

**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
January 19, 2000**

Members present: Gary Cupo; Timothy English (Guardian); Darrel Farkus (Oxford); Charlotte Furman (AH&L); Jane Majcher (DOBI); Bryan Markowitz; Mary McClure (NYLCare); Vaughn Reale; Marie Santangelo; Michael Torrese (Horizon BCBSNJ); Dutch Vanderhoof (arrived @ 10:05); Eric Wilmer (Celtic); Bonnie Wiseman (DOHSS).

Others present: DAG Eleanor Heck (DOL); Joanne Petto, Assistant Director; Wardell Sanders, Executive Director.

I. Call to Order

W. Sanders called the meeting to order at 9:45 a.m. W. Sanders 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.

II. Introduction of New Board Members

W. Sanders introduced Marie Santangelo and Vaughn Reale both of whom had been recently appointed by the Governor to serve on the SEH Board. M. Santangelo was appointed to represent organized labor and V. Reale was appointed to represent the public at large.

W. Sanders also noted that the Governor signed S.2208 (P.L.1999, c.367) a bill which, among other things, preserves a seat on the SEH Board for health service corporations. W. Sanders reported that the Legal Committee concluded that as a result of the passage of that law, Horizon should be permitted to serve the remainder of its 3-year term.

III. Public Comments

W. Sanders asked if any member of the audience wished to offer comments concerning the items stated on the agenda. No comments were offered.

W. Sanders noted that F. Prestiani of the Department of Health and Senior Services was ill and would not be providing a presentation on the DOHSS’s 3rd annual HMO Performance Report.

IV. Minutes

November 17, 1999

J. Majcher offered a motion to approve the minutes of the discussion of Board members from the November 17, 1999 Board meeting, as amended. B. Wiseman seconded the motion. The Board voted in favor of the motion, with B. Markowitz, V. Reale, M. Santangelo and E. Wilmer abstaining.

December 7, 1999

J. Majcher offered a motion to approve the minutes of the Open Session of the December 7, 1999 Board meeting, as amended. D. Vanderhoof seconded the motion. The Board voted in favor of the motion, with T. English, B. Markowitz, V. Reale, M. Santangelo and E. Wilmer abstaining.

V. Staff Report

Expense Report (see attached)

B. Markowitz offered a motion to approve the payment of the expenses specified on the January 19, 2000 expense report. D. Vanderhoof seconded the motion. The Board voted unanimously in favor of approving the motion.

2000 Premium Comparison Survey

J. Petto reported that the 2000 Premium Comparison Survey was completed and she reviewed a copy of the Survey that was in the Board packet. She noted that the Survey was posted on the DOBI web site to make it easier and more cost effective for consumers, brokers, and others to obtain this information.

1999 3rd Quarter Enrollment Reporting

J. Petto reported that the 1999 3rd Quarter Enrollment Report was completed and she reviewed a copy of the report that was in the Board packet.

State Continuation Form

W. Sanders reported that G. Cupo had approached him about the development of a standardized form that would make it easier for employers to administer State continuation. After some discussion, the Board members agreed to forward to staff copies of any forms currently used by carriers. Staff agreed to develop a draft form to be used at the option of an employer which would serve to provide notice to employees and could also be used by employers to provide notice of election of continuation to the employer's carrier.

Expansion of the Notice of Rate Change

W. Sanders reported that G. Cupo had approached him about seeking a modification to the current requirement in the SEH standard policy forms which requires carriers to provide 30 days advance notice of a premium change. W. Sanders noted that the purpose of the change would be to provide small employers with a better opportunity to shop for alternate coverage after receiving notice of a rate change. He noted that this conversation had grown out of the Board's recent discussions on the relationship between notice of termination of coverage and a carrier's right to collect premium. M. Torrese expressed a concern about extending the notice requirement beyond 30 days as it would increase the

chance that the original census would not longer be accurate and thus would require carriers to provide a new quote. D. Vanderhoof noted that an increase in the notice period could lead carriers to be more cautious in pricing small group coverage. E. Wilmer indicated that while some states require a 45 or 60 day notice requirement, he know of no state that provided greater than a 30 day notice requirement that also required carriers to meet a 75 percent loss ratio. After some further discussion, the Board agreed to consider this issue further and as part of its comprehensive forms review.

Participation Requirement

W. Sanders reported that M. Torrese asked that the Board reconsider the issue of the ability of small employers to purchase multiple plans and riders. W. Sanders described the Board's previous discussions and the history of the participation requirement regulation. The Board noted that there were selection problems that resulted from the application of the participation requirement. It was noted that a change to the Board's policy would probably require legislative changes.

