OPEN SESSION MINUTES FOR 2005

January 10 January 21 February 10 March 8 April 6* April 12

*This is a combined meeting of the IHC Board's Technical Advisory and Legal Committees open to the public because a quorum of IHC Board members was present.

MINUTES OF THE MEETING OF THE
NEW JERSEY INDIVIDUAL HEALTH COVERAGE PROGRAM BOARD
AT THE OFFICES OF THE
NEW JERSEY DEPARTMENT OF BANKING AND INSURANCE
TRENTON, NEW JERSEY
January 10, 2005

Directors present: Darrel Farkus (Oxford); Ulysses Lee (Guardian); Sandi Kelly (Horizon BCBSNJ); Vicki Mangiaracina (DOBI); Mary McClure (Aetna Health); Eileen Shrem; Lisa Yourman.

Others present: Ellen DeRosa, Deputy Executive Director; DAG Eleanor Heck (DOL); Rosaria Lenox, Program Accountant; Wardell Sanders, Executive Director.

I. Call to Order

W. Sanders called the meeting to order at 9:35 a.m. He 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.

II. Public Comments

M. McClure said Carolyn Samit asked for the opportunity to address the Board. The Board agreed.

C. Samit described her medical condition and stated she has an individual health plan for which she pays $53,000 in premium per year. She said she heard about the discussion that took place during the December 14, 2004 meeting and said she was frightened. She stated that contrary to what she understood some people have said, loss reimbursement is a consumer issue. She said if smaller companies cannot be reimbursed for losses they will leave the State. C. Samit said she believed the smaller companies would sue New Jersey. The result for consumers would be to leave larger carriers in control, giving no choice for consumers.

C. Samit said she understood a bill has been introduced that would allow modified community rating. She said she was told there would be a forced change from one plan to another. Due to her medical condition she explained that she must have a plan that gives her access to specialists across the country since she has doctors not just in New Jersey but also in New York, Connecticut and Texas.

M. McClure thanked C. Samit for taking the time to come to the meeting to comment.

III. Board Discussion on Assessment Methodology

The Board considered some spreadsheets that illustrated assessment liabilities for each of the methodologies the Board discussed during the December 14, 2004 Board meeting if it were to be implemented. Those methodologies are the "no full reimbursement" method and the "adjusted net earned premium" method. In reviewing a spreadsheet that identified net investment income losses, W. Sanders noted that the total reimbursable losses attributable to net investment income losses since carriers have sought reimbursement for such losses has been about $15 million out of $265 million.

W. Sanders said that during the December Board meeting L. Yourman suggested an assessment method to fund only the amounts that were subject to litigation in which the second tier methodology was directly challenged. The assessment would use the adjusted net earned premium method. The Board discussed slightly modifying that suggestion to assess only the partially exempt carriers for the amount needed to fund the litigation. The Board referred to this approach as the "fund the hole" method. Using the fund the hole method, a fully exempt carrier would not be responsible for any additional payment. A partially exempt carrier would contribute to the assessment, but the liability would be less than a liability associated with an adjusted net earned premium method, a carrier not in the market would not be subject to the assessment, and carriers with losses would be given full reimbursement of losses. M. McClure said she viewed this as an approach that would address payments for prior periods but would not require a complete reassessment for the prior periods.

IV. Executive Session I

E. Shrem offered a motion to move into Executive Session for the purpose of seeking advice from counsel. S. Kelly seconded the motion. The Board voted unanimously in favor of the motion.

W. Sanders said Open Session would resume following Executive Session and that members of the public would be advised when Open Session would resume.

[Executive Session: 10:20 a.m. – 12:00 noon]

V. Minutes

December 14, 2004
After briefly discussing the minutes the Board asked staff to review the transcript of the presentations made during the December 14, 2004 Board meeting to make sure the minutes reflect the presenter's positions on whether there should be full reimbursement and the timing for any change in methodology.

VI. Report of Staff

Expense Report
S. Kelly offered a motion to approve the payment of the expenses specified on the January 2005 Expense Report. V. Mangiaracina seconded the motion. The Board voted in favor of the motion with L. Yourman and E. Shrem abstaining with respect to reimbursement of their own expenses.

Legislative Report
W. Sanders said S. 1572 was introduced. This bill would modify the rating requirements in both the individual and small employer markets to use a 3.5:1 rate band.

W. Sanders said a hearing was scheduled for January 19, 2005 to consider health care expenditures.

Assessment Methodology Spreadsheets
W. Sanders said he would seek to post the spreadsheets the Board reviewed earlier in the meeting on the DOBI website, with modifications suggested by the Board.

VII. Report of the Technical Advisory Committee

Rate Filings
S. Kelly said TAC reviewed two rate filings from Oxford and one from United Healthcare and recommended that they be found complete.

D. Farkus recused himself with respect to the rate filings from Oxford, citing a conflict of interest since the matter related to a filing submitted by his employer, Oxford. D. Farkus recused himself with respect to the rate filing from United, citing a conflict of interest since the matter related to a filing submitted by United HealthCare, an affiliated company of his employer, Oxford.

M. McClure offered a motion to accept the recommendation from TAC and find the Oxford and United rate filings complete. E. Shrem seconded the motion. The Board voted unanimously in favor of the motion.

E. DeRosa said TAC also considered a rate filing from Horizon Blue Cross Blue Shield for Plans A/50-D and the Basic and Essential Healthcare Services plan.

S. Kelly recused herself with respect to the rate filing from Horizon, citing a conflict of interest since the matter related to a filing submitted by her employer, Horizon.

E. DeRosa said the TAC recommended with 2 votes in favor and 1 abstaining, to find the filing complete.

L. Yourman offered a motion to accept the TAC recommendation and find the filing complete. D. Farkus seconded the motion.

V. Mangiaracina said the DOBI representative on TAC abstained from the vote. She said the Department representative was concerned with the profit margin included in the filing which was substantially in excess of that used by other carriers in the market.

L. Yourman withdrew her motion. The Board requested more information on the Department's concern, referred the filing back to TAC, and agreed to consider the filing during the January 21, 2005 meeting.

E. DeRosa said TAC continued to examine prescription drug coverage under the standard plans.

VIII. Report of the Operations Committee

Audit Issues
M. McClure said the Committee received information from Deloitte & Touche regarding UICI and Aegon, both of which have agreed they would like to undergo full audits rather than agreed-upon-procedures reviews.

M. McClure said Protective had not provided the information that had repeatedly been requested. The Committee recommended that the Board issue a letter giving Protective 20 days to produce the requested information.

