



State of New Jersey
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JAMES E. MCGREEVEY
Governor

HOLLY C. BAKKE
Commissioner

BULLETIN NO. 03-09

TO: ALL INSURANCE COMPANIES, HEALTH SERVICE CORPORATIONS, MEDICAL SERVICE CORPORATIONS, HOSPITAL SERVICE CORPORATIONS, AND HEALTH MAINTENANCE ORGANIZATIONS ISSUING HEALTH BENEFIT PLANS

FROM: HOLLY C. BAKKE, COMMISSIONER

RE: ENACTMENT OF P.L.2003, Ch. 27 REQUIRING NOTIFICATION BY INSURERS TO EMPLOYERS WITH REGARD TO HEALTH BENEFIT PLANS

P.L. 2003, Chapter 27 (the Act) requires a carrier that is renewing a group health benefits plan issued to an employer for which the premium will increase, to provide 60 days written notice of that increase to the employer that purchased that plan. The law is not applicable to individual health benefits plans. The Act becomes effective May 9, 2003. The Department of Banking and Insurance ("Department") intends to promulgate regulations implementing the provisions of this Act in the near future. The purpose of this Bulletin is to alert carriers to these provisions in anticipation of such rulemaking, in order to assist carriers in complying with the provisions of the Act as of its effective date.

Carriers that are required to submit rate filings (for example, HMO and SEH carriers) shall submit these rate filings to the Department 60 days prior to the effective date of the rates. In accordance with the requirement in the Act, all carriers shall provide to the employer that purchased the plan 60 days advance written notice of any rate increase to become effective upon renewal of the plan on or after July 8, 2003.

The notice requirements of this Act are applicable to any carrier (as defined below) who renews health benefits plan (as defined below) provided by an employer to its employees in New Jersey. These notice requirements apply regardless of whether the employer is the actual owner of the contract (and would include for example, contracts issued to a trust covering multiple employers).

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The notice shall give the dollar amount of the increase and percentage increase of the rate (cost per covered employee) for each tier of coverage (employee, family, etc.) This requirement is met if both the existing and the proposed rate are provided. The notice may indicate that it is based on the factors relating the composition or experience of the covered group, which factors could change as of the renewal date and result in a different rate.

The calculation of the rate increase shall be based upon the following assumptions:

- i. The current plan of benefits remains in effect (except where modified as required by law); and
- ii. Rating factors (age, gender, tier choices) and experience are based on populations and experience on a stated date prior to the preparation of the notice.

For the purpose of this bulletin:

“Carrier” means any entity subject to the insurance laws and regulations of this State, or subject to the jurisdiction of the Commissioner of Banking and Insurance, that contracts or offers to contract to provide, deliver, arrange for, pay for, or reimburse any of the costs of health care services, including an insurance company authorized to issue health insurance, a health maintenance organization, a hospital service corporation, medical service corporation and health services corporation, or any other entity providing a plan of health insurance, health benefits or health services.

“Health Benefits Plan” means a benefits plan, which pays or provides hospital and medical expense benefits for covered services, and is delivered or issued for delivery in the State by or through a carrier. Health benefits plan includes, but is not limited to, Medicare supplement coverage and risk contract to the extent not otherwise prohibited by federal law. Health Benefits plan does not include: accident only, credit, disability, long-term care, CHAMPUS supplement coverage, coverage arising out of workers compensation or similar law, automobile medical payment insurance, personal injury protection insurance issued pursuant to P.L. 1972, Chapter 70 or hospital confinement indemnity coverage.

Questions regarding this Bulletin can be faxed to 609-633-0527 or e-mailed to Avnee Parekh at aparekh@dobi.state.nj.us

4/29/03
Date

/s/ Holly C. Bakke
Holly C. Bakke
Commissioner

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