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
September 14, 1998

Directors Participating: Rebecca Smart, Chair (Mutual of Omaha); Sandi Kelly (Horizon Blue Cross Blue Shield of New Jersey); William Kramer (Aetna U. S. HealthCare); (arrived at 9:50 a.m.); Ritamarie Rondum; (arrived at 9:55 a.m.); Eileen Shrem (arrived at 9:55 a.m.); Catherine St. John (The Prudential); Robert Vehec (Department of Banking and Insurance); 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 9:45 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

August 4, 1998
S. Kelly offered a motion to approve the minutes of the Open Session of the August 4, 1998 Board meeting, as amended. L. Yourman seconded the motion. The Board voted in favor of accepting the motion with one abstention, R. Vehec.

III. Report of Staff

Expense Report (See Attachment):
C. St. John offered a motion to approve the payment of the expenses shown on the September 14, 1998 expense report. R. Smart seconded the motion. The Board voted unanimously in favor of accepting the motion.

IV. Report of Staff

Outreach
W. Sanders reported that he spoke a conference in Washington, DC sponsored by the Alliance for Affordable Health Reform on the impact of the Health Insurance Portability and Accountability Act ("HIPAA"). He stated that the conference was attended by approximately 150 members of Congressional staff and the media. He noted that the conference was broadcast live and rebroadcast on C-Span. Since then, W. Sanders stated that he has received calls from three journalists requesting additional information on New Jersey's health reform programs.

Web Site
J. Petto reported that the Boards had released a memorandum to all interested parties to advise them that they could establish a link to the DOBI site. She said that about 15 to 20 entities had responded, indicating they would be interested in creating a link.

Enrollment Reports (second quarter 1998)
J. Petto reported that data received from the IHC carriers showed a decrease in IHC enrollment in 2Q98 as compared to 1Q98 enrollment by approximately three percent. She stated that the enrollment reports for 1Q98 had been revised to include previously unreported lives by two SEH carriers. She also noted that enrollment in the SEH market for the same period had increased by approximately three percent.

Senate Concurrent Resolution 78
W. Sanders reported that this resolution expressed a concern over the Board's authority to withdraw Plan A without the availability of an alternative plan at about the same price. He stated that, if the resolution were approved, it would call for a change to the IHC regulations within thirty days of the approval. S. Kelly asked about the process for the approval of the resolution. DAG E. Heck replied that the resolution would go through the Senate and the Assembly, in the same manner as a bill. The Board would be asked for a response if it was released from both the Senate and the Assembly. W. Sanders noted that he had drafted a letter that would advise the legislators of the introduction of Plan A/50 as well as provide background information. He asked Board members to provide comments concerning the draft letter that was included in Board materials. He also noted that there were approximately 2,700 persons currently covered under Plan A and that notices of nonrenewal were being sent to Plan A policyholders pursuant to the withdrawal regulation.

1997 Annual Report
W. Sanders reported that DOBI had requested an annual report from all agencies. He stated that a copy of the report was contained in the Board packets and asked for comments within the next two weeks.

R. Rondum observed that the draft report did not mention the Harvard-Brandeis study. W. Sanders replied that the study was not included because Harvard-Brandeis had not yet published the results. S. Kelly asked that the report reflect the amendments in the law to the assessment mechanism that increased the loss ratio that a carrier must experience before losses become reimbursable.

Bulletin 98-IHC-04
E. DeRosa stated the need to remind carriers of the required filing dates. She reported that she developed a draft bulletin, 98-IHC-04 to provide carriers with such guidance. There were no comments from the Board.

1999 Meeting Schedule
W. Sanders stated that, since there were no comments from the Board, the 1999 meeting schedule would be finalized and distributed. He noted that there would be no meetings in July or December 1999 unless necessary.

DOBI Acting Commissioner
W. Sanders reported that, pending Senate approval, Jaynee LaVecchia was named acting DOBI commissioner. W. Sanders stated that he was in the process of drafting a memo to J. LaVecchia, introducing her to the Board and the reform programs.

V. Report of TAC

S. Kelly reported that TAC considered a number of rate filings. As specified on the TAC report, TAC recommends that the Board find all but two of the filings complete. **R. Smart offered a motion to accept the TAC recommendation to find the rate filings shown as complete on the September 14, 1998 TAC report as complete. R. Vehec seconded the motion. The Board voted favor of accepting the motion with S. Kelly and W. Kramer abstaining from their own carriers.**

S. Kelly offered a motion to find the Manhattan National PPO rate filing incomplete as shown on the September 14, 1998 TAC report. C. St. John seconded the motion. The Board voted unanimously in favor of accepting the motion.

S. Kelly offered a motion to find the Oxford Health Insurance Plans C and D PPO rate filing incomplete as shown on the September 14, 1998 TAC report. L. Yourman seconded the motion. The Board voted unanimously in favor of accepting the motion.

S. Kelly reported that the Committee is working toward developing a recommendation that would specify the type of expenses which should be included as claims along with an explanation of why such expenses should be included as claims.

