

NEW JERSEY
INDIVIDUAL HEALTH COVERAGE PROGRAM

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ADVISORY BULLETIN
99-IHC-05

November 17, 1999

To: IHC Member Carriers

From: Ellen DeRosa, Deputy Executive Director

Re: 1997/1998 Assessment Invoice
REVISED Notice of 1999/2000 Minimum Enrollment Share

PAYMENT OF THE ATTACHED INVOICE IS DUE UPON RECEIPT
ADDITIONAL ACTION MAY BE REQUIRED WITHIN 30 DAYS

Advisory Bulletin 99-IHC-03, dated October 1, 1999, was sent to all carriers that reported net earned premium on the Carrier Market Share and Net Paid Gain (Loss) Report for 1997/1998, Exhibit K. In that Advisory Bulletin we provided notice of the minimum enrollment share for each carrier for the 1999/2000 two-year calculation period, and also provided preliminary notice of the 1997/1998 loss share. In order that this Assessment Invoice might be based on information that is as accurate as possible, we asked carriers to carefully review the spreadsheet that was attached to the Bulletin, and notify us of any carrier that should be considered a member of the IHC Program but was not listed as well as notify us of any corrections to premium information. We learned that a number of carriers incorrectly reported premium and/or enrollment data on the Exhibit k filings that were used to create the spreadsheet that was attached to Advisory Bulletin 99-IHC-03. In addition, we received Exhibit K filings from two member carriers that had previously failed to file.

Since minimum enrollment share for each member carrier is supposed to be determined based on percentage of net earned premium, and since the total possible enrollment significantly changed as a result of the data in corrected filings, the IHC Board believes it is necessary to give carriers another opportunity to determine whether to seek an exemption in accordance with N.J.A.C. 11:20-9.2. The revised minimum enrollment share for 1999/2000 is set forth on the attached spreadsheet and the share for each carrier is shown on the Invoice for each carrier.

PLEASE NOTE: All requests for a conditional exemption for the 1999/2000 two-year calculation period have been VOIDED since the decisions of carriers that requested the exemptions were based on data that subsequently changed. Carriers that wish to apply for a conditional exemption for the two-year calculation period 1999/2000 based on the REVISED minimum enrollment share information must submit a request to the Board, in accordance with N.J.A.C. 11:20-9.2, no later than December 17, 1999. Please send the Exemption requests to the attention of Ellen DeRosa, Deputy Executive Director. Late requests will be denied; there will be no exceptions.

Explanation of 1997/1998 Assessment Calculation

The purpose of this memorandum is to provide a step-by-step explanation of the manner in which the 1997/1998 assessment was calculated. Next to the names of each of the columns on the attached spreadsheet are numeric or numeric/alpha designations. This memorandum will refer to those numeric and numeric/alpha designations as well as to information that appears on the last sheet of the spreadsheet in a box entitled "Data Used in Calculations."

Although the calculations on the spreadsheet for the 1997/1998 assessment are consistent with the calculations for assessment spreadsheets in prior years, you should be aware that the loss reimbursement formula that is used to calculate the dollar amount of reimbursable losses changed in 1997. This 1997/1998 assessment is therefore the first assessment that assesses member carriers for reimbursable losses in excess of a 115% loss ratio.

The IHC Board noted that three of the carrier members, American Preferred Provider Plan, Health Plans of America, and HIP of New Jersey have been liquidated. While the IHC Board has filed Proof of Claim forms with those carriers in liquidation, the IHC Board recognizes that the amounts owed by such liquidated carriers may not be recovered. The Assessment spreadsheet shows calculations that include those carriers to enable us to determine the amount to be requested on the Proof of Claim forms. The spreadsheet also shows the amount of loss and administrative expense assessment attributable to these three carriers as redistributed among all other carriers *in the same manner* as the total losses and administrative expenses. All columns bearing the letter "b" following the number contain data that was necessary to calculate the redistribution of loss and administrative expense amounts for these carriers. The second part of the Data Used in Calculations box shows the amounts that were redistributed. Please be assured that any payments received as a result of the Proof of Claim filings made with each of these carriers will be applied in a reconciliation.

If you have questions concerning the 1997/1998 Assessment after you have reviewed the spreadsheet and this memorandum, please do not hesitate to contact me.

Column 1: Carrier Names

N.J.A.C. 11:20-1.2 provides that "Affiliated carriers means two or more carriers that are treated as one carrier for purposes of complying with the Act because the carriers are subsidiaries of a common parent or one another." To the extent that carriers submitting Exhibit K filings that indicated affiliated carrier status, the attached spreadsheet specifies the name of a single carrier, but the information for all carriers affiliated with that named carrier is included in the data shown for the named carrier. If the Exhibit K filings failed to specify affiliated carrier status, the spreadsheet shows each carrier separately. Full or partial exemption for those carriers that requested and were granted full or partial exemptions, were applied to the carrier and all affiliated carriers to the extent that the Exhibit K filings were clear as to affiliated carrier status.

Column 2: 97/98 NEP

Carriers are required to file a Carrier Market Share and Net Paid Gain (Loss) Report (Exhibit K) by March 1 of the year following the close of the two-year calculation period. The Exhibit K filing for the 1997/1998 two-year calculation period was due March 1, 1999. The Net Earned Premium shown in Column 2 reflects New Jersey net earned premium for BOTH 1997 and 1998 as reported by carriers on Exhibit K.

