

NEW JERSEY  
**SMALL EMPLOYER HEALTH BENEFITS PROGRAM**

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<h2 style="margin:0">ADVISORY BULLETIN</h2> <h3 style="margin:0">96-SEH-08</h3>
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**To: SEH Program Members**  
**From: Wardell Sanders, Assistant Director**  
**Re: Medical Savings Accounts**  
**Date: October 4, 1996**

At its September 18, 1996 Board meeting, the New Jersey Small Employer Health Benefits ("SEH") Program Board discussed the impact of the passage of the Health Insurance Portability and Accountability Act of 1996 ("HIPAA") on the small employer health benefits coverage market in New Jersey. While the Board is still evaluating the impact of the legislation on the small employer market, it believed that some guidance should be provided at this time to carriers that may be interested in offering medical savings account plans ("MSAs").

The federal legislation established a four-year pilot program for MSAs, providing federal tax advantages. Under HIPAA, MSAs are available to employees covered under an employer-sponsored, high deductible plan. The legislation sets forth the deductible ranges for the high deductible plans. Currently, the New Jersey standard health benefit plans, set forth in the Appendix to N.J.A.C. 11:21, do not provide options to offer a plan consistent with the federal legislation. Nonstandard health benefits plans permitted in the small employer market are not likely to meet with the federal standards for high deductible plans either.

The SEH Board has asked that carriers be advised that any carrier that wishes to offer a high deductible plan may accomplish this by filing a nonstandard optional benefit rider with the Commissioner of the Department of Banking and Insurance as permitted by N.J.S.A. 17B:27A-19i. Since the any rider to the standard plans would have to increase the deductible of the standard plans, such a modification is a benefit decrease, and thus the rider must be filed with the Commissioner for approval. No carrier may offer a nonstandard optional benefit rider of decreasing value without first receiving approval of the Commissioner. The Department has not adopted regulations governing the filing of optional benefit riders of decreasing value; nevertheless, carriers are encouraged to provide filings consistent with proposed regulations set forth at 27 N.J.R. 3300 published on September 5, 1995.

For your information, the SEH Board has begun the development of a standard rider, to permit carriers to offer a standard plan to be used in conjunction with an MSA. Any standard rider would have to go through the rule making process before it could be issued.