L. Yourman offered a motion to issue a letter to Protective giving the carrier 20 days to produce the information that had been requested. V. Mangiaracina seconded the motion. The Board voted unanimously in favor of the motion.

W. Sanders said Executive Order No. 122 requires the Board to have an audit committee that includes at least one person having accounting or related financial expertise. The name of the Committee in the Board's revised regulations would be changed to the Operations and Audit Committee.

Subject to Deloitte & Touche completing the reporting forms required by Executive Order No. 134, M. McClure said the Committee recommended that the Board accept the bid from Deloitte & Touche to provide audit services.

L. Yourman offered a motion to accept the recommendation of the Operations Committee that subject to Deloitte & Touche completing the reporting forms required by Executive order No, 134, the Board accept the bid from Deloitte & Touche. E. Shrem seconded the motion. The Board voted unanimously in favor of the motion.

Assessment Rule
M. McClure said the Committee also discussed assessment methodology. W. Sanders suggested that the Board might consider discrete periods for the assessment discussion for the purpose of directing staff to develop draft regulations which would require review and approval by the Board before the Board takes final action.

1993 - 1995
For 1993 – 1995 U. Lee offered a motion that the Board use the adjusted net earned premium method for the assessment to the extent that the Supreme Court invalidated the second tier methodology. No Board member seconded the motion.

For 1993 – 1995, L. Yourman offered a motion to leave the loss assessment calculation methodology unchanged. S. Kelly seconded the motion.

U. Lee said the Board received a letter stating Guardian's position. The methodology in effect during 1993 – 1995 was the same as the methodology the Supreme Court invalidated. Legally and in equity, Guardian believes the Board cannot leave the 1993 – 1995 assessments unchanged.

By roll call vote the Board voted on the motion. The Board voted in favor of the motion with six votes in favor and one vote in opposition, U. Lee.

U. Lee withdrew his earlier motion.

1996
For 1996, M. McClure offered a motion to use the "fill the hole" method whereby partially exempt carriers would fund the "hole." S. Kelly seconded the motion.

V. Mangiaracina said she could not support this method given the opinion of the Supreme Court and the administrative difficulties the method would pose. U. Lee agreed with V. Mangiaracina.

By roll call vote the Board voted on the motion. The Board voted in favor of the motion with five votes in favor and two votes in opposition, U. Lee and V. Mangiaracina.

1997 - 2000
For 1997 – 2000, S. Kelly offered a motion to use the "fill the hole" method whereby partially exempt carriers would fund the "hole." M. McClure seconded the motion.

V. Mangiaracina said she believed the Supreme Court decision compels her to oppose the motion. U. Lee agreed and noted that use of the fill the hole method serves to increase the inequity. He urged the Board to consider the totality of its actions.

By roll call vote the Board voted on the motion. The Board voted in favor of the motion with five votes in favor and two votes in opposition, U. Lee and V. Mangiaracina.

2001 – 2002
S. Kelly offered a motion to provide less than full reimbursement of losses, stopping after the first tier calculation. L. Yourman seconded the motion.

V. Mangiaracina said she opposed the motion for the reasons previously stated and also because she believed the statute and Court decisions compel full reimbursement. U. Lee agreed that the statute requires full reimbursement and said the guidance from the Courts is clear that there must be full reimbursement.

By roll call vote the Board failed to pass the motion, with four votes in favor (M. McClure, L. Yourman, D. Farkus and S. Kelly) and three votes opposed (U. Lee, V. Mangiaracina and E. Shrem).

V. Mangiaracina offered a motion to use the adjusted premium method for 2001 – 2002. U. Lee seconded the motion.

By roll call vote the Board failed to pass the motion, with three votes in favor (U. Lee, V. Mangiaracina and E. Shrem) and four votes opposed (M. McClure, L. Yourman, D. Farkus and S. Kelly).

2003- 2004 and forward
V. Mangiaracina offered a motion to use the adjusted premium method for 2003 – 2004 and forward. U. Lee seconded the motion.

By roll call vote the Board failed to pass the motion, with three votes in favor (U. Lee, V. Mangiaracina and E. Shrem) and four votes opposed (M. McClure, L. Yourman, D. Farkus and S. Kelly).

IX. Executive Session II

W. Sanders stated that the Board had a need to hold an Executive Session to receive legal advice, and to consider Executive Session minutes. He said the Board would not conduct further business following the Executive Session.

V. Mangiaracina offered a motion to begin Executive Session for the reasons W. Sanders stated. M. McClure seconded the motion. The Board voted unanimously in favor of beginning Executive Session.

[Executive Session: 1:55 p.m. – 2:05 p.m.]

X. Close of Meeting

V. Mangiaracina offered a motion to adjourn the Board meeting. L. Yourman seconded the motion. The Board voted unanimously in favor of the motion. [The meeting adjourned at 2:06 p.m.]

Attachments: Expense Report
TAC Report

MINUTES OF THE MEETING OF THE
NEW JERSEY INDIVIDUAL HEALTH COVERAGE PROGRAM BOARD
AT THE OFFICES OF THE
NEW JERSEY DEPARTMENT OF BANKING AND INSURANCE
TRENTON, NEW JERSEY
January 21, 2005

Directors present: Darrel Farkus (Oxford); Ulysses Lee (Guardian); Sandi Kelly (Horizon BCBSNJ); Vicki Mangiaracina (DOBI); Mary McClure (Aetna Health); Lisa Yourman.

Others present: Ellen DeRosa, Deputy Executive Director; DAG Eleanor Heck (DOL); Rosaria Lenox, Program Accountant; Wardell Sanders, Executive Director; Neil Vance (DOBI).

I. Call to Order

W. Sanders called the meeting to order at 9:30 a.m. He 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.

II. Report of the Technical Advisory Committee

Rate Filings
S. Kelly recused herself with respect to the rate filing from Horizon, citing a conflict of interest since the matter related to a filing submitted by her employer, Horizon.

E. DeRosa said TAC considered a rate filing from Horizon Blue Cross Blue Shield for Plans A/50-D and the Basic and Essential Healthcare Services plan. E. DeRosa said the TAC unanimously recommended that the Board find the filing complete subject to Horizon providing responses to some questions within 10 days.

E. DeRosa explained that the filing included items that correspond to all of the items that must be provided with a rate filing. N. Vance explained that even though a rate filing may be found complete such finding does not mean that there may not be questions about information in the filing for which TAC would seek clarification. He noted that while infrequent, it was possible that a response to clarify information could result in a different recommendation. N. Vance explained that there were questions as to why Horizon filed the rates it filed. He explained that TAC considers many issues when seeking to understand what is going on in the market, and rate filings can provide some insights.