Suggested Modifications to the SEH Market

Board members noted that the Governor had appointed a Task Force on the Affordability and Accessibility of Health Coverage. W. Sanders suggested that Board members provide him a "wish list" of suggested changes to the small employer market which would address the issues of access and affordability of coverage. He noted that the suggestions should not be limited by applicable law. He asked for the comments within two weeks.

Blue Cross Blue Shield National Initiative

W. Sanders reported that Horizon Blue Cross Blue Shield of New Jersey had provided many State officials with copies of a national initiative on the uninsured. He noted that a copy was in the Board packets and he briefly described the initiative's recommendations.

Nomination Forms

W. Sanders reported that the Board would be holding an election for certain Board seats at its February 2000 meeting. He reported that staff had received the following nominations: Kevin Monaco (a representative of small business); AmeriHealth (a carrier primarily in the small employer market); Atlanticare HMO (a carrier primarily in the small employer market); CIGNA Healthcare (a carrier primarily in the small employer market); and United HealthCare (a carrier primarily in the large employer market).

VI. Report of the Policy Forms Committee

W. Sanders reported that the Policy Forms Committee met via telephone conference on January 14, 1999 and discussed a number of rider filings. W. Sanders referred the Board to the report of the Policy Forms Committee. He noted that revised filings from AmeriHealth and United HealthCare had been received and that the revisions addressed the problems identified by the Committee.

AmeriHealth Rider

B. Markowitz offered a motion to accept the recommendation of staff to find the rider filings from AmeriHealth complete and in substantial compliance. J. Majcher seconded the motion and the motion was approved unanimously.

AtlantiCare Filing

B. Markowitz offered a motion to accept the recommendation of the Committee to find the rider filings from AtlantiCare incomplete and not in substantial compliance, and that some riders were of decreasing value and should be forwarded to the DOBI. D. Vanderhoof seconded the motion and the motion was approved unanimously.

Nippon Filing

B. Markowitz offered a motion to accept the recommendation of the Committee to find the rider filings from Nippon incomplete and not in substantial compliance. M. McClure seconded the motion and the motion was approved unanimously.

Oxford Filing

J. Majcher offered a motion to accept the recommendation of the Committee to find the rider filings from Oxford are of decreasing value and should be filed with DOBI. D. Vanderhoof seconded the motion and the motion was approved with D. Farkus abstaining.

United HealthCare Filing

J. Majcher offered a motion to accept the recommendation of staff to find the rider filings from United HealthCare complete and in substantial compliance. B. Markowitz seconded the motion and the motion was approved unanimously.

W. Sanders reported that the Committee recommended that the Board send a bulletin to carriers to advise them that the standard plans are included in the web site. The Board concurred.

VII. Report of the Legal Committee

W. Sanders reported that the Committee met on January 18, 1999 to discuss certain issues. He noted that only two members were able to attend because other members were ill.

Rule Adoption on Producer Commissions

W. Sanders reported that the members present recommended that the Board proceed to adopt the rule proposal. He noted that only one comment was received. The commenter opposed the amendment noting that it would constrain a carrier's flexibility in providing incentives to producers.

B. Markowitz offered a motion to adopt the rule proposal. J. Majcher seconded the motion, and the Board voted in favor of the motion with D. Farkus voting against the motion.

AmeriHealth Commission Payments Based on Geographic Location of the Group

W. Sanders reported that he had become aware in the course of developing the changes to the Board's regulation regarding broker commissions that AmeriHealth was providing broker commissions that varied based on the geographic location of the group in New Jersey. He offered Tony Taliaferro, a representative from AmeriHealth, the opportunity to speak to the issue.

Mr. Taliaferro explained that AmeriHealth's rationale for providing different broker commissions based on the location of the group was to attract business in the northern part of the State. He noted that AmeriHealth had an established product distribution system in Southern New Jersey, and found that it could not attract business in Northern New Jersey without raising its commissions. Thus, he argued that AmeriHealth's reason for providing different commission schedules based on the location of the group was not the kind of activity that the regulation sought to prohibit, namely redlining of specific geographic locations. He further argued that the economic distinctions vary within the State and are recognized in many other contexts including the Board's own rating regulations and in the cost differentials for certain services provided to Medicaid enrollees.

VIII. Executive Session

J. Majcher offered a motion to move into Executive Session for the purpose of receiving advice from counsel. C. Furman seconded the motion, and the motion was approved unanimously.

IX. Close of Meeting

E. Wilmer offered a motion to adjourn the Board meeting. T. English seconded the motion. The Board voted unanimously in favor of adjourning the meeting. [The meeting adjourned at 11:45 a.m.]

Attachment: Expense Report