

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
January 14, 2020

Directors participating: Joseph Camargo; Philip Gennace (DOBI); Sandi Kelly (Horizon); Robert Morrow (United); Colleen Picklo; Thomas Pownall (Aetna); Tony Taliaferro (AmeriHealth).

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

I. Call to Order

E. DeRosa called the meeting of the IHC Board to order at 10:00 A.M. She announced that notice of the meeting had been posted at the Department of Banking and Insurance (“DOBI”), 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.

II. Review of Minutes – December 10, 2019

R. Morrow made a motion, seconded by S. Kelly, to approve the minutes of the meeting of December 10, 2019, without amendment. By roll call vote, the motion carried.

III. Report of Staff – *Expense Report; Reinsurance Program*

Expense Report

R. Lenox presented the expense report for January 2020 with expenses totaling \$21,575.67 for the Board’s share of staff salaries, Division of Law costs, and FY2019 audit costs. She stated that a transfer of \$21,500.00 from the IHC Board’s Wells Fargo Money Market account to its checking account would be necessary to pay the expenses.

S. Kelly made a motion, seconded by J. Camargo, to approve payment of the expenses reported, and the transfer of \$21,500 from the Board’s Wells Fargo Money Market account to its checking account to do so. By roll call vote, the motion carried.

Reinsurance Program

E. DeRosa explained that she was adding the topic as a standing item on the Board’s agenda under the staff report, primarily to remind Board members that it has a responsibility with respect to the operations of the New Jersey Health Insurance Premium Security Plan (Reinsurance Program),¹ and that more work on the Reinsurance Program would be needed shortly, specifically with respect to establishing payment parameters for Plan Year 2021. She noted that, because there was little or no new experience available on which to rely when establishing payment parameters for PY2020,

¹ Note: Established by P.L. 2018, c. 24, and codified at N.J.S.A. 17B:27A-10.1 through 10.13.

the Board elected to continue with the payment parameters from PY2019 – the first year of the Reinsurance Program – however, the Board arguably should consider both PY2018 and PY2019 experience before determining the payment parameters for PY2021. She stated that the Board needs to make its recommendation to the Commissioner of the DOBI by April 30th.

E. DeRosa explained she had included the Oliver Wyman actuarial analysis that informed the PY2019 payment parameters for Board members to review and consider prior to the February meeting. She also noted that: (1) a required annual report is being drafted; and (2) carriers should be submitting their quarterly reinsurance requests by the end of January.

IV. Operations & Audit Committee (OAC) Report

E. DeRosa reported that the OAC met to review both the audit expenses and the draft audit report with financial statements from WithumSmith+Brown (WSB). She noted that the opinion was issued on an unqualified basis, as there were no material errors found. She explained that WSB recently received the letter from the Division of Law addressing any actual or possible legal issues – the final piece of information WSB needs to issue its final audit report, so the final report is expected to be sent shortly.

V. Loss Ratio Report for CY2018

Seong-Min Eom, along with Fred Brinkman, provided information regarding the 2018 loss ratios for the individual market. She explained that the loss ratio for the market had decreased overall to 78.7%, with AmeriHealth and Horizon – which have significantly greater marketshare than any other carriers – owing refunds totaling \$37,527,473. She noted that, if a carrier owes a refund based on the federal MLR, that amount is deducted from any refund the carrier might owe based on the New Jersey loss ratio formula, but in this instance, neither carrier owed any federal refunds. She highlighted the differences between the New Jersey and federal loss ratio calculations, as follows:

- The federal formula is based on three-year average values, while NJ's formula is based on a single year;
- NJ considers risk adjustment transfers a part of premiums, while the federal calculation includes such transfers in claims; and
- The federal calculation allows quality improvement expenses to be added to claims, while NJ excludes them from consideration entirely.

VI. Rule Proposal

E. DeRosa confirmed that the proposed changes to the policy form had not yet been approved for publication, but that she would let carriers know when they are.

VII. Close of Meeting

S. Kelly made a motion, seconded by R. Morrow, to adjourn the meeting. By roll call vote, the motion carried.

[The meeting ended at 10:20 A.M.]