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**MINUTES OF THE MEETING OF
THE NEW JERSEY INDIVIDUAL HEALTH COVERAGE PROGRAM BOARD
AT THE OFFICES OF THE NEW JERSEY DEPARTMENT
OF BANKING AND INSURANCE
TRENTON, NEW JERSEY
May 12, 1998**

Directors Participating: Rebecca Smart, Chair (Mutual of Omaha); Sandi Kelly (Blue Cross Blue Shield of New Jersey); Bob Vehec (Department of Banking and Insurance); Ritamarie Rondum (Public Member); Eileen Shrem (Public Member); Catherine St. John (The Prudential), Lisa Yourman (Public Member).

Others Participating: Ellen DeRosa, Deputy Executive Director; DAG Eleanor Heck (DOL); Joanne Petto, Assistant Director; Wardell Sanders, Executive Director.

I. Call to Order

W. Sanders called the Board meeting to order at 9:43 a.m. He announced that notice of the meeting had been published in three New Jersey newspapers and posted at the Department of Banking and Insurance and the Office of the Secretary of State in accordance with the Open Public Meetings Act. A quorum was present.

II. Minutes

April 14, 1998

E. Shrem offered a motion to approve the minutes of the Open Session of the April 14, 1998 Board meeting as amended. R. Rondum seconded the motion and the Board voted to accept the motion with three abstentions (B. Vehec, L. Yourman, S. Kelly).

III. Election

1998 Board of Directors Election

J. Petto asked the Board members who had not previously submitted a ballot to complete one. The ballots were tallied and the votes were unanimous for Blue Cross Blue Shield of New Jersey as the health service corporation and Mutual of Omaha as the foreign carrier.

IV. Report of Staff

Expense Report (See Attachment):

S. Kelly offered a motion to approve the payment of the expenses shown on the May 12, 1998 expense report. C. St. John seconded the motion and the Board voted to approve the motion with R. Rondum abstaining from the vote for her own expenses.

Outreach

- *W. Sanders reported on the following activities:*

He did a three-hour producer Continuing Education seminar on New Jersey's individual health coverage market in Mount Laurel, NJ on April 29, 1998, attended by approximately 45 producers. He also reported that he spoke to the Monmouth Ocean Development Council, in Wall New Jersey, on both the individual and small employer markets. He noted that the Council produces a glossy, magazine for businesses in the region, and that they were interested in publishing the Boards' toll-free numbers as a public service. W. Sanders also reported that he was seeking to place a story about health reform in New Jersey with the publishers of the magazine.

- *E. DeRosa reported on the following activities:*

She did two five-credit, three-hour Continuing Education seminars on New Jersey's individual health market that were attended by approximately 60 producers each. She also spoke to approximately 100 members of the North and Northwest Chapters of the National Association of Health Underwriters (NAHU), and to approximately 10 members of the Hackettstown Chapter of NAHU.

Letter to the editor from Janice Cauwels:

W. Sanders advised the Board that a copy of Ms. Cauwels' letter was in the Board packets. Ms. Cauwels published an article in the New York Times on New Jersey's individual health insurance reforms. The Board, DOBI and others have written to her a number of times. She indicates that this is her sixth letter to the editor published in the Times, she has other letters published in New Jersey. While there are a number of inaccuracies in her letter, W. Sanders noted that he and Winnie Comfort, the DOBI director of public affairs, agreed that a response would not be helpful.

Legislative update:

W. Sanders reported that S.364, introduced by Senator Bassano, would permit certain small employers engaged in a similar business to combine to form "small employer health benefits exchanges" for the purpose of self-funding health benefits. The Senate Commerce Committee is scheduled to hear the bill on Thursday, May 14, 1998. He stated that the bill could impact both the individual and small employer markets, as it may enable self-employed individuals to self-fund under the exchanges. Further, these exchanges appear to create a market that would not be subject to either State or federal law, including the State guarantee fund and State mandated benefit laws, thus creating selection problems that endanger both of the reform markets.

Rule-making Update:

- *Adoptions:*

Withdrawal regulation: W. Sanders reported that Governor's Counsel was still reviewing the regulation that was proposed June 16, 1997. All proposals must be adopted within one year or they must be repropoed. There is a new person in Governor's Counsel assigned to DOBI and the Boards named Peter Tober. Don Bryan, the DOBI Assistant Commissioner has forwarded a copy of the draft adoption to him and alerted him to the urgency of adopting this regulation.

- *Continental Casualty:*

W. Sanders reported that Continental Casualty formally filed to withdraw from the IHC market. Pursuant to the Legal Committee's recommendation and the Board's approval of the recommendation, a letter was sent to the carrier stating that the Board could not approve its withdrawal, but could consider a new filing after the Board's withdrawal regulations had been adopted. He stated that the carrier has asked the Board to reconsider and has argued that the lack of regulations should not preclude its ability to withdraw based on federal law. W. Sanders stated that it seems prudent to wait to see if the regulation is approved by Governor's Counsel in the near future prior to responding.

