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**NOTES AND 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 9, 2000**

Directors Present: Linda Ilkowitz (Guardian); Sandi Kelly (Horizon Blue Cross Blue Shield of New Jersey); Jane Majcher (Department of Banking and Insurance); Rebecca Smart (Mutual of Omaha).

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

As of 9:30, the scheduled start of the Board meeting, there were an insufficient number of Directors present to constitute a quorum. Those present decided to discuss issues that would not require Board votes as they awaited participation of another Director.

Notes

I. Legislative Update

A.1606

W. Sanders reported that the Assembly Banking and Insurance Committee reported A.1606 out of Committee, with amendments. He summarized some of the key features of the bill as follows:

- Allows IHC and SEH carriers to offer one or more of the standard health benefits plans as an Exclusive Provider Organization (EPO) plan;
- Permits modified community rating in the IHC market, using the characteristics of age, gender and geographic location, with rate bands initially at 1.5:1, and then shift to 2:1 as of January 1, 2002;
- Amends the loss ratio calculation to state that a claim payment includes expenses attributable to: the carrier's medical director; utilization management; and disease management.

W. Sanders said it was his understanding that the Department had concerns with some aspects of the Bill and that the sponsor of the bill and the Department were attempting to work out an agreement on changes that could be made to the bill as floor amendments. W. Sanders said the bill sponsor agreed to delay posting the bill for a vote in the Assembly until an agreement on the bill has been reached between the sponsor and the Department.

Senate Legislative Oversight Committee

W. Sanders said he learned that the Senate Legislative Oversight Committee had scheduled a hearing for May 11, 2000 to discuss affordability of small group coverage and to examine whether the SEH Board developed the 5 standard health benefits plans in a manner that was consistent with the legislative intent.

II. Outreach

W. Sanders said he was invited to speak on the IHC Program at the National Academy for State Health Policy meeting in Minneapolis on August 7, 2000. He said such meetings give him the opportunity to meet and speak with a number of people from other states who are involved with health reform issues and that these types of contacts have been helpful in the past. He said that since he was going to be a speaker he would ask that the National Academy to pay for the cost of his trip. In the event the National Academy would not pay for his expenses, he said he will ask the IHC Board if the Board would cover his expenses, perhaps as a shared expense with the SEH Board.

III. Interim Reconciliation

W. Sanders said the interim reconciliation had not yet been released. He explained that six carriers appealed the assessment, and the interim reconciliation addressed the issues raised in the appeals. The mailing of the orders in response to the appeals should be coincident with the mailing of the interim reconciliation. W. Sanders said he awaited comments on the text of the orders from DAG E. Heck. The interim reconciliation could be mailed once the orders were ready to be released.

IV. Changes to the IHC Program

W. Sanders said he received a number of comments from Board members addressing desired changes to the IHC Program. He said he was in the process of compiling the information and would distribute it to the Marketing and TAC Committees for consideration.

V. 1996 Reimbursable Loss Audit- The Mutual Group (TMG)

W. Sanders said that a final copy of the Deloitte & Touche report of TMG's 1996 reimbursable losses was included in Board materials. Since the report could not be completed due to the failure of TMG and its administrator to produce necessary documentation, at a minimum, the Board would require TMG to return to the Board the \$2,489,635 the Board paid to TMG, with interest. W. Sanders said the Board would again discuss the audit report and then vote on such action when a quorum of Directors was present.

VI. Legal Committee Report

Application of legislation

W. Sanders reported that the Legal Committee considered whether P.L.1999, c.395 and P.L.1999, c.341 (addressing coverage for prescription drugs and for mammograms) apply to coverage in the IHC market. He explained that these new laws do not specifically amend the IHC and SEH laws, but rather speak in general about amending group and individual coverage. He said the laws require HMO carriers to comply with the laws, as a condition for retaining their certificates of authority. The Committee recommended that the Board comply with both laws in all plans, noting that in the past the Board has taken the position that it is important to preserve a "level playing field." That is, if HMO carriers must provide coverage consistent with these laws, so should indemnity carriers.

S. Kelly suggested that the Board should look at the application of laws to preserve the "level playing field" on a case by case basis. She noted there could be severe cost implications.

