attachment: sign-in sheet