DAG E. Heck asked the Board to delay a vote on the filing until after Executive Session.

V. Mangiaracina commented that the letter Horizon sent regarding the Board's consideration of the rate filing stated that during the previous Board meeting it was reported that the profit margin in the filing to be effective February 1, 2005 was substantially in excess of prior Horizon filings. V. Mangiaracina said she recalled having noted that the profit margin was higher than in other IHC carrier's filings and higher than in the commercial market, but that she had not made a comparison to prior Horizon filings.

Prescription Drug Coverage
In response to a request from public members on the Board, E. DeRosa said TAC had considered a variety of options for prescription drug coverage. Specifically, she noted the

concern L. Yourman expressed was that coverage for prescription drugs under the HMO plan was subject to 50% coinsurance and was not subject to a cap. Thus, a member would always pay 50% of the cost of the drugs.

E. DeRosa explained the options TAC believed addressed the concern without adversely impacting the market.

The 50% benefit could be replaced by a $25/$50 drug card. The copayments would not accumulate toward a maximum out of pocket. Currently, TAC believes the $25/$50 card is equivalent to a 50% plan so there would likely be no impact on rates. She said the $25/$50 amount may not be equivalent to 50% in coming years, so TAC believed the amounts would have to be reviewed and adjusted.

The 50% coinsurance could be retained but made subject to a maximum out of pocket amount that would apply just to the 50% coverage for drugs. Adding a cap of $5,000 could increase rates from a minimal percentage up to 1%. Like the copay amounts, the dollar amount of the cap might have to be adjusted in the future.

Related to this second option, E. DeRosa said TAC also examined prescription drug coverage as currently included in the non-HMO plans. The benefit is very rich. One possibility would be to replace the plan coinsurance with 50% for the coinsurance for drugs in the non-HMO plans. Such a change could decrease rates by 2% to 4%, depending on the plan.

The Board asked if TAC could consider the impact on HMO coverage if people currently in non-HMO plans were to move to HMO plans. The Board also asked TAC to consider what maximum out of pocket amount would be needed so there would be no rate increase associated with adding a cap to the 50% benefit.

D. Farkus suggested contacting some other carriers selling in the market to seek input on possible changes to the prescription drug coverage.

III. Report of Staff

Withdrawal Filing
U. Lee recused himself with respect to the market withdrawal filing from Guardian, citing a conflict of interest since the matter related to a filing submitted by his employer, Guardian.

E. DeRosa reviewed the information contained in the Guardian filing and recommended that the Board approve the filing since it contained the required information.

DAG E. Heck asked the Board to delay a vote until after Executive Session.

Ethics Liaison Officer
W. Sanders said he was contacted by the Executive Commission on Ethical Standards to appoint a person to serve as the Board's ethics liaison officer. He explained that the officer could be from the Board's principal department, DOBI. W. Sanders said he spoke with the ethics officer at the Department and she could serve as the officer for the Board if the Board so requested.

L. Yourman offered a motion to appoint the Department's ethics officer as the Board's ethics liaison officer. S. Kelly seconded the motion. The Board voted in favor of the motion with V. Mangiaracina abstaining.

2005 Exhibit K Filings
W. Sanders said the materials sent to carriers for the Exhibit K filing was included in Board materials. S. Kelly asked if the deadline for the filing of Exhibit K could be extended until April 1.

DAG E. Heck asked the Board to delay discussion of this request until after Executive Session.

Protective Life
W. Sanders said the Board materials included a letter sent to Protective Life advising the company that it had 20 days in which to provide the documentation that had been requested. He said DAG E. Heck received a call from Protective's counsel stating Protective believed it may be able to locate information in a couple of remote locations. The Board discussed whether to extend the 20-day timeframe and noted that Protective had not produced documentation previously in spite of statements that it would be able to do so.

Proposal for High Deductible Plan
W. Sanders said oral comments to the proposal were provided by Jim Stenger on behalf of the Association of Health Underwriters. W. Sanders said the oral comments supported the availability of a high deductible plan option in the individual market. W. Sanders said Oxford provided written comments which generally raised some operational and administrative concerns given the expectation that the Board will propose revised standard plans later this year.

W. Sanders said there have been requests from legislative offices regarding the availability of high deductible plans that could be used with a health savings account.

As they had not been previously provided, the Board took time to review the comments and the draft responses.

Horizon provided comments after the deadline for comments. Those comments questioned the amount of the maximum deductible. DAG E. Heck asked the Board to delay any consideration of the Horizon comments until after Executive Session.

The Board discussed using the low and high deductibles as included in the proposal and adding another deductible upon adoption. DAG E. Heck said she would address this suggestion during Executive Session.

Since some persons with existing individual coverage featuring a large deductible such as $2500, $5,000 or $10,000 might like the opportunity to replace the existing coverage with a high deductible plan the Board discussed issuing a Bulletin to permit persons to purchase a plan with a lower deductible during a fixed period after the high deductible plans might become available. DAG E. Heck said she would address this suggestion during Executive Session.

Letter to Request Extension of Regulations
W. Sanders noted that the Board had yet to reach decisions on a number of essential issues that must be addressed in the rule readoption. In order to give the Board time to properly consider the issues, he said some Board members have expressed interest in requesting an extension of the time for filing the proposal. W. Sanders said a draft letter to request a 150-day extension of the expiration date of the Board's regulations was included in Board materials. He explained that since the Department is responsible for one of the subchapters in N.J.A.C. 11:20, the request for an extension would be jointly made with the Department.

L. Yourman offered a motion to send the letter, as drafted, to request an extension of the expiration date of N.J.A.C. 11:20. V. Mangiaracina seconded the motion. The Board voted unanimously in favor of the motion.

Assessment Mechanism
W. Sanders reminded the Board that it had previously reached an impasse on how to calculate the assessments for 2001 and forward. He asked if the Board wished to pursue further discussion at this time. No members wished to discuss the matter.

IV. Executive Session

W. Sanders stated that the Board had a need to hold an Executive Session to receive legal advice and discuss pending litigation. He said the Board would conduct further business following the Executive Session and would advise public members when Open Session would resume.

M. McClure offered a motion to begin Executive Session for the reasons W. Sanders stated. L. Yourman seconded the motion. The Board voted unanimously in favor of beginning Executive Session.

[Executive Session: 11:40 a.m. – 12:58 p.m.]

V. Final Business and Close of Meeting

Horizon Rate Filing
S. Kelly recused herself with respect to the rate filing from Horizon, citing a conflict of interest since the matter related to a filing submitted by her employer, Horizon.