V. Report of Marketing Committee

J. Petto reported that the Committee met to review options for increasing enrollment in the individual market. The Committee recommended that the Board ask TAC to price out the following plan options:

- (1) HMO \$30 copay
- (2) Plan B \$2,500 deductible with hospital copay
- (3) Plan B \$2,500 deductible without hospital copay
- (4) 50/50 plan with \$1,000/\$2,500 deductible options, \$5,000/\$7,500 coinsurance limits
- (5) Modified community rating, by age, with a 1:1.5 or 1:1.75 rate band

S. Kelly stated that some members of the TAC Committee felt that additional plans may result in adverse selection since members would make their plan selections based on their health needs. TAC also discussed a \$25 HMO copay versus a \$30 HMO copay and reported that a \$25 copay would probably result in a 1.5-2% decrease in premium, while a \$30 copay would probably result in a 3-4% decrease in premium. S. Kelly noted that TAC had previously recommended modified community rating as an option for the individual market. R. Rondum stated that she is opposed to modified community rating and so is AARP. She feels that the 50+ age group is substantial in size and would be most impacted by modified community rating based on age. It was noted that the Harvard-Brandeis study completed earlier in 1998 also recommended modified community rating for this market.

J. Petto reported that the Committee discussed the enrollment reports and recommended eliminating the annual report and the household income, and including the age, gender, and zip code information on the quarterly reports. S. Kelly stated that TAC recommended keeping the annual report, without the household income information, since the data collected does not vary that much from year to year. Following some discussion, it was recommended that the annual enrollment report remain in effect without the household income information.

S. Kelly offered a motion to accept the recommendation on the annual enrollment report as stated. L. Yourman seconded the motion and the Board voted unanimously to accept the motion.

J. Petto also discussed the Committee's suggestions to increase awareness of the IHC program and the 800 number through flyers, rolodex cards, public service announcements, and mailings. The Committee will present additional information at the June Board meeting.

[Break: 11:17 a.m. - 11:32 a.m.]

IV. Report of Operations Committee

W. Sanders reported that the Committee met with members participating via teleconference on May 8, 1998. He stated that the Committee was provided with copies of Deloitte & Touche's status report for the 1995 and 1996 loss audits.

P. Lechner reported that the Committee discussed her work providing for a reconciliation of accounts between the IHC and SEH Programs for fiscal years 1994 through 1997. She noted that since the inception of the Programs, DOBI has tapped the Boards' accounts with Treasury to cover certain expenses such as salaries, fringe benefits, stockroom charges, equipment, furniture and other expenses not paid directly by the IHC and SEH Boards. She noted that the DOBI could not, however, split such expenses evenly between the Board, and that most expenses had been taken out of the SEH Account with Treasury. As a result, she reported that a reconciliation was necessary. Considering her analysis, P. Lechner recommended, and the Committee accepted her recommendation that, the Board approve payment of \$218,167.20, representing \$160,531.20 owed to the SEH Program, and \$57,636.00 owed to the DOBI.

L. Yourman offered a motion to accept the recommendation of P. Lechner and the Operations Committee to make the payments noted above. E. Shrem seconded the motion and the motion was approved unanimously.

VII. Report of the Technical Advisory Committee

Rate Filings (See Attachment)

R. Smart offered a motion to find the rate filings shown on the Report of TAC as complete. L. Yourman seconded the motion and the Board voted in favor of the motion with C. St. John abstaining from the Prudential filing.

Mental Health Parity Bill S.86

S. Kelly reported that the Committee was opposed to the bill that would result in increased premiums and, possibly, anti-selection. The Board recommended that staff develop a factual statement on these concerns for presentation to the Committee.

L. Yourman offered a motion to accept the recommendation. R. Rondum seconded the motion and the Board voted to approve the motion with one abstention (R. Vehec).

DOBI Loss Ratio Bulletin

S. Kelly reported that the Committee disagrees with this bulletin and recommends that the Loss Ratio process for IHC continue as it is currently structured. She stated that at the next TAC meeting, the Committee would further review the issues and draft a recommendation for presentation to the Board.

E. Shrem offered a motion to accept the recommendation. R. Smart seconded the motion and the Board voted to approve the motion with one opposition vote from R. Vehec.

VIII. Executive Session

R. Smart offered a motion that the Board move into Executive Session to discuss litigation issues. E. Shrem seconded the motion and the Board voted unanimously in favor of moving into Executive Session. W. Sanders announced that the Board would not be returning to Open Session.

[Executive Session: 12:10 p.m. - 2:20 p.m.]

IX. Close of Meeting

S. Kelly offered a motion to adjourn the Board meeting. E. Shrem seconded the motion and the Board voted unanimously in favor of adjourning the Board meeting.

[The meeting adjourned at 2:25 p.m.]

