FINAL
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 5, 2006

Directors participating: Darrel Farkus (Oxford); Sandi Kelly (Horizon BCBSNJ); Ulysses Lee (Guardian); Mary Taylor (Aetna Health Inc.); Gale Simon (DOBI); Christine Stearns.

Others present: Ellen DeRosa, Executive Director; DAG Eleanor Heck (DOL); Rosaria Lenox, Program Accountant; Chanell McDevitt, Deputy Executive Director.

I. Call to Order

E. DeRosa called the meeting to order at 9:35 A.M. She announced that notice of the meeting had been published in two newspapers and posted at the Department of Banking and Insurance ("DOBI"), the DOBI website, and the Office of the Secretary of State in accordance with the Open Public Meetings Act. A quorum was present.

II. Minutes

September 12, 2006
S. Kelly offered a motion to accept the Open Session minutes of the September 12, 2006 Board meeting, with amendments to correct several typographical errors. M. Taylor seconded the motion. The Board voted unanimously in favor of the motion.

October 17, 2006
M. Taylor offered a motion to accept the Open Session minutes of the October 17, 2006 Board meeting, without amendment. G. Simon seconded the motion. The Board voted unanimously in favor of the motion.

III. Report of Staff

Expense Report – Rosaria Lenox presented the report of expenses paid in December 2006, totaling $57,197.85.

S. Kelly moved to approve the payment of the expenses on the December 2006 expense report. D. Farkus seconded the motion. C.Stearns temporarily left the room, and the motion passed with a unanimous vote of Board members present.

Regulatory Update
E. DeRosa reported that the adoption of amendments to N.J.A.C. 11:20-2.17 would be published in the *New Jersey Register* on December 18, 2006, at which time the

amendments would become both effective and operative. E. DeRosa presented the Board with the October 24, 2006 notice she had sent to the Governor's Counsel summarizing the Board's intended adoption action. She explained that the notice of adoption was not filed with the Office of Administrative Law (OAL) until Governor's Counsel approved the filing.

III. Report of the Technical Advisory Committee

S. Kelly presented the report and recommendations of the Technical Advisory (TAC) Committee.

Rate Filings
TAC recommended finding Celtic Insurance's rate filing complete for Celtic's A/50-D and B&E plans subject to clarification. TAC recommended finding CIGNA's rate filing for its HMO $15 copay plan and its B&E plan to be complete subject to clarification.

M. Taylor moved to find the Celtic and CIGNA rate filings complete, subject to clarification. G. Simon seconded the motion. The Board voted unanimously in favor of the motion.

D. Farkus recused himself from consideration of the rate filing submitted by his employer, Oxford.

TAC recommended finding the Oxford's rate filing for its A/50-D plan to be complete, subject to submission of a rate notice, and corrections regarding a $500 deductible.

G. Simon offered a motion to find the Oxford filing complete, subject to clarification. M. Taylor seconded the motion. The remaining Board members voted unanimously in favor of the motion.

B&E Quarterly Reports
TAC reviewed revised information submitted by AmeriHealth and Oxford; TAC continues to monitor the quarterly B&E reports to determine if adverse selection is being avoided to the extent possible.

IV. Report of the Operations and Audit Committee

Audits and AUPs
M. Taylor reported that Deloitte & Touche (D&T) has been working with Protective Life Ins. to reach language that they can both find acceptable for purposes of a representation letter for an audit of 1997/1998 Exhibit K losses, which D&T has presented for review by Protective. Protective will be given 30 days to respond on or sign the letter.

M. Taylor reported the MetLife audit is complete; the AUP report will be issued later in the week; the representation letter was received on December 5, 2006.

M. Taylor reported D&T is evaluating information it has received regarding AEGON/UICI to determine if the information is sufficient for purposes of performing an audit. If the information is sufficient, D&T expects to commence the audit in February.

M. Taylor reported Fortis/Time has agreed to additional testing and will provide information to D&T. D&T is not certain how extensive the testing may need to be.

Question from OAL regarding the adoption of N.J.A.C. 11:20-2.17
E. DeRosa reported OAL sought a clarification about a portion of a rule that it believed was being changed. Staff provided language regarding calculation of interest and payment of refunds within 30 days.

Interim Reconciliations and Loss Assessment
R. Lenox presented the spreadsheets and explanatory memoranda that had been drafted as notice to members of the IHC Program of interim reconciliations for the 1997/1998 and 1999/2000 reporting years, as well as an assessment for losses for reporting period 2001/2002. R Lenox noted that staff was proposing to distribute the assessment invoices and notices on December 18, 2006.

Interim Reconciliation 97/98 – S. Kelly suggested streamlining the explanatory memorandum regarding the reallocation of losses because of carrier liquidation, noting that losses are only being reallocated for American Preferred Provider Plan, not the other three cited carriers. G. Simon noted that the captions attached to three of the carriers are not correct; only HPA has been liquidated, while both APPP and HIP NJ are still in liquidation, and Physician Health Care Plan was sold, not liquidated. S. Kelly also suggested some clerical corrections, and removal of the accounting note at the end of the spreadsheet.