High deductible/no coinsurance plan

W. Sanders said the Committee discussed whether the Board could make a high deductible, no coinsurance plan available without seeking a legislative change. He said the Committee discussed how the Board had identified the various plans and noted that there may have been other ways the Board could have chosen to distinguish among the plans rather than using coinsurance to distinguish among plans. W. Sanders said the Committee recommended that the Board look into using a rider to amend the coinsurance of an existing plan rather than re-defining how a plan is identified.

VII. TAC Report

S. Kelly said the Committee considered filings from Oxford Health Insurance Company and Oxford Health Plans and recommended that the filings be found complete.

S. Kelly said TAC also considered the corrected loss ratio report and refund plan for National Casualty for 1998. She said the Committee recommended that the refund plan be approved.

She noted that she would discuss the rate filings and refund plan again when a quorum of Directors was present.

Start of Board Meeting

Board staff advised the Board that M. McClure would be available to participate in the meeting by teleconference. The 5th floor conference room could be used for the meeting. Board staff faxed M. McClure copies of all the materials that were distributed to the Board members who were present in Trenton.

Directors Participating: Linda Ilkowitz (Guardian); Sandi Kelly (Horizon Blue Cross Blue Shield of New Jersey); Jane Majcher (Department of Banking and Insurance); Mary McClure (Aetna U.S. Healthcare) (Participated by teleconference); Rebecca Smart (Mutual of Omaha).

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

R. Smart called the Board meeting to order at 11:00 a.m. W. Sanders announced that notice of the meeting had been sent to 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 participating in the meeting. Since the meeting had moved to the 5th floor conference room so as to have access to a speaker phone, W. Sanders said Board staff was remaining in Room 220 in the event any additional persons arrived to listen to the proceedings of the Open Public Meeting.

II. Minutes

April 11, 2000

R. Smart offered a motion to approve the draft minutes of the Open Session of the April 11, 2000 Board meeting, as amended. L. Ilkowitz seconded the motion. The Board voted unanimously in favor of accepting the motion.

III. Expense Report

S. Kelly offered a motion to approve the payment of the expenses shown on the May 9, 2000 expense report. R. Smart seconded the motion. The Board voted unanimously in favor of accepting the motion.

IV. Report of the Technical Advisory Committee

Rate Filings

S. Kelly said TAC considered two rate filings, from Oxford Health Insurance for PPO plans, and Oxford Health Plans for HMO coverage, and recommended that the Board find them complete.

J. Majcher offered a motion to find the rate filings identified on the attached TAC report complete. S. Kelly seconded the motion. The Board voted unanimously in favor of the motion.

1998 Refund Plan

S. Kelly said TAC recommended that the Board approve the refund plan for National Casualty Company. (See attached TAC report) M. McClure said she reviewed the materials faxed to her but wondered about the dollar amount of the refund. S. Kelly explained that the amount was missing a zero, and the amount was approximately \$25,000.

S. Kelly offered a motion that the Board approve the refund plan for National Casualty. J. Majcher seconded the motion. The Board voted unanimously in favor of the motion.

V. The Mutual Group Audit Report

W. Sanders said that a final copy of the Deloitte & Touche (D&T) report of TMG's 1996 reimbursable losses was included in Board materials. Since the report could not be completed due to the failure of TMG and its administrator to produce necessary documentation, at a minimum, the Board would require TMG to return to the Board the \$2,489,635 the Board paid to TMG, with interest. W. Sanders said the Board would need to vote to order TMG to return the payment, with interest.

J. Majcher offered a motion that the Board send TMG an order requiring, at a minimum, the repayment of the \$2,489,635 the Board paid to TMG for reimbursable losses which the D&T audit was unable to substantiate. Such payment should include interest. L. Ilkowitz seconded the motion. The Board voted unanimously in favor of the motion.

VI. Executive Session

W. Sanders reported that the Board needed to receive advice from counsel concerning litigation matters and asked for a motion to begin Executive Session. He said there would not be additional discussion following the close of the Executive Session.

J. Majcher offered a motion to begin Executive Session. S. Kelly seconded the motion. The Board voted unanimously in favor of the motion.

