

NEW JERSEY  
**INDIVIDUAL HEALTH COVERAGE PROGRAM BOARD**  
Trenton, NJ 08625

IN THE MATTER OF THE REQUEST BY QUALMED PLANS  
FOR HEALTH (FORMERLY KNOWN AS "GREATER  
ATLANTIC HEALTH SERVICE") FOR REIMBURSEMENT OF  
LOSSES FOR CALENDAR YEAR 1994

**ADMINISTRATIVE ORDER NUMBER 96-24**

WHEREAS, the New Jersey Individual Health Coverage Program ("IHC") Board is authorized by the Individual Health Insurance Reform Act of 1992 ("IHC Act"), N.J.S.A. 17B:27A-2 et seq., and regulations promulgated thereunder, to administer the IHC Program, to assess members of the IHC Program on the basis of their proportionate share of program losses and administrative expenses, and to reimburse carriers for eligible losses;

WHEREAS, QualMed Plans For Health, formerly known as Greater Atlantic Health Service and hereinafter referred to as "QualMed", is a "carrier" that filed a Market Share and Net Paid Loss Report ("Exhibit K") with the IHC Board on August 18, 1995 which reported net earned premium of \$1,549,025 and sought reimbursement of \$6,634 in net paid losses;

WHEREAS, the IHC Board, on November 21, 1995, assessed QualMed for its share of reimbursable losses and administrative expenses of the IHC Program for calendar year 1994 in the amount of \$22,333, based on its net earned premium;

WHEREAS, QualMed notified the Board of its intent to appeal, by letter dated December 21, 1995 and subsequently appealed the assessment by letter dated January 10, 1996, on the grounds that QualMed incorrectly reported its net paid loss, and submitted a revised Exhibit K seeking reimbursement of net paid losses of \$13,267;

WHEREAS, the IHC Board considered QualMed's appeal of the 1994 assessment and, based upon QualMed's revised Exhibit K, certified by Joseph L. Foley, Controller, and a letter, certified by Mr. Foley, stating that QualMed's net paid loss for 1994 of \$13,267 reported on the amended Exhibit K "results exclusively from claims under the New Jersey standard HMO health benefits plan, as set forth in N.J.A.C. 11:20 and complies in all respects with N.J.A.C. 11:20-8.5," the Board, on March 12, 1996, by Administrative Order Number 96-09, accepted the late filing and agreed to reimburse QualMed for its stated reimbursable losses, subject to audit pursuant to N.J.S.A. 17B:27A-11 and N.J.A.C. 11:20-8.8;

WHEREAS, the IHC Board, in conjunction with the Department of Banking and Insurance, conducted an investigation of: 1) whether QualMed was authorized to offer the standard HMO plan under the IHC Program; 2) the validity of the statement in the certification signed by Joseph L. Foley, Controller, claiming that the HMO plan QualMed had offered to eligible persons complied in all respects with the standard HMO plan; and 3) whether QualMed had, in fact, experienced losses under the standard HMO health benefits plan;

WHEREAS, by letter dated July 24, 1996, from the IHC Board to Marla Golden, Regional Specialist for QualMed, the Board requested various documents, including copies of standard HMO contracts issued by QualMed in 1994, evidence of coverage, marketing materials, and application forms, in order to substantiate QualMed's claimed entitlement to reimbursement for losses;

WHEREAS, QualMed responded to the Board's request by letter dated August 8, 1996 signed by Kenneth B. Allen, Esquire, Director of Legal Affairs. Upon the Board's review of the documents provided and filings submitted by QualMed to the Board, the Board has determined that:

1. QualMed failed, in calendar year 1994 and prior to 1994, to file a Certification of Compliance, N.J.A.C. 11:20 Appendix Exhibit Q, as required by N.J.A.C. 11:20-3.2(d) as a precondition to marketing the standard HMO health benefits plan;
2. the HMO plans offered by QualMed to eligible persons failed to conform in terms of form and substance with the format, language, and benefits of the standard HMO health benefits plan authorized by the Board; and
3. that the losses reported by QualMed for calendar year 1994 were not attributable to benefits and services provided under the standard HMO health benefits plan and were not, therefore, reportable on Exhibit K pursuant to N.J.A.C. 11:20-8.5 or reimbursable pursuant to N.J.A.C. 11:20-2.17(g).

NOW THEREFORE, pursuant to the authority granted to the Board by N.J.S.A. 17B:27A-2 et seq., and all powers expressed or implied therein, and the decision of the Board as expressed by approval of this Final Administrative Order;

IT IS on this 10th day of September, 1996,

ORDERED by the Individual Health Coverage Program Board that QualMed's request for reimbursement of 1994 net paid losses is hereby denied.

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Kevin O'Leary, Executive Director

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Date