S. Kelly stated that the rate filings for Mega Life Insurance Company and Mid-West Life Insurance Company failed to include new business rates for the high deductible options that could be used in conjunction with an MSA. She noted that since both carriers had filed a request for withdrawal, TAC believed no action was required concerning the failure to issue new business. The Board agreed.

S. Kelly also reported that the Committee had completed the modified community rating analysis requested by the Marketing Committee. She referred the Board to the TAC report contained in the packets. W. Kramer noted that if modified community rating was based on the age of the contract holder, there could be some gaming of the system, with the younger spouse applying as the contract holder for lower rates. S. Kelly reported that Horizon BCBSNJ statistics showed 43% of insureds were <30, 28.9% were 30-49, and 18.9% were >50. S. Kelly stated that in the 1980s, BCBSNJ used the age of the oldest insured to determine the rates. W. Kramer said that, in Pennsylvania, Aetna U.S. HealthCare uses the age of the oldest insured to determine the rates.

R. Rondum stated that she wanted to caution the Board that the use of modified community rating would be the beginning of the dismantling of health care reform. She stated that community rating was one of the foundations of reform in New Jersey. R. Rondum also expressed a concern that the market may increase in the <30 age group, but would probably decrease in the >50 age group. R. Rondum stated that AARP would continue to object to a movement toward modified community rating.

S. Kelly stated that the Committee had only shown a probable percentage change, and was not recommending how the rates should be compiled. She stressed that the goal of modified community rating was to keep the average rate down. S. Kelly said that the Committee's reported percentages only reflect plan-to-plan comparison without any anti-selection. She said that the Committee reported that the actual rates might be higher if there is any anti-selection.

E. Shrem stated that carriers should also implement a 12-month rate guarantee. She also said that the Marketing Committee would review the Committee's analysis. W. Kramer stated that the change to modified community rating would require a change to the statute.

V. Proposed Adoption of Plan A/50

E. DeRosa reported that only written comments were received from Horizon BCBSNJ. She stated that these comments were outlined in the Legal Committee Minutes contained in the Board packets. E. DeRosa stated that the effective date for the sale of Plan A/50 is November 1, 1998, or sooner, if the carriers so choose. S. Kelly stated that Horizon BCBSNJ expressed a concern that, with regards to the Alternate Treatment Provision, policyholders would demand and expect certain services. E. DeRosa stated that, within the response to Comment 8, the policy form text is sufficiently clear to give the Carrier the right to make a determination for alternate treatment, as well as the covered person's right to accept such treatment. E. DeRosa reported that the Committee recommended that the response make clear that only the carrier has the right to initiate an alternate treatment plan.

S. Kelly offered a motion to approve the proposed draft adoption. L. Yourman seconded the motion. The Board voted unanimously in favor of accepting the motion.

VI. Report of Legal Committee

W. Sanders reported that the Committee met on September 9, 1998 and discussed market withdrawal requests from three carriers:

- Mega Life and Health

R. Smart offered a motion to accept the request for withdrawal, subject to receipt of revised notices to policyholders and producers. L. Yourman seconded the motion. The Board voted unanimously in favor of accepting the motion.

- Mid-West National Life

C. St. John offered a motion to accept the request for withdrawal, subject to receipt of revised notices to policyholders and producers. W. Kramer seconded the motion. The Board voted unanimously in favor of accepting the motion.

- NYLCare

C. St. John offered a motion to the request for withdrawal, subject to receipt of minor corrections. R. Smart seconded the motion. The Board voted favor of accepting the motion with one abstention (W. Kramer).

VIII. Executive Session

E. Shrem offered a motion to move into Executive Session to discuss current CIGNA litigation and to receive advice concerning the manner in which enrollment in KidCare would be treated in terms of satisfaction of the minimum number of non-group persons target for the IHC Program. C. St. John seconded the motion. The Board voted unanimously in favor of moving into Executive Session. W. Sanders advised that the Board would not return to Open Session to discuss additional matters.

[Break: 10:50 a.m.- 11:05 a.m.]
[Executive Session: 11:05 a.m. -11:25 a.m.]

IX. Close of Meeting

S. Kelly offered a motion to close the meeting. E. Shrem seconded the motion. The Board voted unanimously in favor of closing the meeting. The meeting adjourned at 11:25 a.m.

Attachments:

Exhibit 1	September 14, 1998 Expense Report
Exhibit 2	Report of TAC

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 October 13, 1998

Directors Participating: Jeff Beck (Aetna U.S. Healthcare); Sandi Kelly (Horizon Blue Cross Blue Shield of New Jersey); Mary McClure (The Prudential); Eileen Shrem; Rebecca Smart, Chair (Mutual of Omaha); Robert Vehec (Department of Banking and Insurance).

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

I. Call to Order

W. Sanders called the Board meeting to order at 9:40 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

September 14, 1998

S. Kelly offered a motion to approve the minutes of the Open Session of the September 14, 1998 Board meeting, as amended. R. Smart seconded the motion. The Board voted in favor of accepting the motion with one abstention, J. Beck.