VII. Close of Meeting

S. Kelly offered a motion to adjourn the Board meeting. J. Majcher seconded the motion. The Board voted unanimously in favor of accepting the motion. The meeting adjourned at 11:15 a.m.

**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 15, 2000**

Directors Present: Claudine Harper (AUSHC); Sandy Herman (Guardian); Sandi Kelly (Horizon Blue Cross Blue Shield of New Jersey); Jane Majcher (Department of Banking and Insurance); Eileen Shrem; Rebecca Smart (Mutual of Omaha).

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

I. Call to Order

R. Smart called the Board meeting to order at 9:45 a.m. W. Sanders announced that notice of the meeting had been sent to 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 9, 2000

S. Kelly offered a motion to approve the draft minutes of the Open Session of the May 9, 2000 Board meeting, as amended. J. Majcher seconded the motion. The Board voted in favor of accepting the motion with E. Shrem abstaining.

VI. Report of Staff

Expense Report

J. Majcher offered a motion to approve the payment of the expenses shown on the June 15, 2000 expense report. R. Smart seconded the motion. The Board voted unanimously in favor of accepting the motion.

Legislative Update: A. 1606

W. Sanders reported that the sponsors of the bill are working with the Department of Banking and Insurance to address areas of disagreement. He noted that there was a press clipping in the Board packets concerning the bill.

Senate Legislative Oversight Committee

W. Sanders said that the Senate Legislative Oversight Committee had scheduled a hearing for May 25, 2000 to discuss affordability of small group coverage and to examine whether the SEH Board developed the 5 standard health benefits plans in a manner that was consistent with the legislative intent. W. Sanders said that he had not been available to attend the meeting since little advance notice of the meeting had been given and he had a prior commitment for May 25, 2000. He said he provided written testimony. He said this may become an issue for the IHC Board since the IHC Act closely resembles the SEH Act.

S. Kelly noted that plan differences are generally accomplished by addressing the level of benefits, not the scope of coverage. S. Herman agreed.

Proposal for Family Care

W. Sanders said that a bill to create Family Care had been reported out of the Assembly Health Committee. He said that a news clipping on the Family Care Program was included in the Board materials.

HCFA Bulletin 00-02

W. Sanders said a copy of HCFA Bulletin 00-02 was included in Board materials. He said it may have some impact on the IHC market.

WEB Address

W. Sanders noted that the web site could now be accessed using a shorter name: www.NJDOBI.org. The longer, case-sensitive name may also be used. Both addresses lead to the same web page.

Annual Report

W. Sanders said that a draft of the information to be submitted for the Department's Annual Report was included in Board materials. He said he would like to receive any comments before June 26, 2000.

Interim Reconciliation

W. Sanders said that he prepared orders to be sent to 4 additional carriers that either failed to file Exhibit K data or that underreported the net earned premium on Exhibit K.

R. Smart offered a motion to issue an order to Commercial Travelers to require Commercial Travelers to pay an assessment based on the newly filed Exhibit K. J. Majcher seconded the motion. The Board voted unanimously in favor of the motion.

S. Kelly offered a motion to issue an order to Foundation Health Systems to require

S. Kelly offered a motion to issue an order to Foundation to pay an assessment based on the corrected Exhibit K. J. Majcher seconded the motion. The Board voted in favor of the motion with S. Herman abstaining.

R. Smart offered a motion to issue an order to New York Life to require New York Life to pay an assessment based on the newly filed Exhibit K. J. Majcher seconded the motion. The Board voted unanimously in favor of the motion.

J. Majcher offered a motion to issue an order to United of Omaha to require United of Omaha to pay an assessment based on the newly filed Exhibit K. S. Herman seconded the motion. The Board voted in favor of the motion with R. Smart abstaining.

The Board considered the spreadsheet that showed the interim reconciliation. W. Sanders noted that some carriers would be entitled to refunds while others would be required to pay additional amounts. W. Sanders said the Board had sufficient funds to cover the refund checks.

