

NEW JERSEY
SMALL EMPLOYER HEALTH BENEFITS PROGRAM

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ADVISORY BULLETIN
04-SEH-01

June 1, 2004

To: SEH Program Member Carriers
From: Wardell Sanders, Executive Director
**Re: Impact of Policy Form Changes to Existing Plans, Options, and Riders;
Submission of Rider List to SEH Board**

The New Jersey Small Employer Health Benefits Program Board (“SEH Board”) recently adopted a number of changes to the standard health benefits plans, Plans A, B, C, D, E, HMO and HMO/POS. A copy of the adoption text was published in the *New Jersey Register* on March 15, 2004 at 36 N.J.R. 1594(a) and is posted on the Department of Banking and Insurance (“DOBI”) web site at: <http://www.nj.gov/dobi/reform.htm>. The changes are operative for new issues and renewals occurring on or after October 1, 2004.

The purpose of this bulletin is to clarify the impact of the policy form amendments to a carrier’s existing plan options and riders.

I. Impact of Policy Form Amendments to Existing Plan Options and Riders

a. Standard Plan Options

The standard plans, prior to October 1, 2004, include a number of areas of variability (e.g., copay options, deductible options, delivery mechanisms, autologous bone marrow treatment benefits, utilization review provisions, Centers of Excellence, etc.). Unless the options that a carrier has made available prior to October 1, 2004 are precluded or prohibited under the amended forms, carriers must offer and renew the revised plans with those same options. Alternatively, if a carrier wishes to cease offering such options, it must file to withdraw the option(s) with the DOBI pursuant to N.J.A.C. 11:21-16.5. A carrier that has no inforce plans using a certain option need not make such option available after October 1, 2004 and need not formally file a plan option withdrawal, so long as the carrier continues to meet its obligation under the law to offer the five standard plans or the HMO plan, as appropriate.

Some examples of options that fit into this category are set forth below.

- HMO carriers were required to offer the \$15 copayment option. To the extent a carrier also offered the \$5, \$10, \$20 or \$30 copayment options and has one or more plan in force with a given option, the carrier must continue to make such copayment option available as of October 1, 2004.
- Carriers were permitted to design PPO and POS plans using combinations of available deductible, coinsurance and copayment options. For each PPO or POS plan that is in force, the carrier must continue to make such PPO and POS plans using the same deductible, coinsurance and copayment options available as of October 1, 2004.
- Carriers were permitted to calculate the family deductible as two times individual or three times aggregate. Carriers must continue to calculate the family deductible as two times individual or three times aggregate as of October 1, 2004.

b. Optional Benefit Riders

1. Riders Not Affected by Amendments to the Forms

A carrier that has filed an optional benefit rider that is unaffected by the amendments to the standard plans must continue to offer that optional benefit rider unless it files to withdraw the rider with DOBI pursuant to N.J.A.C. 11:21-20.

Many times the following types of riders did not include a page number or other reference that would have changed in the forms as effective October 1, 2004. Some examples of riders that would fall into this category are set forth below.

- Rider amends the schedule to waive the hospital confinement copayment
- Rider amends an eligibility provision, such as a student age limit
- Rider adds a new benefit such as limited vision or dental coverage

2. Riders Affected by Amendments to the Forms

A carrier that has filed an optional benefit rider for benefits that can now be accommodated by the amendments to the standard forms shall not continue to offer the benefits via a rider, but rather shall use the variable text within the standard plans to accommodate the changes previously made by rider. Further, in such circumstances, even though the carrier is no longer using the rider, the DOBI has advised the Board that the carrier would not be required to file to withdraw the rider. However, if the carrier no longer wishes to make these options available, it must file with DOBI to withdraw the rider pursuant to N.J.A.C. 11:21-20.

Examples of such riders are set forth below.

