

**FINAL
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
MAY 13, 2008**

Directors participating: Darrel Farkus (United); Sandi Kelly (Horizon); Ulysses Lee (Guardian); Gale Simon (DOBI); Christine Stearns (*arrived at 10:35*); Mary Taylor (Aetna Health Inc.); Lisa Yourman.

Others present: Ellen DeRosa, Executive Director; DAG Vicki Mangiaracina (DLPS); Rosaria Lenox, Program Accountant; Chanell McDevitt, Deputy Executive Director.

I. Call to Order

E. DeRosa called the meeting to order at 10:03 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.

II. Election

E. DeRosa reminded the Board members that the seat for HMO representative was open for a vote, nominations had previously been solicited, Aetna Health Inc. had been nominated, and ballots had been distributed to IHC Program members. She reported she had received ballots from the carrier Board members. She noted ballots were available at the meeting in case any carriers were present and wanted to vote. R. Lenox counted the ballots that had been submitted, and determined Aetna Health Inc. had received nine votes, and there were no write-in candidates. Accordingly, Aetna Health Inc. continues to be the HMO representative on the IHC Board through May 2011.

III. Minutes – April 8, 2008

G. Simon made a motion to accept the Open Session minutes of April 8, 2008, with amendments. D. Farkus seconded the motion, and the motion carried, with S. Kelly and L. Yourman abstaining.

IV. Report of Staff

Expense Report – May

R. Lenox provided a summary of the May 2008 Expense report, which included expenses totaling \$30,156.87. It was noted that the expenses include costs for advertising the two RFPs for audit services in the May 11th (Sunday) edition of the business section of the New York Times.

L. Yourman made a motion to approve the payment of the expenses on the May 2008 expense report. U. Lee seconded the motion, and the Board voted unanimously to approve it.

Basic & Essential (B&E) Plan Marketing Annual Reports

E. DeRosa reported companies had filed their 2007 Annual B&E marketing reports, with the exception of Celtic. She indicated she has contacted Celtic, and Celtic is putting the report together. E. DeRosa recommended all of the marketing reports received be considered in compliance. (She distributed some examples of the marketing materials.)

The question arose as to whether mandated benefits apply to B&E plans – such as the recently enacted prosthetic and orthotic mandate. It was noted that DOBI has taken the position mandates will not apply to B&E plans unless the mandate legislation specifies otherwise, and will be issuing a bulletin regarding the prosthetic and orthotic legislation that addresses the question of treatment of B&E plans, among other issues.

In response to a question of whether there is a potential problem with Celtic not filing its B&E marketing report, E. DeRosa noted the law imposes fines in the event the Board determines a company has failed to demonstrate it marketed the product.

G. Simon made a motion to find the B&E marketing reports received from Aetna Life Insurance Company, AmeriHealth HMO, CIGNA, HealthNet, Inc., Horizon Blue Cross Blue Shield of New Jersey, and Oxford to be in compliance with regulatory requirements. L. Yourman seconded the motion. The motion passed, with M. Taylor abstaining as to Aetna Life Insurance Company, S. Kelly abstaining as to Horizon Blue Cross Blue Shield of New Jersey, and D. Farkus abstaining as to Oxford.

RFPs for Auditing Services

E. DeRosa reported both RFPs for auditing services (one for the audit of the IHC Program, and one for the audit of the reported losses for which reimbursement is being sought) had been issued to 42 firms, and an advertisement had been placed in the Sunday national edition of the New York Times, and the Department of Treasury had agreed to provide a link from its website to the Department of Banking of Insurance's website, where parties could link to the RFPs. She noted staff has received some inquiries from several firms, and that the pre-bid conference for the loss audits is scheduled for June 11th. An email reminder of the pre-bid conference will be sent to the Operations & Audit Committee members.

Disclosure Statements

E. DeRosa reminded Board members their financial disclosure statements are due to the State Ethics Commission by May 15th.

V. Report of the Technical Advisory Committee (TAC)

M. Taylor recused herself from the discussion and vote regarding the Aetna rate filing considered by TAC because of the interest of her employer in the outcome of the Board's actions in the matter.

S. Kelly reported that Aetna filed a rate extension for its B&E plan, effective beginning 7/1/08, which TAC recommended finding complete.

