

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
April 12, 2016

Directors participating: Sandi Kelly (Horizon); Lisa Levine (United/Oxford); Brendan Peppard (DOBI); Thomas Pownall (Aetna); Tony Taliaferro (AmeriHealth)

Others participating: Ellen DeRosa, Executive Director; Chanell McDevitt, Deputy Executive Director; Rosaria Lenox, Program Accountant; Eleanor Heck, Deputy Attorney General; Ryan Schaffer, Deputy Attorney General

I. Call to Order

E. DeRosa called the meeting of the IHC Board to order at 10:02 A.M. E. DeRosa announced that notice of the meeting had been published in three newspapers of general circulation and posted at the Department of Banking and Insurance (“DOBI”), on the DOBI website, at the Office of the Secretary of State, and submitted to the State House Press Corps, in accordance with the Open Public Meetings Act. A quorum was present. She stated that voting would be by roll call because some directors were participating by phone.

II. Minutes – February 9, 2016

B. Peppard made a motion, seconded by T. Taliaferro, to approve the minutes of the February 9, 2016 Board meeting. By roll call vote, the motion carried, with S. Kelly abstaining.

III. Staff Report

Expense Report/Transfer of Funds

R. Lenox presented the expense report for April, totaling \$23,163.57. She noted that most of the money is owed to the Small Employer Health Benefits (SEH) Program for the IHC Board’s share of staff salary and fringe, but that the expenses include costs towards a CPE course, actual charges from the Division of Law for Q2 of FY2016, and the IHC Board’s half of the charges from Admiral Consulting, which provides support services for the Great Plains accounting software that the IHC and SEH Board use. She explained that the Board needs to transfer \$23,000 from its Wells Fargo Money Market Account to its Wells Fargo checking account in order to pay the expenses, if approved.

T. Taliaferro made a motion, seconded by B. Peppard, to approve payment of the April expenses, and authorizing the transfer of \$23,000 from the Board’s Wells Fargo Money Market Account to the Board’s Wells Fargo checking account to pay the approved expenses. By roll call vote, the motion carried.

2Q FY2016 Financial Statements

R. Lenox presented the financial statements for the IHC Program for 2Q of FY2016, including the following: the Statement of Net Assets, the Statement of Changes in Net Assets, the Statement of Changes in Assets and Liabilities for the Loss Assessment Fund (noting that there is no change, and the Board continues to hold \$8,506,548 to reimburse losses for the 1997/1998 through 2001/2002 periods), the Statement of Cash Flows, and the Comparison of Budget & Actual Expenditures. She noted that expenditures incurred thru 12/31/15 total about \$120,796, which is favorable to the Board when compared to its budget for the fiscal year.

IV. New Jersey Loss Ratio and Refund Report for 2014 – DOBI

Avnee Parekh, ASA, presented the Loss Ratio and Refund Report for 2014. She explained that carriers are required to submit their separate reports to the DOBI by August 15 annually for the calendar year most recently ended, but that the DOBI extended the deadline for 2014 to October 30, 2015 because of uncertainty as to when the federal government would finalize 2014 “Risk Corridor” payments under the Affordable Care Act (ACA). She further explained that the amounts of such payments had an impact on the calculation of the annual loss ratio.

A. Parekh noted that there are significant differences in the data for 2014 relative to the several years preceding it, but that this was expected because 2014 was the first year that the requirements of the ACA were more fully operational. She highlighted the following:

- Enrollment in the IHC market had increased by almost 100,000 lives between the end of the fourth quarters of 2013 and 2014
- Premiums for the market at the end of 2014 were at nearly \$1.17B, an increase from the nearly \$735 million recorded for the end of 2013; claims also increased to about \$924 million from \$677 million over the year, yielding a loss ratio for the market in 2014 of 78.9%, compared to 92.2% in 2013 – which could suggest that carriers may have slightly overpriced their products for 2014
- Setting aside Cigna (which has extremely low enrollment), loss ratios for carriers ranged from a low of 76.5% to a high of 119.2%
- Two carriers (AmeriHealth and Horizon) had loss ratios of less than 80%, and thus, paid refunds, resulting in a total for the IHC market of \$23,385,023 under New Jersey’s refund payment formula.
- Health Republic’s loss ratio at nearly 90% is likely attributable to it being a new entrant in the market lacking pricing experience, while Aetna’s loss ratio at nearly 120% is indicative of a continuing trend of the company being selected against

A. Parekh stated that the report would be posted online, as is customary (http://www.nj.gov/dobi/division_insurance/ihcseh/ihchistrate.html).

In discussions among the Board members and A. Parekh following the presentation, the following points were highlighted:

- The loss ratio report includes all standard plans that a carrier offers, both inside and/or outside of the Marketplace

- The federal “3Rs” (reinsurance program, risk adjustment program, and risk corridor requirement) had a significant impact on the New Jersey loss ratios reported
- The impact of the reinsurance and risk corridor programs is limited, because these are temporary (ending for years after 2017), while the risk adjustment program is permanent
- A 78.9% loss ratio average for the IHC market is good, and suggests that the financial health of the market may be okay

V. Close of meeting

B. Peppard made a motion, seconded by S. Kelly, to close the meeting. By roll call vote, the motions carried.

[The meeting ended at 10:37]