Attachments: Expense Report
TAC Report

**MINUTES OF THE MEETING OF
THE NEW JERSEY INDIVIDUAL HEALTH COVERAGE PROGRAM BOARD
AT THE OFFICES OF THE NEW JERSEY DEPARTMENT
OF BANKING AND INSURANCE
TRENTON, NEW JERSEY
June 9, 1998**

Directors Participating: Rebecca Smart, Chair (Mutual of Omaha); Jeff Beck (Aetna USHealthCare); Sandi Kelly (Blue Cross Blue Shield of New Jersey); Jane Majcher (Department of Banking and Insurance); Ritamarie Rondum; Eileen Shrem; Catherine St. John (The Prudential); Lisa Yourman.

Others Participating: Ellen DeRosa, Deputy Executive Director; DAG Eleanor Heck (DOL); Joanne Petto, Assistant Director; Wardell Sanders, Executive Director.

I. Call to Order

W. Sanders called the Board meeting to order at 9:42 a.m. He announced that notice of the meeting had been published in three New Jersey newspapers and posted at the Department of Banking and Insurance and the Office of the Secretary of State in accordance with the Open Public Meetings Act. A quorum was present.

II. Minutes

May 12, 1998

R. Rondum offered a motion to approve the minutes of the Open Session of the May 12, 1998 Board meeting as amended. S. Kelly seconded the motion and the Board voted in favor of accepting the motion with one abstention (J. Beck).

III. Report of Staff

Expense Report (See Attachment):

S. Kelly offered a motion to approve the payment of the expenses shown on the June 9, 1998 expense report. R. Smart seconded the motion and the Board voted unanimously in favor of accepting the motion.

Legislative update:

W. Sanders reported that S.364, introduced by Senator Bassano, would permit certain small employers engaged in a similar business to combine to form "small employer health benefits exchanges" for the purpose of self-funding health benefits. He stated that the bill would impact the individual market, as well as the small employer market, as it may enable self-employed individuals to self-fund health coverage under the exchanges.

W. Sanders reported that S.468, introduced by Senator Sinagra, would delay transition to a two-year assessment mechanism from the 1997/1998 cycle to a 1998/1999 cycle.

Outreach:

W. Sanders reported that on May 21, 1998, he spoke to about 250 brokers at the annual convention of the New Jersey Association of Health Underwriters. He noted that he distributed copies of the new Buyer's Guides for both the individual and small employer markets. He also spoke to the Commissioner's Life/Health Advisory Council on June 2, 1998.

W. Sanders informed the Board that the packets included a copy of a letter which was sent to all New Jersey Legislators and to New Jersey's Congressional delegation announcing the IHC and SEH Boards' release of the new Buyer's Guides, a rolodex card for legislative offices with the 800 numbers and a flier to post in their offices with the 800 numbers. Already, representatives from five legislative offices have contacted the Boards' staff requesting multiple copies of the Guides, many of whom have praised the Guides.

E. DeRosa reported that she did a five-credit, three-hour Continuing Education seminar on New Jersey's individual health market at Monmouth Park that was attended by approximately 60 producers.

Adoption of the withdrawal regulation:

W. Sanders reported that he spoke with Peter Tober, the attorney from Governor's Counsel recently assigned to the DOBI and the Boards, on Friday June 5th. He said that P. Tober indicated that he expected his office to complete review of the withdrawal regulation prior to the deadline for the adoption, June 15, 1998. E. DeRosa reported that the Board packets contained an updated list of the carriers that had indicated that they were interested in withdrawing from the individual market. She stated that the list also shows the enrollment for each carrier as of December 31, 1997.

IV. Report of Operations Committee

Loss audits for 1995 and 1996:

W. Sanders reported that the Deloitte & Touche (D&T) status report for the 1996 loss audits was included in the packets. He indicated that all of the 1996 audits and two of the 1995 audits were still outstanding. W. Sanders noted that the Committee recommended that the Board contact the carriers who have not responded and impose a time limit on the responses to D&T's requests for information.

Draft letter of engagement for D&T for 1996 loss audits:

W. Sanders reported that the Attorney General's Office reviewed the draft letter of engagement and provided comments to D&T. Scott Sanders reported that he expected to provide the Board with a revised draft engagement letter shortly.

Financial reporting to the Commissioner:

W. Sanders reported that the DOBI Commissioner had asked for formal quarterly financial reports from the IHC Board. He stated that he has asked P. Lechner to begin to provide these reports to TAC and the Commissioner on a quarterly basis, beginning this week. P. Lechner reported that the reports will include profit and loss statements, balance sheets, and ledger sheets. She stated that these reports will be exclusive of activity and finances handled through the DOBI.

R. Rondum stated that since its inception, the IHC Program has been understaffed and that the Commissioner should be aware of these limitations. R. Smart stated that this lack of adequate staffing had been especially applicable with regard to accounting functions until P. Lechner was hired.

V. First Executive Session

E. Shrem offered a motion that the Board move into Executive Session to discuss the proposed readoption of the regulations with amendments. L. Yourman seconded the motion and the Board voted unanimously in favor of accepting the motion.

