

**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  
July 13, 2005**

**Members participating:** Tom Collins; Gary Cupo; Darrel Farkus (United); John Foley (CIGNA); Jack Kalosy (HealthNet) (arrived at 10:10 a.m.); Margaret Koller; Ulysses Lee (Guardian); Vicki Mangiaracina (DOBI); Mary McClure (Aetna); James Stenger; Christine Stearns; Mike Torrese (Horizon) (arrived at 10:10 a.m.); Tony Taliaferro (arrived at 10:10 a.m.); Joseph Tricarico (DOHSS); Dutch Vanderhoof; Elizabeth Ward (Arrived at 10:22 a.m.).

**Others participating:** Ellen DeRosa, Deputy Executive Director; DAG Karyn Gordon (DOL); Rosaria Lenox, Program Accountant; Wardell Sanders, Executive Director; Neil Vance (DOBI Managing Actuary).

**I. Call to Order**

J. Stenger called the meeting to order at 10:08 a.m. W. Sanders 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. W. Sanders took roll call. A quorum was present.

**II. Public Comments**

J. Stenger asked if any member of the public wished to address the Board. No audience members asked to address the Board.

**III. Review of Minutes**

*Minutes of May 25, 2005*

**V. Mangiaracina offered a motion to approve the minutes of the Open Session of the May 25, 2005 SEH Board meeting. G. Cupo seconded the motion. The Board voted in favor of approving the motion with C. Stearns abstaining.**

**IV. Staff Report**

*Expense Report*

**M. McClure offered a motion to approve the payment of the expenses specified on the July 2005 expense report. V. Mangiaracina seconded the motion. The Board voted unanimously in favor of approving the motion.**

*Blackberry Request*

W. Sanders noted that he is frequently out of the office for business purposes and a Blackberry would be very useful. He said the IHC Board considered the request and agreed to pay half the equipment costs and half the monthly service cost.

**T. Taliaferro offered a motion for the SEH Board to pay half the equipment costs and half the monthly service costs for a Blackberry for W. Sanders. D. Vanderhoof seconded the motion. The Board voted unanimously in favor of the motion.**

*Executive Order No. 41*

W. Sanders briefly reviewed the requirements of Executive Order No. 41. He said he would be providing the required certification to the Governor's Authorities Unit regarding the satisfaction of the requirements of Executive Order No. 10. He noted that Executive Order No. 10 requires the filing of annual financial disclosure statements by certain public employees and public officers. Members of the SEH Board are not public employees or public officers, as those terms are currently defined in Executive Order No. 10. He said he would be filing a certification concerning compliance with Executive Order No. 122 regarding an Audit Committee. W. Sanders said all Board members and the alternates would be required to participate in ethics training. He said the training had not yet been scheduled.

*Enrollment Reports for 1Q05*

W. Sanders said the 1<sup>st</sup> quarter 2005 enrollment reports were included in the Board materials. He noted that while the total number of covered lives decreased by about 3,000 from 4Q04 to 1Q05, the number of covered employees increased by over 2,000. The decrease in total covered lives is the result of a decrease in the number of covered dependents.

C. Stearns commented that the BIA survey released in 2005 noted a decrease in enrollment and suggested that the enrollment decrease identified on the 1Q05 enrollment report was consistent with the enrollment decrease BIA members reported.

*Healthcare Proposal*

M. Koller noted that the Board materials included information on Senator Corzine's recent presentation on healthcare. She said that in his presentation, Senator Corzine thanked the experts at the Center for State Health Care Policy at Rutgers. M. Koller said the Center provided data that was already public information to J. Corzine. She emphasized that the Center had no other involvement in the health care program that was discussed.

*Presentation by Neil Vance*

N. Vance introduced the actuarial staff that assist with the review of SEH rate filings and assisted with the compiling of data he would present to the Board.

N. Vance reported that according to information supplied in the 2003 Loss Ratio Reports, the overall loss ratio for standard plans was 79.4%. A review of recent SEH carrier rate filings allowed an estimation of the average anticipated loss ratio and profit margin for

rates during the first half of 2005. The estimated average loss ratio for all SEH carriers is 79.3% and the estimated average profit margin is 4.8%. For just the HMO carriers participating in the SEH market, the estimated loss ratio is 78.1% and the estimated profit margin is 5.3%.

N. Vance commented on the enrollment reports for 1Q05 and noted that the decreased enrollment was due to fewer covered dependents. The number of covered employees increased by over 2,000.

N. Vance briefly discussed some reasons why an employer may choose not to purchase coverage or may drop coverage after having offered coverage to employees. He believes that purchasers respond to overall price, with is measured purely by the premium amount, as well as to relative price which is measured by the loss ratio. Thus, coverage may either be so costly as to be unaffordable, or it may be perceived as a bad deal.

