

**MINUTES OF THE MEETING OF THE
NEW JERSEY SMALL EMPLOYER HEALTH BENEFITS PROGRAM BOARD
AT THE OFFICES OF THE
NEW JERSEY DEPARTMENT OF BANKING AND INSURANCE
TRENTON, NEW JERSEY
December 13, 2006**

Members participating: Wilson Beebe; Thomas Collins; Gary Cupo; Darrel Farkus (United); John Foley (CIGNA); Jack Kalosy (HealthNet); Margaret Koller; Ulysses Lee (Guardian); Gale Simon (DOBI); James Stenger; Tony Taliaferro (AmeriHealth); Mary Taylor (Aetna Health Inc.); Mike Torrese (Horizon); Dutch Vanderhoof.

Others participating: Ellen DeRosa, Executive Director; Rosaria Lenox, CPA, Program Accountant; DAG Vicki Mangiaracina (DOL); Chanell McDevitt, Deputy Executive Director.

I. Call to Order

E. DeRosa called the meeting to order at 10:08 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. E. DeRosa took roll call. A quorum was present.

II. Public Comments

J. Stenger invited public comments. None were offered.

III. Minutes

October 25, 2006

D. Vanderhoof offered a motion to approve the minutes of the Open Session of the October 25, 2006 Board meeting. M. Taylor seconded the motion. The Board voted unanimously in favor of the motion.

IV. Loss Ratio Reports and Discussion of Reimbursement Data

Loss ratio report

N. Vance (DOBI) presented the report for CY2005. He noted this is an annual report resulting from filings required to be made annually in August regarding activity for the immediately preceding calendar year. The report is used to determine if refunds are due from a carrier. Total premium grew about 9.5% to \$3.24 billion and enrollment was stable. Notably, total premiums in the nonstandard market remained steady this year, marking the first time there has been no decrease; possibly because Trustmark and Oxford continue to write new business on nonstandard small employer plans. The overall loss ratio was at 81.3% after refunds (paid by Nippon and Oxford in the standard market). Loss ratios for the carriers with the largest market share were around 80%. N. Vance stated there were no trends or changes of note apparent in the data.

[N. Vance left the meeting.]

Reimbursement data

General discussion ensued regarding the possibility of replacing the existing requirement to use Ingenix data with another reimbursement standard. It was noted that the Board first discussed changing the standards approximately a year ago, but other events had stalled the project. E. DeRosa stated that she anticipated again working with the Board (and IHC Board as well) on the issue.

G. Simon noted that DOBI is proposing a rule for the large group market which would prohibit reimbursement levels of less than 150% of the RBRVS, and suggested that the Board might benefit from comments the DOBI receives on the proposal. The proposal will be published in the *New Jersey Register* on December 18, 2006, with the comment period running for 60 days. She also noted that DOBI has proposed amendments to the PIP fee schedule, and the response has been very contentious. Further, she noted that Horizon provided some comparative data (with the RBRVS) as well, and that is something the Boards may also want to look at.

W. Beebe pointed out that he is relatively new to the Board, and not a carrier representative, and as such, he needs a lot more information before he can understand the discussion and relevant issues.

The discussion closed with an acknowledgement that this project needs to be taken up again as early in 2007 as is possible. Board members were encouraged to fax information and specific questions they may have to C. McDevitt.

V. Staff Report

Expense Report

R. Lenox presented the expense report for December, 2006, totaling \$4,190.50

M. Taylor offered a motion to approve the payment of the expenses specified on the December 2006 expense report. J. Foley seconded the motion. The Board voted unanimously in favor of the motion.

T. Taliaferro recused himself from discussion of optional benefit rider filings filed by his employer, AmeriHealth.

Optional Benefit Rider Filing

E. DeRosa reported on AmeriHealth's submission of a rider amending its PPO plan that would permit individuals to use New York physicians through utilization of another available network (for example, MultiPlan). She recommended it be found complete.

J. Kalosy offered a motion to find the rider filing submitted by AmeriHealth complete. J. Foley seconded the motion. The Board voted unanimously in favor of the motion.

Membership on Finance and Audit Committee

E. DeRosa reported that there had been a request to review the membership of the Finance and Audit Committee because of specific interest in reviewing rating territories; however, because the Finance and Audit Committee appears not to be considering the rating territories issue at this time, the membership issue can be tabled.

Letter from Executive Commission

E. DeRosa distributed the written opinion of the State Ethics Commission regarding the status of carrier representatives for informational purposes only, pending further review of the opinion by the SEH Legal Committee. She noted that the IHC Legal Committee was looking at the opinion as well, to determine whether to recommend further action.

VI. Report of the Finance and Audit Committee

Financial Statements

R. Lenox summarized the financial statements for 1Q2007 (balance sheet, revenues and expenditures, cash flow, and comparison of budgeted and actual expenditures) for the Board.

Collection Update

R. Lenox reported that the Board had billed the 2006 administrative assessment on 9/22/06, and has received 100% of the billed amount. She reported that the Board billed the 2007 administrative assessment on 10/25/06, and that all but one company (AmeriHealth) had paid. She is in conversation with AmeriHealth, which indicates payment was sent even though not received by Board staff.

R. Lenox noted that one company (Nippon) had paid the 2007 administrative assessment late, incurring a late fee of \$5.22. She noted that the Committee had recommended billing for late fees in excess of \$2.00. Multiple Board members noted the deterrent effect intended by the late charge, and the appropriateness of setting the threshold low.

M. Taylor offered a motion to approve billing companies for late charges in excess of \$2.00. M. Torrese seconded the motion. The Board voted unanimously in favor of the motion.

R. Lenox recommended transferring \$250,000 from the DOBI account to Wachovia, so that it may earn interest. The question arose as to whether this is something the Board really needs to vote on, or whether this is something that Board can delegate to staff to perform routinely, so long as the Board is periodically audited. V. Mangiaracina stated she will look into it.

M. Taylor offered a motion to approve the transfer of \$250,000 from the Board's account with DOBI to an interest-bearing Wachovia account. W. Beebe seconded the motion. The Board voted unanimously in favor of the motion.

D. Vanderhoof suggested that staff research the issue of placing funds into money market accounts, which may be earning better rates of interest. R. Lenox stated she would look into it.

Rating Territories

E. DeRosa reported that the Board had sent a request to the Finance & Audit Committee to evaluate the current rating territories established by the Board through regulation, ultimately for purposes of determining whether and how to revise the rating territories. The Committee recommended that the Board establish an ad hoc committee to review the matter, as the project is beyond the Finance & Audit Committee's scope.

G. Simon stated that N. Vance had offered to do a study on the issue because he is familiar with the rate filings and has access to the data, but would not be able to perform the study and deliver the report for awhile. The Board agreed to table the matter until after N. Vance had an opportunity to present his report.

VII. Report of the Legal Committee

E. DeRosa reported that staff had received a unique inquiry and had forwarded it to the Legal Committee. Specifically, the question was raised as to whether employees located outside of the United States who work 25 or more hours per week are to be included as eligible employees of an employer for purposes of determining group size and participation requirements. (In the specific case presented, the employer has 14 employees, 2 of whom are missionaries residing outside of the United States.) The Committee recommended that all 14 employees be considered when determining group size and participation, noting that the definition of eligible employee does not exclude employees based on their residence. Further, the standard plans do not exclude coverage for an individual based on residency outside the U.S.

VIII. Public Comments

No public comments.

IX. Close of Meeting

M. Taylor offered a motion to adjourn the Board meeting. U. Lee seconded the motion. The Board voted unanimously in favor of the motion.

[The meeting adjourned at 11:10 A.M.]