S. Kelly offered a motion to proceed with the interim reconciliation. J. Majcher seconded the motion. The Board voted in favor of the motion, with S. Kelly abstaining with respect to the refund payable to Horizon, C. Harper abstaining with respect to the refund payable to AUSHC, S. Herman abstaining with respect to the refund payable to Guardian, and R. Smart abstaining with respect to the payment to be made by Mutual of Omaha.

Why People Do Not Buy Insurance

W. Sanders said a study conducted in California concerning why people do not buy health insurance concluded that the primary reason was cost. W. Sanders said that the Rutgers Center for State Health Policy will be conducting studies of the New Jersey market and he asked Board members to think of specific issues that the studies might consider exploring.

The Mutual Group (TMG)

W. Sanders said the order to TMG had not yet been sent. He asked the Board to confirm that the amount to be paid to the Board would be the amount the Board paid, plus interest, plus half the cost of the audit. The Board confirmed the amount.

VII. TAC Report

S. Kelly said the Committee considered a rate filing from Aetna Life Insurance Company and recommended that the filing be found complete.

E. Shrem offered a motion to find the rate filing identified on the attached TAC report complete. S. Kelly seconded the motion. The Board voted in favor of the motion with C. Harper abstaining.

VIII. *Report of the Operations Committee*

W. Sanders said the Committee discussed a letter from Fortis regarding the "inception to date" issue and a draft response. He said the Committee recommended that the response be sent out, with changes, as discussed. The Board agreed.

Desired Changes to the IHC Program

Modified Community Rating: The Committee recommended and the Board agreed that the current Commissioner should be advised of the Board's prior correspondence on modified community rating. The Committee also suggested and the Board agreed that the Commissioner should be provided with information regarding the ages of

persons covered under IHC plans, noting that the ages include dependent ages as well as the ages of the primary insured persons.

EPO Product: The Committee supported allowing an EPO plan design provided that the network of providers would be subject to approval by the State and that EPO plans would be offered in addition to, not in lieu of, the existing plan offerings. The Board agreed.

High Deductible Plan: The Committee noted that a \$7,500 or \$10,000 deductible 100% coinsurance plan may be possible through use of a standard rider. The Committee and the Board favored delaying a recommendation regarding such a plan design pending receipt of cost impact data from TAC.

Simplify Plan Choices: The Committee opposed this suggestion. The Board agreed.

Require HMO Carriers to offer an HMO-POS Plan: The Committee opposed this suggestion. The Board agreed.

Changes to the Assessment Mechanism:

- The Committee considered amending the target setting calculation to address Medicare/Medicaid enrollment. The Board believed it would be helpful to review the impact removing Medicare and Medicaid enrollment would have had on the assessments in prior years in order to determine whether removing Medicare and Medicaid lives would be harmful or helpful to the market. The Board noted that it is not permissible to assess Medicare Cost and Risk premium.
- The Committee considered providing for penalties for reporting errors. The Committee supported penalties and suggested that the penalties could be used to offset the assessment. The Board agreed.
- The Committee did not reach a consensus on whether net investment income should be eliminated from the calculation. The Board suggested that a chart be created to identify investment income from prior years.

Loss Ratio Calculation: The Committee suggested that the new Commissioner be provided with the Board's previous correspondence regarding what may be considered as claims for the purpose of the loss ratio calculation. The Board agreed.

Mandated Benefits Laws: The Committee supported, and the Board agreed that IHC plans should be excluded from mandated benefits laws.

Eligibility: The Committee discussed the provision in the IHC regulations, N.J.A.C. 11:20-12.4(h)1 that prohibits a person from opting out of a non-contributory group plan in favor of an IHC plan during the open enrollment period. The Committee wanted to better understand why the Board initially made a distinction between contributory and non-contributory plans with respect to an open enrollment period election of IHC coverage. The Board agreed that it would be important to understand the basis for that distinction.

Compensation of Public Members: Related to the issue of compensation for public members, the Committee and the Board discussed the need to include standards for the removal of a public member should the public member fail to attend a certain number of Board meetings.

Bookkeeping Services

P. Lechner said that she had been working with the bookkeepers to develop the Board's financial statements.

RFP for Auditing Services

W. Sanders said he understood the average time to complete the RFP process up to the selection of a firm would be 60 to 90 days. He reported that he expected the RFP to be issued shortly.