III. Report of Staff

Expense Report (See Attachment):
W. Sanders noted that staff received two bills after the Expense Report was prepared. He asked that the Board consider the following in addition to the expense items included on the Report:

- $73.50 to reimburse S. Gunther for the Federal Express charge to mail materials to DAG J. Grady; and
- $32.50 for monthly parking for the month of October; added to the $97.50 shown on the Expense Report, the total expense, for the months of July - October, is $130.

S. Kelly offered a motion to approve the payment of the expenses shown on the October 13, 1998 expense report, as amended to include reimbursement for S. Gunther and October 1998 parking. E. Shrem seconded the motion. The Board voted unanimously in favor of accepting the motion.

Transition Memorandum to Commissioner Jaynee LaVecchia
W. Sanders noted that a copy of his memorandum to Commissioner J. LaVecchia was included in Board materials. He said the memorandum was intended to provide her with some background information on both the IHC and SEH Programs as well as briefly describe some of the critical issues facing the Boards. Several Board members commented that the memorandum provided an excellent overview. W. Sanders said he also provided the Board meeting schedules and invited the Commissioner to come to Board meetings.

Legislative Report

- Mental Health Parity: W. Sanders reported that he was approached by lobbyists concerning a bill that would provide complete mental health parity, applying to all markets, including the IHC and SEH markets. He said he invited them to provide written materials that would include specific detail on the anticipated cost impact. Although they did provide some information concerning the SEH market, he said they had not provided any materials addressing the IHC market. W. Sanders noted that the SEH materials included flawed assumptions and failed to provide the cost detail he had requested. Several Board members asked that he share the material they provided for SEH with the TAC, suggesting it might be of some use to TAC in analyzing the impact of mental health parity on the IHC market.
- P.L.1998, c.97: W. Sanders said that this law, which is effective December 3, 1998, prohibits carriers from denying benefits otherwise available under a health plan, for expenses incurred in the care and treatment of injuries sustained as the result of domestic violence. E. DeRosa explained that while the standard plans do not contain an express exclusion concerning treatment of injuries sustained as a result of domestic violence, she had read of carriers excluding coverage based on a pre-existing condition exclusion. She noted that she was not aware of any carriers in the IHC market denying coverage for these types of injuries based on the pre-existing conditions exclusion. However, she said that the next time the forms are revised she would suggest that the pre-existing conditions exclusion provision be amended to specifically state that it would not apply to injuries sustained as a result of domestic violence. She noted that the exclusion already states it does not apply

to complications of pregnancy, and this modification could be handled in a similar manner.

- Senate Concurrent Resolution 78: W. Sanders said that no Committee had placed this draft resolution, that expressed concern with the Board having eliminated Plan A without having developed a replacement plan, on its agenda. He said that he had sent a letter to all legislative offices announcing the introduction of Plan A/50.

Outreach
W. Sanders reported that he spoke to about 30 brokers in Florham Park, NJ on October 7, 1998. Although they were primarily interested in the SEH market, he said a number of them asked about the possibility of modified community rating in the IHC market. W. Sanders reported that he spoke to the small group of brokers who attended the Commissioner's advisory group meeting. He said that the Commissioner joined the meeting and briefly spoke. He also noted that the Board packets contain a copy of his response to an article in *USA Today* that had inaccurately discussed the IHC market in terms of the application of the pre-existing conditions exclusion as well as average cost of coverage.

E. DeRosa reported that she taught a 3-hour continuing education course on the IHC Program, hosted by Horizon Blue Cross Blue Shield of New Jersey. She noted it was a well-attended class.

Press Release on Plan A/50
W. Sanders reported that staff had drafted a press release to announce the introduction of Plan A/50 and the $2500 deductible for Plan B. He said that Winnie Comfort, Director of Public Affairs for the DOBI, suggested that the release be delayed until it can be revised to include cost information.

Oxford Health Insurance Company Plan Option Withdrawal
E. DeRosa explained that carriers that create PPO plans in the IHC market make the same type of plan option selections as HMO carriers. The HMO plan allows carriers to cover prescription drugs subject to either a $15 copayment of 50% coinsurance. In developing the PPO plans for Plans C and D, Oxford had elected to cover prescription drugs subject to a $15 copayment. As permitted by the Withdrawal Regulation, Oxford filed to withdraw the $15 copayment for prescription drugs. Oxford would begin to cover drugs subject to 50% coinsurance. E. DeRosa reported that the Legal Committee reviewed the application, and with some minor changes to the text of the notice letter to the member, recommended that the Board approve the plan option withdrawal.

R. Smart offered a motion that the Board accept the recommendation of the Legal Committee and approve Oxford's request to withdraw the $15 prescription drug copayment plan option for PPO Plans C and D, subject to receipt of a corrected notice to members. M. McClure seconded the motion. The Board voted unanimously in favor of the motion.

E. DeRosa noted that if Oxford files rates for the 50% coinsurance option before November 1, 1998, the rate for the 50% coinsurance option would be included on the November 1998 rate comparison sheets.

4Q Fiscal Year 1998 Financial Report
W. Sanders reported that the IHC regulations require the staff to submit a quarterly financial report filing with the Commissioner and with the Board. He said P. Lechner revised the format of the report to address comments made by Commissioner Randall concerning the 3Q Report. He asked that any comments or questions concerning the Report be directed to P. Lechner. He noted that the annual report of the Board's finances will be audited by an outside auditor.