M. McClure said the Board previously received a recommendation from TAC to find the Horizon rate filing complete subject to Horizon providing responses to some questions.

M. McClure offered a motion to accept the recommendation of TAC and find the Horizon rate filing complete subject to Horizon providing responses to the questions TAC posed. U. Lee seconded the motion. The Board voted unanimously in favor of the motion.

Guardian Withdrawal Filing
U. Lee recused himself with respect to the withdrawal filing from Guardian, citing a conflict of interest since the matter related to a filing submitted by his employer, Guardian.

M. McClure said the Board previously discussed the market withdrawal filing from Guardian.

S. Kelly offered a motion to approve the Guardian filing for withdrawal from the individual market. L. Yourman seconded the motion. The Board voted unanimously in favor of the motion.

[L. Yourman left the meeting at 1:00p.m.]

High Deductible Plan Rule Proposal
M. McClure asked if the Board wished to proceed with adopting the proposal. S. Kelly said she would prefer re-proposing to allow for other deductible amounts and to address open

enrollment opportunities for persons who already have coverage with a higher deductible amount.

S. Kelly offered a motion to re-propose high deductible plans allowing more deductible amounts and addressing open enrollment opportunities. M. McClure seconded the motion. The Board voted in favor of the motion, with V. Mangiaracina opposing the motion.

W. Sanders noted that the re-proposal would have to address the timely comments received in response to the first proposal.

Exhibit K Filing Deadline
W. Sanders asked the Board if it favored extending the filing deadline for Exhibit K until April 1, consistent with the deadline in the draft regulations the Board has been discussing. If so, he said the Board could issue a Bulletin advising carriers that they may file their 2003/2004 Exhibits K on or before April 1, 2005.

S. Kelly said in light of the Board's prior discussion regarding changing the deadline for the filing of Exhibit K in the upcoming readoption with amendments to April 1st, she offered a motion to issue a Bulletin allowing carriers to file the 2003/2004 Exhibit K by April 1. M. McClure seconded the motion. The Board voted unanimously in favor of the motion.

Assessment Methodology
M. McClure invited discussion of assessment methodology for 2001 and thereafter. No discussion followed.

Policy Forms
E. DeRosa said she had just received comments on the draft policy forms. She said she would schedule a meeting of the ad hoc committee to discuss the policy forms drafts.

Close of Meeting
M. McClure offered a motion to adjourn the Board meeting. V. Mangiaracina seconded the motion. The Board voted unanimously in favor of the motion. [The meeting adjourned at 1:24 p.m.]

Attachments: TAC Report

MINUTES OF THE MEETING OF THE
NEW JERSEY INDIVIDUAL HEALTH COVERAGE PROGRAM BOARD
AT THE OFFICES OF THE
NEW JERSEY DEPARTMENT OF BANKING AND INSURANCE
TRENTON, NEW JERSEY
February 10, 2005

Directors participating in Trenton: Darrel Farkus (Oxford); Neil Sullivan (Horizon BCBSNJ); Vicki Mangiaracina (DOBI); Mary McClure (Aetna Health).

Directors participating by telephone: Sandy Hermann (Guardian).

Others present: Ellen DeRosa, Deputy Executive Director; DAG Eleanor Heck (DOL); Rosaria Lenox, Program Accountant; Wardell Sanders, Executive Director.

I. Call to Order

W. Sanders called the meeting to order at 10:30 a.m. He 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.

Expense Report

V. Mangiaracina offered a motion to approve the payment of the expenses specified on the February 2005 expense report. S. Herman seconded the motion. By roll call vote the Board voted unanimously in favor of the motion.

III. Report of the Technical Advisory Committee

2003 Refund Plan
E. DeRosa said TAC considered the 2003 refund plan submitted by Fortis and recommended that the Board approve it. She noted that Fortis would refund $440 and that refunds would be paid to two policyholders whose plans were in force in 2002 since there were no in force plans in 2003.

M. McClure offered a motion to approve the 2003 refund plan submitted by Fortis. V. Mangiaracina seconded the motion. By roll call vote the Board voted unanimously in favor of the motion.

Report of Staff

High Deductible Health Plan (HDHP) Proposal
E. DeRosa discussed the draft rule proposal that was included in the Board meeting materials. She noted the optional deductible amounts in the proposal are $1,200, $2,000, $2,800 and $5,000. In order to address the inability of a consumer who currently has a plan with a deductible such as $5,000 or $10,000 to purchase the HDHP except during the Open Enrollment Period, she explained that the proposal amends N.J.A.C. 11:20-12.5 to allow a consumer to buy up to the HDHP within 60 days after a carrier begins to offer a HDHP in addition to the usual Open Enrollment Period.

E. DeRosa explained that the Board could use the special rulemaking process whereby the comment period is shortened to 20 days, measured from the date the Board files the proposal with the Office of Administrative Law (OAL).

W. Sanders explained that both the Attorney General's Office and Department of Banking and Insurance (DOBI) would review the proposal before it could be submitted to the Governor's Office in anticipation of filing with the OAL.

V. Mangiaracina offered a motion that the Board file the high deductible health plan proposal with the OAL, subject to the required review by the Attorney General's Office, DOBI, and Governor's Office. M. McClure seconded the motion. By roll call vote, the Board voted unanimously in favor of the motion.

V. Close of Meeting

S. Herman left the call at 10:50 a.m.

Since a quorum was no longer participating in the meeting, the Board meeting closed.

MINUTES OF THE MEETING OF THE
NEW JERSEY INDIVIDUAL HEALTH COVERAGE PROGRAM BOARD
AT THE OFFICES OF THE
NEW JERSEY DEPARTMENT OF BANKING AND INSURANCE
TRENTON, NEW JERSEY
March 8, 2005

Directors participating: Sandi Kelly (Horizon BCBSNJ); Ulysses Lee (Guardian) (arrived at 9:40 a.m.); Mary McClure (Aetna Health, Inc.); Eileen Shrem; Gale Simon (DOBI); Amy Wallace (Oxford); Lisa Yourman (arrived at 9:50 a.m.).

Others present: Ellen DeRosa, Deputy Executive Director; DAG Eleanor Heck (DOL) (arrived at 11:05 a.m.); Rosaria Lenox, Program Accountant; Wardell Sanders, Executive Director.

I. Call to Order

W. Sanders called the meeting to order at 9:35 a.m. He 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.

W. Sanders welcomed Amy Wallace from Oxford.

Presentation by Horizon Blue Cross Blue Shield of New Jersey

W. Sanders said Bob Meehan from Horizon asked to address the Board.

B. Meehan presented selected data regarding standard indemnity plans A/50 – D. As a result of the claims experience, he said Horizon would be filing a 79% rate increase, effective May 1, 2005, for Plans C and D.

