

NEW JERSEY
INDIVIDUAL HEALTH COVERAGE PROGRAM BOARD
Trenton, NJ 08625

IN THE MATTER OF CIGNA HEALTHCARE'S REQUEST
FOR EXEMPTION FROM ASSESSMENT FOR 1994
REIMBURSABLE LOSSES

ADMINISTRATIVE ORDER NUMBER 96-18

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, Connecticut General Life Insurance Company is a "carrier" that filed on March 20, 1995 a combined carrier Market Share and Net Paid Loss Report ("Exhibit K") with the IHC Board on behalf of Connecticut General Life Insurance Company and its affiliates, which reported net earned premium of \$367,133,529;

WHEREAS, the Board notified Connecticut General Life Insurance Company on May 11, 1994, that its minimum enrollment share for 1994 was 9,245 non-group persons;

WHEREAS, CIGNA HealthCare ("CIGNA") is an affiliated carrier of Connecticut General Life Insurance Company which filed on April 19, 1995 a request for exemption from assessment for reimbursable losses of the IHC Program pursuant to N.J.A.C. 11:20-9.2. In seeking an exemption from assessment for calendar year 1994, CIGNA agreed to enroll the minimum number of non-group persons assigned to it by the IHC Board;

WHEREAS, on May 1, 1995, CIGNA reported, as required by N.J.A.C. 11:20-9.5, its enrollment of 673 non-group persons, or 7.3% of its minimum enrollment share;

WHEREAS, pursuant to N.J.A.C. 11:20-9.5(f)(1), any carrier granted a conditional exemption that enrolls or insures fewer than the minimum number of non-group persons allocated to that carrier by the Board shall be liable for a pro rata exemption from assessments based upon the percentage of the minimum number of non-group persons actually enrolled or insured by the member, subject to a demonstration by the member to the Board that the member has made a good faith effort to enroll or insure the minimum number of non-group persons allocated to it;

WHEREAS, the criteria for determining whether a carrier has made a good faith marketing effort are set forth at N.J.A.C. 11:20-9.6 and include a review of the carrier's efforts in direct support of sales of standard health benefits plans during the applicable calendar year;

WHEREAS, pursuant to N.J.A.C. 11:20-9.5(f)(2), if the Board finds that a member has not made a good faith effort to enroll or insure its minimum number of non-group persons, the member shall not receive a pro rata exemption;

WHEREAS, CIGNA filed, on August 1, 1995,, a 1994 Good Faith Marketing Report (incorporated herein by reference), pursuant to N.J.A.C. 11:20-9.6, describing its marketing efforts in direct support of sales of individual health benefits plans in New Jersey, which efforts consisted of a direct mail drop of 120,682 pieces to residences in CIGNA's approved service area and telemarketing in support of the mail drop;

WHEREAS, in response to a request from the IHC Board for additional information and clarification of its marketing report, CIGNA responded to the Board, by letter dated February 28, 1996, which provided details of the mail drop, but described no additional marketing activities in direct support of individual sales;

WHEREAS, the IHC Board, on November 21, 1995, assessed CIGNA in the amount of \$2,661,664 for its share of 1994 reimbursable losses and administrative expenses, applying a pro rata exemption as a result of CIGNA's having met 7.3% of its minimum enrollment share, pending the Board's review of the Good Faith Marketing Report and follow-up information, and \$1,232,081 for its share of 1993 losses and administrative expenses. CIGNA paid \$3,893,745 on December 15, 1995 and appealed the assessment with respect to the 1993 share of losses and administrative expenses. The appeal is the subject of a separate administrative order;

WHEREAS, the IHC Board has reviewed CIGNA's Good Faith Marketing Report and, based upon the materials presented therein, concludes the following;

- CIGNA's only direct marketing efforts in support of sales of individual health benefits plans consisted of a mail drop of 120,682 pieces to residences in CIGNA's approved service area and telemarketing to persons responding to the mail drop;
- CIGNA's direct mail efforts to sell individual health benefits plans could not, under the most favorable circumstances, have resulted in CIGNA's enrolling 9,245 non-group persons; and
- CIGNA did not undertake a significant media advertising or other marketing campaign, in proportion to its minimum enrollment share, in direct support of sales of standard individual health benefits plans;
- CIGNA did not undertake significant efforts, in proportion to its minimum enrollment share, to educate licensed insurance producers about its standard individual health benefits plans or offer to pay competitive commission schedules for sales of such plans and offer competitive rates; and
- CIGNA has failed to demonstrate that it has made a good faith effort to enroll the minimum number of non-group persons allocated to it by the Board, as required by N.J.A.C. 11:20-9.5(f)(1).

NOW THEREFORE, pursuant to the authority granted to the Board by N.J.S.A. 17B:27A-2 et seq., N.J.A.C. 11:20-9.5(f)(2), 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 CIGNA's request for an exemption from assessment for 1994 reimbursable losses of the IHC Program is hereby denied and, further, CIGNA shall not receive a pro rata exemption. The Board shall recalculate the 1994 assessment in accordance with this order and notify CIGNA of the adjusted assessment due following resolution of all pending appeals and recalculation of all carriers' assessments for calendar years 1993 and 1994.

IT IS FURTHER ORDERED that, pursuant to N.J.A.C. 11:20-9.5(g), CIGNA may, within 20 days of the Board's ruling, request a hearing in accordance with the Administrative Procedure Act. Any request for a hearing shall include a detailed explanation of the factual and legal reasons that the Board's action should be reconsidered.

Kevin O'Leary, Executive Director

Date