IV. Report of the Technical Advisory Committee

Rate Filings
S. Kelly reported that TAC considered rate filings from four carriers. She said that TAC recommends that the Board find the following rate filings complete: Celtic; First Option for October 1998 only; Horizon BCBSNJ; and Horizon HealthCare. She said the TAC recommended that the First Option rate filing for November 1998 and later should be found incomplete since it failed to include the elements required for a rate filing.

R. Smart offered a motion to accept the recommendation of TAC and find the filings of Celtic, First Option for October 1998, Horizon BCBSNJ and Horizon Healthcare complete. R. Vehec seconded the motion. The Board voted unanimously in favor of the motion, with S. Kelly abstaining with respect to the Horizon filings.

S. Kelly offered a motion to accept the recommendation of TAC and find the First Option rate filing for November 1998 and later as incomplete. M. McClure seconded the motion. The Board voted unanimously in favor of the motion.

1997/1998 Exemption Requests
S. Kelly noted that carriers were required to file Exemption Requests no later than September 10, 1998, for the first two-year calculation period, 1997/1998. She said that 10 carriers filed requests. However, all but one had used language for the regulation prior to the recent readoption. She said TAC suggested that the 9 carriers be given the opportunity to re-file using the language from the current regulation and subject to receipt of the correct language, TAC recommended approving the conditional exemptions.

S. Kelly reported that 14 carriers had filed requests for the conditional exemptions in 1997. CNA, MEGA Life, Mid-West National and Metropolitan Life had filed for 1997, but did not file for the 1997/1998 period.

E. Shrem offered a motion to accept the recommendation of TAC. Subject to receipt of correct requests for a conditional exemption from 9 of the 10 carriers, the Board would approve the conditional exemption requests from Aetna U.S. Healthcare, AmeriHealth, Horizon, CIGNA, First Option, Guardian, HIP, Oxford, Prudential and United HealthCare. R. Smart seconded the motion. The Board voted unanimously in favor of the motion with J. Beck, M. McClure and S. Kelly abstaining with respect to the votes for their own companies.

V. Report of the Operations Committee

Status of 1995 and 1996 Loss Audits
W. Sanders reported that the Committee discussed the outstanding issued noted on the status report from Deloitte & Touche.

Metropolitan Life 1996 Assessment Payment
W. Sanders reminded the Board that Metropolitan had offset the 1996 loss assessment payment by the amount of losses for which it was seeking reimbursement. However, Metropolitan failed to provide the required Performance Report. As a result, he said the Board had asked Metropolitan to pay the 1996 assessment. He reported that Metropolitan made payment, as requested.

Metropolitan has hired auditors to prepare the required Performance Report. Upon receipt of an appropriate Performance Report, W. Sanders suggested that the Board may vote to release 80% of the loss amount requested to Metropolitan. He said that the Board had released 80% of the 1996 loss amount to other carriers that had provide acceptable Performance Reports.

Draft Fiscal Year 1999 Budget
W. Sanders said P. Lechner completed the FY 1999 Budget. The budget requires $824,130. He noted that the budget includes an estimated expense for new computers for Board staff.

P. Lechner briefly discussed the budget. W. Sanders reported that since the Board has not done a final reconciliation the Board has about $826,000 in administrative funds left from the assessments made in prior years. Rather than make an assessment for administrative funds at this time, the Operations Committee agreed that the Board should use the funds from prior years. W. Sanders assured the Board that the final reconciliation would still be done. The Board agreed that use of the funds already on hand was appropriate. R. Smart noted that the Board could always go out with an interim administrative assessment, should the need arise. W. Sanders said the loss and administrative assessment for 1997/1998 would be made on or about September 1999.

S. Kelly offered a motion to approve the draft budget for FY 1999. J. Beck seconded the motion. The Board voted unanimously in favor of the motion.

VI. Executive Session

E. Shrem offered a motion to begin Executive Session. R. Smart seconded the motion. The Board voted unanimously in favor of beginning Executive session. W. Sanders reported that the Board would enter Executive Session to receive advice from counsel and to discuss personnel issues.

[Executive Session: 10:42 a.m. - 11:30 a.m.]

VII. Final Discussion/Close of Meeting

W. Sanders reported that the Board had interviewed three candidates for the position of bookkeeper. The candidate that scored the highest on the ratings was Hughes, McLaughlin & Co., L.L.C. He said the cost for the project would be capped at $6,000.

S. Kelly offered a motion to hire Hughes, McLaughlin & Co., L.L.C. to do the IHC Program books for 1996, 1997 and 1998. J. Beck seconded the motion. The Board voted in favor of the motion, with E. Shrem abstaining.

S. Kelly offered a motion to authorize staff to have inserts for the Buyer's Guide printed. E. Shrem seconded the motion. The Board voted unanimously in favor of the motion.

R. Smart offered a motion to adjourn the IHC Board meeting. M. McClure seconded the motion. The Board voted unanimously in favor of adjourning the meeting. The meeting adjourned at 11:37 a.m.