VI. Executive Session

W. Sanders reported that the Board needed to receive advice from counsel concerning litigation and other matters and asked for a motion to begin Executive Session. He said there would not be additional discussion following the close of the Executive Session.

S. Kelly offered a motion to begin Executive Session. J. Majcher seconded the motion. The Board voted unanimously in favor of the motion.

Break: 11:30 – 11:50

Executive Session: 11:50 a.m. – 12:45 p.m.

VIII. Close of Meeting

C. Harper offered a motion to adjourn the Board meeting. E. Shrem seconded the motion. The Board voted unanimously in favor of accepting the motion. The meeting adjourned at 12:45 p.m.

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OF BANKING AND INSURANCE
TRENTON, NEW JERSEY
July 11, 2000**

Directors Present: Loretta Curry (Horizon Blue Cross Blue Shield of New Jersey); Sandy Herman (Guardian); Mary McClure (AUSHC); Jane Majcher (Department of Banking and Insurance); Rita Rondum; Eileen Shrem; Rebecca Smart (Mutual of Omaha); 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

R. Smart called the Board meeting to order at 9:48 a.m. W. Sanders announced that notice of the meeting had been sent to 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 15, 2000

J. Majcher offered a motion to approve the draft minutes of the Open Session of the June 15, 2000 Board meeting, as amended. M. McClure seconded the motion. The Board voted in favor of accepting the motion with R. Rondum and L. Yourman abstaining.

IX. Report of Staff

Expense Report

J. Majcher offered a motion to approve the payment of the expenses shown on the July 11, 2000 expense report. E. Shrem seconded the motion. The Board voted unanimously in favor of accepting the motion.

Legislative Update:

A.2683

W. Sanders reported that this bill, sponsored by Assembly members Farragher and Merkt, would prohibit the IHC Board from requiring a carrier to submit a good faith

marketing report as a condition for determining full or partial exemption status. Additionally, the bill provides that the IHC Board's determinations regarding good faith marketing for 1993 through the present would be voided and that carriers would be reimbursed for any "improperly" levied assessments.

New Jersey Family Care

W. Sanders said that the bill to create New Jersey FamilyCare had been signed by the Governor.

A. 1606

W. Sanders said this bill, which the Board had discussed at previous meetings, passed the Assembly and that a Senate version had been introduced on June 29, 2000 and referred to the Health Committee. W. Sanders said the Department opposed the loss ratio portions of the bill and that a copy of a letter from the Department to the Assembly sponsors of the bill was included in the Board materials. He also noted that the Board packets included a copy of a news clipping on the bill.

SCR68

W. Sanders said that Governor's Counsel was reviewing the draft response to Senator Bassano.

Interim Reconciliation

W. Sanders said that the interim reconciliation was issued on June 23, 2000 along with the Orders to various carriers, as the Board had approved.

Outreach

W. Sanders noted that the Board materials included a copy of an article he wrote that was published in a Chamber of Commerce publication.

Pre-Bidders Conference

W. Sanders noted that the mandatory pre-bidders conference for the services of an auditor was scheduled for later in the day on July 11, 2000.

1998 Refund

E. DeRosa said that the last time TAC considered the loss ratio reports and refund plan from CIGNA, while the combined carrier loss ratio report appeared to be in order, the company had failed to provide an updated refund plan to reflect the changes in the combined loss ratio report. She said she received a fax from CIGNA right before coming down to the Board meeting and that the text of the refund plan was consistent with the requirements for a refund plan. She asked if the Board would vote to approve the refund plan since TAC had already considered CIGNA's combined loss ratio report. She said the refund would be over \$1.3 million.

L. Yourman offered a motion to approve the 1998 CIGNA refund plan. E. Shrem seconded the motion. The Board voted unanimously in favor of the motion.

Legislative Recommendations Draft

W. Sanders said he had hoped to have finished the draft letter to the Commissioner outlining the suggested legislative changes but that the draft was not yet ready for Board review.