B. Meehan said Horizon recommends that the Board take the following action to address the poor claims experience in the individual market:

- Allow carriers to file riders to the Basic and Essential Health Care Services Plan (B&E Plan) that significantly increase the benefits under the B&E Plan.
- Impose limits on all standard plans, indemnity and HMO. He suggested a $250,000 annual limit and a $750,000 lifetime limit. He said once a consumer reaches the lifetime limit with one carrier the consumer may secure coverage from another carrier, but may never return to a carrier under whose plan the lifetime limit had been reached.
- Establish a reasonable and customary standard for hospital services such that non-network hospitals are not required to be paid based on billed charges.

B. Meehan also suggested that New Jersey should investigate the federal "34 B Program" which allows hospitals to secure blood products at a negotiated price.

Minutes

[L. Yourman was not present for the discussion of the following minutes]

December 14, 2004
S. Kelly offered a motion to approve the Open Session minutes of the December 14, 2004 Board meeting, as amended. M. McClure seconded the motion. The Board voted unanimously in favor of the motion.

January 10, 2005
S. Kelly offered a motion to approve the Open Session minutes of the January 10, 2005 Board meeting, as amended. M. McClure seconded the motion. The Board voted unanimously in favor of the motion.

January 21, 2005
M. McClure offered a motion to approve the Open Session minutes of the January 21, 2005 Board meeting, as amended. A. Wallace seconded the motion. The Board voted in favor of the motion with E. Shrem abstaining.

[L. Yourman returned to the meeting]

February 10, 2005
M. McClure offered a motion to approve the Open Session minutes of the February 10, 2005 Board meeting, as amended. A. Wallace seconded the motion. The Board voted in favor of the motion with U. Lee, L. Yourman, E. Shrem and S. Kelly abstaining.

IV. Report of Staff

Expense Report
S. Kelly offered a motion to approve the payment of the expenses specified on the March 2005 expense report. L. Yourman seconded the motion. The Board voted unanimously in favor of the motion.

Horizon Litigation
W. Sanders said Board materials included a copy of Horizon's motion to settle the record and DAG E. Heck's response. He explained that DAG K. Gordon would represent the IHC Board in its adjudicator role. He reminded the Board that staff and DAG E. Heck are recused from discussions with the Board on this matter.

Elections of Board Officers and Designation of Committees

Since the March meeting was designated as the annual meeting, W. Sanders reminded the Board that Board officers should be elected and Committees should be designated.

Board Officers
E. Shrem offered a motion to name M. McClure to serve as <u>Chair</u> of the IHC Board. S. Kelly seconded the motion.
M. McClure stated her willingness to serve, if elected.
The Board voted in favor of M. McClure as Chair, with M. McClure abstaining.

E. Shrem offered a motion to name L. Yourman to serve as <u>Vice Chair</u> of the IHC Board. U. Lee seconded the motion.
L. Yourman stated her willingness to serve, if elected.
The Board voted in favor of L. Yourman as Vice Chair, with L. Yourman abstaining.

Committees

M. McClure offered a motion to constitute the Board Committees as follows. L. Yourman seconded the motion. The Board voted unanimously in favor of the motion.

Legal Committee
V. Mangiaracina, DOBI (Chair)
C. Colica, Oxford Health Plans
N. Sullivan, Horizon
W. Manning, Aetna Health, Inc.

Technical Advisory Committee
S. Kelly, Horizon (Chair)
N. Vance, DOBI
A. Rudin, Aetna Health, Inc.
J. Briody, Guardian

Marketing Committee
D. Farkus, Oxford Health Plans (Chair)
J. Camargo, Horizon
T. Talley, Aetna Health, Inc.
L. Yourman

Operations Committee
M. McClure, Aetna Health, Inc. (Chair)
S. Herman, Guardian
S. Kelly, Horizon
V. Mangiaracina, DOBI

Report of the Operations Committee

M. McClure reported that the Committee received an update from Deloitte & Touche (D&T) on the status of various audits and agreed upon procedures. M. McClure summarized the status for the Board.

Fortis
D&T received additional documentation from Fortis and D&T has requested that Fortis speak with D&T regarding the information. DAG E. Heck is working to facilitate the call.

Washington National, Manhattan National, National Casualty
D&T received representation letters from Washington National, Manhattan National and National Casualty for 1997/1998 and from Manhattan National for 1999/2000.

Metropolitan
For 1997/1998, D&T is prepared to issue an audit report to Metropolitan such that Metropolitan may issue a representation letter. For 1999/2000, D&T is still reviewing the report.

Aegon and UICI
These carriers agreed to undergo full audits due to deficiencies in the agreed upon procedures.

Protective
D&T sent an email to the Board and Protective outlining their findings with respect to the additional documents Protective provided. D&T awaits a response from Protective.

RFP
M. McClure said D&T is preparing the necessary disclosure form, and DAG E. Heck has begun drafting the contract.

V. Report of the Technical Advisory Committee

M. McClure recused herself with respect to the rate filing from Aetna Health, Inc. citing a conflict of interest since the matter related to a filing submitted by her employer, Aetna Health, Inc.

Rate Filing
E. DeRosa said TAC considered a rate filing from Aetna Health, Inc. for the HMO, effective April 2005 and recommended that the filing be found complete.

L. Yourman offered a motion to accept the recommendation from TAC to find the Aetna Health, Inc. filing complete. E. Shrem seconded the motion. The Board voted unanimously in favor of the motion.

S. Kelly reported that TAC considered a rate filing submitted by AmeriHealth but was not prepared to make a recommendation. The filing includes rates for a rider to amend the Basic and Essential Health Care Services Plan (B&E Plan). She noted that the filing failed to include a certification regarding the availability of the B&E plan without the rider. Additionally, she said TAC briefly considered whether the rider would lead to inappropriate adverse selection. She noted TAC will pose an inquiry to AmeriHealth regarding adverse selection.

Report of the Legal Committee

AmeriHealth Rider Filing
W. Sanders said the Legal Committee considered a specific provision in P.L. 2001, c.367 which states: "Carriers may offer enhanced or additional benefits for an additional premium amount in the form of a rider or riders, each of which shall be comprised of a combination of enhanced or additional benefits, in a manner which will avoid adverse selection to the extent possible." He said the Committee believed that language indicates the Legislature envisioned there should be some limitation regarding optional riders. He said the Committee believed the Board's regulations should specify the limitations. W. Sanders said the Legal Committee hoped TAC could provide guidance regarding adverse selection. W. Sanders said the Committee noted the possible ways to consider the rider would be on a benefit by benefit basis or on a cost basis.