Attachments: Expense Report
Report of TAC

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
November 10, 1998

Directors Participating: Jeff Beck (Aetna U.S. Healthcare) (arrived at 10:00 a.m.); Sandi Kelly (Horizon Blue Cross Blue Shield of New Jersey); Mary McClure (The Prudential); Ritamarie Rondum; Eileen Shrem; Rebecca Smart, Chair (Mutual of Omaha); Gale Simon (Department of Banking and Insurance); Lisa Yourman.

Others Participating: Ellen DeRosa, Deputy Executive Director; DAG Eleanor Heck (DOL); Pearl Lechner, Program Accountant; Joanne Petto, Assistant Director; 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. HMO Report Card

W. Sanders introduced Frances Prestianni of the Department of Health and Senior Services (DOHSS). F. Prestianni noted that in 1997, New Jersey and Maryland were the first states to produce a Performance Report on HMOs. New Jersey released the second annual Performance Report on HMOs in early November 1998. She provided copies for Board Members and other persons attending the meeting. F. Prestianni discussed the following:

- Why the DOHSS produces the Report;
- Criteria for the HMOs that are included in the report;
- Sources of data;
- Major changes made to the Report in 1998 as compared to 1997;
- Objectives of the Report;
- Structure of the Report; and
- How to use the Report.

L. Yourman suggested that the Report should be expanded to address physician satisfaction with the HMO. F. Prestianni reported that DOHSS had applied for grant funding in order to conduct a provider survey. J. Beck commented that the Report does not indicate an objective standard the HMOs should achieve. He said the Report only provides information that measures the performance of an HMO as compared to the performance of other HMOs. F. Prestianni noted that the HEIDIS data, which is used as a data source for the Report, is collected in a manner that enables comparability. E. Shrem observed that the Report does not include

information on all Point of Service (POS) plans. M. McClure explained that Prudential, for example, offers the POS product on indemnity paper rather than HMO paper. The 1998 Report provides POS data only with respect to POS plans that are issued on HMO paper. F. Prestianni said they hoped to expand the scope of the reporting in the future to include indemnity based POS plans.

Break: 10:35 - 10:50 a.m.]

III. Minutes

October 13, 1998
M. McClure offered a motion to approve the minutes of the Open Session of the October 13, 1998 Board meeting, as amended. J. Beck seconded the motion. The Board voted in favor of accepting the motion with two abstentions, R. Rondum and L. Yourman.

IV. Report of Staff

Expense Report (See Attachment)
W. Sanders noted that staff received a bill after the Expense Report was prepared. He asked that the Board consider an expense of $17,728 to be paid to the Attorney General's Office for 1Q 1999 expenses, in addition to the expense items included on the Expense Report.

S. Kelly offered a motion to approve the payment of the expenses shown on the November 10, 1998 expense report, as amended to include reimbursement for the bill from the Attorney General's Office. R. Smart seconded the motion. The Board voted unanimously in favor of accepting the motion, with R. Rondum abstaining with respect to reimbursement to be paid to her.

Legislative and Regulatory Report
Mental Health Parity (A.660): W. Sanders reported that the Assembly Banking and Insurance Committee heard A.660 on November 9, 1998. He said this Bill would require full parity of coverage for care and treatment of a mental or nervous condition. He noted the Bill would apply to plans issued in the individual, small employer and large group markets. W. Sanders explained that staff received a number of calls during the weeks prior to the hearing from persons seeking information concerning the coverage provided under the individual and small employer plans for the care and treatment of mental or nervous conditions. He noted that Assemblywoman Vandervalk, sponsor of A.660 had been among the persons seeking information.

W. Sanders reported that he provided testimony at the hearing regarding the scope of coverage in the standard plans. He said he also noted the potential for anti-selection particularly in the individual market. He said he explained the potential for a person covered under a self-funded plan, that may not provide any coverage for mental or nervous conditions, to elect coverage in the individual market during the open enrollment period.

J. Beck reported that the Bill was voted out of the Committee. The Bill identified seven biologically based mental or nervous conditions for which carriers would be required to provide full parity of coverage. W. Sanders said the next step would be

for the Bill to go to the full Assembly. Following the Assembly vote, the Bill would go to the Governor for signature. The Bill provides a 90-day effective date. He noted that if the Bill is signed the Board would have to work quickly to amend the standard plans.

PHCS Data: W. Sanders explained that Prevailing Healthcare Charges System (PHCS) is the fee profile IHC and SEH carriers are required to use to determine a reasonable and customary charge in cases where there is no negotiated fee schedule. He said PHCS data was published and available from the Health Insurance Association of America (HIAA) and that the IHC Regulations identify HIAA as the source of the data . He said that HIAA recently sold the PHCS data to Ingenix, Inc. He said the regulation will have to be amended to identify Ingenix, Inc. as the new source.

HIP
W. Sanders noted that a copy of a News Release concerning HIP was included in Board materials. He said the release discussed a temporary restraining order that allows the DOBI and DOHSS to ensure that the HIP Health Centers remain open and that services will continue, without interruption, to HIP members. W. Sanders said a hearing was originally scheduled for November 9, 1998 to place HIP in rehabilitation. G. Simon said the hearing date had been postponed a couple of weeks.