Compensation for Public Members

W. Sanders reminded the Board that during the June Board meeting that the Board had an initial discussion concerning whether the Board's recommendations to the Commissioner should include a recommendation that public members be paid. He said the Board tentatively suggested that \$50 per meeting personally attended might be an appropriate level of compensation. He noted that the \$50 would be in addition to reimbursement for the costs to travel to Board meetings.

R. Rondum asked to read a statement she prepared on this issue. She asked that the text of her statement be included in Board minutes.

"There is a fundamental inequity in the composition of the Board. Elected carrier representatives may name or choose an alternate representative, but a Public Member, a Special State officer, may not. Public members have been excluded from the Board's authorized legal committee and its technical advisory committee.

"Debate between Board members reflects this inequity. Carriers tend to debate specifics while Public Members tend to debate broad social issues. But, a carrier may choose to be represented by a lawyer alternate for the debate while a Public Member cannot choose any alternate at all.

"Compensation of Public Members would be a good faith gesture by the Board.

"Policy for removal of a Board member should, at a minimum, apply equally to carrier and other members."

W. Sanders explained that members of the IHC Program elect the carrier seats on the Board. Carriers are elected, not the individuals who represent the carriers. Although each carrier may chose to designate one or more persons who may represent the carrier on the Board, each carrier Board member has but one vote.

After a discussion concerning whether public members should be compensated for participation in Board meetings via teleconference, the Board agreed that teleconference participation should be considered for compensation just as personal attendance should be considered for compensation.

The Board agreed that any provision to remove a Board member for failure to attend meetings should apply equally to public members and carriers. The Board discussed potential circumstances that might warrant a member being removed from the Board but concluded that it would be best if any change to the statute could give the Board the authority to determine specific grounds for removal.

R. Smart offered a motion that the list of statutory changes to be recommended to the Commissioner include a recommendation that public members be compensated \$50.00 per meeting attended, whether attendance were in person or via teleconference, with such compensation being in addition to reimbursement for

travel expenses, and that the statute provide authority for the Board to remove a Board member for failure to attend meetings, with the Board being given the authority to determine the parameters for removal. M. McClure seconded the motion. The Board voted in favor of the motion with J. Majcher abstaining.

1996 Reimbursable Loss Audit of The Mutual Group (TMG)

W. Sanders reminded the Board that all of the 1996 reimbursable loss audits except for the audit of TMG had been completed. He said that while the Board had voted to issue an order to compel TMG to return the 80% payment the Board had made to TMG in anticipation of being able to have a reimbursable loss audit completed, outside counsel for TMG had contacted the Board and requested the opportunity to meet to discuss the audit. W. Sanders said he, J. Majcher, P. Lechner, and DAG E. Heck met with representatives of TMG. He said that TMG did not agree with the import of the missing data and that TMG requested the opportunity to cure the defects with respect to the claims paid sample that Deloitte & Touche (D&T) had tried to audit. W. Sanders reminded the Board that D&T noted significant deficiencies with respect to the claims paid sample which included failure to locate documentation for 15 of the 84 claims selected as well as numerous problems with the documentation for the 69 claims files that were located.

W. Sanders said that during a subsequent meeting with TMG the discussion included the possibility of use of an expanded sample. The sample size would have to be expanded to a statistically valid number of claims files that would allow D&T to determine what percent of claims might be considered valid claims for the purpose of the reimbursable loss calculation. TMG would forfeit reimbursement of whatever percentage of claims could not be supported.

W. Sanders said TMG had indicated it would take 60 to 90 days to try to either provide support for the original sample of 84 paid claims, or to find documentation for an expanded sample.

J. Majcher noted that TMG had already been given over two years to try to provide the documentation D&T required for the audit. She said that if the Board were to allow the additional time she would like TMG to provide status updates before the August and September Board meetings so the Board would have some indication as to whether TMG was actually securing the information required. S. Herman agreed that there should be an ongoing demonstration of satisfactory progress and that TMG should be providing D&T with information as it is located such that the audit might proceed. The Board agreed.

The Board discussed giving TMG until early October to provide the necessary information.

IV. Executive Session

W. Sanders said the Board needed to receive some legal advice and vote on Executive Session minutes and asked for a motion to begin Executive Session.

