

NEW JERSEY

INDIVIDUAL HEALTH COVERAGE PROGRAM

20 West State Street, 10th Floor
CN-325

Trenton, NJ 08625
(609) 633-1882

MEMORANDUM

TO: ALL CARRIERS ISSUING INDIVIDUAL HEALTH BENEFITS PLANS
IN NEW JERSEY

FROM: THE BOARD OF DIRECTORS OF THE INDIVIDUAL HEALTH COVERAGE
PROGRAM

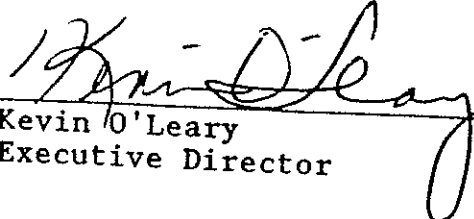
RE: AMENDMENTS TO THE STANDARD HEALTH BENEFITS PLANS;
AMENDMENT TO BULLETIN NO. 94-02

DATE: September 20, 1994

At its August 23, 1994 meeting, the Individual Health Coverage Program Board ("IHC Board") adopted, with some changes, a rule proposal (26 N.J.R. 3356) which amends the existing standard health benefits plans and policy forms. This adoption will be published shortly in the New Jersey Register and will be codified in the Appendix to N.J.A.C. 11:20 as Exhibits A through F and M through P.

Previously, via Bulletin Number 94-02, the IHC Board had indicated that carriers would not be required to use the amended policy forms until October 1, 1994. However, this date has been delayed until January 1, 1995. Carriers are required to use the amended standard policy forms beginning on January 1, 1995, with inforce policies being converted to the amended standard policy forms on the first anniversary date occurring on or after January 1, 1995.

Carriers may request a computer disc of the amended policy forms by contacting the IHC Program at the address or telephone number above. The cost of the disc is \$10 payable by check to the "IHC Program." The IHC Board expects the discs to be available by October 1, 1994.


Kevin O'Leary
Executive Director

INSURANCE

INDIVIDUAL HEALTH COVERAGE PROGRAM BOARD

Good Faith Marketing Report

Proposed Amendment: N.J.A.C. 11:20-9.6

Authorized By: New Jersey Individual Health Coverage Program Board, Charles Wowkanech, Chair.

Authority: N.J.S.A. 17B:27A-2 et seq.

Proposal Number: PRN 1994-

Submit written comments by September 7, 1994 to:

New Jersey Individual Health Coverage Program

CN 325

Trenton, New Jersey 08625

The agency proposal follows:

Summary

These proposed amendments are being promulgated in accordance with P.L.1993, c.164, section 8, which provides a special procedure whereby the Individual Health Coverage Program ("IHC") Board may adopt certain actions. Pursuant to this procedure, the Board is required to publish notice of its intended action in three newspapers of general circulation, which notice shall include procedures for obtaining a detailed description of the intended action and the time, place and manner by which interested persons may present their views regarding the intended action.

Notice of the intended action also is required to be sent to affected trade and professional associations, carriers, and other interested persons who may request such notice.

Concurrently, the Board is required to forward the notice of the intended action to the Office of Administrative Law ("OAL") for publication in the New Jersey Register. The Board must provide a minimum twenty-day period for all interested persons to submit their written comments on the intended action to the Board. The Board may adopt its intended action immediately upon the close of the specified comment period by submitting the adopted action to the OAL. If the Board elects to adopt the action immediately upon the close of the comment period, it shall nevertheless respond to the comments timely submitted within a reasonable period of time thereafter. The Board shall prepare a report for public distribution, and publication by the OAL in the New Jersey Register. The report shall include the list of commenters, their relevant comments, and the Board's responses.

The Board proposes amendments to N.J.A.C. 11:20-9.6 which required carriers that requested an exemption from assessment for 1993 reimbursable losses to submit a report to the Board by July 1, 1994 that details the efforts they undertook to market and sell individual health benefits plans. The^x report was necessary for the Board to determine whether the carrier made a good faith effort to enroll the minimum number of non-group persons, as required by N.J.A.C. 11:20-9.5(f)(2), in 1993 and for the Board to collect data on marketing methods used by carriers in order to

develop a standard for judging whether a carrier had undertaken adequate efforts to market individual health benefits plans.