[First Executive Session: 10:06 a.m. - 11:05 a.m.]

[Break: 11:06 a.m. - 11:20 a.m.]

VI. Proposal of Readoption with Amendments

W. Sanders outlined of key changes in the regulations and explained the proposal process, highlighting the following points:

Executive Order 66:

This order requires the all State agencies to repropose all of the agencies regulations for comment every five years. After extensive review by Board Committees, the public members, and the Attorney General's ("AG") Office, the Board staff has completed draft amendments and is ready to submit a Proposed Readoption with Amendments.

Changes to the Proposed Readoption with Amendments include:

(1) Removal of regulations that are no longer applicable, for example the special, 1992 loss assessment; (2) Clarifications to existing regulations based on comments

from interested parties; (3) Nonsubstantive, technical and grammatical changes; and (4) Changes required to conform with P.L.1997, c.146.

Other key changes include:

- (1) Further articulation of audit materials that carriers seeking reimbursement will need to provide to the Board or its appointed auditors; (2) Detail on the reasonable and customary standard for the payment of benefits for covered services provided by providers not subject to capitated or negotiated fee arrangements; (3) Updated standard claim forms; (4) Removal of the subscriber household income reporting from the annual enrollment report.

Forms changes:

- (1) The deletion of all text that referred to continuation of the policy by dependents upon the death of the subscriber. This provision is irrelevant in a guaranteed issue environment. (2) As required by P.L. 1997, c. 338, the standard plans cover food and food products for inherited metabolic diseases. While the law addresses coverage when food and food products are ordered by a physician, since the standard plans do not use the term physician, but rather define and use the term practitioner, the provision, as proposed, uses the term practitioner.

The Process:

- W. Sanders reported that, upon approval of the Board, the rules will be filed pursuant to the Board's special rule making procedures, allowing for a 20-day comment period beginning the date the regulations are mailed; (2) Copies of the forms changes will be sent to all carriers, a summary of the amendments will be sent to the Board's interested party mailing list; and a notice, including a public hearing date, will be provided to OAL, however, the proposal may appear in the *New Jersey Register* after the close of the comment period; and (3) After considering any comments, the Board may vote to adopt the regulations sometime prior to the expiration date of the existing regulations which will occur on August 13, 1998.

E. Shrem offered a motion to propose the draft proposed readoption with amendments pursuant to the Board's special rule making process. L. Yourman seconded the motion, and the Board voted in favor of accepting the motion with one abstention (J. Majcher).

VII. Report of the Technical Advisory Committee

Rate Filings (See Attachment)

S. Kelly explained that while the TAC report specifies only a filing from Celtic, National Health had provided additional information as requested by TAC. Therefore, TAC also recommends that the Board find a National Health filing for Plans B - E as complete, with a June 9, 1998 effective date.

Apex Management Report

S. Kelly reported that TAC reviewed the audit report prepared by Apex Management which evaluated the calculated reserves used by carriers in connection with the 1995 Loss Ratio Reports, Exhibit J. Apex Management believes that the calculated reserves were supportable. The Committee recommends that the Board accept the findings contained in that report.

R. Smart offered a motion to find the rate filings shown on the Report of TAC, with the addition of National Health Insurance Company, as complete and accept the Apex Management report on the 1995 calculated reserves used by carriers identified on the report of TAC. J. Majcher seconded the motion and the Board voted unanimously in favor of accepting the motion.

VIII. Report of the Marketing Committee

E. Shrem stated that she had been approached by a producer who expressed an interest in participating on the Committee as a public member. She stated that he is a large volume producer in the individual market and a member of the National Association of Life Underwriters. The Board requested that E. Shrem obtain additional information on this producer for consideration by the Marketing Committee in anticipation of subsequent Board discussion.

IX. Second Executive Session

S. Kelly offered a motion that the Board move into Executive Session to discuss litigation issues. E. Shrem seconded the motion and the Board voted unanimously in favor of accepting the motion.

[Second Executive Session: 11:36 a.m. - 12:05 a.m.]

IX. Close of Meeting

J. Majcher offered a motion to adjourn the Board meeting. S. Kelly seconded the motion and the Board voted unanimously in favor of adjourning the Board meeting.

[The meeting adjourned at 12:58 p.m.]

Attachments: Expense Report
TAC Report

**MINUTES OF THE MEETING OF
THE NEW JERSEY INDIVIDUAL HEALTH COVERAGE PROGRAM BOARD
AT THE OFFICES OF THE NEW JERSEY DEPARTMENT
OF BANKING AND INSURANCE
TRENTON, NEW JERSEY
July 14, 1998**

Directors Participating: Rebecca Smart, Chair (Mutual of Omaha); Sandi Kelly (Blue Cross Blue Shield of New Jersey); Jane Majcher (Department of Banking and Insurance); Ritamarie Rondum; Eileen Shrem; Catherine St. John (The Prudential).

Others Participating: Ellen DeRosa, Deputy Executive Director; DAG Eleanor Heck (DOL); Pearl Lechner, Program Accountant; Wardell Sanders, Executive Director.