L. Yourman made a motion to find the Aetna B&E rate filing extending Aetna's current rates to be complete. D. Farkus seconded the motion, and the Board voted to approve it.

D. Farkus recused himself from the discussion and vote regarding the Oxford rate filings considered by TAC because of the interest of his employer in the outcome of the Board's actions in the matter.

S. Kelly reported that Oxford filed rate increases for its PPO Plans C and D products and its HMO plan, effective beginning 7/1/08, which TAC recommended finding complete, subject to some clarification.

M. Taylor made a motion to find the Oxford HMO plan and PPO Plan C and Plan D rate filings to be complete subject to some clarification. G. Simon seconded the motion, and the Board voted in favor of it.

S. Kelly reported that TAC reviewed B&E annual enrollment reports filed by AmeriHealth and Oxford, and determined there is nothing specific to report at this time, but will continue to monitor the data for adverse selection.

VI. Report of the Operations & Audit Committee (OAC)

Revised Assessments for the 2005/2006 losses and 2008/2009 administrative expenses; targets

R. Lenox reported the OAC had reviewed revisions staff had prepared for the 2005/2006 Loss and 2008/2009 Administrative Assessments as well as target enrollment numbers following the Humana challenge, which resulted from the Board having required carriers to submit a new Exhibit K excluding all Medicare Advantage plan premium. She noted that United, which reported Medicare lives, did not file a new Exhibit K, and staff is investigating whether this was an oversight, or whether United filed the Exhibit K excluding all Medicare premium in the original Exhibit K. She stated the methodology for calculation of the assessments (and target enrollment numbers) will not change, but the distribution across carriers may change based on United's actions. There was general agreement among Board members to hold all actions on the assessments and targets pending the discussions with United.

Reconciliation of administrative expenses based on final audit reports for FY1993 through 1999

R. Lenox explained that the IHC Program is in a position to perform reconciliations for administrative expenses for fiscal years 1993 through 1999 because the audits of the administrative aspects of the IHC Program for fiscal years 1996 through 1999 have now been completed (1993 through 1995 were previously audited). Staff had prepared reconciliation reports for review on a year-by-year and a summary basis, and R. Lenox explained the process

and reports to the IHC Board members. She noted that, in general, annual administrative assessments originally were based on the net earned premium (NEP) two years prior to the expense year, while reconciliations are based on the NEP of the year immediately preceding the expense year, as required by the regulations. R. Lenox further noted that for the 1998/1999 fiscal year administrative assessments, the original assessment was for 1998 administrative expenses only, based on 1996 NEP, while the reconciliation is based on NEP for 1997/1998 and includes an assessment for 1999 administrative expenses, for which invoices had not previously been issued. She explained that the Board had money left from prior administrative assessments, so not assessing for 1999 had not resulted in a shortfall of funds. She noted most carriers owed money to the IHC Program for the 1998/1999 administrative expenses largely because of the assessment for the 1999 expenses just now occurring. She stated information for the 1993 through 1995 periods had been combined, and that de minimus amounts had been accumulated across all years and netted out. She explained billing would be netted across the periods, so there would be only one bill for all years and one payment (per carrier). R. Lenox also explained staff anticipated mailing the summary sheet with the invoice and directing the carriers to the website to view the spreadsheets for the individual fiscal years with more details. R. Lenox stated the OAC had recommended approval of the reconciliations.

The Board asked to see final copies of the spreadsheets and communications to be distributed or posted on the web before voting to issue the reconciliations.

VII. Executive Session

E. DeRosa said the Board would need to go into Executive Session to consider draft Executive Session minutes, receive a report from the Legal Committee, and obtain advice from counsel. She said the Board did not anticipate taking further action upon its return to Open Session.

S. Kelly made a motion to go into Executive Session. L. Yourman seconded the motion and the Board voted unanimously to approve it.

[Executive Session: 11:02 until 11:30 A.M.]

IX. Close of Meeting

M. Taylor reported there was no further business to discuss.

C. Stearns offered a motion, seconded by G. Simon, to close the meeting, which was approved unanimously by the Board.

The meeting adjourned at 11:31 A.M.