

FINAL
MINUTES OF THE ANNUAL 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 11, 2012

Directors present: Darrel Farkus (Oxford); Neil Sullivan (DOBI)

Directors participating by phone: Sandi Kelly (Horizon); Mary Taylor (Aetna Health Inc.); Christine Stearns; Tony Taliaferro (AmeriHealth); Lisa Yourman.

Others participating: Ellen DeRosa, Executive Director; Chanell McDevitt, Deputy Executive Director; Rosaria Lenox, Program Accountant; Eleanor Heck, Deputy Attorney General.

I. Call to Order

E. DeRosa called the meeting to order at 10:05 A.M. She announced that notice of the meeting had been published in two newspapers of general circulation 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. E. DeRosa noted that voting would be by roll call because many of the directors were participating by telephone.

II. Election of Officers and Committee Appointments

E. DeRosa stated that today’s meeting is the annual meeting of the IHC Board, and suggested the Board start by electing officers and reconstituting the standing committees.

Chair of the Board

T. Taliaferro nominated M. Taylor to serve as Chair, with N. Sullivan concurring. M. Taylor confirmed she would serve if elected. There were no other nominations. By a roll call vote, M. Taylor was elected unanimously to serve as chair.

Vice Chair

M. Taylor nominated S. Kelly to serve as Vice Chair, with L. Yourman concurring. S. Kelly confirmed she would serve if elected. There were no other nominations. By a roll call vote, S. Kelly was elected unanimously to serve as vice chair.

Committees

E. DeRosa stated that the standing committees of the IHC Board include the:

- Technical Advisory Committee (with DOBI, AmeriHealth and Horizon represented)
- Operations & Audit Committee (with DOBI, Oxford and Aetna represented)
- Legal Committee (with DOBI, Aetna and Horizon represented)
- Marketing Committee (with Horizon and Oxford represented, and Christine Stearns)

She said the committees have had good participation over the past year. Upon further discussion, the Board members agreed to maintain current membership.

S. Kelly made a motion, seconded by M. Taylor, to reconstitute the standing committees as is. By roll call vote, the motion carried.

III. Minutes – *Open Session of July 10, 2012*

S. Kelly made a motion, seconded by D. Farkus, to approve the minutes of the July 10, 2012 meeting, with amendments. By roll call vote, the motion carried, with L. Yourman abstaining.

IV. Staff Report

Expense Report and Transfer of Funds – September

R. Lenox presented the Expense Report for September, with expenses totaling \$208,408.21. She explained the expenses were primarily for Navigant, and salaries and fringe to be paid to the SEH Board, but included payments for support related to the Great Plains accounting software, legal notices for meetings and Board actions, and expenses billed by the Attorney General's Office. She noted that Navigant's bill of \$117,437 should be the final charges for the reimbursement methodologies project under the contract.

R. Lenox asked the Board to approve transfer of monies, suggesting a transfer of \$250,000 to the Board's money market account with Wells Fargo, then a transfer of \$208,400 to the Board's checking account to pay the bills, the remainder earning interest in the money market account.

D. Farkus made a motion, seconded by L. Yourman, to: approve the September Expense Report, approve transfer of \$250,000 from Treasury to fund the IHC Board's Wells Fargo Money Market account, and approve transfer of \$208,400 of the funds deposited in the Money Market account to the IHC Board's Wells Fargo checking account for the purpose of paying the expenses incurred. By roll call vote, the motion carried.

Rule Adoption – Exclusive Provider Organization (EPO); Oral Anti-Cancer Drugs; Preventive Care Services

E. DeRosa stated that the comment period for the rule proposal had ended without written comment on the amendments to the policy forms modifying the preventive benefits in compliance with federal law, adding an anti-cancer oral drug benefit in compliance with state law, and adding language for an EPO standard plan product. She explained that the required hearing was held also, but no comments were received through that venue either. E. DeRosa suggested the Board approve adoption of the proposal without change, consistent with the prepared notice of adoption. She noted that the Board would still need to determine the operative date for the amendments. After some discussion, the Board determined an operative date of January 1, 2013 would be appropriate.

After further discussion, it was agreed carriers could provide notice of the changes in benefits through the compliance rider. In addition, it was agreed that carriers offering an EPO product must offer a network coinsurance consistent with one of the standard plans (A/50, B, C or D), and designate the product accordingly.

The Board acknowledged that the enrollment reporting spreadsheets must be modified so that EPO enrollment is reported separately from PPO or POS enrollment that a carrier may have.

