

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
June 25, 2018

Directors participating: Joseph Camargo; Ulysses Lee (United); Philip Gennace (DOBI); Colleen Picklo; Thomas Pownall (Aetna); Sandi Kelly (Horizon); Tony Taliaferro (AmeriHealth) (arrived 11:20 A.M.).

Others participating: Ellen DeRosa, Executive Director; Chanell McDevitt, Deputy Executive Director; Christine Machnowsky, Deputy Executive Director; Rosaria Lenox, Managing Financial Officer; Jeffrey Posta, Deputy Attorney General; Eleanor Heck, Deputy Attorney General.

I. Call to Order

E. DeRosa called the meeting of the IHC Board to order at 11:00 A.M. She announced that notice of the meeting had been posted at the Department of Banking and Insurance (“DOBI” or “Department”), on the DOBI website, at the Office of the Secretary of State, submitted to the State House Press Corps, and published in three newspapers of general circulation in accordance with the Open Public Meetings Act. A quorum was present. She stated that voting would be by roll call because some directors were participating by phone.

E. DeRosa explained that notice of today’s meeting expressly stated that the purpose of this meeting is to discuss the parameters for a reinsurance program. E. DeRosa explained that the Governor recently signed into law the New Jersey Health Insurance Premium Security Act (the Act)¹ which directs the Commissioner to apply to the United States Secretary of Health and Human Services for a waiver of certain requirements set forth by the Affordable Care Act (ACA), referred to as a 1332 Waiver, with respect to health insurance coverage in the state for plan years beginning on or after January 1, 2019.

The Act directs the IHC Board to propose payment parameters, including an attachment point, reinsurance cap, and coinsurance, which govern the plan’s operation.

E. DeRosa explained that the attachment point is the claim cost level at which the reinsurance program will become liable for a portion of the claims. Amounts below this amount are paid by the carrier. The attachment point is like a deductible - the carrier is responsible for all costs up to this point and then the reinsurance program pays a portion of the cost. She explained that coinsurance is the percentage the reinsurance program will pay once the attachment point is met. The reinsurance cap is the upper limit for claim costs. E. DeRosa compared this to \$1 million annual limit in old standard Plan B where claim amounts in excess of the \$1 million limit were not paid. Similarly, anything above the reinsurance cap is not eligible for reimbursement by the reinsurance program.

The three numbers which are established for the attachment point, the coinsurance and the reinsurance cap set the range for the reinsurance program. The Legislative objective for this program is to stabilize and reduce premiums between ten and twenty percent of what the rates would otherwise be. For this program, New Jersey seeks a fifteen percent reduction in premiums.

¹ See P.L. 2018, c. 24 (codified at N.J.S.A. 17B:27A-10.1 through 10.13).

To assist with its responsibility to propose payment parameters the IHC Board has the benefit of a report from the actuarial consulting firm Oliver Wyman and the Technical Advisory Committee's (TAC) recommendations.

E. DeRosa reiterated that the objective for the IHC Board is to discuss and propose payment parameters for a reinsurance program intended to achieve a fifteen percent reduction in premium.

The Board members referred to page 11 of the Oliver Wyman report which identifies potential goals for a reinsurance program and whether low or high payment parameters would best achieve each goal. The Board agreed that the goals the legislation seeks to achieve are best met with "low" payment parameters

T. Taliaferro arrived at 11:20 A.M.

E. DeRosa discussed how the parameters would operate using sample aggregate member claims. Using option 1 (\$40,000/60%/\$215,000), if a member's total claims in a year is \$41,000, the reinsurance program would reimburse 60 percent of \$1,000. The carrier pays \$40,000 + \$400. The program pays \$600. Also using option 1 but a member's total claims of \$500,000, the amount between \$40,000 and \$215,000 is eligible for reimbursement at 60 percent. The carrier would be fully responsible for claims below \$40,000 and in excess of \$215,000.

E. DeRosa noted that a TAC member found option 3 was attractive because of the protection these parameters provide if membership shifts and the wide range option 3 affords that could be picked up by reinsurance.

A Board member noted that according to the Oliver Wyman report option 1 would cover claims from the greatest percentage of members. Further, more goals are achieved with a lower attachment point.

In response to a question, E. DeRosa explained that the reinsurance program will apply to plans offered both on and off the marketplace and that that the fifteen percent reduction in 2019 premium rates compares 2019 rates with reinsurance to 2019 rates without reinsurance.

E. DeRosa summarized the status of the 1332 Waiver Application. She said the required 30-day comment period with the opportunity for written comments is underway and closes on Sunday July 1, 2018. The first public hearing was held on June 12, 2018 in Trenton in the Roebling Building and the second public hearing is scheduled for June 28, 2018 at the Rutgers Center for State Policy. She said the Department hopes to submit the 1332 Waiver application on July 2. Once the Federal Government finds the application complete a Federal 45-day comment period commences. P. Gennace added that the Department and CMS have discussed the application even before it will be submitted.

E. DeRosa noted that any action the IHC Board takes to propose payment parameters would be included in an updated version of the 1332 Waiver application that would be posted on the website and available for the remainder of the public comment period.

S. Kelly made a motion to propose option 1 payment parameters (\$40,000/60%/\$215,000). J. Camargo seconded the motion.

After a brief discussion of the motion the Board agreed to take brief recess.

C. Picklo made a motion to recess until at least 12:10 and table the current motion. T. Taliaferro seconded the motion. The motion carried by roll call vote.

The meeting resumed at 12:34.

S. Kelly repeated the motion to propose option 1 payment parameters (\$40,000 attachment point/ 60% coinsurance /\$215,000 reinsurance cap). J. Camargo seconded the motion.

T. Taliaferro requested confirmation that a vote in favor of the motion would be a vote to support a reinsurance program rather than continuing with no reinsurance program. E. DeRosa confirmed.

The motion carried by roll call vote. U. Lee opposed and all other Board members voted in favor.

U. Lee noted for the record that option 3 was preferred but that option one is acceptable.

E. DeRosa said that the Board meeting scheduled for June 28 would not be necessary since the Board took action to propose payment parameters during this meeting.

IV. Close of meeting

T. Taliaferro made a motion to adjourn the meeting. C. Picklo seconded the motion. The motion carried by roll call vote. All voted in favor.

[The meeting ended at 12:45 A.M.]