

**FINAL 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  
February 20, 2008**

**Members participating:** Chuck Cerniglia (Oxford); Tom Collins; Gary Cupo; Jack Kalosy (HealthNet); Ulysses Lee (Guardian); Margaret Koller (*arrived 10:05*); Bill Manning (Aetna); Gale Simon (DOBI); Christine Stearns (*arrived 10:10*); Jim Stenger; Tony Taliaferro (AmeriHealth – *arrived 10:05*); Joseph Tricarico (DHSS); Dutch Vanderhoof.

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

**I. Call to Order**

E. DeRosa called the meeting to order at 10:00 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. E. DeRosa took roll call. A quorum was present.

**II. Public Comments**

E. DeRosa invited public comments. Divya Srivastav-Seth, of Lampf, Lipkind, Prupis & Petigrow, P.C., told the Board the New York Attorney General’s Office has launched an official investigation and is proposing litigation against UnitedHealthGroup and its subsidiary, Ingenix, Inc. with respect to UnitedHealthGroup’s setting of reimbursement rates for out-of-network health care services in New York State, citing repeated and persistent fraudulent, deceptive and illegal business practices by UnitedHealthGroup. Ms. Seth noted Ingenix is the creator of the rate schedules which the Board requires carriers to use in determining reasonable and customary rates for out-of-network health care services in New Jersey, and suggested the Board consider if other alternatives might be more appropriate. She left copies of the New York Attorney General’s notice of proposed litigation issued February 13th to UnitedHealthGroup, along with a related press release for Board members to read. Upon questioning, Ms. Seth stated she did not represent any person currently involved in the litigation, but she has clients (specifically, various types of ambulatory care facilities) interested in the matter as well as the Board’s rules regarding reimbursement standards for out-of-network health care services.

**III. Minutes – *December 19, 2007***

**J. Kalosy offered a motion to approve the minutes of the Open Session of the December 20, 2007 Board meeting, with amendments. D. Vanderhoof seconded the motion. The Board voted in favor of the motion, with J. Tricarico abstaining.**

**T. Taliaferro made a motion to approve the minutes of the Executive Session of the December 20, 2007 Board meeting, without amendments. D. Vanderhoof seconded the motion. The Board voted in favor of the motion, with J. Tricarico abstaining.**

#### **IV. Staff Report**

##### *Expense Report – February 2008*

R. Lenox presented the expense report for February 2008; expenses totaled \$3,318.52.

**D. Vanderhoof offered a motion to approve the payment of the expenses specified on the February 2008 expense report. J. Kalosy seconded the motion, and the Board voted unanimously in favor of the motion.**

##### *Transfer of Funds*

R. Lenox reported the Board has collected 99.55% of the funds assessed for the 2008 administrative budget. She noted the funds are being held in a Department of Banking and Insurance (DOBI) account, where the funds do not earn interest for the Board. R. Lenox suggested transferring \$140,000 to a Wachovia account to earn interest. She noted the remaining funds in the DOBI account would cover staff salaries and fringe through fiscal year 2008. Upon questioning about the .45% that remains uncollected, R. Lenox explained there are two companies with very small shares that have yet to pay, but both indicate they are working on having the checks issued to the Board.

**G. Cupo made a motion to transfer \$140,000 of the funds collected by the SEH Board for its administrative expenses from the DOBI account to an account at Wachovia as soon as possible. B. Manning seconded the motion, and the Board voted unanimously in favor of it.**

#### **V. Report of the Policy Forms Committee**

*C. Cerniglia recused himself from discussion of any riders filed by Oxford Health Plans because of a conflict of interest for him created by his employer's interest in the outcome of the matter.*

E. DeRosa reported Oxford Health Plans filed a rider to increase the student limiting age from 23 to 25 years old for full-time students, which staff recommended finding complete. Upon questioning, she stated she believed there was an additional charge associated with the rider.

**G. Cupo made a motion to find the Oxford rider filing complete. J. Kalosy seconded the motion, and the Board voted unanimously in favor of the motion.**

*J. Kalosy recused himself from discussion of any riders filed by HealthNet of New Jersey because of a conflict of interest created by his employer's interest in the outcome of the matter.*

E. DeRosa reported HealthNet submitted two riders for review by the Board. She explained one rider would add an annual eye examination to HealthNet's HMO plan, and the other would add an annual eye exam to HealthNet's HMO-POS plan. She stated staff recommended finding both

filings to be complete. Upon questioning, she stated the rider for the HMO-POS plan would allow members to obtain an annual eye exam using either in- or out-of-network benefits.

