

NEW JERSEY
INDIVIDUAL HEALTH COVERAGE PROGRAM

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ADVISORY BULLETIN
98-IHC-02

Date: June 16, 1998

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

From: Ellen F. DeRosa, Deputy Executive Director

Re: Coverage Options for Persons Whose Coverage Is Nonrenewed Due to the IHC Board's Discontinuance of a Plan Option

The IHC Board adopted amendments to the Exhibits to the standard health benefits plan options on July 7, 1997. Among those amendments were the elimination of:

- Plan A;
- the \$250 deductible option for Plans B, C, and D;
- the \$500 deductible option for Plan C; and
- the \$150 deductible option for Plan E.

The purpose of this Bulletin is to provide guidance to carriers on the nonrenewal of Plan A and the above referenced plan options and to create a special open enrollment period to accommodate the replacement of coverage for customers whose coverage will be non-renewed.

The IHC Board adopted a Withdrawal Regulation, N.J.A.C. 11:20-18, which will be effective on July 6, 1998. N.J.A.C. 11:20-18.7 sets forth the guidelines for the cessation of issuance and nonrenewal of standard plan or standard plan options withdrawn by the IHC Board. Carriers must follow this regulation for the withdrawal of the above-referenced plan options. However, since this Withdrawal Regulation was not in place as of the effective date of the Board's rules to eliminate Plan A and the low deductible options, the 60-day time period specified in N.J.A.C. 11:20-18.7(c) should be measured from the date the Withdrawal Regulation is effective, July 6, 1998. Thus, the initial notice of non-renewal must be provided not more than 60 days following July 6, 1998. For your convenience, N.J.A.C. 11:20-18.7 is provided as an attachment to this Bulletin.

Pursuant 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 purchase a plan with a lower deductible or a lower policyholder coinsurance only during the Open Enrollment Period (Calendar month of October; coverage takes effect the following January 1). A strict application of the regulation would preclude an individual who is currently covered under the eliminated Plan A from buying any replacement plan except during the Open Enrollment Period. Similarly, the regulation would preclude an individual who is currently covered under a plan with a low deductible option from purchasing a replacement plan with a richer carrier coinsurance except during the Open Enrollment Period. Such restrictions are not the Board’s intention in this situation where the Board has eliminated a plan and plan options.

The IHC Board recognizes the unique situation created by the elimination of Plan A and the low deductible options. Therefore, notwithstanding N.J.A.C. 11:20-12.5, the IHC Board will allow a person whose plan or plan option is nonrenewed, due to the Board’s elimination of Plan A and the low deductible options, to replace it with any of the remaining standard IHC plans during the 60-day period surrounding the effective date of nonrenewal [i.e., 30 days prior, plus 30 days following, the effective date of nonrenewal]. The replacement coverage will take effect on the day the prior coverage is non-renewed, provided application is made and the first premium paid, if required, prior to the date of non-renewal. Coverage applied for during the 30 days following the date of non-renewal will take effect as of the date the application is made and first premium paid, unless a carrier allows for an earlier date.

Example: *A person is currently covered under Plan A, and this plan is nonrenewed effective November 1, 1998. The person wishes to replace it with Plan D \$1000 deductible. The replacement of Plan A with Plan D may occur during the period which begins October 2, 1998, and concludes December 1, 1998 [60-day period surrounding the date of nonrenewal], and need not be delayed until the Open Enrollment period.*

Note to Carriers: *This Bulletin and previously issued Bulletin 97-IHC-01 are 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.

11:20-18.7 Plan or plan option withdrawal by IHC Board

(a) If the IHC Board promulgates rules withdrawing a plan, plan option, optional rating tier, or deductible/copayment option, a carrier shall cease issuing that plan, plan option, optional rating tier, or deductible/copayment option within 90 days after the rules take effect.

(b) If the IHC Board promulgates rules withdrawing a plan, plan option, optional rating tier, or deductible/copayment option, a carrier shall nonrenew that standard individual health benefits plan, plan option, optional rating tier, or deductible/copayment option pursuant to the procedures set forth in (c) and (d) below.

(c) Not more than 60 days after the Board has promulgated rules withdrawing a plan, plan option, optional rating tier, or deductible/copayment option, and not less than 90 days in advance of the effective date of the nonrenewal on the anniversary date of the plan, a carrier shall mail a notice of nonrenewal by mail to every policy or contractholder. Following the initial notice of nonrenewal to each policy or contractholder, the carrier shall send a subsequent notice of the nonrenewal to each policy or contractholder which notice shall be included with a monthly premium bill or premium notice issued prior to the date of nonrenewal, or, where no monthly premium statement is transmitted, send a notice at least 30 days prior to nonrenewal. Nonrenewal notices for policy or contractholders shall contain the following information:

1. A statement that the IHC Board has withdrawn the plan, plan option, optional rating tier, or deductible/copayment option from the individual health benefits market;
2. The date upon which the plan, plan option, optional rating tier, or deductible/copayment option shall be nonrenewed;
3. A statement that the plan, plan option, optional rating tier, or deductible/copayment option is being nonrenewed under the authority of this subchapter;
4. A notice that the carrier shall make available a replacement plan, plan option, optional rating tier, or deductible/copayment option;
5. A statement that the policy or contractholder may contact his or her producer, if any, for additional information regarding the plan, plan option, optional rating tier, or deductible/copayment option withdrawal; and
6. The name, address and telephone number of the employee of the carrier who may be contacted for assistance and information regarding the withdrawal.

(d) Not more than 60 days after the Board has promulgated regulations withdrawing a plan, plan option, optional rating tier, or deductible/copayment option, and not less than 90 days in advance of the effective date of the nonrenewal on the anniversary date of the plan, a carrier shall mail a notice of nonrenewal to the producer of record, if any, for each policy or contract. Nonrenewal notices for producers shall contain the following information:

1. A statement that the IHC Board has withdrawn the plan, plan option, optional rating tier, or deductible/copayment option from the individual health benefits market;
2. The date upon which the plan, plan option, optional rating tier, or deductible/copayment option shall be nonrenewed;

3. A statement that the plan, plan option, optional rating tier, or deductible/copayment option is being nonrenewed under the authority of this subchapter;
4. A notice that the carrier shall make available a replacement plan, plan option, optional rating tier, or deductible/copayment option;
5. The name, address and telephone number of the employee of the carrier who may be contacted for assistance and information regarding the withdrawal; and
6. The date upon which the carrier will begin to cease the issuance of the plan, plan option, optional rating tier, or deductible/copayment option.