W. Sanders said that HIP is not permitted to write new business in any market, but that existing quotes to customers are being honored. He noted that HIP was included on the November rate sheet since court action was pending.

W. Sanders noted that the State set up a toll free number to respond to consumer inquiries. He said staff has received a fair number of calls from HIP customers.

Operations Issues
W. Sanders reported that the firm the IHC Board had hired to assist in the preparation of financial books for the Program began work on Friday, November 6, 1998.

W. Sanders reported that Scott Sanders of Deloitte & Touche (D&T) advised him that the 1996 reimbursable loss audits were nearly complete and that D&T was awaiting representation letters from two carriers. He said the Operations Committee will meet in December, prior to the December Board meeting, to discuss the audits.

Challenge of 1993 and 1994 Audits
W. Sanders said the Office of Administrative Law Judge rendered a decision on the appeal filed by Blue Cross Blue Shield of New Jersey. The Judge dismissed the appeal. He said a copy of the decision was included in Board materials. He said the Board would discuss the next steps during Executive Session.

Outreach
W. Sanders reported that he had written a letter to the editor in response to a report BNA published in August 1998 on a Heritage Foundation report. Although the BNA Reporter did not publish his letter, he said they promised to do a full story on the reforms in New Jersey. He said the Board materials include an article that is generally favorable to the New Jersey reforms.

W. Sanders noted that Irene Card, a reporter who writes for some of the smaller newspapers in New Jersey, wrote an article about the reforms in New Jersey.

W. Sanders said he was interviewed in connection with an article on HIPAA for *Employee Benefit News*, a national magazine. He said it appeared the reporter had misunderstood some of his comments, particularly with respect to employers reducing contribution levels. He said a copy of the article was included in Board materials.

E. DeRosa reported that she spoke at a seminar sponsored by the New Jersey Business and Industry Association on October 28, 1998. She said her topic was buying health insurance.

V. Report of the Technical Advisory Committee

Rate Filings
S. Kelly reviewed the recommendation of TAC to find the rate filings identified on the TAC Report (copy attached) as complete.

L. Yourman offered a motion to accept the recommendation of TAC and find the rate filings identified on the TAC Report as complete. E. Shrem seconded the motion. The Board voted unanimously in favor of the motion, with J. Beck abstaining with respect to the Aetna filing.

S. Kelly reported that while all indemnity carriers were to have filed rates for the new Plan A/50 and the $2500 deductible Plan B in anticipation of a November 1, 1998 effective date, five carriers had not made the necessary rate filing. She said TAC recommended that the Board allow until December 1, 1998 for the carriers to submit the filings. She said that TAC believed the carriers had already had ample time to prepare the filings. She said TAC recommended that carriers that have not filed by December 1, 1998 be referred to the Consumer Protection and Enforcement section of the DOBI for appropriate action.

The Board agreed with the recommendation to allow until December 1, 1998 for carriers to file rates, and suggested that the carriers also be required to provide sample policy forms in order to ensure that they are really in a position to sell the new plans. In addition, the Board suggested that these carriers should be advised that they must either file rates for all the plans indemnity carriers are required to sell, or they must file to withdraw from the IHC market. The Board believed carriers must either sell everything they are required to sell or they cannot be allowed to sell anything in the IHC market.

R. Rondum offered a motion that the five carriers that have not yet filed rates for the new plans be contacted, in writing, and advised that they must file rates for the new Plan A/50 and the $2500 deductible Plan B no later than December 1, 1998. Failure to file by December 1, 1998 will result in a referral to the Consumer Protection and Enforcement section of the DOBI. Carriers should be advised that they must either sell all the standard plans adopted by the Board or they may not sell any plans and must therefore withdraw from the IHC market. L. Yourman seconded the motion. The Board voted unanimously in favor of the motion.

S. Kelly noted that there are a number of carriers that are continuing to renew inforce business but do not market new business. She commented that in light of the adoption of the Withdrawal Regulation, these carriers should be required to either resume the sale of new business or file to withdraw. The Board agreed.

L. Yourman offered a motion that staff write to all carriers that discontinued offering new business, but continue to renew inforce business, to advise them that they must either resume the sale of new business or file to withdraw from the IHC market. E. Shrem seconded the motion. The Board voted unanimously in favor of the motion.

VI. Report of the Marketing Committee

E. Shrem reported that the Marketing Committee met to discuss the modified community rating analysis TAC prepared. She said the Committee considered the pros and cons of moving to modified community rating based on age. She said the Committee concluded that the rate relief offered in a modified community rated structure would be a good incentive to attract younger lives into the market. E. Shrem said the Committee believed the rate structure should move to a 2:1 rate band, based on age. She said E. DeRosa told her that TAC briefly discussed the Marketing Committee recommendation and that one member of TAC suggested it may be wise to transition to a 2:1 band by first moving to 1.5:1, then moving to 2:1. E. Shrem said she felt confident the Marketing Committee would agree with that suggestion.