G. Simon said the B&E plan was intended to be a low cost plan, a lower cost alternative to the standard plans. She said the fact that the B&E plan as specified in the law includes severe limits does not preclude a carrier from using a rider to eliminate one or more of the limitations in the B&E plan.

A. Wallace noted that the B&E plan design includes significant internal limits on coverage. She suggested that a rider should not operate to remove all limits and that the B&E plan with rider should still be subject to some limits.

S. Kelly said Horizon believed a carrier should be permitted to rider the B&E plan in a manner such as AmeriHealth's rider.

The Board agreed that it would be helpful for TAC and the Legal Committee to jointly meet to discuss the rider, and suggested that the meeting should be in person rather than via teleconference. AmeriHealth will be invited to attend.

Bulletin 05-IHC-02
L. Yourman offered a motion to issue 05-IHC-02, as drafted, which delays the filing of a Certification of Non-Group Persons for 2003/2004. M. McClure seconded the motion. The Board voted unanimously in favor of the motion.

HealthNet Appeal

U. Lee recused himself with respect to the discussion of the appeal from HealthNet citing a conflict of interest since the matter related to an appeal filed by HealthNet which is a company with which his employer, Guardian, has a joint venture agreement.

W. Sanders said the recommendation of the Legal Committee was to refund the disputed second tier assessment for 1999/2000 with all interest accruing thereon. He noted that the principal amount was $2,230,403.86. Interest through 6/4/04 was $65,184.15, and that amount would be updated to the date of payment.

E. Shrem offered a motion to accept the recommendation of the Legal Committee to return the disputed second tier assessment for 1999/2000, with interest. G. Simon seconded the motion. The Board voted unanimously in favor of the motion.

Other

S. Kelly commented on R. Meehan's presentation to the Board regarding Horizon's impending rate increase. She explained that while Horizon had agreed, in connection with the rate filing effective February 2005, to allow persons to move from indemnity coverage to the HMO plan if other HMO carriers were allowing such movement, in light of the emerging information regarding the nature of the risks in the indemnity plans, Horizon might not allow such movement to HMO plans outside of the open enrollment period.

Executive Session

W. Sanders said the Board would need to move to Executive Session to review Executive Session minutes and receive advice from counsel.
M. McClure offered a motion to begin Executive Session to review minutes and to receive advice from counsel. L. Yourman seconded the motion. The Board voted unanimously in favor the motion.

[Executive Session: 11:50 a.m. – 12:00 noon]

X. Close of Meeting

S. Kelly offered a motion to adjourn the Board meeting. L. Yourman seconded the motion, The Board voted unanimously in favor of the motion.

XI. Presentation by Rutgers Center for State Health Policy

Joel Cantor presented a report entitled “Assessing Policy Options for the Non-Group Health Insurance Market: Simulation of the Impact of Modified Community Rating in the New Jersey Individual Health Coverage Program.”

MINUTES OF THE MEETING OF THE TECHNICAL ADVISORY COMMITTEE AND THE LEGAL COMMITTEE OF THE NEW JERSEY INDIVIDUAL HEALTH COVERAGE PROGRAM BOARD AT THE OFFICES OF THE NEW JERSEY DEPARTMENT OF BANKING AND INSURANCE TRENTON, NEW JERSEY April 6, 2005

Directors participating in Trenton: Darrel Farkus (Oxford); Sandi Kelly (Horizon BCBSNJ); Mary McClure (Aetna Health, Inc.); Vicki Mangiaracina (DOBI).

Directors participating by Teleconference: Eileen Shrem.

Committee members participating in Trenton:

Legal: V. Mangiaracina (DOBI), Neil Sullivan (Horizon).
TAC: S. Kelly (Horizon); Neil Vance (DOBI**).**

Committee members participating by Teleconference:

Legal: Carmel Colica (Oxford); Bill Manning (Aetna Health, Inc.).
TAC: Adam Rudin (Aetna Health, Inc.).

Others present: Ellen DeRosa, Deputy Executive Director; DAG Eleanor Heck (DOL); Wardell Sanders, Executive Director.

I. Call to Order

W. Sanders called the meeting to order at 11:05 a.m. He announced that notice of the joint meeting of the Legal and Technical Advisory Committees 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 of Board members was present.

W. Sanders explained that the sole purpose of the joint committee meeting was to consider an optional benefit rider that would amend the Basic and Essential Healthcare Services Plan as submitted by AmeriHealth. He welcomed the following persons from AmeriHealth who came to observe the meeting: Tony Taliaferro, Réjean Boivin and Jim Rhodes.

Discussion of "125 Preferred Rider" as Submitted by AmeriHealth

W. Sanders reminded the Board that during its meeting of March 8, 2005 during which the Board first discussed the 125 Preferred Rider, the Board questioned whether AmeriHealth's rider "avoided adverse selection to the extent possible" as required by the IHC Act.

The Board considered the March 16, 2005 letter from AmeriHealth in which AmeriHealth discussed avoiding adverse selection to the extent possible.

M. McClure expressed concern that a B&E plan with the AmeriHealth 125 Preferred Rider would closely resemble a standard HMO plan. E. DeRosa explained that while the 125 Preferred Rider does enhance the B&E plan with a number of benefits that closely track the standard HMO coverage, there are a number of areas in which the B&E plan with a 125 Preferred Rider would differ from, and be less generous than, the benefits offered by the standard HMO plan. E. DeRosa referred to the chart she prepared that compares the B&E plan, AmeriHealth's existing 125 Basic Rider, the 125 Preferred Rider and the standard HMO

as she discussed differences among the plan options. Further, E. DeRosa noted that there are non-mandated benefits the standard HMO plan includes that have not been included in the 125 Preferred Rider. She explained that the B&E Plan itself includes hospital coverage subject to a $500 per admission copayment, that may be richer than the coverage provided under the standard HMO plan. She said whether it is richer would depend on the duration of a confinement. Since carriers may only submit riders that increase the value of the B&E plan, carriers would not be permitted to modify the per admission copayment feature of the B&E plan to apply a copayment per day.

TAC Discussion of Adverse Selection

S. Kelly suggested considering "disease states" in terms of adverse selection. A. Rudin noted that it is possible younger and presumably healthier lives may elect the B&E plan with the rider, leading to adverse selection, but said it would be difficult to measure whether adverse selection has been avoided to the extent possible. N. Vance said the young lives that may elect the B&E Plan with a rider are not necessarily young and healthy lives. Thus, it cannot be said with certainty that there will be adverse selection.