R. Smart offered a motion that the Board begins Executive Session. M. McClure seconded the motion. The Board voted in favor of beginning executive Session.

W. Sanders said the Board would continue the discussion of the TMG issue in Open Session following the Executive Session.

[Executive Session: 11:10 a.m. – 12:00 p.m.]

V. Final Business and Close of Meeting

R. Rondum offered a motion that the Board issue an Order to TMG to give TMG until October 3, 2000 to provide either the missing information with respect to the original paid claims selection of 84 claims, or to adjust its net paid loss amount and claims information which would support such an adjustment; that all information required for D&T to complete the reimbursable loss audit be provided by October 3, 2000; and that TMG provide progress reports prior to the August and September Board meetings. S. Herman seconded the motion. The Board voted unanimously in favor of the motion.

M. McClure offered a motion to adjourn the Board meeting. E. Shrem seconded the motion. The Board voted unanimously in favor of accepting the motion. The meeting adjourned at 12:03 p.m.

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AT THE OFFICES OF THE NEW JERSEY DEPARTMENT
OF BANKING AND INSURANCE
TRENTON, NEW JERSEY
August 8, 2000**

Directors Present: Jane Majcher (Department of Banking and Insurance)

Directors Participating Via Teleconference: Sandy Herman (Guardian); Sandi Kelly (Horizon Blue Cross Blue Shield of New Jersey); Mary McClure (AUSHC); Eileen Shrem; Rebecca Smart (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

R. Smart called the Board meeting to order at 9:40 a.m. W. Sanders announced that notice of the meeting had been sent to 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. Roll call was taken. A quorum was present. Since a number of Board members were participating via teleconference, W. Sanders asked that the participants identify themselves when speaking.

II. Minutes

July 11, 2000

S. Kelly offered a motion to approve the draft minutes of the Open Session of the July 11, 2000 Board meeting, as amended. S. Herman seconded the motion. By roll call vote, the Board voted unanimously in favor of the motion.

X. Report of Staff

Expense Report

W. Sanders explained that L. Yourman requested reimbursement for expenses related to the installation of a jack in her new home that would be used for the line that would be dedicated solely for use for Board business. He said that the previous Board vote concerning reimbursement for L. Yourman's phone expenses did not address jack installation charges. Therefore, before including that expense on the expense report, W. Sanders

said he wanted input from the Board regarding whether the charge was eligible for reimbursement. The Board agreed it would be.

S. Kelly offered a motion to approve the payment of the expenses shown on the August 8, 2000 expense report, amended to include phone installation charges submitted by L. Yourman. E. Shrem seconded the motion. By roll call vote, the Board voted in favor of the motion, with L. Yourman abstaining with respect to reimbursement to herself.

Interim Reconciliation Assessment Collections: 1997/1998

W. Sanders said the Board billed for \$5,351,631.96 in the 1997/1998 interim reconciliation. Of that amount, \$3,127,514.25 had been collected. He said payment was due by July 23, 2000. W. Sanders said he had been in contact with a carrier that owes \$1.8 million and that carrier indicated it would be sending payment.

Reimbursement Payments to Carriers for 1997/1998 Reimbursable Losses

W. Sanders said that the carriers that sought reimbursement for 1997/1998 losses had been paid 71% of the requested amount. With the additional amounts collected as a result of the interim reconciliation, the Board could fund an additional 9%, bringing the payment up to 80%, consistent with the Board's prior practice of making an 80% payment prior to the completion of the audits. W. Sanders indicated that Fortis had not yet indicated whether payment should be in the form of credit against the assessment amount Fortis owes or in the form of a payment from the Board. Any additional payment to Fortis should be delayed until after Fortis would provide the necessary information. P. Lechner said she believed the Board might have received the necessary information and went to her office to locate any available information.

R. Smart offered a motion to approve the payment of additional amounts to carriers, except Fortis, that sought reimbursement for 1997/1998 losses such that each carrier would receive a total of 80% of the amount for which the Board billed in the assessment. M. McClure seconded the motion. By roll call vote, the Board voted unanimously in favor of the motion.

