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
May 19, 1999

Members present: Darrel Farkus (Oxford); Linda Ilkowitz (Guardian); Adeline Gallagher (Anthem Health & Life); Jane Majcher (DOBI); Mary McClure (The Prudential); Michael Torrese (Horizon BCBSNJ); Dutch Vanderhoof (arrived at 10:08 a.m.); Eric Wilmer (Celtic); Bonnie Wiseman (DOHSS).

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

I. Call to Order

W. Sanders called the meeting to order at 9:45 a.m. He announced that notice of the meeting had been published in three newspapers and posted at the Department of Banking and Insurance ("DOBI") and the Office of the Secretary of State in accordance with the Open Public Meetings Act. A quorum was present. He noted that L. Glover had called to state he would not be able to attend the meeting.

II. Minutes

April 21, 1999
L. Ilkowitz offered a motion to approve the minutes of the Open Session of the April 21, 1999 Board meeting, as amended. D. Vanderhoof seconded the motion. The Board voted in favor of the motion.

III. Staff Report

Expense Report (see attached)
M. McClure offered a motion to approve the payment of the expenses specified on the May 19, 1999 expense report. E. Wilmer seconded the motion. The Board voted unanimously in favor of approving the motion.

Technology
W. Sanders reported that the new computers the Boards authorized staff to purchase were installed in late April. He noted that the new computers are on a network and have Internet access. He asked Board members to provide e-mail addresses.

W. Sanders said the entire Department is getting a new phone system and Board staff would be included in the new system. The system is scheduled to be operative as of

Monday, June 14, 1999. Each area will have a main number, with the main number for the IHC/SEH Programs being 609-633-1882. Each staff member will have an extension.

NJ KidCare
W. Sanders said that executive summaries from the NJ KidCare forum that was held April 20, 1999 were included in Board materials. J. Majcher said that a second forum would be held soon and that they hoped to attract more attendees from the business community to the second forum.

Legislative Update
W. Sanders reported that the Governor signed the mental health parity bill (S. 86) on May 13, 1999 and it would be effective 90 days from the date of signing. He said the law required coverage for biologically based illnesses.

W. Sanders reported that a bill requiring coverage for certain dental related services, S. 1265, was also signed and applies to the SEH plans. L. Curry said this bill had been signed in March 1999 and would be effective in June 1999.

E. DeRosa noted that inflation adjusted amounts for preventive care services had been released. She said that for persons over age 45, the $300 benefit allowed under the SEH plans would not be sufficient. She reported that the standard forms would require modification.

W. Sanders said the Assembly Banking and Insurance Committee heard a bill requiring coverage for certain infertility services. He noted that this bill would apply to groups of 50 or more employees and thus, as drafted, would apply to some small employer group cases. The Bill was not reported out of Committee.

W. Sanders mentioned S. 2049 that would require coverage for hearing aids and A. 2928 that would create the HMO Protection Act.

W. Sanders said his draft of a letter to the Governor concerning Executive Order No. 92 was included in Board materials. He asked for comments by May 21, 1999.

DAG E. Heck said two bills were introduced that would amend the Open Public Meetings Act. One would require that the meeting schedule and agendas for meetings be posted on the web site. The other would require that Executive Sessions be recorded and tapes available.

W. Sanders said that E. Wilmer sent him a summary of the findings of an evaluation of health insurance market reforms by Mark Hall. A copy was included in Board materials.

Bulletin 99-SEH-04
E. DeRosa asked for any comments on the draft bulletin concerning coverage for intensive outpatient services by the end of the week, May 21, 1999.

Outreach
W. Sanders reported that he spoke at a breakfast meeting of the Bayonne Economic Development Corporation on April 23, 1999. He noted that Assemblyman Doria was also a speaker.

W. Sanders said the Department requested information on the IHC/SEH programs for the Department's Annual Report. He asked for Board member comments on the draft that was included in Board materials.

W. Sanders said he was invited to be a speaker at the annual conference of The National Academy for State Health Policy. He noted that unlike other organizations, this organization does not typically pay for transportation and lodging costs. He asked Board members if they thought he should attend and if he should attend, would the Board pay half the cost of travel expenses. He said the IHC Board agreed to pay the other half. The SEH Board agreed W. Sanders should participate in the conference, but encouraged him to pursue funding from the organization.

W. Sanders noted that web site activity continued to increase in March 1999, with 1287 "hits" for the IHC/SEH Programs information.

E. DeRosa reported that she spoke to a group of agents from Meeker Sharkey which is a large New Jersey insurance sales agency. She also reported that she taped a half-hour cable television show called *Financial Matters*.

IV. Report of the Policy Forms Committee

Optional Benefit Rider Filings

CIGNA
E. DeRosa said CIGNA submitted a series of riders which add coverage for eye care, subject to various copays and levels of service. She noted that the Committee had some questions concerning the text of the riders but that she had contacted CIGNA and CIGNA appropriately revised the text of the riders.

D. Vanderhoof offered a motion that the Board find the CIGNA rider filing, as amended, complete and in substantial compliance. M. Torrese seconded the motion. The Board voted unanimously in favor of the motion.

Physicians Health Services (PHS)
E. DeRosa said PHS submitted a series of riders, which add coverage for acupuncture, and a waiver of an inpatient copayment. She noted that the Committee had some questions concerning the text of the riders but that she had contacted PHS and PHS appropriately revised the text of the riders.