D. Farkus suggested that the consequence of an affordable B&E plan with rider could be upward pressure on the rates in the community rated market. N. Vance said the DOBI would favor closely monitoring enrollment in the B&E plan with the 125 Preferred Rider and any other riders. He noted that while the Board would not want to take action that would directly increase rates in the community rated market, the rates in the community rated market will increase whether or not the rider is permitted. Further, he suggested that younger people will continue to leave the community rated market.

D. Farkus said he believed the B&E plan was intended to be a low cost, low benefit plan, and that there was no intention to create a modified community rated plan with benefits that in many instances resemble standard plan benefits. He asked whether the Board would have an obligation to inform the Legislature of what he believed to be an unintended consequence of allowing riders to increase the benefits of the B&E plan. The Board agreed not to take formal action, recognizing that individual members can contact the legislature.

E. Shrem noted the Association of Health Underwriters supports allowing modified community rating.

Comments from AmeriHealth

E. DeRosa asked the Board to invite representatives from AmeriHealth to comment on the rider or the discussion.

T. Taliaferro briefly described the product initiative. He noted the concerns many potential purchasers expressed with significant benefit gaps in the B&E plan. T. Taliaferro said he had not been able to identify anything in the law that would be the basis for the Board to disallow the 125 Preferred Rider. R. Boivin commented that AmeriHealth would have liked to increase some cost sharing, as with the hospital per admission copayment, but recognized that such a change was not permitted.

Executive Session

V. Mangiaracina offered a motion to begin Executive Session to receive advice from counsel. M. McClure seconded the motion. The Board voted unanimously in favor the motion.

[Executive Session: 12:00 noon – 12:40 p.m.]

IV. Final Discussion and Close of Meeting

N. Vance said the DOBI was aware there could be concerns with the AmeriHealth filing and any similar filings other carriers may make. He said the DOBI would encourage close monitoring of enrollment in a B&E plan with rider. If an applicant for a B&E plan with rider is replacing an existing IHC standard plan, the carrier issuing the B&E plan should be able to report data on replacements. He said the DOBI also favored monitoring the impact on rates in the standard individual market. N. Vance suggested that if evidence demonstrates adverse selection due to movement from standard plans and excessive rate increases for standard plans, then continued use of the rider for new business should be prohibited. He explained that the evaluation of avoiding adverse selection to the extent possible was an ongoing obligation.

N. Sullivan suggested that consumers who drop an IHC standard plan in favor of the B&E plan with a rider may have foregone coverage entirely if the B&E option had not been available and therefore that does not necessarily indicate adverse selection.

T. Taliaferro asked to briefly address the Committee and Board members. The Committees and Board agreed. T. Taliaferro said he expected the Board would act on the filing during the April 12, 2005 Board meeting. If the Board votes to disapprove the rider, he asked that a clear articulation of the basis for disapproval be provided.

D. Farkus offered a motion to adjourn the meeting. V. Mangiaracina seconded the motion. The Board voted unanimously in favor of the motion.

[The joint meeting of the Legal and Technical Advisory Committees of the IHC Board adjourned at 1:03 p.m.]

MINUTES OF THE MEETING OF THE
NEW JERSEY INDIVIDUAL HEALTH COVERAGE PROGRAM BOARD
AT THE OFFICES OF THE
NEW JERSEY DEPARTMENT OF BANKING AND INSURANCE
TRENTON, NEW JERSEY
April 12, 2005

Directors participating: Darrel Farkus (Oxford); Sandi Kelly (Horizon BCBSNJ); Ulysses Lee (Guardian); Mary McClure (Aetna Health); Vicki Mangiaracina (DOBI); Eileen Shrem.

Others present: Ellen DeRosa, Deputy Executive Director; DAG Karyn Gordon (DOL); DAG Eleanor Heck (DOL); Rosaria Lenox, Program Accountant; Wardell Sanders, Executive Director.

I. Call to Order

W. Sanders called the meeting to order at 9:35 a.m. He 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.

Executive Session I

V. Mangiaracina offered a motion to begin Executive Session to receive advice from counsel regarding pending litigation with Horizon. E. Shrem seconded the motion. The Board voted unanimously in favor of the motion.

Ellen DeRosa, DAG Eleanor Heck, Sandi Kelly, Rosaria Lenox and Wardell Sanders recused themselves from the meeting.

[Executive Session: 9:38 a.m. – 10:00 a.m.]

Minutes

March 8, 2005
S. Kelly offered a motion to approve the Open Session minutes of the March 8, 2005 Board meeting, as amended. V. Mangiaracina seconded the motion. The Board voted unanimously in favor of the motion.

VI. Report of Staff

Expense Report
M. McClure offered a motion to approve the payment of the expenses specified on the April 2005 expense report. V. Mangiaracina seconded the motion. The Board voted unanimously in favor of the motion.

Enrollment Reports 4Q04
W. Sanders said 4th quarter enrollment reports for both the individual and small employer markets were included in Board materials.

Reported 2003/2004 Losses
W. Sanders said the 2003/2004 Exhibit K filings show reported losses of $3,516,447.75, with losses reported by Celtic, Fortis and Guardian. He reminded the Board that carriers did

not file for exemptions for 2003/2004 so we do not know whether the carriers will seek reimbursement.

Trustmark Insurance Company Withdrawal Filing
E. DeRosa referred the Board to the Market Withdrawal Filing Checklist completed with Trustmark filing information that was included in the Board materials. She explained that while Trustmark has no IHC plans in force, there were 81 persons covered under pre-reform individual plans.

E. Shrem offered a motion to approve the Trustmark withdrawal filing. V. Mangiaracina seconded the motion. The Board voted unanimously in favor of the motion.

HealthNet Litigation
DAG E. Heck reported that HealthNet withdrew its petition for certification that it had filed with the Supreme Court of New Jersey.

Loss Audits
W. Sanders said Deloitte & Touche (D&T) provided final audit reports for Washington National and Manhattan.

Audit Services Contract
W. Sanders reported that the audit services contract was nearly completed. He reported that Adriana Nivia who had been the Board's primary contact person at D&T had accepted another position. W. Sanders said Keith DeCroix would assume the role of primary contact person for the Board at D&T.

