

**NEW JERSEY
INDIVIDUAL HEALTH COVERAGE PROGRAM**

20 WEST STATE STREET
PO Box 325
TRENTON, NEW JERSEY 08625-0325
Phone: (609) 633-1887
Fax: (609) 633-2030

**IN THE MATTER OF APPEAL BY CIGNA
HEALTHCARE OF NEW JERSEY, INC.,
ALONG WITH AFFILIATED CARRIERS
CIGNA HEALTHCARE OF NORTHERN
NEW JERSEY, INC., INSURANCE COMPANY
OF NORTH AMERICA, AND LIFE INSURANCE
COMPANY OF NORTH AMERICA FROM 1996
ASSESSMENT**

ADMINISTRATIVE ORDER NO. 98-03

WHEREAS, the New Jersey Individual Health Coverage Program ("IHC") Board is authorized by the Individual Health Insurance Reform Act of 1992 ("IHC Act"), *L. 1992, c. 161 (N.J.S.A. 17B:27A-2 et seq.)*, and regulations promulgated thereunder, to administer members of the IHC on the basis of their proportionate share of program losses and administrative expenses and to take any actions necessary to recover assessments owed to the IHC; and

WHEREAS, on December 16, 1997, the IHC Board issued member carriers' respective 1996 loss assessments, including an assessment on CIGNA in the amount of \$9,593,604; and

WHEREAS, by letter dated January 12, 1998, pursuant to *N.J.A.C. 11:20-2.15*, CIGNA challenged its 1996 loss assessment and requested a hearing; and

WHEREAS, by cover letter dated January 13, 1998 CIGNA tendered payment of only \$3,009,985 to the IHC Program and specifically declined to pay the disputed amount of \$6,583,619, in violation of *N.J.S.A. 11:20-2.17(e)2* and *N.J.S.A. 11:20-9.5(h)*; and

WHEREAS, *N.J.A.C. 11:20-2.17(e)2* requires that IHC members "that dispute the amount of assessment for which they have been determined liable by the IHC Program Board shall be liable for and make payment of the full amount of the assessment invoice, including any interest penalty accruing thereon, until such time as the dispute has

been resolved in favor of that member, or, if a contested case, the IHC Program Board has rendered a final determination in favor of that member in accordance with the Administrative Procedure Act"; and

WHEREAS, *N.J.A.C. 11:20-9.5(h)* provides that an IHC Program member "requesting a hearing by the Board shall remain liable for the full amount of any assessment for reimbursements for losses issued to it by the Board, until and unless the Board makes a finding that the member is liable for a pro rata assessment only"; and

WHEREAS, *N.J.A.C. 11:20-2.17(e)1* provides that an IHC Program member "shall be subject to payment of an interest penalty on any assessment, or portion of an assessment, not paid within 30 days of the date of the invoice for the assessment" and that such interest shall be "1.5 percent of the assessment amount not timely paid per month, accruing from the date of the invoice for the assessment";

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,

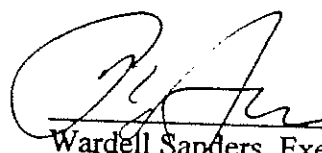
IT IS on this 23rd day of February, 1998,

ORDERED that CIGNA shall tender payment of \$6,583,619 to the IHC Program no later than April 1, 1998, plus interest of 1.5 percent of \$6,583,619 per month, accruing from December 16, 1997 through the date of payment; and

IT IS FURTHER ORDERED that on receipt of CIGNA's payment of that amount, the IHC Program shall follow the procedures required to deposit that amount into an interest-bearing escrow account until such time as the dispute is resolved; and

IT IS FURTHER ORDERED that payment shall be rendered to the following address:

Wardell Sanders, Executive Director
Individual Health Coverage Program
20 West State Street
P.O. Box 325
Trenton, New Jersey 08625



Wardell Sanders, Executive Director
Individual Health Coverage Program Board

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VIA CERTIFIED MAIL

February 25, 1998

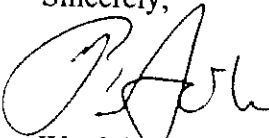
John M. Pellecchia
Riker, Danzig, Scherer, Hyland & Perretti
Headquarters Plaza
One Speedwell Avenue
PO Box 1981
Morristown, NJ 07962-1981

Dear Mr. Pellecchia:

Enclosed please find three orders approved by the New Jersey Individual Health Coverage ("IHC") Program at its February 23, 1998 meeting. Administrative Order 98-01 is in response to CIGNA's request for a hearing, dated August 22, 1997, regarding the IHC Board's denial of CIGNA's request for an exemption. Administrative Order 98-02 is in response to CIGNA's appeal of its 1996 loss assessment, dated January 12, 1998. Administrative Order 98-03 relates to CIGNA's failure to pay the full amount of its 1996 loss assessment.

If you have any questions about the orders, they should be directed to the IHC Board's legal counsel, Deputy Attorney General Eleanor Heck. She may be reached at (609)984-8469.

Sincerely,



Wardell Sanders
Executive Director

enc.

c: DAG Eleanor Heck
IHC Board Members