- Rider adds deductible options
- Rider requires pre-approval for certain prescription drugs

A carrier that has filed an optional benefit rider that is affected by the amendments to the forms, but which cannot be accommodated in the amended standard forms, must continue to make the revised benefits available via an optional benefit rider. Since the filed rider will no

longer appropriately revise the amended forms for plans issued or renewed on or after October 1, 2004, the carrier must file a rider to reflect the benefit changes in the original rider with either the Board pursuant to N.J.A.C. 11:21-3.2(d) or with DOBI pursuant to N.J.A.C. 11:4-40, as appropriate. If there are no groups covered under the rider, then the carrier is not required to file the rider, nor is it required to withdraw the rider. Further, if a rider was filed to amend a number of plans or deductible or copay options, and there are no groups enrolled under some of those plans, deductible options or copay options, then the carrier is not required to continue to make the rider available under those plans where there is no enrollment, but is required to make the rider available with those plans or options where the carrier has enrollment.

Examples of such riders are set forth below.

- Rider amends the Covered Charges section of a PPO plan to replace the physical therapy provision with one that increases the allowable number of visits (Since the physical therapy provision in the standard plans was revised, the replacement text in the rider provision is no longer consistent with the plans as of October 1, 2004.)
- Rider amends any plan and identifies the provision being amended by page number (Since the affected provision appears on a different page, the revision is necessary.)

The DOBI has advised the Board that a carrier that has filed an optional benefit rider that does not and cannot work with the amended forms shall not be required to file a withdrawal filing. A carrier thus shall simply stop offering that rider.

An example of such a rider is set forth below.

- Rider increases or decreases the coinsured charge limit, or adds a family coinsured charge limit

If one or more sections of the rider are not consistent with the standard plans, as amended, but one or more sections are consistent, a rider must continue to be offered using the provisions that are consistent. An example of such a rider is set forth below.

- Rider amends the coinsured charge limit and the physical therapy benefit (Since coinsured charge limit is no longer applicable to the standard plans, that portion of the rider cannot be retained. The forms continue to include a benefit for physical therapy. The carrier must file a rider for use with the plans as of October 1, 2004 that amends the physical therapy benefit in a manner consistent with the amendment in the prior rider.)

II. Filing Revised Optional Benefit Riders

To the extent that a carrier is required to file a revised rider to ensure that the ridered benefit options continue to be available as instructed by this bulletin, the Board has indicated that it will attempt to move as quickly as possible on all rider filings. To assist the Board or the DOBI in the process of reviewing an optional benefit rider filing, please provide the following information with each optional benefit rider filing:

- A cover letter indicating that the filing is to revise the rider to conform to the revised forms
- A copy of the DOBI or Board letter of approval or finding of completeness, as appropriate
- A redline version of the revised rider showing the changes from the previously filed rider

Please note that a rider that was originally filed with DOBI as a rider of decreasing value, as a result of amendments to the standard forms, may become a rider of increasing value. Alternatively, a rider originally filed with the Board as a rider of increasing value, may become a rider of decreasing value as a result of the amendments to the forms. Carriers should file the rider with DOBI or the Board, as appropriate, based on whether the rider increases or decreases the actuarial value of the revised standard forms, even if that means that the new filing is not submitted to the same State agency as the original filing.

III. Listing of All Riders

Please complete the attached “SEH Optional Benefit Rider Certification and Checklist,” identifying every rider found complete by the SEH Board or approved by DOBI, which is in force as of the date the Certification and Checklist submitted. The purpose of the Certification and Checklist is to allow the Board and DOBI to determine the action a carrier has taken with respect to all riders that the carrier issued and still has in force in the market prior to October 1, 2004. If a carrier newly issues a rider before October 1, 2004 that is not identified in the Certification and Checklist, the carrier must file a supplement to the Certification and Checklist to identify the rider.

Submit the Certification and Checklist no later than July 1, 2004 to:

Ellen DeRosa
Small Employer Health Benefits Program Board
PO Box 325
Trenton, NJ 08625

If you have any questions about this bulletin, please let me know.

W.S.