N. Vance reported that annual increases in rates for 1Q05 generally ranged from 12% to 15%.

N. Vance briefly discussed the 1% assessment applied to HMO premiums and the fact that the legislation prohibits HMO carriers from passing the assessment through to consumers in the rates. He said the Department would actively monitor rate filings from HMO carriers to ensure that the assessment was not being passed on to consumers in the rates.

#### *Legislative Report*

W. Sanders briefly discussed: A. 2006; A 3759; S. 1912 and the companion A. 3379; A. 3440 and A.3359.

#### *Regulatory Update*

W. Sanders said the draft proposal to amend the continuation provision of the standard plans was submitted to Governor's Counsel and staff was still awaiting approval to file the proposal with the Office of Administrative Law.

#### *Fee Profile for Determining the Reasonable and Customary Charge*

D. Farkus recused himself from the discussion of the PHCS profile citing a conflict of interest since the matter related to Ingenix which owns the PHCS profile and Ingenix is owned by United Health Group, which is the parent company of his employer, Oxford.

W. Sanders explained that in the process of reviewing its regulations the IHC Board began a discussion regarding the regulatory requirement that carriers use the Prevailing Healthcare Charges System (PHCS) profile at the 80<sup>th</sup> percentile to determine the reasonable and customary charge for those charges which are not determined by a negotiated fee. He said the IHC Board voted to propose the regulations retaining the PHCS requirement but that the IHC Board wished to further consider the issue. Since both the IHC and SEH Program regulations have required the use of the PHCS profile,

W. Sanders said the IHC Board was interested in considering the issue in conjunction with the SEH Board. The SEH Board agreed.

M. McClure noted that many carriers have begun using RBRVS which is the Medicare allowance. She noted that while PHCS data can be influenced by billing practices, RBRVS is not subject to such influence.

T. Taliaferro suggested that it may be appropriate to consider one standard for reasonable and customary for indemnity coverage and another for managed care plans.

*[T. Collins left the meeting at 11:25 p.m.]*

C. Stearns explained that consumers need to understand what their financial exposure might be as a result of using services of a non-network provider.

W. Sanders said he would contact Ingenix to request a presentation for the Boards on PHCS and would similarly contact CMS regarding a presentation on RBRVS.

*Other*

J. Stenger reported that NAHU added a coverage matrix to the website ([www.nahu.org](http://www.nahu.org)). He said the site contains links to the Federal poverty level site.

**V. Report of the Legal Committee**

E. DeRosa referred to her memo of July 6, 2005 regarding comments offered by the Employee Benefit Security Administration (EBSA) relative to the “illegal occupation” exclusion text in the standard plans. She said the Legal Committee considered an EBSA comment regarding exclusions that could apply to injuries that result from domestic violence and injuries that result from a medical condition. She said the Committee reviewed the applicable Federal regulations and recommended that the “illegal occupation” exclusion in the standard plans be revised to conform with the Federal regulations, and believed that the draft exclusion text included in the July 6, 2005 memo would satisfy the requirements of the Federal regulations.

**VI. Committee Membership and Board Officers**

*Legal Committee*

W. Sanders reminded the Board that during the last meeting D. Vanderhoof requested to be added to the Legal Committee. The Board asked DAG K. Gordon to research whether a person who is not an attorney may participate on the Legal Committee. He asked the Board whether it would prefer to receive the advice during Executive Session or Open Session. The Board indicated that the advice on the issue could be presented during Open Session.

DAG K. Gordon advised that there is no prohibition for a person who is not an attorney from serving on the Board’s Legal Committee.

V. Mangiaracina suggested that given the current composition of the Legal Committee which is predominantly carrier representatives, it would be beneficial to include some non-carriers on the Legal Committee and suggested D. Vanderhoof and C. Stearns.

**V. Mangiaracina offered a motion to add D. Vanderhoof and C. Stearns to the Legal Committee. J. Tricarico seconded the motion. The Board voted unanimously in favor of the motion.**

*Finance and Operations Committee*

E. Ward expressed an interest in serving on the Finance and Operations Committee.

**D. Vanderhoof offered a motion to add E. Ward to the Finance and Operations Committee. D. Farkus seconded the motion. The Board voted unanimously in favor of the motion.**

J. Kalosy indicated HealthNet would like to participate on the Finance and Operations Committee.

**D. Farkus offered a motion to add a representative from HealthNet to the Finance and Operations Committee. M. Koller seconded the motion. The Board voted unanimously in favor of the motion.**

*Vice Chair of the Board*

**M. McClure nominated T. Taliaferro to serve as Vice Chair of the Board. M. Torrese seconded the motion. The Board voted unanimously in favor of the motion.**

*Chair of the Board*

**G. Cupo nominated J. Stenger to serve as Chair of the Board. J. Kalosy seconded the motion. The Board voted unanimously in favor of the motion.**

**VII. Close of Meeting**

**D. Vanderhoof offered a motion to adjourn the Board meeting. C. Stearns seconded the motion. By roll call vote the Board voted unanimously in favor of the motion.**

*[The meeting adjourned at 11:57 a.m.]*