Column 3a: %NEP

“% NEP” refers to the carrier market share. As specified in N.J.A.C. 11:20-2.17(c)1, the carrier market share is the ratio of the carrier’s reported NEP to the total NEP for the two-year calculation period.

$$\frac{\text{Carrier's Reported NEP}}{\text{Total Reported NEP}}$$

(shown for each carrier in column 2a) (shown as Total Carrier NEP in the data box)

Column 3b: %NEP non-liq

This column refers to the market share of each carrier as determined by the ratio of the carrier’s reported NEP to the total NEP *reduced* by the NEP for the liquidated carriers.

$$\frac{\text{Carrier's Reported NEP}}{\text{Total NEP for Non-Liq. carriers}}$$

(shown for each carrier in column 2a) (shown as Total NEP for Non-liquidated Carriers in the data box)

Column 4a: Reimbursable Loss Share (unadjusted)*

As specified in N.J.A.C. 11:20-2.17(c), the reimbursable loss share is the product of the market share and the amount of reimbursable net paid losses.

$$\text{Market Share} \times \text{reimbursable losses}$$

(column 3a) (shown as 1997/1998 reimbursable losses in the data box)

Column 4b: Liquidated Carrier Loss Share (unadjusted)*

Using the same principles as in 4a, this column is the product of the market share and the amount of loss liability for liquidated carriers. Since HIP enrolled in excess of 100% of the minimum number of non-group persons assigned for the 1997/1998 period, HIP had no reimbursable loss liability. The loss liability to be redistributed is therefore the sum of the liability of American Preferred Provider Plan and Health Plans of America.

$$\text{Market Share} \times \text{reimbursable losses}$$

(column 3b) (shown as loss liability for liquidated carriers in data box)

Column 5: Pro-Rata Exemptions from Loss Assessment

This column shows the percentage of the 1997/1998 non-group person target enrolled by carriers that requested and were granted an exemption. Data appears in column 5 only for that carriers that were granted an exemption.

$$\frac{\text{Actual number of Non-Group Persons enrolled for 1997/1998}}{\text{1997/1998 Non-Group Person Target}}$$

(Percentage is determined from the data provided on Non-Group Person Certifications submitted by each Carrier seeking an exemption.)

Column 6a: Exempt Carrier Loss Share

This calculation takes the Exempt Carrier’s pro-rata exemption from the loss assessment into consideration and makes an adjustment to the unadjusted loss share amount to give Exempt carriers credit for full or partial satisfaction of the Non-Group Person target.

$$\text{Loss Share (unadjusted)} - (\text{pro-rata exemption} \times \text{Loss Share (unadjusted)})$$

(4a) - (5 x 4a)

* “Unadjusted” means that the calculation does not take the full or partial exempt status of carriers into account. The data in columns 5, 6, and 7 address the adjustment.

Column 6b: Exempt Carrier Share for Liquidated Carrier Losses

The calculation in this column follows the same principle as the calculation in column 6a.
Liquidated Carrier Loss Share (unadjusted) - (pro-rata exemption x Liquidated Carrier Loss Share (unadjusted))

$$(4b) - (5 \times 4b)$$

Column 7a: Non-Exempt Carrier Adjusted Loss Share

In this column, the loss amounts not paid by exempt carriers due to full or partial exemptions are adjusted by distributing the amounts among non-exempt carriers.

$$(\text{Carrier's Reported NEP} \div \text{Total NEP for Non-Exempt Carriers}) \times \text{Total Losses Allocated to Non-Exempt Carriers}$$

(Amount shown in 2a ÷ See data for Non-Exempt NEP) (See data for losses allocated to non-exempt)

Column 7b: Non-Exempt Carrier Share for Liquidated Carrier Losses

The calculation in this column follows the same principle as the calculation in column 7a.
(Carrier's Reported NEP ÷ Total NEP for Non-Ex, Non-Liq Car) x Total Losses Allocated to Non-Ex, Non-Liq Car

(Amount shown in 3a ÷ Ex, Non-Liq NEP) (See data for losses allocated to non-exempt, non See data for Non-liquidated)

Column 8a: FY 1999/2000 Administrative Expense Share

All carriers are responsible to fund the Administrative expenses of the IHC Program regardless of whether the carriers sought or received an exemption.

$$\text{Market Share} \times \text{FY 1999/2000 Administrative Expenses}$$

(3a) (Data shown in box for Administrative expenses)

Column 8b: FY 1999/2000 Administrative Expense Share for Liquidated Carriers

The calculation in this column follows the same principle as the calculation in column 8a.

$$\text{Market Share} \times \text{FY 99/00 Admin Expenses for Liquidated Car}$$

(3b) (Data shown in box for Admin exp for Liquidated Carriers)

Column 9: 1997/1998 assessment (loss + admin.+ liquidated carrier loss +liquidated carrier admin. liability)

For *Exempt* carriers: ADD 6a+6b+8a+8b

For *Non-Exempt* carriers: ADD 7a+7b+8a+8b