Appeal of Interim Reconciliation

W. Sanders reported that United States Life had filed an appeal of the interim reconciliation for 1997/1998. United States Life agreed to an extension of the review period for the appeal to allow it to review certain documents to determine whether there were any facts in dispute.

Exemption Requests for 1999/2000

E. DeRosa said she reviewed the 1999/2000 exemption requests in light of the requirements of N.J.A.C. 11:20-9.2(b). Eight carriers filed requests. Seven of the eight carriers used language that was consistent with the regulation. One carrier deviated from the regulation's requirements. The Board agreed to discuss the request from that one carrier during Executive Session.

E. Shrem offered a motion to approve the conditional exemption requests from: Aetna U.S. Healthcare; Amerihealth; CIGNA; Guardian; Horizon; Oxford and United Healthcare. L. Yourman seconded the motion. By roll call vote, the Board voted in

favor of the motion, with Board members abstaining with respect to the vote as it pertains to their own carriers.

The Mutual Group (TMG) Order

W. Sanders reported that TMG submitted the first status report. He said he would forward a copy to Board members.

Audit Firm Update

W. Sanders said the deadline for bid submission for an audit firm had been extended from August 4, 2000 until August 11, 2000. The bid opening would be 30 minutes after the 2:00 p.m. deadline for submission.

New Jersey Family Care

W. Sanders said that the bill to create NJ FamilyCare had been signed by the Governor. He said it was not likely that there would be "crowd-out" from the IHC market. He said he would check with the persons administering NJ FamilyCare to determine if they can track the sources of enrollment.

Draft Letter Regarding Legislative Changes

The Board discussed the draft letter to the Commissioner regarding suggested legislative changes to the IHC program. W. Sanders explained that since the modeling of the assessment mechanism that the Board requested had not yet been completed, this draft recommendation letter did not address any changes to the assessment mechanism.

S. Herman offered a motion that the Board send the letter, amended as recommended by the Board, to the Commissioner. R. Smart seconded the motion. By roll call vote, the Board voted in favor of sending the recommendation letter, with J. Majcher and L. Yourman abstaining.

1 Q 2000 Enrollment Report

L. Yourman commented on the number of carriers that have fewer than 100 lives enrolled.

J. Petto reported that enrollment decreased by 4,013 lives as compared to 4Q 1999 enrollment.

Outreach

W. Sanders reported that he spoke at the Annual Convention of the National Academy of State Health Policy. He said Len Nichols from the Urban Institute was also a speaker and that L. Nichols had noted that every feature of reform comes at a price and that community rating was the most difficult feature of reform to sustain.

XI. Report of TAC

S. Kelly said that TAC reviewed four rate filings, as specified on the Report of TAC.

R. Smart offered a motion to find the filings specified on the August 8, 2000 Report of TAC as complete. M. McClure seconded the motion. By roll call vote, the Board voted in favor of the motion, with S. Kelly abstaining with respect to the two Horizon filings.

V. *Executive Session*

W. Sanders said the Board needed to receive some legal advice and vote on Executive Session minutes and asked for a motion to begin Executive Session.

R. Smart offered a motion that the Board begins Executive Session. M. McClure seconded the motion. The Board voted in favor of beginning executive Session.

W. Sanders said the Board would have further discussion in Open Session following the Executive Session.

[Executive Session: 11:00 a.m.– 11:20 a.m.]

VI. Final Business and Close of Meeting

S. Kelly offered a motion to approve the Request for a Conditional Exemption from United States Life pending receipt of a corrected request within one week. M. McClure seconded the motion. By roll call vote the Board voted unanimously in favor of the motion.

P. Lechner said that Fortis previously provided a request for credit against the assessment liability of Fortis. Since Fortis had not sent payment for the interim reconciliation assessment, the Board could assume that Fortis intended that credit be applied against the assessment liability.

R. Smart offered a motion to approve the payment of additional amounts to Fortis, for 1997/1998 losses such that Fortis would receive a total of 80% of the amount requested. S. Herman seconded the motion. By roll call vote, the Board voted unanimously in favor of the motion.

M. McClure offered a motion to adjourn the Board meeting. J. Majcher seconded the motion. The Board voted unanimously in favor of accepting the motion. The meeting adjourned at 11:25 a.m.