R. Rondum expressed concern with any movement away from pure community rating. She said the Board still does not have the final report from Harvard Brandeis. She said she was aware of only one independent report on modified community rating as prepared by the Kaiser Foundation. She said that AARP would strongly oppose a movement away from pure community rating. She also said that based on the data available to her, it seemed the 50+ enrollment was increasing and that a shift to modified community rating would impact this growing segment of enrollment.

E. DeRosa said that the Harvard Brandeis researchers continue to write papers on the reform. She said it was not likely the Board would receive a final report that would conclusively state whether or not a move to modified community rating would be helpful or harmful.

R. Smart noted that even if rating were to shift to a modified community rating structure, there would nevertheless be significant subsidization of the cost of coverage for the older population.

S. Kelly suggested that if something is not done to provide some rate relief, few if any persons will be able to afford coverage. She said that based on statistics from Horizon, approximately 43% of covered persons are below age 30, approximately 29% of covered persons are between the ages of 30 and 50 and approximately 19% of persons are over age 50.

G. Simon suggested that there was a need to move people into managed care plans. She noted the popularity of “Open Access” in the group market. S. Kelly commented that since managed care costs are not currently allowed as claims cost for the purpose of a loss ratio calculation, there was not much incentive for carriers to offer

managed care plans. M. McClure said the Board needs to be supportive of managed care.

E. DeRosa volunteered to prepare a summary of all the pros and cons of moving to a modified community rating structure as identified by the Marketing Committee, the TAC and the Board. She said she will provide the summary to the Board in advance of the December meeting to enable Board members to give it ample consideration. W. Sanders said that once the Board, or a majority of the Board agrees upon a position, he would seek the opportunity to present it to the Commissioner.

VII. Executive Session

M. McClure offered a motion that the Board begin Executive Session to discuss litigation matters. R. Smart seconded the motion. The Board voted unanimously in favor of the motion.

[Break: 12:05 p.m. - 12:15 p.m.]

[Executive Session: 12:15 p.m. - 1:25 p.m.]

VIII. Close of Meeting

J. Beck offered a motion to adjourn the Board meeting. M. McClure seconded the motion. The Board voted unanimously in favor of the motion.

Attachments:
Expense Report
Report of TAC

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
December 10, 1998

Directors Participating: Sandi Kelly (Horizon Blue Cross Blue Shield of New Jersey); Mike Malloy (Department of Banking and Insurance); Mary McClure (The Prudential); Ritamarie Rondum; Eileen Shrem (arrived at 9:50 a.m.); Rebecca Smart, Chair (Mutual of Omaha); Lisa Yourman.

Others Participating: Ellen DeRosa, Deputy Executive Director; DAG Eleanor Heck (DOL); Pearl Lechner, Program Accountant; Joanne Petto, Assistant Director; 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. First Executive Session

W. Sanders explained that the Board needed to discuss a contract matter and asked for a motion to enter into Executive Session.

M. McClure offered a motion that the Board enter into Executive Session. R. Rondum seconded the motion. The Board voted unanimously in favor of entering Executive Session.

[First Executive Session: 9:45 a.m. - 10:50 a.m.]

[Break: 10:50 - 11:00 a.m.]

III. Minutes

November 10, 1998
L. Yourman asked that HMO Report Card section of the minutes be amended to include a statement she recalled F. Prestianni having made about ambulatory versus preventive care. As neither L. Yourman nor other Board members nor staff were able to recall the nature of the statement, E. DeRosa volunteered to call F. Prestianni. E. DeRosa will inquire as to nature of any such statement and seek guidance from F. Prestianni as to what, if anything, she would like attributed to her in the minutes on the issue of ambulatory versus preventive care.

E. Shrem offered a motion to approve the minutes of the Open Session of the November 10, 1998 Board meeting, as amended. R. Smart seconded the motion. The Board voted in favor of accepting the motion with one abstention, M. Malloy.

IV. Report of Staff

Expense Report (See Attachment)
W. Sanders noted that staff received a bill after the Expense Report was prepared. He asked that the Board consider an expense of $2812.50 to be paid to Judd Hughes, the accountant who has been working under contract performing bookkeeping services for the IHC Board, in addition to the expense items included on the Expense Report.

W. Sanders also noted that the Expense Report included an expense to pay for a monthly parking permit for him. He noted that he had usually been able to locate free parking until the past couple of months, but that the free parking option no longer existed. He explained that purchasing a monthly permit was more cost effective than paying for parking on a daily basis.

E. Shrem offered a motion to approve the payment of the expenses shown on the December 10, 1998 expense report, as amended, to include reimbursement for the bill from Judd Hughes. S. Kelly seconded the motion. The Board voted unanimously in favor of accepting the motion, with Board members abstaining with respect to reimbursement of their respective expenses.

Legislative and Regulatory Report
W. Sanders reported that since there was no new activity that concerned the IHC Program, he did not include a Legislative Report in the Board materials.

1999 Meeting Schedule
W. Sanders reported that a copy of the final 1999 Board meeting schedule was included in Board materials. He noted that while the schedule shows a meeting in July, the Board had voted to not meet in July. He said the July meeting would be canceled unless an issue arises that would require the Board to meet in July 1999.