S. Kelly made a motion to approve the notice with appropriate revisions for issuance on December 18, 2006. G. Simon seconded the motion. The Board passed the motion, with U. Lee abstaining.

Interim Reconciliation 99/00 – S. Kelly repeated the suggestion to remove the accounting note at the end of the spreadsheet. She suggested adding a footnote explaining that the amount shown for Fortis is based on the Board's interpretation of the losses at this point in time, not Fortis' (which would result in a higher amount of losses for that company).

M. Taylor made a motion to approve the notice with appropriate revisions for issuance on December 18, 2006. G. Simon seconded the motion. The Board passed the motion, with U. Lee abstaining.

Loss Assessment 01/02 – S. Kelly repeated the suggestion to add a footnote explaining the amount shown for Fortis. She also made clerical suggestions with respect to the spreadsheet configuration.

S. Kelly made a motion to approve the notice with appropriate revisions for issuance on December 18, 2006. M. Taylor seconded the motion. The Board passed the motion, with U. Lee abstaining.

Status of Collections

R. Lenox stated that National Health Insurance Company has refused to pay its administrative assessment for 2006/2007 (totaling $61.50), because they have withdrawn from the market, and in addition, they are in administrative supervision. The Board noted that the administrative assessment was calculated using the most recent Exhibits K available, which were for a reporting period in which NHIC continued to have premium in the market; hence, the Board believes NHIC has a liability, and their status of being under supervision is not a hindrance to payment of such liabilities. However, the Board preferred not to pursue an enforcement order for collection of $61.50.

R. Lenox noted that several other carriers had paid the 2006/2007 administrative assessment late, and the Operations Committee discussed billing the late charges, but was not making a recommendation on how to proceed. The Board noted it has a policy of not collecting penalty charges of less than $2 for late payments. There was discussion of whether the *de minimus* for collection of late charges should be raised. Some Board members noted the administrative costs and hassle-factor associated with cutting checks for such nominal amounts. It was noted the Board sets the *de minimus* for payment of assessments at $20. It was also noted that the charge was meant to give carriers an incentive to pay timely to avoid not only the late fee, but also the extra administrative costs and the hassle factor involved in not paying timely, and that setting the *de minimus* higher in this instance would tend to mitigate the deterrent impact. There was uncertainty what a new *de minimus* should be if the amount were to be changed.

S. Kelly made a motion to follow the same process used for the 1996 loss assessments and interim reconciliation when administering the late fees for the 2006/2007 administrative assessment. G. Simon seconded the motion. The Board passed the motion, with C. Stearns voting against it.

Transfer of funds

R. Lenox recommended certain monies be transferred to the existing interest-bearing Wachovia account for the 1996 loss assessment ($4,183.89), while two new interest-bearing accounts be opened at Wachovia to address the 1996 Assessment – Interim Reconciliation late fees (approximately $33,131) and the 2006/2007 administrative assessment revenues (approximately $956,000). R. Lenox noted that monies maintained in the DOBI accounts do not accrue interest.

M. Taylor made a motion to approve movement of the monies to Wachovia, with establishment of two new accounts as described. S. Kelly seconded. The Board voted unanimously to approve the motion.

Financial Statements Q1FY2007

R. Lenox provided the Board with a summary of the information contained in the financial spreadsheets.

V. Report of the Legal Committee

C. McDevitt presented the report of the Legal Committee, which was asked to consider whether carriers could substitute the specialist copay option in the HMO plan for other copays listed for therapeutic manipulation or therapy services. The Legal Committee took the position that the specialist copay option is available for use for specialist services generally, except when a separate copayment is expressly established for a specific set of services, such as therapeutic manipulation, therapy services and mental health services.

VI. Executive Session

E. DeRosa said the Board would need to go into Executive Session to consider draft Executive Session minutes, receive legal advice from counsel and discuss current or pending litigation. She said the Board may conduct additional business following Executive Session.

C. Stearns offered a motion to begin Executive Session for the stated reasons. M. Taylor seconded the motion. The Board voted unanimously in favor of the motion.

[Executive Session: 10:50 A.M. – 11:15 A.M.]

VII. Final Business and Close of Meeting

There was no further business when the Board returned to Open Session. D. Farkus asked whether the Board intended to add to the agenda sometime in 2007 the issue of revising the basis for payments for out-of-network services. E. DeRosa noted that staff is looking into the issue, and intends to present information to the Board in early 2007 for further consideration.

D. Farkus offered a motion to close the meeting. G. Simon seconded the motion. The Board voted unanimously in favor of the motion.

The meeting adjourned at 11:20 A.M.