M. Taylor made a motion, seconded by L. Yourman, to adopt the rule amendments as proposed, with a January 1, 2013 operative date. By roll call vote, the motion carried.

V. Loss Ratio Reports for CY2011

N. Vance presented a summary of the Exhibit J loss ratio reports filed in August for CY2011. He noted that the Technical Advisory Committee had seen and discussed the report previously.

N. Vance reported that three carriers had loss ratios less than 80%, and owed refunds. He noted that Celtic and CIGNA have a recurrent issue in this regard because their respective enrollment is so small. He stated that Horizon (combined) is atypical, and has a loss ratio only a little less than 80% (owing a bit more than \$6.3 million in refunds), while the remaining three carriers in the market all have combined loss ratios well above 80%. N. Vance stated that the loss ratio for the IHC market averaged 87.6%, which is the same as for CY2010. He noted that the market loss ratio is higher than he would prefer, but that the federal health reform provisions regarding risk adjustment, reinsurance and risk corridor features may help modulate loss ratios in the future.

VI. Technical Advisory Committee (TAC) report

S. Kelly reported that TAC had considered the loss ratio report prepared by DOBI, and reviewed the 2Q12 Basic & Essential reports for AmeriHealth, Oxford and Horizon, and agreed to continue monitoring the information.

S. Kelly stated that TAC deferred discussion of the out-of-network reimbursement issue to a later date because only two carriers provided requested information prior to TAC's scheduled meeting.

VII. Operations & Audit Committee (OAC) report

R. Lenox explained she had presented the end-of-year financial statements to the OAC, along with Management's Discussion and Analysis (MDA) for the fiscal year ended June 30, 2012, and recommended acceptance by the Board. She then presented the following documents to the Board: Statement of Net Assets, Statement of Changes in Net Assets, Statement of Changes in Assets and Liabilities, Statement of Cash Flows, Comparison of Budget and Actual Expenditures, and the MDA. She noted that, in FY12, the Board engaged in reconciliations and

final assessments for the loss calculation periods of 2003/2004, 2005/2006 and 2007/2008, as well as reconciliations of the administrative expenses for fiscal years ended June 30, 2004 through 2009, making final administrative assessments (including paying refunds as appropriate) for those fiscal years, the overall result being a reduction in the Program's assets and liabilities of a little more than \$2 million. She also explained that expenditures continued to be favorable compared to budget by approximately \$64,000, primarily because of less than expected legal fees.

R. Lenox reminded the Board that the final audit of Celtic for the 2007/2008 loss calculation period was completed, and a final reconciliation performed to collect additional funds totaling \$25,220 based on the increase in losses as determined through the audit. She stated that the OAC recommended the Board reimburse Celtic a total of \$458,448.33, which constitutes the sum of Celtic's audited losses (\$463,609) less Celtic's share of the audit costs (\$4,160.67).

L. Yourman made a motion, seconded by M. Taylor, to authorize the transfer of \$458,448.33 from Treasury to the IHC Board's checking account for the purpose of reimbursing Celtic for its audited losses for the 2007/2008 calculation period less the amount Celtic owes towards the cost of the audit, for a total of \$458,448.33. By roll call vote, the motion carried.

E. DeRosa reported the agreed upon procedures (AUPs) performed for AEGON for the 1999/2000 calculation period, and for UICI for the 1997/1998 and 1999/2000 calculation periods were completed by Deloitte & Touche (D&T). She reminded the Board it advanced some funds to the companies for those periods (some years ago), and that the AUPs indicated both understatements and overstatements in total losses. She explained that those calculation periods cannot be closed-out while the audits of Time for both periods remain outstanding. E. DeRosa stated that the OAC recommended that the Board accept the completed AUPs.

E. DeRosa reported that D&T stated on September 10th that the Time reports were in compliance review, and should be issued at the end of October, in time for the November Board meeting. She acknowledged that an updated management representation letter would be required from Time, but did not expect that to be an issue.

S. Kelly made a motion, seconded by M. Taylor, to accept the AUP for AEGON for the 1999/2000 calculation period and the AUPs for UICI for the 1997/1998 and 1999/2000 calculation periods for the purpose of final reconciliation of the loss reimbursement amounts for the companies for those periods. By roll call vote, the motion carried.

VI. Close of Meeting

L. Yourman made a motion, seconded by D. Farkus, to close the meeting of the Board. By a roll call vote, the motion carried.

[The meeting adjourned at 10:45 A.M.]