**G. Cupo made a motion to find the HealthNet rider filings complete. U. Lee seconded the motion, and the Board voted unanimously in favor of the motion.**

## **VI. Loss Ratio Report for 2006 and Preliminary Premium Comparison Data**

N. Vance presented the Loss Ratio Report for 2006 on behalf of DOBI, noting Avnee Parekh as co-signor to the report. He reported SEH premium was about \$3.4 billion for 2006, which represented an increase of about 5.2% over the prior year, but enrollment (at 906,580 lives) had decreased over the same period by about 14,000 lives. N. Vance stated the loss ratio for the market as a whole is up slightly at 81.4%, noting it has been hovering around 80% for the past five years. He reported several carriers had to issue refunds for 2006, either in the standard market or the nonstandard market. He stated that, although the nonstandard market has become very small, he expects it to continue in existence for an indefinite period because there is at least one nonstandard group case with very stable enrollment.

N. Vance also stated he had some preliminary information for the annual premium comparison survey, noting the following:

- For the HMO \$20 copay product, rate increases ranged from 7.4% to 22.4%, with 15% being the median increase.
- For Plan C, rate increases ranged from 10% to 15%, with the median increase being 12.2%.
- For Plan C PPO (\$1000 deductible), rate increases ranged from 0% to 40%, with the median increase being 13%.
- The median increases were higher than he had anticipated, and information from the actuarial memoranda accompanying the survey indicate many reasons for the increases, not a single or predominant driving factor.

## **VII. Financial Disclosures**

E. DeRosa reminded Board members the filing deadline for the annual financial disclosure statements is May 15th, and that Board members should be receiving notices regarding the disclosures soon. She also stated the Ethics Commission intends for Board members to go through training again (every two years), and will be setting up a training session prior to the May 15 deadline. E. DeRosa will try to arrange training to be on the same day as either an IHC or SEH Board meeting.

## **VIII. Finance and Audit Committee (FAC) Report**

R. Lenox provided an overview of the Board's current fiscal year finances. She stated the Board is slightly under its target budget, and has earned interest of approximately \$6,000 to date, which will ultimately be refunded to members of the SEH Program.

E. DeRosa reported the FAC met twice since the Board's prior meeting (in December). She reported the FAC met on January 15, 2008 with McEnerney, Brady & Company (MBC) in accordance with E.O. 122 (McGreevey) to discuss the program audits. E. DeRosa noted

discussions took place with and without staff present, and afterwards, the FAC recommended accepting the draft audit reports for each year (FY2000 through FY2005), with revisions. She stated staff will follow-up with MBC until the audits are finalized.

E. DeRosa reported the FAC met on February 14, 2008 to discuss the Board's financial statements as of December 31, 2007, which the FAC accepted as presented, and to discuss auditing services for FY2006 through FY2008. E. DeRosa stated V. Mangiaracina had reviewed the contract with MBC and determined there was no provision for an extension, so the FAC discussed whether to issue a Scope of Work to the ten auditing firms contracted with the Department of Treasury, or issue a full RFP to a larger pool of auditors. She noted the FAC requested a list of the ten firms, which includes MBC, for further discussion.

Following the report and discussion, the Board agreed to wait for the FAC recommendations; however, there was general agreement among Board members that issuing a Scope of Work to the Treasury list would probably be appropriate for the SEH Program's purposes, taking into consideration the relatively simple nature of the SEH Program's administrative issues.

E. DeRosa reminded Board members that when the audit reports (for FY2000 through FY2005) are finalized, there will be a need to reconcile accounts, which means issuing some refunds.

#### **IX. Public Comments**

Another opportunity was presented for public comments. None were offered.

#### **X. Additional Business**

The question arose as to how the Board was intending to address the new mandate regarding coverage of prosthetics and orthotics (P.L. 2007, c. 345) in the policy forms. E. DeRosa stated she intends to add language to the policy forms, but because the Governor's Counsel has not given approval to the IHC and SEH proposals regarding civil unions, she is not optimistic a proposal regarding prosthetics and orthotics will move very quickly. Board members then discussed the process for readopting the SEH rules (in 2009), and whether that would include reevaluation of the SEH plans generally. E. DeRosa noted the Board has reevaluated and revised the standard plans as well as other rules previously upon re adoption, with recommendations for changes generally coming via the Board's committees, especially the Policy Form and Legal Committees. E. DeRosa noted that the last set of substantial changes occurred in 2004, and that the broker community has still not fully absorbed all of those changes, which is something the Board may want to consider when reevaluating the program and standard plans. There was agreement the re adoption process should be added to the Board's April meeting agenda.

#### **XI. Close of Meeting**

**J. Kalosy offered a motion to adjourn the Board meeting. T. Collins seconded the motion, and the Board voted unanimously by roll call in favor of the motion.**

*[The meeting adjourned at 11:10 A.M.]*