

**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
March 19, 2003**

Members participating: Thomas Collins; Gary Cupo (arrived at 10:20 a.m.); Darrel Farkus (Oxford); Jack Kalosy (HealthNet); Sandy Herman (Guardian); Kelly Stewart Maer; Vicki Mangiaracina (DOBI); Mary McClure (Aetna Health); Robert Shalongo (United); Jim Stenger; Tony Taliaferro (AmeriHealth); Dutch Vanderhoof; Yolanda Wills (Horizon BCBSNJ).

Others present: Ellen DeRosa, Deputy Executive Director; DAG Prince Kessie (DOL); Wardell Sanders, Executive Director.

I. Call to Order

W. Sanders called the meeting to order at 10:00 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”), the DOBI website, and the Office of the Secretary of State in accordance with the Open Public Meetings Act. Roll call was taken. A quorum was present.

W. Sanders said that there was an election for SEH Board members on February 18, 2003. The results were as follows:

A person representing small employers: Kelly Maer

A person representing minority small employers: Thomas Collins

Small employer market carrier: AmeriHealth [Tony Taliaferro] and Health Net [Jack Kalosy]

Large group carrier: United Healthcare [Bob Shalongo]

W. Sanders noted that since CIGNA was not re-elected to serve on the Board, John Kilgallin from CIGNA could no longer serve as Chair. W. Sanders expressed gratitude for the service J. Kilgallin gave the Board.

Since three new Board members were participating in the meeting for the first time, all Board members, staff members and audience members introduced themselves.

W. Sanders asked whether it would be the pleasure of the Board to elect a new Chair at the current meeting or delay until the April meeting. The Board agreed to delay the vote until the April meeting. To have an idea of who might be interested in serving as Chair, nominations were accepted.

M. McClure nominated T. Taliaferro to serve as chair. J. Stenger seconded the nomination.

D. Vanderhoof nominated J. Stenger to serve as Chair. T. Taliaferro seconded the nomination.

II. Public Comments

W. Sanders asked if any member of the public wished to address the Board. No comments were offered.

III. Minutes

January 22, 2003

D. Vanderhoof offered a motion to approve the minutes of the Open Session of the January 22, 2003 Board meeting. V. Mangiaracina seconded the motion. The Board voted in favor of the motion, with T. Collins, J. Kalosy and K. Stewart Maer abstaining.

IV. Staff Report

Expense Report (see attached)

D. Vanderhoof offered a motion to approve the payment of the expenses specified on the March 19, 2003 expense report. J. Stenger seconded the motion. The Board voted unanimously in favor of approving the motion.

Legislative Report

W. Sanders said that **P.L. 2003, c.27** requires employers to provide 30-day notice to employees prior to terminating the plan except in the case of changing plans, and requires carriers to provide 60-days advance notice of a rate increase (current forms require 30 days). It is effective on 5/10/03.

W. Sanders said that **A.2379 and A 2487** were heard on 2/27/03. These separate bills to expand coverage for mental illness coverage and alcohol and drug addition coverage, were combined and sent to the Assembly Appropriations Committee.

W. Sanders said that **A.3318** amends the purchasing alliance law with respect to premium and loss ratio filings. For rating purposes, the purchasing alliance plans shall be rated separately from the non-purchasing alliance plans. He said the bill was reported out of Committee. W. Sanders said Neil Vance, an Actuary for the Department of Banking and Insurance who is very familiar with the purchasing alliance law and A. 3318, came to the Board meeting to participate in any discussions the Board might want to have regarding the bill. Various Board members expressed opinions regarding the loss ratio calculation as included in A. 3318. N. Vance noted that while much of the discussion concerning the bill had focused on loss ratios and the possibility of a refund, carriers are supposed to price plans such that there are no refunds. He noted that the average loss ratio over the past several years was about 80%. Some Board members suggested that the alliances should be both rated separately and be subject to separate loss ratio calculations. If the

rating is the same and the alliance experience runs well the carrier could not increase the rates for the non-alliance business if the same rate basis is required. Some Board members asked whether any entities had submitted filings to form purchasing alliances. N. Vance said he was aware of several that had expressed interest, but that none had filed thus far. N. Vance noted that the goal of purchasing alliances was to allow for legitimate decreases in rates due to negotiations, but that the result should not be a cannibalization of the existing SEH market.

W. Sanders said that the Department expressed an interest in having the Board form an *ad hoc* committee to provide advice to the Department on rating issues. D. Vanderhoof, S. Herman, B. Shalongo, G. Cupo, T. Taliaferro and D. Farkus volunteered to serve on the Committee.

Before leaving the meeting, N. Vance reported that the Department's amendments to N.J.A.C. 11:21-9, the rate filing regulation, had been adopted. Among other things, the amended regulation requires carriers to reflect a "Medicare carve out rate."

W. Sanders said there were two other bills of interest. He said the Trade Act of 2002, Public Law No. 107-210, includes important provisions to assist certain workers who lose their jobs due to the effects of international trade in paying for qualified health insurance. The Act also provides such assistance to certain beneficiaries of the Pension Benefit Guaranty Corporation. The primary mechanism for assistance is a federal tax credit equal to 65 percent of the amount paid by eligible individuals for such health insurance. An additional interim mechanism to assist in paying for qualified health insurance is through National Emergency Grants (NEGs). For New Jersey, the federal government estimates that in 2002 there were 5900 eligible, 4700 PBGC, 1200 Trade-related. The issue of qualified state-based coverage has not yet been finalized, but State continuation will be elected and the Individual market is under consideration.

