

**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
March 22, 2006**

Members participating: Wilson Beebe; Gary Cupo; Darrel Farkus (United); John Foley (CIGNA); Dr. Raj Gupta (left the meeting at 10:30 a.m.); Jack Kalosy (HealthNet); Margaret Koller; Ulysses Lee (Guardian); Gale Simon (DOBI); Christine Stearns; Jim Stenger; Tony Taliaferro (AmeriHealth); Mary Taylor (Aetna Health Inc.); Mike Torrese (Horizon); Dr. Joseph Tricarico (DOHSS); Dutch Vanderhoof; Beth Ward.

Others participating: Ellen DeRosa, Deputy Executive Director; DAG Karyn Gordon (DOL); Rosaria Lenox, Program Accountant; Neil Vance (DOBI).

I. Call to Order

E. DeRosa called the meeting to order at 10:06 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. A quorum was present.

E. DeRosa welcomed Dr. Gupta to his first meeting, and W. Beebe who participated by teleconference in the January meeting, to his first meeting in Trenton.

II. Public Comments

No persons requested the opportunity to address the Board.

III. Election

E. DeRosa asked if any carrier representatives present wished to cast ballots. While ballots were being collected, and the votes tallied, the Board proceeded with business.

IV. Minutes

January 18, 2006

M. Taylor offered a motion to approve the minutes of the Open Session of the January 18, 2006 Board meeting, as amended. B. Ward seconded the motion. The Board voted in favor of the motion with Dr. Gupta abstaining.

V. 2004 Loss Ratio Reports

N. Vance discussed the data compiled from the 2004 loss ratio reports. He noted that total premium increased by about 6% to \$2.96 billion, as compared to 2003. He

commented that while renewal premium increases were in excess of 6%, the increase in total premium reflected the fact that employers amended their plans to provide for greater employee cost sharing, so as to somewhat reduce the renewal premium increase. N. Vance noted that enrollment in the SEH market had remained fairly steady.

VI. Staff Report

Expense Report

D. Vanderhoof offered a motion to approve the payment of the expenses specified on the March 2006 expense report. J. Kalosy seconded the motion. The Board voted unanimously in favor of the motion.

Transfer of Funds

R. Lenox reviewed her memorandum concerning the transfer of funds from the Board's account at Wachovia to the DOBI to pay staff salary and benefits.

M. Torrese offered a motion to authorize the transfer of \$100,000 from the Board's account at Wachovia to the DOBI to pay for staff salary and benefits. D. Vanderhoof seconded the motion. The Board voted unanimously in favor of the motion.

4Q05 Enrollment Reports

The Board briefly discussed the 4Q05 enrollment reports and noted that SEH enrollment has been fairly constant.

Rider Filing

J. Kalosy recused himself with respect to consideration of the HealthNet rider filing, citing a conflict of interest since the filing was made by his employer, HealthNet.

U. Lee recused himself with respect to consideration of the HealthNet rider filing, citing a conflict of interest since his employer, Guardian, has a joint venture with HealthNet, the company that submitted the filing.

E. DeRosa summarized the optional benefit riders submitted by HealthNet. She noted that while managed care plans that use only copayment for network services are not required to feature a maximum out of pocket for network services, the rider added a maximum out of pocket to plans that use only copayments for network services. She said the filing included all of the elements required for an optional benefit rider filing.

G. Cupo offered a motion to find the HealthNet rider filing complete. M. Torrese seconded the motion. The Board voted unanimously in favor of the motion.

Adoption of Forms Amendments

E. DeRosa said the comment period for the Board's proposal to amend the standard plans to comply with Federal Law and to provide participation credit for persons covered under Medicaid and NJ Family Care expired. She said no person offered comments during the

hearing and no person submitted written comments. Thus, if the Board were to vote to adopt the proposal, it could be adopted without change.

The Boards discussed an Operative Date for the amended forms and agreed to set the Operative Date as June 1, 2006. E. DeRosa said she would draft an Advisory Bulletin to provide carriers with amendment text to include on the Compliance and Variability Rider. She noted that a carrier could elect to reissue policies rather than issue a rider for plans that are issued or renewed on or after June 1, 2006.