The proposed amendments would require good faith marketing reports on a yearly basis from those carriers requesting an exemption which have enrolled less than half of the minimum number of non-group persons as determined by the Board pursuant to N.J.A.C. 11:20-9.3. The proposed amendments require these carriers to file a marketing report by July 1 of the year following the year for which the exemption from assessment was requested. This amendment is necessary to determine if a carrier has made a good faith effort to enroll non-group persons in years after 1993.

The amendments also would create a standard by which the Board would review submissions of marketing reports for a determination of whether the carrier has undertaken a good faith marketing effort. This standard, based on a review of the marketing reports submitted to the Board by carriers seeking exemptions from 1993 reimbursable losses, permits a carrier to meet its marketing obligations if it has either undertaken a significant media advertising campaign in support of sales of standard health benefits plans or if it has undertaken significant efforts to educate licensed insurance producers about its standard health benefits plans and has competitive commission schedules for these plans and competitive rates. This proposed amendment is necessary to set an articulable standard by which the Board must analyze carrier marketing reports.

Social Impact

The proposed amendments would create a reporting requirement on those carriers seeking an exemption for years after 1993. The information collected will be used by the Board in determining whether a carrier that has received a conditional exemption should receive a final exemption. A carrier that cannot demonstrate a good faith marketing effort will not receive an exemption from assessments for reimbursable losses.

Economic Impact

The proposed amendments, like the original rule, will have a minor economic impact on carriers that will seek exemptions from assessments for reimbursable losses. These carriers will be required to compile and submit information to demonstrate what marketing activities they undertook to sell individual health benefits plans. If a carrier is unable to demonstrate a good faith effort, it will not receive a final exemption and will be required to pay the same share of reimbursable losses as if the carrier had not received a conditional exemption.

Regulatory Flexibility Analysis

The Board believes that all carriers subject to this rule have in excess of 100 employees or are located outside the State of New Jersey. Therefore, a Regulatory Flexibility Statement is not required. However, to the extent that any carrier might be considered a small business under the terms of the Regulatory Flexibility Act, N.J.S.A. 52:14B-16 et seq., the following analysis would apply.

Compliance costs with the reporting requirement imposed on any affected carriers should not be great. Further, it is not

anticipated that professional services will be required for compliance. An exemption from the reporting requirements of the amendments for small businesses would be inappropriate as it is essential that all carriers seeking and receiving an exemption from reimbursable losses make a good faith effort to market individual health benefits plans, and a review of a carrier's good faith marketing report is the Board's only realistic method of evaluating a carrier's efforts.

Full text of the proposal follows (additions indicated in boldface thus; deletions indicated in cursive brackets {thus}):

11:20-9.6 Good faith marketing report

(a) In order for the Board to determine whether a carrier has made a good faith marketing effort as required by N.J.A.C. 11:20-9.5(f)(2), members that have requested exemptions from assessments for {1993} reimbursable losses and have enrolled less than 50% of the minimum number of non-group persons determined by the Board shall submit to the Board a marketing report on or before July 1, {1994} of the year following the calendar year for which the exemption was requested containing the following information pertaining to advertising, marketing, and promotion efforts in direct support of sales of standard health benefits plans {in calendar year 1993}:

1. With respect to print media, the names of newspapers, magazines or other print media, including billboards, in which advertising was placed; the number of times an

advertisement appeared in each; the dates those advertisements appeared; the size of the advertisements in each; copies of such advertisements; the total cost of print media advertising; and the number of non-group persons enrolled as a result of such efforts, if available;

2. With respect to broadcast media, the names of television stations, radio stations, or cable television franchises over which commercial advertising appeared; the number of times a commercial advertisement was broadcast or played, the time of day and the duration of each; audio or video tapes of such commercial advertisements; the total cost of such broadcast media advertising; and the number of non-group persons enrolled as a result of such efforts, if available;

3. With respect to direct marketing by mail or telephone, the number of mailings distributed or calls placed; the approximate dates of the mailings or telephone calls; the geographic areas to which the mailings or calls were addressed; copies of the mailings or scripts of the telephone calls; the total cost of direct marketing through mail or telephone solicitation; and the number of non-group persons enrolled as a result of such efforts, if available;

4. With respect to sales through producers licensed by the State of New Jersey, details of efforts to recruit and educate producers to sell standard health benefits plans; the number of producers through whom such sales were made; the total cost of commissions or other incentives paid to producers for sales of

(c)d) A member's failure to file the marketing report described in (a) may result in the Board's denial of a final exemption from assessment for reimbursable losses.

Signed,



Charles Wowkanech

Chair, IHC Board