Rulemaking – High Deductible Health Plan
E. DeRosa said no persons came to the hearing to offer oral comments to the high deductible health plan rule proposal. She said Oxford submitted written comments. She said Horizon also submitted written comments but that they had been sent after the close of business on the last day of the comment period, which was the previous day, April 11, 2005. W. Sanders suggested that the Board discuss the comments from Oxford and Horizon. He noted that using the special rulemaking procedure, the Board can adopt the proposal, assuming no substantive changes are to be made, and actual responses to the comments be given some time later. He said he would check to find out if the Horizon comments should be accepted as timely. He noted that if they were not timely submitted the Board could make the changes Horizon suggested as agency-initiated changes.

E. DeRosa reviewed each of the comments with the Board and suggested responses.

E. Shrem offered a motion to adopt the high deductible health plan proposal, with non-substantive changes being made as suggested by the commenters. M. McClure seconded the motion. The Board voted unanimously in favor of the motion.

E. DeRosa said she would prepare the notice of adoption to be reviewed by the Attorney General's Office, and then filed with the Office of Administrative Law at which time the regulation would take effect.

Draft Subchapter 12
E. DeRosa briefly discussed the draft of Subchapter 12. She explained that the draft attempts to address the myriad questions posed to Board staff regarding when a person is

eligible to purchase an individual plan if the person is eligible for group coverage, and any restrictions on movement between individual plans. She asked Board members to provide her with comments on the draft.

The Board suggested that TAC consider the draft and make recommendations to the Board.

Readoption of Chapter 20
M. McClure noted that the Board must file the readoption proposal no later than July 5, 2005. Since Governor's Counsel must be provided a copy of the proposal prior to filing with the Office of Administrative Law, she noted that the Board must act quickly. The Board set an additional meeting for Tuesday May 24, 2005 to consider draft regulations.

VII. Report of the Technical Advisory Committee

Rate Filings

M. McClure recused herself with respect to the rate filing from Aetna Health, Inc. citing a conflict of interest since the matter related to a filing submitted by her employer, Aetna Health, Inc.

S. Kelly said TAC considered a rate filing from Aetna Health, Inc. for the HMO, effective July 2005 and recommended that the filing be found complete.

S. Kelly offered a motion to accept the recommendation from TAC to find the Aetna Health, Inc. filing complete. V. Mangiaracina seconded the motion. The Board voted unanimously in favor of the motion.

S. Kelly reported that TAC considered a rate filing submitted by AmeriHealth and believed that adverse selection was avoided to the extent possible with respect to movement from the standard $30 copayment HMO plan to the B&E plan with Preferred rider as well as movement from the B&E plan with AmeriHealth's existing Basic rider to the B&E plan with Preferred rider. Therefore, she said TAC recommended that the rate filing be found complete.

E. Shrem offered to motion to accept the TAC recommendation to find the AmeriHealth B&E Preferred rider rate filing complete. S. Kelly seconded the motion. The Board voted unanimously in favor of the motion.

Plan Design Recommendations

S. Kelly said TAC recommended allowing a specialist copayment for HMO plans as follows:

PCP	Specialist
$10	$20
$15	$30
$20	$40
$30	$50
$40	$60
$50	$70

With respect to prescription drug coverage for the HMO plan, S. Kelly said TAC believed adding a $5,000 cap to the 50% benefit, after which coverage would be provided at 100% for the balance of the year, would increase rates by 1 – 2%. She said TAC believed there would not be significant selection against non-HMO plans as a result of adding a cap. S.

Kelly noted that Horizon opposed any change that would result in an increase in premiums for HMO coverage.

The Board suggested that the policy forms be drafted to include the specialist copayment option, as recommended. With respect to the prescription drug coverage, the Board asked that the forms include the flat 50% coverage and 50% with a $5,000 cap so language would be available to accommodate whichever option the Board agrees to include in the standard plans.

Presentation by the Hemophilia Association of New Jersey

W. Sanders said Eleana Bosick and Julie Frenkel of the Hemophilia Association of New Jersey asked for the opportunity to address the Board. The Board welcomed them to speak.

J. Frenkel said the Association maintains a proactive hands-on approach to the needs of patients with hemophilia. She said about 60% of persons with hemophilia are covered under private plans, about 30-35% have Medicaid and about 8% have Medicare. Although 60% of persons have private coverage, the percentage with individual coverage is about 15%.

Ms. Frenkel explained that the Association assists patients in the purchase of individual health insurance, with a $350,000 grant from the State each year and the balance funded by the Association. She said most of the individual market patients are covered under Plan C with a $1500 deductible, as offered by Horizon. Ms. Frenkel explained that the Association has reasoned that since Horizon has the largest market share in New Jersey Horizon would be best able to manage the costs of persons with chronic illnesses.

Ms. Frenkel said the cost of clotting factor per patient can be from $100,000 to $150,000 per year. She noted that the clotting factor is purchased by home care companies and there are only four vendors producing the factor.

Ms. Frenkel urged the Board to keep the individual market open. The Board thanked them for their input and comments.

Rider Filing - AmeriHealth

W. Sanders reviewed the draft standards for review of riders that amend the B&E plan. The Board agreed that riders which add benefits that exceed those in the standard plan should not be permitted. The Board agreed that carriers seeking to amend the B&E plan with a rider have an ongoing obligation to avoid adverse selection to the extent possible. The Board agreed that carriers that file riders to amend the B&E plan must provide quarterly data that would allow the Board to monitor adverse selection.

[D. Farkus left the meeting at 12:40 p.m.]

Executive Session II

W. Sanders said the Board would need to move to Executive Session to receive advice from counsel.

E. Shrem offered a motion to begin Executive Session to receive advice from counsel. M. McClure seconded the motion. The Board voted unanimously in favor the motion.

[Executive Session: 12:42 p.m. – 1:00 p.m.]

IX. Final Business and Close of Meeting

V. Mangiaracina offered a motion to approve the AmeriHealth 125 Preferred Rider that amends the B&E Plan. She noted that the benefits added in the rider do not exceed those contained in the standard HMO plan, and that the carrier provided a certification stating it had avoided adverse selection to the extent possible. V. Mangiaracina said the motion for approval was contingent upon an ongoing satisfaction of the requirement that adverse selection be avoided to the extent possible as evidenced by a quarterly reporting of premium, claims and enrollment, and information regarding previous coverage for persons who enroll in the B&E plan with the Preferred rider.

S. Kelly suggested that the motion be amended to specify that premium and claims data should be provided for the standard plan and the B&E plan with rider. V. Mangiaracina accepted that change to her motion.

S. Kelly seconded the motion, as amended. The Board voted unanimously in favor of the motion.

E. Shrem offered a motion to adjourn the Board meeting. S. Kelly seconded the motion, The Board voted unanimously in favor of the motion.

The meeting adjourned at 1:10 p.m.