

NEW JERSEY
INDIVIDUAL HEALTH COVERAGE PROGRAM

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ADVISORY BULLETIN 97-IHC-01

Date: January 15, 1997

To: IHC Member Carriers That Offer the Standard Health Benefits Plans and All Interested Parties

From: Ellen F. DeRosa, Assistant Director

**Re: Upgrades to High Deductible Plan Options
Permitted during MSA Pilot Program**

The IHC Board adopted amendments to N.J.A.C. 11:20-3.1 and Appendix Exhibits C and D on December 4, 1996, thus making high deductible plan options available with standard Plans C and D. While high deductible option plans may be purchased by any individual who is eligible for an individual health benefits plan, it is expected that these plans will often be purchased by persons who intend to use the plans as Medical Savings Account Plans (MSA Plans).

The federal Health Insurance Portability Act of 1996 ("HIPAA") established a 4 year pilot program that will allow a fixed number of federal tax deductible MSAs. The IHC Board recognizes that self-employed individuals who are already covered under an IHC plan may wish to replace that plan with a high deductible MSA plan. However, according to N.J.A.C. 11:20-12.5, "*Selection of a standard health benefits plan by a person covered by an individual health benefits plan,*" an individual may only purchase a plan with a lower deductible or a lower policyholder coinsurance during the Open Enrollment Period (Calendar month of October; coverage takes effect the following January 1) Thus, a strict application of the Regulation would preclude an individual who is currently covered under a plan with a higher policyholder coinsurance than the policyholder coinsurance of the high deductible MSA plan from buying the high deductible MSA plan except during the Open Enrollment Period.

The IHC Board recognizes the unique situation created by the tax deduction for MSA plans in the HIPAA. Therefore, notwithstanding N.J.A.C. 11:20-12.5, while the pilot program remains available, the IHC Board will allow a self-employed individual to replace any existing IHC coverage with a high deductible plan.

Example: *A self employed individual is currently covered under Plan B with a \$1000 deductible, and wants to purchase Plan D with a \$1500 deductible in order to participate in the MSA pilot program. The replacement of Plan B with Plan D may occur at any time the pilot program remains available, and need not be delayed until the Open Enrollment period.*

Note to Carriers: *The IHC Board expects that Carriers will take all reasonable measures to verify intent to participate in the pilot program by persons who purchase a high deductible MSA plan with a lower policyholder coinsurance, as permitted by this Bulletin. This Bulletin is not intended to authorize making any other exceptions to the Open Enrollment requirements set forth in the IHC Program Regulations.*

If you have any questions, please contact me at the phone or fax numbers shown above.