

FINAL
MEETING OF THE NEW JERSEY UNDER 50 MEDICARE SUPPLEMENT
PROGRAM BOARD
September 20, 2016

Board Members Present:

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

Others Present:

Ellen DeRosa, Executive Director, IHC/SEH Programs
Rosaria Lenox, Managing Financial Officer, 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 July 19, 2016

B. Peppard made a motion, seconded by S. Kane, to accept the minutes of July 19, 2016, with amendments. By roll call vote, the motion carried.

II. Termination of Administrative Services Agreement with PAI/Draft Memorandum of Agreement

E. DeRosa reported that she reached out to PAI, letting them know that the Board is willing to end the contract early, if PAI is amenable, and informed PAI that a round of assessments would be occurring soon, possibly before the end of the calendar year. She stated that PAI agreed to end the contract as of October 1, 2016. She said PAI agreed to transfer both hardcopy and electronic records (approximately 29 boxes worth, and flash drives) before the end of the contract period, and about \$300,000 held by PAI for the MSU50 Program by September 30th. She noted that PAI had already provided the Taxpayer ID number PAI obtained in order to establish the existing bank account.

E. DeRosa explained that it has been her experience that she would not be able to set up a bank account for the MSU50 Program without credentials for the program. She said she thought it might be best for there to be a formal (documentary) relationship between the MSU50 Program and the staff of the Individual Health Coverage (IHC) and Small Employer Health Benefits (SEH) Program Boards, via a Memorandum of Agreement (MOA). She suggested that an account for the MSU50 Program be established with Treasury, with carrier assessments being made payable to the State Treasurer and deposited in this account, and subsequently, sums would

be transferred from the Treasury Account to a commercial checking account for the purpose of issuing checks to the Contracting Carrier. She noted that this is how the IHC and SEH Programs operate.

E. DeRosa discussed the draft MOA, noting that it lists the various services that would be performed by the IHC/SEH Board staff, to include virtually all of the services PAI performs, and some services that PAI does not – including the provision of minutes, quarterly and annual financial statements, and a website presence. She explained that the termination provisions would be substantially similar to those that were in the contract with PAI. She also explained that the MSU50 Program would not pay personnel or office costs, but would still be responsible for costs related to its own specific needs, such as banking, audits, and legal services, as these arise.

E. DeRosa explained that the draft MOA has not been shared with the IHC or SEH Boards as yet. She stated that she still needs to discuss the process with the Director of Insurance, Peter Hartt. She said that it was not necessary for the MSU50 Program to take action on the MOA at this time, but suggested that members of the Board review it, and forward questions, comments and other suggestions to her in the near future.

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

E. DeRosa reported that WithumSmith+Brown (WSB) has provided a draft audit report covering calendar years 2012, 2013, and 2014. She stated that WSB found audited losses to be as follows:

CY2012	\$6,207,204
CY2013	\$7,546,751
CY2014	\$6,538,576

She said that Horizon still needs to sign a Management Representation Letter for the audit report in order for WSB to issue a final report, and in addition, the costs of the audits must also be determined. She explained that the assessment cannot be performed until the report is final, and the cost of the audit is confirmed – so that we know the amount to be assessed – and program member market shares have been established. E. DeRosa further explained that when PAI transfers the boxes, staff will be better able to go through the market share reports and other data, and determine whether we still need to validate the information before using it.

E. DeRosa stated that WSB anticipates having the audit report for CY2015 drafted prior to the November meeting. She suggested the Board may want to consider again whether to assess CY 2015 separately from CY2012 through CY2014, or assess for all four years together, noting the pros and cons of assessing all at once, or in two separate calendar or fiscal years. J. Duddy indicated Horizon would prefer two separate assessments.

S. Kane noted that the medical expense for Horizon for CY2013 is about \$900,000 more in the draft audit reports than was originally reported in Horizon's Profit & Loss Statement for 2013. E. DeRosa acknowledged WSB specifically mentioned it, but that she would need them to explain the specific reasons for the difference. J. Duddy also agreed that there were discussions between Horizon and WSB about claims for that year, but that she did not recall the details.

VI. Close of Meeting/Next Meeting

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

The meeting closed at 2:10 P.M. The next meeting is scheduled for November 15, 2016.