NEW JERSEY
INDIVIDUAL HEALTH COVERAGE PROGRAM BOARD
Trenton, NJ 08625

IN THE MATTER OF HIP HEALTH PLAN OF NEW JERSEY'S
APPEAL OF THE INDIVIDUAL HEALTH COVERAGE
PROGRAM BOARD'S ASSESSMENT FOR REIMBURSABLE
LOSSES AND ADMINISTRATIVE EXPENSES FOR
CALENDAR YEAR 1994

ADMINISTRATIVE ORDER NUMBER 96-11

WHEREAS, the New Jersey Individual Health Coverage Program ("IHC") Board is authorized by the Individual Health Insurance Reform Act of 1992 ("IHC Act"), N.J.S.A. 17B:27A-2 et seq., and regulations promulgated thereunder, to administer the IHC Program, to assess members of the IHC Program on the basis of their proportionate share of program losses and administrative expenses and to take any legal actions necessary to recover assessments owed to the IHC Program;

WHEREAS, HIP Health Plan of New Jersey ("HIP") is a "carrier" that filed a Market Share and Net Paid Loss Report ("Exhibit K") with the IHC Board on February 28, 1995 which reported net earned premium of $336,999,042;

WHEREAS, pursuant to N.J.A.C. 11:20-9.3, the Board notified HIP on May 11, 1994, that its minimum enrollment share for 1994 was 8,521 non-group persons;

WHEREAS, by letter dated April 14, 1994, HIP sought an exemption from assessment for reimbursable losses for calendar year 1994, pursuant to N.J.A.C. 11:20-9.2, and reported, on February 28, 1995, that it had enrolled 21,523 non-group persons, consisting of: 1,419 conversions issued prior to August 1, 1993; 2,233 standard individual health benefits plans; 11,710 Medicare cost and risk contracts; and 6,161 Medicaid contracts.

WHEREAS, pursuant to N.J.A.C. 11:20-9.4(b), the Board accepted HIP's reported Medicare and Medicaid contracts only to the extent that they satisfied up to one third, each, of HIP's minimum enrollment share for 1994 of 8,521 non-group persons, but did not accept the 1,419 conversions issued prior to August 1, 1993;

WHEREAS, the IHC Board determined on June 13, 1995,, with respect to HIP's appeal of the 1993 assessment, that HIP should be permitted to count open enrolled, community rated conversion lives issued prior to August 1, 1993 toward satisfying its minimum enrollment share. Following notification from the Board of its decision, HIP reported, by letter dated June 19, 1995, that it had enrolled, as of December 31, 1994, 1,338 community rated conversion lives issued prior to August 1, 1993

WHEREAS, the IHC Board, on November 21, 1995, assessed HIP for its share of reimbursable losses of the IHC Program for calendar year 1994 in the amount of $186,742, based

on a prorata exemption of 92.8%, which exemption did not include the 1,338 reported community rated conversion lives issued prior to August 1, 1993;

WHEREAS, HIP did not pay the assessment and appealed by letter dated November 30, 1995, on the grounds that the IHC Board failed to count 1,338 open enrolled, community rated conversion lives issued prior to August 1, 1993 toward satisfying its 1994 minimum enrollment share and, therefore, failed to correctly calculate HIP's exemption from assessment for reimbursable losses;

WHEREAS, the IHC Board has considered HIP's appeal of the 1994 assessment and has determined that the failure to include conversion lives issued prior to August 1, 1993 toward satisfying HIP's 1994 minimum enrollment share was an inadvertent error, inconsistent with the Board's determination that such lives were eligible to be counted toward satisfying a carrier's minimum enrollment share;

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

IT IS on this 12th day of March, 1996,

ORDERED that HIP's appeal of the 1994 loss assessment by the IHC Board is hereby granted, and that the Board's shall recalculate the 1994 loss assessment, following resolution of all pending appeals, and include 1338 conversion lives issued prior to August 1, 1993 toward satisfying HIP's 1994 minimum enrollment share.

_____   _____
Kevin O'Leary, Executive Director   Date