

**NEW JERSEY
INDIVIDUAL HEALTH COVERAGE PROGRAM**

20 WEST STATE STREET
PO Box 325
TRENTON, NEW JERSEY 08625
Phone: (609)633-1887
Fax: (609)633-2030

NOTICE ON CHANGES TO IHC LOSS ASSESSMENT MECHANISM AND CHANGES TO FILING REQUIREMENTS

**TO: FIRE AND CASUALTY, AND LIFE AND HEALTH
INSURANCE CARRIERS**
FROM: New Jersey Individual Health Coverage Program Board
RE: NOTICE ON CHANGES TO IHC LOSS ASSESSMENT MECHANISM
DATE: February 24, 1998

I. NOTICE ON CHANGES TO IHC LOSS ASSESSMENT MECHANISM

Pursuant to the Individual Health Insurance Reform Act of 1992 ("IHC Act"), N.J.S.A. 17B:27A-2 et seq., carriers licensed to issue health benefits plans, whether covering large groups, small groups, or individuals, in New Jersey are subject to assessment by the New Jersey Individual Health Coverage ("IHC") Program Board.

The calculation of loss assessments heretofore has been done on an annual basis, and carriers have been required to make annual filings so that the assessment could be administered. However, P.L.1997, c.146 significantly amended the assessment process. These changes included the following:

- A shift in the assessment from a one-year calculation period to a two-year calculation period, the first of which shall begin January 1, 1997 and end December 31, 1998. Thus, the next loss assessment will not take place until 1999, and it will include 1997 and 1998 paid losses.
- An increase in the loss ratio which a carrier must experience during the two-year calculation period such that reimbursement may not be sought unless a carrier's paid losses exceeds 115 percent of earned premium and investment income. In addition, the amendments removed reasonable administrative expenses from the calculation of reimbursable losses.
- A change in the enrollment target to measure "non-group person life years." Carriers filing for an exemption must agree to cover a minimum number of non-group person life years on an open enrollment, community rated basis.
- Persons covered under "HealthStart Plus" plans are no longer counted toward the number of non-group persons.
- The removal of the provision which provided that no carrier shall be liable for an assessment which exceeds 35 percent of the aggregate net paid losses of all carriers.
- Modifications to key definitions including "carrier" and "health benefits plan."

II. 1997 CONDITIONAL EXEMPTIONS NULLIFIED

Due to the shift to a two-year assessment cycle, the first of which begins on January 1, 1997, the 1997 exemption requests from carriers, the conditional exemptions granted by the IHC Board, and the market enrollment targets originally assigned by the Board for 1997 must be nullified. However, the law permits all carriers to make a new exemption election for the first two-year assessment period of 1997 and 1998.

III. EXEMPTION ELECTIONS FOR 1997/1998

The Board anticipates proposing regulations shortly to effectuate the changes required by P.L.1997, c.146, and will assign target enrollment figures for the 1997/1998 assessment cycle as soon as the amendments are adopted. Exemption elections for the 1997/1998 assessment cycle will be made after the assignment of target enrollment figures.

Since the Board has both net earned premium information and non-group enrollment information from the previous two-year calendar period 1995 and 1996 (from the Exhibit K filings), the Board intends to propose regulations which would require it to calculate the 1997/1998 target non-group enrollment figures by adding the year-end 1995 and 1996 non-group enrollment figures and dividing by two. To ensure fair comparisons, the Board intends to measure satisfaction of these target enrollment by adding the 1997 and 1998 year-end enrollment numbers, taking into account the limitations on counting Medicare and Medicaid lives, and dividing the totals by two to determine the average yearly non-group enrollment.

After this one-time only phase in, the Board intends to propose regulations that would determine target non-group enrollment numbers by adding the number of non-group persons covered on the last day of each calendar quarter of the two-year calculation period and dividing the total by eight. Also after the initial phase in period, the Board intends to determine satisfaction of the target non-group enrollment numbers by adding the number of non-group persons covered on the last day of each quarter of the two-year calculation period, taking into account the limitations on counting Medicaid recipients and Medicare cost and risk lives, and dividing the total by eight. This calculation of measuring the non-group persons covered eight times in a two-year calculation period was designed to more accurately measure the average non-group enrollment of all carriers over the two-year period. As a result of this new requirement in setting and satisfying non-group enrollment targets set forth in P.L.1997, c.146, carriers must begin to capture data on non-group enrollment (including Medicare cost and risk lives and Medicaid lives) as of the end of each calendar quarter beginning with March 31, 1997. The filing procedures will be set forth in regulation.

EFFECT OF P.L.1997, C.146 ON IHC PROGRAM FILINGS

Due to the changes in the law, carriers will **not** be required to file the following:

- (1) an Exhibit K, "Market Share and Net Paid Loss Report" pursuant to N.J.A.C. 11:20-8 by March 1, 1998 to the IHC Program Board;
- (2) a Certification of Non-member status pursuant to N.J.A.C.11:20-13 by March 1, 1998 to the IHC Program Board;
- (3) for those carriers who filed for an exemption for 1997, a report of non-group persons covered as of December 31, 1997 to determine whether a member met its minimum enrollment share as required by N.J.A.C. 11:20-9.5(b); or
- (4) for those carriers that would have sought a reimbursement for 1997 losses, a Performance Report by April 1, 1998 pursuant to N.J.A.C. 11:20-10.

Since the loss ratio requirements continue to apply on a one-year cycle, carriers **will be required** to file an Exhibit J, "Loss Ratio Report," with the IHC Board by August 15, 1998 pursuant to N.J.A.C. 11:20-7.

Please remember that the IHC Program and the New Jersey Small Employer Health Benefits Program are separate State entities, with independent assessment powers, and different criteria for assessment. For more information about the SEH Program assessment, please contact me at (609)633-1887.

Wardell Sanders
Executive Director
IHC Program