M. McClure offered a motion that the Board find the PHS rider filings, as amended, complete and in substantial compliance. D. Vanderhoof seconded the motion. The Board voted in favor of the motion, with L. Ilkowitz abstaining.

Policy Forms Interpretation Issue

E. DeRosa explained that a carrier contacted her concerning a coverage issue. Based on the limited information available, the Policy Forms Committee discussed the issue. Subsequent to the Committee meeting, E. DeRosa said the carrier provided a host of additional information. In light of this additional information, she suggested that the Committee should consider the information during the next Policy Forms Committee meeting and present the recommendation during the next Board meeting. The Board agreed.

V. Report of the Marketing Committee

E. DeRosa reported that the Marketing Committee met to explore cost reduction strategies. Using the Committee report in Board materials as a guide, she explained each of the suggested strategies.

Add a $2500 Deductible to Plans B – E

E. DeRosa said that the IHC Board added a $2500 deductible to Plan C as a test over a year ago and it proved to be very popular. She said the IHC Board recently added the option to Plan B and the newly created Plan A/50. The $2500 deductible creates a high deductible plan that would not, however, qualify as a vehicle for a medical savings account. She noted that the high deductible could be used with a pure indemnity plan as well as the non-network portions of PPO and POS plans.

Add a $30 copay option to the HMO plan

E. DeRosa explained that the IHC Board recently added the $30 option to the HMO plans. She said several HMO carriers elected to offer the option. She noted that the rates for the $30 copay were very attractive. She explained that carriers issuing PPO and POS plans with copay features must structure the copays for the PPO and POS plans based on the copay options available for the HMO plan. Thus, the availability of a $30 HMO copay would make the $30 copay available to other managed care plans. She noted that the corresponding inpatient copayment would be $300 per day, up to 5 copays per confinement, up to a maximum of 10 copays per year.

Preferred v. non-preferred drugs

E. DeRosa reminded the Board that during the April Board meeting, the Board briefly discussed the high cost of prescription drugs under a medical plan. She explained that the Committee believed the use of a preferred/ non-preferred list of drugs, with differing copayments, would produce some cost savings. The Committee suggested that generic

drugs could be subject to a $5 copayment, preferred drugs subject to a $10 copayment, and non-preferred drugs subject to a $25 copayment. She said the Committee recognized that other copay amounts might produce greater savings and should be considered.

Exclusive Provider Organization Plan (EPO)
E. DeRosa explained that an EPO arrangement is one where there is no non-network coverage except in case of medical emergency. She said the IHC Board considered the concept of an EPO plan. Based on discussions with the Department, E. DeRosa reported that such a plan would only be permitted if it were issued on HMO paper. She said the plan might have copays for certain services such as physician visits, and a deductible/coinsurance structure for other services. The EPO plan would not require referrals, but the member would be required to use services and supplies from network providers.

Some Board members expressed an interest in looking into the legal barrier issues with offering an EPO on indemnity carrier paper. The Board agreed that the Board should explore an EPO design both on HMO as well as indemnity paper.

Specialist visit copay

E. DeRosa said the Committee considered a few specialist copay structures that would reduce the cost of coverage. In one structure, the physician visit copay would apply to PCP visits and higher specialist copay would apply to all specialist visits. For example, if the physician visit copay were $15, the specialist copay might be $25. The second structure would be used in an open access situation where referrals to specialists are not required. If a member uses the services of a specialist without a referral, the higher specialist copay would apply. If the member secures a referral, even though no referral is required, the physician visit copay would apply.

Determination of reasonable and customary (R&C) allowance

E. DeRosa said the Committee discussed whether the requirement that carriers use the 80^{th} percentile of the Prevailing Healthcare Charges System (PHCS) data should be modified or eliminated. If carriers could base R&C determination on some other profile that the carrier is using in other states, there could be some cost savings. She said that some Committee members believed that the majority of plans are managed care where R&C is based on the negotiated fee schedule and therefore the elimination of the PHCS requirement would not affect a large segment of plans.

The Board discussed each of the suggestions. After some discussion, the Board determined that all of the options, except the R&C allowance, should be further explored. E. DeRosa said she would prepare a benefits specifications memorandum and release it to the carrier Board members. In addition, the Board asked that the memo extend an open invitation to carriers to propose other plan designs that would result in some cost savings. Each carrier Board member agreed to forward the memo to the actuarial area of their companies to secure cost information. E. DeRosa said that all cost information should be

returned to her so she could compile it. She noted that the compilation would include only cost data and would not identify the carriers that provided each portion of the data. The Board expects to be in a position to discuss the cost data during the July Board meeting.

VI. Executive Session

W. Sanders said that the Board would need to go into Executive Session to discuss Executive Session minutes, two enforcement issues, and a contract matter and asked for a motion. He said the Board would not discuss any further business following Executive Session.

D. Vanderhoof offered a motion to begin Executive Session. M. McClure seconded the motion. The Board voted unanimously in favor of beginning Executive Session.

[Break: 10:50 a.m. – 11:00 a.m.]

[Executive session: 11:00 a.m. – 11:15 a.m.]

VII. Close of Meeting

D. Vanderhoof offered a motion to adjourn the Board meeting. M. McClure seconded the motion. The Board voted unanimously in favor of adjourning the meeting. The meeting adjourned at 11:15 a.m.

Attachment: Expense Report