I. Call to Order

W. Sanders called the Board meeting to order at 9:45 a.m. He announced that notice of the meeting had been published in three New Jersey newspapers and posted at the Department of Banking and Insurance and the Office of the Secretary of State in accordance with the Open Public Meetings Act. A quorum was present.

II. Minutes

June 9, 1998

S. Kelly offered a motion to approve the minutes of the Open Session of the June 9, 1998 Board meeting as amended. E. Shrem seconded the motion. The Board voted unanimously in favor of accepting the motion.

III. Report of Staff

Expense Report (See Attachment):

R. Rondum offered a motion to approve the payment of the expenses shown on the July 14, 1998 expense report. R. Smart seconded the motion. The Board voted unanimously in favor of accepting the motion, with R. Rondum and E. Shrem abstaining with respect to payment due to them.

Legislative Update:

W. Sanders reported that A. 2257 would require prior approval of rates as well as a one-year rate guarantee. He noted that A. 150 included a shift to modified community rating.

R. Rondum commented that she believed that by this time carriers have ample experience in the individual market and should be able to guarantee rates for a 12-month period. She said she thinks a rate guarantee would help reduce the frequency of persons shifting from one carrier to another. S. Kelly noted that a forced 12-month rate guarantee may result in increased rates. In addition, she said that a rate guarantee would not preclude movement to another plan before the expiration of the period.

Outreach:

W. Sanders reported that staff continues to receive calls and letters from legislative offices that received the mailing of the new Buyer's Guide. He said he had requested the names and addresses of key legislative staffers and would be sending a mailing to those persons.

WEB Activity:

W. Sanders said that since the DOBI indicated it would be acceptable for persons and entities to create a link to the DOBI WEB page, J. Petto sent a mailing to all carriers and interested parties advising them that they may create a link to the DOBI WEB page. He reported that the interest in creating a link is high, and already 12 responses had been received.

Rulemaking:

W. Sanders reported that he received approval from Governor's Counsel to adopt the Withdrawal Regulation shortly after the Board meeting in June. He said it was published in the July 6, 1998 *New Jersey Register* and was effective upon publication. Copies of the adoption were sent to all carriers. In addition, he reported that the rule was included in the Board's proposed reoption with amendments.

E. DeRosa reported that she released a Bulletin to advise carriers as to the manner in which the plan options the Board discontinued as of September 1, 1997 should be handled in light of the Withdrawal Regulation. She said a copy of the Bulletin was included in Board materials.

S. Kelly said that Hank Meisner, a government relations person from her office, was concerned that the non-renewal of the plan options discontinued by the Board may generate calls to legislative offices. She said he recommends that the Board advise legislative offices of the non-renewal to prepare them for constituent calls. W. Sanders indicated that staff would prepare a memorandum for legislative offices. The Board agreed that the Marketing Committee should consider ways to present the plan changes that took effect in September 1997 as well as new options the Board may propose.

W. Sanders reported that comments were received to the proposed reoption with amendments. The following carriers offered comments: Amerihealth; Blue Cross Blue Shield of New Jersey; Celtic; Trustmark and CIGNA.

August Meeting Date

W. Sanders said that in order for staff to have ample time following the August Board meeting to prepare the rule adoption for submission to the Office of Administrative law by the August 13, 1998 deadline established by Executive Order 66, he recommends that the Board move the August Board meeting ahead to August 4, 1998. The Board agreed to this alternate meeting date. He said notice of the replacement date for the August 1998 meeting would be published and posted, as required by the Open Public Meetings Act.

1999 Meeting Schedule

W. Sanders reported that it was necessary to request use of the second floor conference room for 1999 meeting dates. A tentative meeting schedule for 1999 was included in Board materials. He asked members to advise him as to whether any of the dates would present a problem for attendance. He noted that the dates were the second Tuesday in each month. He also asked Board members to consider whether meeting fewer than 12 times per year would be appropriate. He noted the amount of time and work involved with preparing for Board meetings. He suggested that due to vacation schedules, the months of August and December might be good months eliminate meetings since those months tend to present the greatest challenges in terms of having a quorum present for the meeting. If an issue would arise that required immediate action, the Board could meet via teleconference to consider the issue. The Board agreed it should reduce its meetings to 10 per year.

Centennial Life

W. Sanders noted that included in Board materials was a letter to the Rehabilitator for Centennial Life. The letter requested that the Rehabilitator give due consideration to the carrier's obligation to customers in the IHC and SEH markets in light of the loss ratio refund requirements which exist in both markets. He noted that the DOBI believes it unlikely that refunds, if any are due, will be possible.

First Quarter 1998 Enrollment Report

W. Sanders noted that while there are still over a million lives covered in the IHC and SEH markets, combined, IHC enrollment had decreased by approximately 7400 persons and SEH enrollment had increased by about 3000 persons. Copies of first quarter enrollment data were included in Board materials.

