

NEW JERSEY
INDIVIDUAL HEALTH COVERAGE PROGRAM

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**IN THE MATTER OF FOUNDATION HEALTH
SYSTEMS AND ITS AFFILIATES FIRST OPTION
HEALTH PLAN OF NEW JERSEY, PHYSICIANS
HEALTH SERVICES OF NEW JERSEY, AND
QUALMED PLANS FOR HEALTH OF NEW
JERSEY'S SECOND REVISION TO ITS EXHIBIT K
FOR THE 1997/1998 LOSS ASSESSMENT AND
FISCAL YEARS 2000/2001 ADMINISTRATIVE
EXPENSE ASSESSMENT**

ADMINISTRATIVE ORDER NO. 00-06

WHEREAS, the New Jersey Individual Health Coverage Program ("IHC") Board is authorized by the Individual Health Insurance Reform Act of 1992 ("IHC Act"), P.L. 1992, c. 161 (N.J.S.A. 17B:27A-2 *et seq.*), and regulations promulgated thereunder and set forth at N.J.A.C. 11:20-1.1 *et seq.*, to assess each member of the IHC Program annually for its share of reimbursable losses and administrative expenses, based on the proportion that the member's net earned premium for the two-year calculation period preceding the assessment bears to the net earned premium for all members of the IHC Program for that two-year calculation period; and

WHEREAS, Foundation Health Systems, and its affiliates First Option Health Plan of New Jersey, Physicians Health Services of New Jersey, and QualMed Plans for Health of New Jersey (collectively "FHS") are "carriers" and a "members" of the IHC Program as defined in the IHC Act; and

WHEREAS, FHS submitted a 1997/1998 Exhibit K dated February 24, 1999, reporting \$636,332,565 in combined net earned premium for all health benefits plans in 1997 and 1998; and

WHEREAS, FHS submitted a revision to its 1997/1998 Exhibit K dated October 25, 1999, reporting \$873,927,477 in combined net earned premium for all health benefits plans in 1997 and 1998; and

WHEREAS, on November 17, 1999, in reliance on all the Exhibit K filings including those of FHS, the IHC Board issued assessment invoices to members of the IHC Program for the 1997/1998 two-year calculation period for reimbursable losses and estimated fiscal year 2000/2001 administrative expenses, including an invoice to FHS for \$575,638.58 representing \$469,696.47 for reimbursable losses and \$105,942.11 for administrative expenses; and

WHEREAS, on December 16, 1999, the Board received payment of \$575,638.58 from FHS; and

WHEREAS, FHS submitted a second revised 1997/1998 Exhibit K dated March 22, 2000, reporting \$1,027,272,498 in combined net earned premium for all health benefits plans in 1997 and 1998; and

NOW THEREFORE, pursuant to the authority granted to the IHC Board by *N.J.S.A. 17B:27A-2 et seq.*, *N.J.A.C. 11:20-1 et seq.*, and all powers expressed or implied therein, and the decision of the IHC Board as expressed by this Administrative Order,

IT IS on this 22nd day of June, 2000,

ORDERED that the IHC Board shall make an adjustment to the 1997/1998 loss assessment and fiscal year 2000/2001 administrative expense assessment for FHS based on net earned premium of \$1,027,272,498 as reported by FHS in its 1997/1998 Exhibit K dated March 22, 2000; and

IT IS FURTHER ORDERED THAT any future interim or final reconciliation of or adjustment to the 1997/1998 loss assessment and/or the 2000/2001 administrative expense assessment shall be calculated using \$1,027,272,498 as FHS's net earned premium as reported on its revised 1997/1998 Exhibit K dated March 22, 2000.

Wardell Sanders, Executive Director
Individual Health Coverage Program Board

DATE: _____