

FINAL
MEETING OF THE NEW JERSEY UNDER 50 MEDICARE SUPPLEMENT
PROGRAM BOARD
July 18, 2017

Board Members:

Absent – Aetna (HMO) – Tom Kowalczyk (Chair)
Present – UHC (Med Supp writer) – Steve Kane (Vice Chair)
Present – Horizon (Contracting Carrier) – Jackie Duddy
Present – Transamerica (Med Supp writer) – Crystal Wyland
Present – Public Rep – Ron Ouellette
Present – Public Rep – Pat Walsh
Present – DOBI Rep – Don Henson
Vacant – AHIP Rep

Others Present:

Mary McGeary, Director, SHIP, DHS
Fran Cancro, Division of Aging, DHS
Ellen DeRosa, Executive Director, IHC/SEH Programs
Rosaria Lenox, Managing Financial Officer, IHC/SEH Programs
Chanell McDevitt, Deputy Ex. Dir., IHC/SEH Programs

This meeting was held at 1:30 p.m. in the 11th floor conference room at the Department of Banking and Insurance. Some members participated by phone. Voting was by roll call.

I. Minutes of May 16, 2017

S. Kane made a motion, seconded by J. Duddy, to accept the minutes of May 16, 2017. By roll call vote, the motion carried.

II. Final Assessments for CY2014 and CY2015 Losses

R. Lenox presented the final assessment calculations for CY2014 and CY 2015, noting the following:

- Carrier liability is generally based on each carrier's net earned premium, but some reallocations have been made
- Freelancers CO-OP of New Jersey, Inc. (d/b/a Health Republic), which operated during both time periods, has been placed into liquidation, and its liability has been reallocated among other carriers based on marketshares
- Amounts owed by carriers of less than \$10 were reallocated among other carriers based on marketshare
- The audited loss amount for CY2014 totaled \$6,538,576
- The audited loss amount for CY2015 totaled \$6,471,054

E. DeRosa explained that claims have been filed with the liquidator with respect to Health Republic's liability for MSU50 losses for CY2014 and CY2015, and in the event such claims are paid, in whole or in part, funds will be returned to the carriers.

The question arose whether to invoice for both assessments together. After discussion, in which it was noted that carriers should already be aware that assessments are likely to be issued shortly, and S. Kane acknowledged that United has been accruing for its assumed liability for the program losses, it was agreed to send out the assessment for both calendar years in one invoice, but explaining that the invoice is for two periods.

E. DeRosa reminded Board members that carriers will have up to 45 days to pay the invoice, after which, interest will begin to accrue.

S. Kane made a motion, seconded by J. Duddy recommending distribution of invoices for CY 2014 and CY2015 losses based on the presentation of the final assessment calculation for each calendar year. By roll call vote, the motion carried.

III. Scope of Work for the audit of CY2016 losses/Evaluation Committee

C. McDevitt reported that the Scope of Work (SOW) for the audit for CY2016 had been sent to the accounting firms under contract with Treasury in accordance with T-2458. She explained that the SOW had been issued for a single year because Treasury is currently re-bidding T-2458, and staff preferred to wait for Treasury to issue its new contract awards before soliciting for a multi-year audit project. C. McDevitt stated that the return date for responses to the SOW is July 28, after which an evaluation committee would meet to review the responses, with the goal being to award the service contract at the September 19th board meeting. She suggested that the Board form an evaluation committee in the meantime, noting that the Evaluation Committee must have at least some members who are not on the Board's Audit Committee. The following agreed to participate on the Evaluation Committee:

- Pat Walsh
- United – Steve Kane
- DOBI – Don Henson

IV. Contracting Carrier

J. Duddy reported that Horizon is willing to continue as the Contracting Carrier for the MSU50 Program in 2020.

V. Thinking Ahead to CY2020

The Board continued discussions regarding the changes coming in CY2020, when carriers will no longer be permitted to offer Plan C as a Medicare Supplement plan. The following items were noted:

- Plan A is not comprehensive, and is not a good option for a disabled population
- Plan D is the acknowledged substitute for Plan C, but Plan D has little enrollment, which would make it challenging in terms of subsidizing a disabled population
- Plan N – a lower cost plan with relatively comprehensive benefits – is the plan with the most enrollment

- Some carrier's actuaries do not prefer to offer either the under-50 cohort or the 51-64 cohort an option to enroll in Plan N under a single or a multi-plan scheme, because of concerns about the negative impact on premiums for the commercial population
- Generally, the next most popular plans in New Jersey are Plans F and G
- There was a suggestion that Plan G – Plan D's companion plan – may be able to subsidize the disabled enrollment due to Plan G's already established larger 65+ enrollment
- Some states, including New York, allow the disabled cohort(s) to choose from among any of the Medicare Supplement plan options; however, no one at the meeting had details on how any of the programs operate
- There is general agreement that the rules for the 51-64 cohort should be substantially similar to those for the MSU50 cohort in terms of what plan options are available, although this is something that could be explored more

The Department of Human Services representatives stated the importance of allowing the currently enrolled MSU50 and the 51-64 cohorts to move to the CY2020 option(s) if it is more affordable than the coverage they have. While acknowledging that the population represents increased costs, it was noted that the population does not actually present an adverse selection risk in the traditional sense, because their status is already known. It was also noted that some people are choosing Medicare Advantage plans as a lower cost alternative, but unlike the 65+ population, the disabled do not have an option to move back into traditional Medicare and Medicare Supplement plans. In addition, it was noted that the Dual-Eligible Special Needs Program (DSNP)¹ is helpful in allowing more movement for the disabled among managed care options, but the problem of managed care options not being optimal for the needs of the disabled population remains a factor to be considered.

Discussion arose as to whether there could be more flexibility in rating setting, and whether there are other methods for subsidizing the disabled population premium. It also was noted that stasis is an issue with both the MSU50 and 51-64 cohorts, which tend to remain with the existing carrier even when given the opportunity to enroll in a new plan at age 65. The Board discussed the limited opportunity to enroll in the MSU50 Program and the issues faced by those people who miss the 6-month enrollment window (6-months following the Medicare-eligibility determination). The Board questioned how many of the MSU50 population may be dual-eligible.

It was agreed that the carrier Board members would ask their actuaries to look at the issues, and participate at the meeting in September.

VI. Close of Meeting/Next Meeting

S. Kane made a motion, seconded by J. Duddy, to adjourn the meeting.

The meeting closed at 2:35 P.M. The next meeting is scheduled for September 19, 2017 at 1:30 P.M. Access by telephone will be an option.

¹ Available for individuals who are enrolled in Medicare, and also eligible for Medicaid coverage.