Regarding a federal bill to provide for **Association Health Plans**, W. Sanders referred the Board to an article in the Board packets.

Regulatory Report

W. Sanders reminded the Board that the readoption deadline for N.J.A.C. 11:21 is September 25, 2003. He said he sent Board members a complete set of the regulations. He asked for any suggested amendments, preferably by doing a markup of our existing text, by 4/1/03 and the changes will be included in an initial draft. Suggested changes must be consistent with the law.

Addition/Replacement of coverage

W. Sanders said staff has received some complaints regarding carriers refusing to issue a new plan or an additional plan to groups, even after the existing plan has been in force for one year. He noted that after the 1st year anniversary, employers may replace or add coverage at any time, including off anniversary. E. DeRosa added that staff had been in contact with carriers that refused to quote such plans and that carriers that continued to refuse to quote plans would be referred to enforcement.

In vitro fertilization

W. Sanders said staff continues to receive form letters requesting that the Board add coverage for in vitro fertilization to the standard plans. He said the response states that the Board will be reviewing the standard plans and will consider the requests.

Optional Benefit Rider Filings

E. DeRosa referred the Board to a report of Staff regarding the optional benefit rider filings. She reminded the Board that it had previously determined that it was not necessary for the Policy Forms Committee to review rider filings that simply update a previously filed rider. E. DeRosa said she reviewed riders from two carriers that were revisions to previously filed riders. She described the riders submitted by Oxford as two riders that provide dental coverage and one rider to provide coverage for routine eye examinations. The riders submitted by AmeriHealth both provide coverage for prescription drugs, with different methods of cost sharing.

D. Vanderhoof offered a motion to find the riders submitted by Oxford complete and in substantial compliance. J. Stenger seconded the motion. The Board voted in favor of the motion, with D. Farkus abstaining.

V. Mangiaracina offered a motion to find the riders submitted by AmeriHealth complete and in substantial compliance. S. Herman seconded the motion. The Board voted in favor of the motion, with T. Taliaferro abstaining.

Enrollment Reports

E. DeRosa reported that staff was still not in a position to release enrollment data for 3Q02 or 4Q02 because a large carrier submitted incorrect data, perhaps as far back as 2Q02. She said she was working with the carrier to secure accurate data. In response to an inquiry as to which carrier filed incorrect data, she identified the carrier as Horizon.

Informational Materials

W. Sanders noted that the following materials were included in the Board packets: an article on Kaiser commission payments; news release from DOBI on fines relating in part to a small group carrier that failed to use the up to date PHCS profile; an article on Florida purchasing alliances noting that they are off to a slow start; announcement of the death of Robert Vehec of the DOBI. W. Sanders said the packets also included an updated listing of Board members.

Committees

To allow the new Board members an opportunity to determine which Committees they might like to serve on, the Board agreed to delay constitution of Committees until the April Board meeting.

Outreach

W. Sanders reported the following activity: on January 23, 2003 he spoke in Neptune, New Jersey to the New Jersey Association of Health Underwriters (NJAHU); on January

2, 2003, in Mt. Laurel, New Jersey to the NJAHU; on February 13, 2003, in Budd Lake, New Jersey to the NJAHU for a CE class; and on March 10, 2003, in Trenton at the NJAHU Legislative Conference.

Staffing

W. Sanders reported that he was given permission to advertise for an accountant. He said an ad ran in the Trenton Times and the Newark Star Ledger on Sunday, March 16, 2003.

V. Report of the Marketing Committee

W. Sanders said the marketing Committee met and reviewed the marketing activities the Board currently undertakes. He said these include a buyer's guide, a toll free number, phone listings in various guides, the DOBI web site, presentations/speeches by staff and the DOBI newsletter.

W. Sanders reported that the Committee recommended a couple of changes to the Board's regulations regarding marketing standards. The Board agreed with the Committee suggestion to eliminate the requirement that carriers make the "Get the Facts" brochure available. The Board agreed in concept to a change in the Producer Contracts section of the regulation, N.J.A.C. 11:21-17.5, but asked that the suggested language be revised for greater clarity.

W. Sanders said the Committee recommended that the Buyer's Guide be updated and revised and that a shorter, less technical piece be prepared for distribution to employers. The Board agreed with that recommendation.

W. Sanders said the Committee considered whether the toll free number continued to be necessary. Of the approximately 160 calls per month coming in on that line, about 90 per month are referred to staff. The Board asked that staff investigate whether the toll free number could be automated to send out the guides.

W. Sanders said he drafted an article for the DOBI newsletter to address the Department's recent Bulletin on rate guarantees.

The Board suggested that it might be good to explore including an opportunity on the web site to sign-up to be emailed updated information.

VI. Close of Meeting

D. Vanderhoof offered a motion to adjourn the Board meeting. J. Stenger seconded the motion. The Board voted unanimously in favor of the motion. [The meeting adjourned at 12:07 p.m.]

Attachments: Expense Report