IV. Report of the Marketing Committee

E. Shrem reported that the Marketing Committee continued to brainstorm other options that might produce viable alternatives for person whose plans will be non-renewed due to the Board's elimination of plan A and the low deductible options. New options would also be helpful in attracting persons not currently covered under IHC plans. The Committee met on June 12, 1998. Minutes of the Committee meeting were included in Board materials.

She said the Committee considered a couple of PPO type options as described in the minutes of the Marketing Committee. S. Kelly said she looked at the PPO plan options and believed they would not be low cost alternatives. The Board agreed these PPO designs might not be low cost plans.

E. Shrem said the other possibility to reduce cost would involve eliminating the deductible carryover provision. The Committee recognized that this feature added cost to the plans. However, E. Shrem said she was opposed to eliminating the feature. S. Kelly agreed that from a public policy perspective, it would not be wise to

eliminate the deductible carryover feature. The Board agreed the plans should retain the deductible carryover feature.

V. Report of Operations Committee

1995 and 1996 Loss Audits

W. Sanders reported he would be sending letters to Manhattan National, National Casualty Company, Time, Metropolitan Life, Travelers and The Mutual Group concerning outstanding information required in connection with the 1996 loss audits.

W. Sanders reported that he and P. Lechner had been working with Scott Sanders of D&T and representatives of BCBSNJ to ensure completion of the 1995 BCBSNJ reimbursable loss audit. He noted that with respect to some issues, BCBSNJ and D&T had reached an impasse.

D&T Engagement Letter

W. Sanders said that D&T provided a draft letter of engagement which he had forwarded to the Attorney General's Office for review.

W. Sanders explained that D&T proposed sending letters of agreement between D&T and each audited carrier which would advise the carrier of the scope of the project for which D&T had been hired and the responsibilities of an audited carrier. Carriers would then be required to sign the letter of agreement. W. Sanders explained that the Committee was concerned with the letters of agreement. He reported that the Committee recommended that staff contact D&T to determine if the letter is mandatory or discretionary and to ask whether it might be provided as an informational letter to carriers.

The Board agreed this would be appropriate action.

Investment Accounts

P. Lechner explained that CoreStates had been purchased by First Union. First Union provided notice that it was sunsetting certain investment accounts and gave the IHC Board until July 10, 1998 to determine a course of action. Based on the recommendation of the Operations Committee, she reported that the investment accounts had been moved into the Evergreen Treasury Money Market Fund accounts at First Union. The Board agreed that the staff's action, based on the Committee's recommendation, was appropriate.

Payment of Principal to BCBSNJ for 1992, 1993 and 1994 Reimbursable Losses

W. Sanders reported that, based on the filed Exhibit Ks for 1992, 1993 and 1994, the IHC Board still owed BCBSNJ \$1,095,259 in principal. He noted that prior payment had been deferred pending completion of the audits. He stated that the \$1,095,259 amount was not disputed. He said the Committee recommended payment of the principal to BCBSNJ.

E. Shrem offered a motion to pay BCBSNJ \$1,095,259 in principal for 1992, 1993 and 1994 loss reimbursement. J. Majcher seconded the motion. The Board voted unanimously in favor of accepting the motion.

VI. Report of the Technical Advisory Committee

Rate Filings (See Attachment)

S. Kelly reported that TAC considered rate filings from seven carriers. She noted that some of the rate filings included significant increases.

R. Smart offered a motion to find the rate filings shown on the Report of TAC as complete. J. Majcher seconded the motion. The Board voted unanimously in favor of accepting the motion.

Refund Plans

S. Kelly reported that TAC considered several refund plans and recommended that the following refund plans be approved by the Board:

- a) CIGNA, for an additional refund of \$14,820, yielding a total refund for 1995 or \$40,276. She explained that the Board previously approved a refund plan for CIGNA. However, in connection with the calculated reserve audit, the carrier adjusted the reserve, which resulted in an increased refund due to members.
- b) CIGNA, for a refund of \$706,476
- c) PFL, for a refund of \$116,306

J. Majcher offered a motion to accept the TAC recommendation and approve the refund plans of the carriers noted above. E. Shrem seconded the motion. The Board voted unanimously in favor of accepting the motion.

Cost Implications of Plan Design Changes

S. Kelly reviewed the possible rate decreases that may be realized with the various plan design options that had been suggested by the Marketing Committee. She noted that TAC considered only the cost of benefit changes. TAC did not attempt to estimate any selection factors. After considering the options and possible impact on rates, the Board agreed that the following plan changes should be proposed:

Plan B: Eliminate the \$500 deductible option. Add a \$2,500 deductible option. Retain the Hospital Confinement Copayment feature.

New Plan: Eliminate Plan E. Replace it with a Plan (yet to be named) that features deductible options of \$1,000 and \$2,500, 50%/50% coinsurance up to a coinsurance cap of \$5,000.

HMO Plan: Add an option to offer a \$30 physician visit copayment, with a corresponding hospital confinement copayment of \$300 per day.