M. Taylor offered a motion to adopt the proposal, without change, and designate a June 1, 2006 operative date. G. Simon seconded the motion. The Board voted unanimously in favor of the motion.

Election

The election results were announced.

Representative of Small Businesses

Tom Collins 11 votes

No opponent

Representative of a carrier primarily in the large group employer market

United 11 votes

No opponent

Representative of a carrier primarily in the small employer market (2 seats)

AmeriHealth 11 votes

HealthNet 9 votes

No opponents

VI. Report of the Legal Committee

E. DeRosa reported that the Legal Committee met to discuss a number of issues.

May an employee of a NJ small employer claim as a spouse a person that is considered a spouse in the state of residence?

E. DeRosa explained that staff received an inquiry regarding a case with a NJ small employer and a PA employee. The PA employee has a common law spouse. Must such "spouse" be considered the legal spouse under an SEH plan?

E. DeRosa said the committee noted that Pennsylvania law recently changed regarding recognizing common law marriage. Only AL, CO, KS, MT, RI, SC, TX, UT and DC currently recognize common law marriage.

Committee Recommendation: If a common law marriage is valid in the state where it takes place then it is valid in other states. For the pending case, find out when the

common law marriage took place to determine if the marriage occurred after the change in the law.

The Board concurred with the recommendation.

What actions should the SEH Board take to address the passage of P.L.2005, c.375 the law requiring carriers to offer dependent coverage up to age 30?

E. DeRosa noted that the DOBI issued a bulletin addressing rating and will issue a Bulletin addressing non-rating matters. What action should the SEH Board take?

Committee Recommendation: Amend the SEH forms to include a separate continuation provision for dependents over ages 19/23 but under age 30. Rely on the Department's Bulletins for all other information.

The Board concurred.

E. DeRosa said that using the Board's expedited rulemaking procedure it would be possible to propose and adopt amended text for the SEH plans before the May 12, 2006 effective date of the law. She noted that the Board has no scheduled meeting during April and would need to meet in early April if it wishes to propose the amended language in order for it to be adopted prior to the effective date of the law. The Board agreed to meet by teleconference in early April.

What actions should the SEH Board take to address the passage of P.L.2005, c. 248, the law allowing carriers to issue high deductible health plans (HDHPs) for use with HSAs?

Committee Recommendation: Draft a Bulletin to explain that under HIPAA an employer cannot be restricted as to the availability of a high deductible health plan.

The Board concurred.

The Executive Commission on Ethical Standards provided a staff opinion concerning the application of EO No. 1 financial disclosure statements to carrier representatives. Does the Legal Committee believe it appropriate to seek a formal opinion?

Committee Recommendation: Proceed to request a formal opinion, in conjunction with the IHC Board.

The Board concurred.

An employer has coverage with a carrier that offered a rider to extend the dependent age to 26. There is a dependent covered under that extension. The group transfers to a carrier that does not offer coverage to age 26. Does the dependent have a right to elect continuation when the group transfers?

Committee Recommendation: Continuation is not available since loss of coverage occurs as a result of a plan change, not an event that qualifies the person for a continuation right.

The Board concurred.

VII. Evaluation Committee

E. DeRosa reminded the Board that it had not formally constituted an Evaluation Committee that would review proposals for auditing services. Such Committee must differ in composition from the Finance and Operations Committee. C. Stearns volunteered to serve on the Evaluation Committee.

M. Taylor offered a motion to constitute an Evaluation Committee with members of the already established Finance and Operations Committee, plus C. Stearns. D. Farkus seconded the motion. The Board voted unanimously in favor of the motion.

VIII. Public Comments

No persons requested the opportunity to address the Board.

IX. Executive Session

J. Stenger said the Board would need to hold an executive session to discuss personnel matters.

[Board staff and DAG K. Gordon were recused from the meeting.]

[Executive Session 11:25 a.m. – 11:51 a.m.]

X. Close of Meeting

G. Cupo offered a motion to adjourn the Board meeting. D. Vanderhoof seconded the motion. The Board voted unanimously in favor of the motion.

[The meeting adjourned at 11:51 a.m.]