

FINAL
MEETING OF THE NEW JERSEY UNDER 50 MEDICARE SUPPLEMENT
PROGRAM BOARD
July 19, 2016

Board Members Present:

Steve Kane – UHC (Market Writer Representative)
Jackie Duddy – Horizon (Administering Carrier)
Crystal Wyland – Transamerica (AHIP Representative)
Tom Kowalczyk – Aetna (HMO Representative)
Ron Ouellette – Public Representative
Patricia Walsh – Public Representative
Brendan Peppard – DOBI

Others Present:

Ellen DeRosa, Executive Director, IHC/SEH Programs
Rosaria Lenox, Accountant, IHC/SEH Programs
Chanell McDevitt, Deputy Executive Director, IHC/SEH Programs

This meeting was by teleconference, beginning at 1:30 P.M. (Eastern), initiated at the Department of Banking and Insurance. Voting was by roll call.

I. Minutes of January 1, 2016

B. Peppard made a motion, seconded by P. Walsh, to accept the minutes of January 19, 2016. By roll call vote, the motion carried.

II. Election of Officers

E. DeRosa reminded Board members that Dottie Outland recently retired from UnitedHealthcare, and consequently no longer represents the company on the Board. She noted that S. Kane is representing UnitedHealthcare, but Dottie's departure leaves a vacancy with respect to the Chairperson position.

S. Kane nominated T. Kowalczyk to serve as Chair, and T. Kowalczyk stated he is willing to serve in that capacity. By roll call vote, T. Kowalczyk was elected as Chair.

E. DeRosa stated the Board could elect other officers at this time. She noted that the Plan of Operation indicated that there should be a Secretary to maintain records of the Program, but stated that this may not be necessary because staff can take on this function for the Board. She indicated that having a Vice Chair to act when the Chair is unavailable is customary, and not inconsistent with the Plan of Operation, which permits the Board to annually elect officers deemed appropriate.

B. Peppard nominated S. Kane to serve as Vice Chair, and S. Kane stated he is willing to serve in that capacity. By roll call vote, S. Kane was elected as Vice Chair.

III. Administrative Services Agreement

E. DeRosa stated that the administrative services agreement with Pool Administrators, Inc. (PAI) was first entered into in 2002, and does not appear to have been updated since. She reminded the Board that at its prior meeting, it discussed terminating the agreement with PAI, and transferring the administrative responsibilities of PAI to the staff providing administrative services for the Individual Health Coverage (IHC) Program and the Small Employer Health Benefits (SEH) Program, thereby reducing costs. She stated that, at minimum, the Board needs to re-evaluate and update the contract.

E. DeRosa noted several problems with the agreement: (1) PAI did not initially provide the auditors (of the 2012 through 2015 losses) with source documentation, because the function was not included as part of the administrative services contract; (2) PAI engages certain banking services on behalf of the Program, but has not yet explained \$300,000 being held in an account for the Program; and, (3) PAI has not been audited or otherwise held accountable for its activities, and thus, the full financial position of the MSU50 Program is not currently known. She stated there is little reason to believe PAI has performed inconsistent with the terms of the contract, but rather, that the contract terms are no longer adequate for meeting the needs of the Program.

The Board discussed the prospect of ending the PAI contract. It was acknowledged that the Board must provide 180 days' notice of its intent to terminate the agreement, but that PAI could agree to an earlier termination date (for example, prior to the end of the calendar year), if it was mutually beneficial. It was noted that, even if the Board provided notice now, PAI will be responsible for issuing the assessments and collecting the funds if the Board assesses for the 2012 through 2014 losses during the last quarter of 2016 as expected, unless PAI agrees to terminate the contract before the end of the 180 day period. It was suggested that, given the choice, PAI may prefer to terminate early.

E. DeRosa explained that there would be no specific charge for staff performance of administrative services, because the Department of Banking and Insurance is funded by assessments on carriers, including carriers that are members of the MSU50 Program. It was noted that PAI uses the same accounting software that staff currently uses (for the IHC and SEH Programs), which should help smooth any transition.

T. Kowalczyk made a motion, seconded by S. Kane, to provide notice to PAI that the Board will terminate the contract between the Board and PAI no later than 180 days following the date of the notice, and request that PAI transfer all records to staff at the Department of Banking and Insurance. By roll call vote, the motion carried.

T. Kowalczyk asked E. DeRosa to prepare a notice of termination to be sent to PAI over his signature, including an explanation of the expected timeframe for the loss assessments.

S. Kane stated he received an invoice from PAI regarding payment for its services (\$2,500). He explained that such invoices traditionally went to the Chair prior to PAI removing the monies from the Board's account, and that he received it because Dottie was no longer available. T. Kowalczyk asked S. Kane to return the invoice to PAI with a note explaining that T. Kowalczyk is now the Chair, so that PAI is aware of the change before they receive the notice of termination.

IV. Audit of 2012, 2013, 2014 and 2015 Losses

E. DeRosa explained the ongoing loss audit process, reminding the Board that it agreed to award the contract to WithumSmith+Brown (WSB) in January. She stated that WSB has met multiple times with Horizon and PAI to obtain a better understanding of the MSU50 Program, and what needs to be tested and documented. She explained that actual field work has been initiated, and that WSB anticipates issuing draft audit reports for the 2012, 2013 and 2014 calendar years in mid-August, with calendar year 2015 following not long thereafter. She noted that WSB has stated the process has been challenging because the usual documentation has not been readily available, but that Horizon has been very cooperative.

V. Board seats

C. Wyland stated that she serves on the Board as a representative for the America's Health Insurance Plans (AHIP), but that her employer, Transamerica, is no longer a member of the association. E. DeRosa said that there are multiple seats for carriers writing Medicare Supplement policies, not all of which are currently filled, and suggested that Transamerica could take one of those seats instead. She stated that the staff and Board should look at who else is a member of AHIP and perhaps recruit a new director.

VI. Close of Meeting/Next Meeting

B. Peppard made a motion, seconded by S. Kane, to adjourn the meeting.

The meeting closed at 2:04 P.M. The next meeting is scheduled for September 20, 2016.