The Board noted that prior to eliminating Plan E, staff needs to review the regulations to verify that there is no requirement to have an HMO equivalent plan.

E. DeRosa explained that carriers would begin to release first notices of non-renewal of the discontinued plan options no later than September 1998. Thus, she noted it would be critical for the Board to act quickly on these plan design changes. She suggested that she could prepare the proposal prior to the August Board meeting. If the Board voted to propose the plan changes during the August 4, 1998 Board meeting and use the expedited rule proposal process, the Board would be in a position to adopt the plan changes during the September Board meeting.

E. Shrem offered a motion to prepare the proposal necessary to accomplish the agreed upon plan changes. R. Smart seconded the motion. The Board voted unanimously in favor of accepting the motion.

S. Kelly reported that TAC had not yet completed an analysis of the impact of modified community rating, but hoped to be in a position to report findings during the August Board meeting.

VII. Executive Session

S. Kelly offered a motion that the Board close Open Session and begin Executive Session for the purpose of receiving legal advice and to discuss litigation. E. Shrem seconded the motion. The Board voted unanimously in favor of accepting the motion. W. Sanders said that he did not expect there to be any additional discussion following Executive Session.

[Break: 11:30 a.m. - 11:40 a.m.]

[Executive Session: 11:40 a.m. - 1:55 p.m.]

VIII. Final Business and Close of Meeting

S. Kelly offered a motion that the Board enter into a contract with Apex Management to audit 1996 calculated reserves for two carriers. C. St. John seconded the motion. The Board voted unanimously in favor of the motion.

C. St. John offered a motion to adjourn the Board meeting. J. Majcher seconded the motion and the Board voted unanimously in favor of adjourning the Board meeting.

[The meeting adjourned at 1:56 p.m.]

Attachments: Expense Report
TAC Report

**MINUTES OF THE MEETING OF
THE NEW JERSEY INDIVIDUAL HEALTH COVERAGE PROGRAM BOARD
AT THE OFFICES OF THE NEW JERSEY DEPARTMENT
OF BANKING AND INSURANCE
TRENTON, NEW JERSEY
August 4, 1998**

Directors Participating: Rebecca Smart, Chair (Mutual of Omaha); Jeff Beck (Aetna USHealthCare); Sandi Kelly (Blue Cross Blue Shield of New Jersey); Ritamarie Rondum; Eileen Shrem (arrived at 9:55 a.m.); Gale Simon (Department of Banking and Insurance); Catherine St. John (The Prudential); Lisa Yourman.

Others Participating: Ellen DeRosa, Deputy Executive Director; DAG Eleanor Heck (DOL); Pearl Lechner, Program Accountant; Wardell Sanders, Executive Director.

I. Call to Order

W. Sanders called the Board meeting to order at 9:42 a.m. He announced that notice of the meeting had been published in three New Jersey newspapers and posted at the Department of Banking and Insurance and the Office of the Secretary of State in accordance with the Open Public Meetings Act. A quorum was present.

II. Minutes

July 14, 1998

R. Rondum offered a motion to approve the minutes of the Open Session of the July 14, 1998 Board meeting, as amended. R. Smart seconded the motion. The Board voted in favor of accepting the motion with two abstentions, J. Beck and L. Yourman.

III. Report of Staff

Expense Report (See Attachment):

S. Kelly offered a motion to approve the payment of the expenses shown on the August 4, 1998 expense report. J. Beck seconded the motion. The Board voted unanimously in favor of accepting the motion.

Proposal of New Plans

E. DeRosa said she prepared a rule proposal that addressed the plan changes that had been discussed during the July Board meeting. She summarized the plan changes as follows:

- Eliminate the \$500 deductible for plan B;
- Create a \$2500 deductible for plan B which carriers must offer;
- Eliminate Plan E;
- Create a 50%/50% plan with \$1000 and \$2500 deductibles which carriers must offer; and
- Create a \$30 copayment option for the HMO plan which carriers may elect to offer.

E. DeRosa explained that due to the brief amount of time since the last Board meeting, there had not been ample time to prepare the proposal and submit it to a Committee to review prior to the Board meeting. She noted that the changes were straight-forward. Therefore, she asked the Board to vote to propose the plan changes based on staff recommendation. She explained that if the Board voted to propose the changes using the Board's special rule proposal process during the August 4, 1998 Board meeting, the hearing could be held on August 27, 1998, comments accepted until September 1, 1998 and the Board could adopt the plan changes during the September 14, 1998 Board meeting. She suggested that the plan changes should be effective November 1, 1998, but that carriers that wished to implement the changes prior to that time should be permitted to do so. She said that it would be important for the Board to have these lower cost plan options in place as soon as possible to provide viable alternatives to customers whose plans would be non-renewed as a result of the Board's prior action to eliminate Plan A and the low deductible options.

S. Kelly suggested that the enrollment report should be modified to reflect the new plans. In addition, she asked that the application be reviewed for possible necessary changes to address the new plan options.