Medical Savings Account (MSA) Index of Deductible
S. Kelly asked W. Sanders if he had received any communications concerning the indexing of the deductibles used with the high deductible plans that can be used in conjunction with a MSA. W. Sanders responded that he had not. R. Smart said her company was also awaiting the information.

3Q 1998 Enrollment
J. Petto noted that copies of the summary data for 3Q 1998 enrollment were included in Board materials. She commented that there had been a decrease in the number of covered lives in both the IHC and the SEH markets.

Cost Reduction/ Modified Community Rating
E. DeRosa reminded the Board that during the November 1998 Board meeting the Board discussed the recommendation from the Marketing Committee that the Board request that the Commissioner seek statutory changes that would transition from pure community rating to modified community rating based on age in the IHC Market. She said she had volunteered to prepare a memo outlining the consideration the Board and Committees had given to cost reduction in general, and modified community rating, specifically. She distributed a memo to the Board and requested comments and suggestions no later than the first week in January. She suggested that if the Board were to vote to recommend that the Commissioner seek statutory changes to allow modified community rating, that the background information contained in the memo would be useful to share with the Commissioner.

Outreach
W. Sanders reported he included a copy of a letter written by Senator Bassano in the Board materials, and that the letter spoke favorably of the reform programs.

W. Sanders said he was invited to be a member of a panel for a seminar sponsored by the Alpha Center to be held in January 1999 in Washington, DC. He said the Alpha Center agreed to pay for expenses associated with his participation in the seminar.

W. Sanders reported that he participated in the Commissioner's Advisory Council of Brokers on December 1, 1998. He noted that the brokers were primarily interested in employee leasing company issues and the impact on the SEH market.

W. Sanders said he spoke at a seminar sponsored by the New Jersey Business and Industry Association on November 20, 1998. He said his topic was individual and small employer reform and shopping for coverage.

E. DeRosa report that she taught another 5-credit continuing education course on the IHC Program on November 30, 1998. She commented that many of the attendees were agents and brokers who actually sell the individual coverage, and that they were an excellent group.

Communication to Carriers
E. DeRosa reported on the status of the letters she had written to carriers that had failed to submit rates for Plan A/50 and Plan B $2500. She said all but one carrier filed rates. She reported that she had been in communication with representatives from Met Life, the sole carrier that has not filed the necessary rates, and had been advised that the rates would be submitted. The Board suggested that the failure to file rates, as required, should be referred to the Division of Enforcement and Consumer Protection and.

E. DeRosa reported that she wrote to eight carriers that ceased issuing new business but continue to renew inforce business to advise them that, based on the Withdrawal Regulation, they must either begin to sell new business or must file to withdraw from

the market. She said she received letters from 2 of the carriers advising that they would withdraw, and calls from 4 others also advising they intended to withdraw. She said she would pursue follow-up with the remaining 2 carriers.

V. Report of the Technical Advisory Committee

Rate Filings
S. Kelly reviewed the recommendation of TAC to find the rate filings identified on the TAC Report (copy attached) as complete.

R. Smart offered a motion to accept the recommendation of TAC and find the rate filings identified on the TAC Report as complete. M. McClure seconded the motion. The Board voted unanimously in favor of the motion.

1997 Refund Plans
S. Kelly reviewed the refunds noted on the attached TAC Report. She noted that these were probably the only refunds due for 1997.

L. Yourman offered a motion to approve the refund plans for the 3 carriers identified on the TAC Report. S. Kelly seconded the motion. The Board voted unanimously in favor of the motion.

VI. Report of the Operations Committee

1996 Reimbursable Loss Audits
W. Sanders reported that the 1996 reimbursable loss audits were nearly complete. He said Deloitte & Touche was waiting for representation letters from 2 carriers.

Reimbursement Guidelines
W. Sanders said the Operations Committee reviewed reimbursement guidelines that staff had prepared. He explained that the guidelines not only address the format and timing of requests for reimbursement, but also identify the nature of expenses for which reimbursement may be sought. The guidelines apply to both Board members and staff. R. Smart noted that Board members who are employed by a carrier would generally be reimbursed for out-of-pocket expenses by the carrier.

M. McClure offered a motion to adopt the Reimbursement Guidelines (copy attached). E. Shrem seconded the motion. The Board voted unanimously in favor of the motion.

VII. Second Executive Session

W. Sanders said the Board needed to discuss litigation with CIGNA, Horizon BCBSNJ, advice from counsel on KidCare, and salary matters, and asked for a motion to enter Executive Session. He said there would be no business discussed following the Executive Session.

R. Smart offered a motion that the Board begin Executive Session. R. Rondum seconded the motion. The Board voted unanimously in favor of the motion.

[Break: 11:46 a.m. - 11:55 a.m.]

[Second Executive Session: 11:55 a.m. - 1:00 p.m.]

VIII. Close of Meeting

M. McClure offered a motion to adjourn the Board meeting. E. Shrem seconded the motion. The Board voted unanimously in favor of the motion.

Attachments:

- Expense Report
- Report of TAC
- Reimbursement Guidelines