

NEW JERSEY  
**INDIVIDUAL HEALTH COVERAGE PROGRAM**

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**VIA CERTIFIED MAIL**

**ADVISORY BULLETIN**  
**04-IHC-02**

March 23, 2004

To: IHC Program Members

From: Wardell Sanders, Executive Director

**Re: Administrative Assessment for FY2004/FY2005;  
Preliminary Notice of Reported 2001/2002 Reimbursable Losses; and  
Notice of 2003/2004 Minimum Enrollment Share**

**PLEASE READ THIS ENTIRE BULLETIN CAREFULLY**

The New Jersey Individual Health Coverage Program ("IHC") Board is authorized by N.J.S.A. 17B:27A-2 et seq. and N.J.A.C. 11:20-et seq. to administer the IHC Program and to assess carriers which are members of the Program for their proportionate shares of reimbursable losses and administrative expenses. A carrier is a member of the IHC Program if it is licensed to sell health benefits plans in New Jersey and reported net earned premium from individual, small group, or large group health benefits plans on Exhibit K for either 2001 or 2002. The purposes of this bulletin are:

- (1) to issue an assessment for FY2004/FY2005 administrative expenses;
- (2) to provide available information about the 2001/2002 losses filed by carriers seeking reimbursement; and
- (3) to provide notice of the minimum number of "non-group persons" each carrier would have to enroll to be exempt from assessment for 2003/2004 reimbursable losses.

**I. Litigation Regarding IHC Loss Assessment Methodology**

On May 24, 2002, the Appellate Division issued an opinion in In the Matter of the New Jersey Individual Health Coverage Program's Readoption of N.J.A.C. 11:20-1 et seq., 353 N.J. Super. 494 (App. Div. 2002). That case was a challenge to the IHC Board's regulations. Although the court rejected virtually all of the Appellants' challenge and

upheld most of the Board's regulations, it also invalidated one provision: the apportionment of the "second tier" portion of the loss assessment among non-exempt carriers. The Supreme Court of New Jersey granted a petition and a cross-petition for certification in this matter and has heard oral argument but has not yet issued a decision. The Supreme Court's decision may require the IHC Board to amend the Board's regulations regarding the loss assessment methodology.

Because of the uncertainty created by this unprecedented situation, the IHC Board has decided to delay both the issuance of the 2001/2002 reimbursable loss assessment invoices and the opening of the period for carriers to apply for conditional exemptions from the 2003/2004 loss assessment until after the Supreme Court issues its decision and after the Board makes any regulatory changes that may be necessary. The administrative assessment methodology was not challenged or affected by the decision.

## **II. Administrative Assessment for FY2004/FY2005**

Attached is an administrative assessment invoice. Also attached is a spreadsheet with the calculation of the administrative assessment. The first column shows each carrier's reported net earned premium ("NEP") for the 2001/2002 two-year period (which includes premium earned from individual, small group, and large group health benefits plans). The second column shows each carrier's market share which is determined by dividing each carriers' NEP by the total of carriers' reported NEP. The third column shows each carrier's administrative expense share for the FY2004/FY2005 administrative assessment which is determined by multiplying each carrier's market share by the Board's two-year budget of \$1,259,300. The determination of an administrative assessment does not take into consideration the exemption process set forth at N.J.S.A. 17B:27A-12d and N.J.A.C. 11:20-9, as that exemption process applies only to reimbursable loss assessments.

## **III. Preliminary Notice of Reported 2001/2002 Reimbursable Losses**

The following information is provided in order to give carriers an initial indication of potential loss assessment liability for the 2001/2002 calculation period. Set forth below is a chart showing the carriers that have reported net paid losses for the 2001/2002 two-year period and the amount of reimbursement they seek. The Board will have an independent audit performed of the net paid loss of each carrier eligible for and seeking reimbursement.

<b>Carrier Name</b>	<b>Reported Net Paid Loss (Unaudited)</b>
<b>Aegon (PFL/Monumental)</b>	(\$64,791.00)
<b>Celtic Life Ins. Co</b>	(\$849,557.00)
<b>Fortis</b>	(\$2,329,391.00)
<b>Metropolitan</b>	(\$811,666.00)
<b>Principal</b>	(\$2,036,262.87)
<b>Trustmark</b>	(\$523,980.00)
<b>TOTAL REPORTED NET PAID LOSSES</b>	(\$6,615,647.87)

Set forth below is a chart that lists the carriers to which the Board granted a conditional exemption and the carrier's reported percentage of enrollment toward its assigned non-group target for 2001/2002. The IHC Board has not yet granted final exemptions to any carriers.

Carrier Name	Reported Non-Group Enrollment Satisfaction Percentage
<b>Aetna</b>	75.43%
<b>AmeriHealth</b>	31.21%
<b>CIGNA</b>	10.63%
<b>Guardian</b>	0.37%
<b>Health Net</b>	52.49%
<b>Horizon</b>	79.55%
<b>Oxford</b>	26.18%
<b>United Health Care</b>	3.47%

The above information represents the key data that the IHC Board has at this point for the calculation of the 2001/2002 loss assessment. However, for the reasons discussed above, the IHC Board is not issuing a preliminary loss assessment notice or invoice at this time.

#### **IV. Notice of 2003/2004 Minimum Enrollment Share**

The attached spreadsheet also shows each carrier's 2003/2004 non-group target for purposes of election of an exemption under N.J.S.A. 17B:27A-12d and N.J.A.C. 11:20-9. For the reasons discussed above, the Board is not asking carriers to submit an application for a conditional exemption for the 2003/2004 two-year period at this time; this Bulletin is merely providing notice of the non-group target. **Therefore, no action regarding application for a conditional exemption is required at this time.**

If you have any questions, please feel free to contact me.

Wardell Sanders  
Executive Director