S. Kelly said that Hank Meisner, a government relations person for BCBSNJ, had notified her of a Senate Resolution that indicated that the Board's action to eliminate Plan A had not been consistent with legislative intent. W. Sanders said he would attempt to secure a copy of SCR 78.

R. Smart offered a motion that the Board propose the plan changes detailed in the proposal, including any other changes consistent with the plan changes. E. Shrem seconded the motion. The Board voted unanimously in favor of the motion.

Target Enrollment Letters

W. Sanders said that the letters that advise carriers of their target enrollments for 1997/1998 had been prepared in anticipation of the adoption of the proposal readoption.

IV. Report of Operations Committee

W. Sanders referred the Board to the July 29, 1998 Minutes of the Operations Committee as contained in the Board materials.

1995 and 1996 Loss Audits

W. Sanders reported he sent letters to Manhattan National, National Casualty Company, Time, Metropolitan Life, Travelers and The Mutual Group concerning outstanding information required in connection with the 1996 loss audits. Five of the six carriers provided responses.

W. Sanders said that there had been communication between BCBSNJ and Deloitte & Touche (D&T) concerning the 1995 loss audit.

W. Sanders reported that the Committee discussed the need to implement an incentive to encourage carriers to cooperate with the loss audits on a more timely basis.

Bookkeeping Services

W. Sanders explained that bookkeeping services would greatly assist P. Lechner with her responsibilities as Program Accountant. Given the volume of financial matters with which she has been dealing, she has not had an opportunity to prepare the books.

The Board deferred a vote on bookkeeping services pending advice to be given during Executive Session.

Release of Escrow Funds to Aetna USHealthCare

W. Sanders reported that the Operations Committee recommended the release of funds that had been held in escrow as a result of the HMO NJ v. Whitman litigation. He referred the Board to a spreadsheet that specified the amounts held in a Treasury Escrow Account and in the IHC Investment Escrow Account. A total payment of \$1,004,296.65 would be released to Aetna USHealthCare and \$499,411.03 would be released to the IHC Board.

L. Yourman offered a motion to accept the recommendation of the Operations Committee and release escrow funds in the amounts of \$1,004,296.65 to Aetna USHealthCare and \$499,411.03 to the IHC Board. C. St. John seconded the motion. The Board voted in favor of the motion, with one abstention, J. Beck.

V. Report of the Technical Advisory Committee

Rate Filings

S. Kelly said the TAC considered one rate filing, from Celtic, and recommended that the Board find it complete.

Refund Plans 1996

S. Kelly said the Committee recommended that the Board approve refund plans from AmeriHealth and Bankers Life and Casualty. She noted that the AmeriHealth refund plan requested permission to use \$10.00 as a minimum amount for a refund. She said TAC believed \$1.00 would be the appropriate level below which no refund would be required. The Board agreed. Approval of the AmeriHealth refund plan would be subject to providing refunds in amounts of \$1.00 or greater.

J. Beck offered a motion to accept the rate filing and refund plan recommendations of TAC. R. Smart seconded the motion. The Board voted unanimously in favor of the motion.

VI. Executive Session

S. Kelly offered a motion that the Board close Open Session and begin Executive Session for the purpose of receiving legal advice and to discuss litigation. E. Shrem seconded the motion. The Board voted unanimously in favor of accepting the motion. W. Sanders said that there would discussion of the adoption of N.J.A.C. 11:20 and appendix exhibits following Executive Session.

[Break: 10:20 a.m. - 10:30 a.m.]

[Executive Session: 10:30 a.m. - 12:00 p.m.]

VII. Final Business and Close of Meeting

W. Sanders reported that the Board voted by secret ballot to reconstitute the Legal Committee. P. Lechner read the ballot results:

Aetna USHealthCare:	8
BCBSNJ:	6
DOBI:	7
Mutual of Omaha:	7
Prudential:	4

Since Prudential received the fewest votes, Prudential would not participate on the legal committee. W. Sanders noted that a representative from a non-Board member, Guardian, will continue to participate on the Committee.

W. Sanders reported that the Board received comments on the proposal readoption from five entities. He reported that the Board carefully considered all comments and that the proposal would be adopted with non-substantive modification not requiring re-proposal. He said that copies of the adoption would be sent to all IHC member carriers and notice of the adoption would be sent to all interested parties. He stated that notice of the enrollment targets for 1997/1998 would be released and carriers would have to make an election concerning an exemption by September 10, 1998.

S. Kelly offered a motion that the Board adopt the proposal readoption of N.J.A.C. 11:20 with appendix exhibits. L. Yourman seconded the motion. The Board voted unanimously in favor of the motion.

R. Rondum and L. Yourman expressed their appreciation for the gifts the Board and staff sent to them during their recent illnesses.

E. Shrem offered a motion to adjourn the Board meeting. J. Beck seconded the motion. The Board voted unanimously in favor of adjourning the Board meeting.

[The meeting adjourned at 12:15 p.m.]

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