

FINAL
MEETING OF THE NEW JERSEY UNDER 50 MEDICARE SUPPLEMENT
PROGRAM BOARD
September 18, 2018

Board Members:

Present – Aetna (HMO) – Dudley Gerow
Present – UHC (Med Supp writer) – Steve Kane (Chair)
Present – Horizon (Contracting Carrier) – Jackie Duddy
Present – Transamerica (Med Supp writer) – Moshe Nelkin
Present – Public Rep – Ron Ouellette
Present – Public Rep – Pat Walsh
Present – DOBI Rep – Philip Gennace
Vacant – AHIP Rep

Others Present:

Ellen DeRosa, Executive Director, IHC/SEH Programs
Christine Machnowsky, Deputy Ex. Dir., IHC/SEH Programs
Chanell McDevitt, Deputy Ex. Dir., IHC/SEH Programs
Rosaria Lenox, Managing Financial Officer, IHC/SEH Programs

I. Call to order

The meeting was called to order at 1:35 P.M. in the 11th floor conference room at the Department of Banking and Insurance. Most members participated by phone.

II. Minutes of May 15, 2018

S. Kane made a motion, seconded by D. Gerow, to accept the minutes of May 15, 2018, with amendments. By roll call, the motion carried.

III. Audit of Contracting Carrier and the MSU50 Program

E. DeRosa stated that the audit of the contracting carrier for CY2017 had been completed by WithumSmith+Brown (WSB), and that WSB determined that Horizon's losses were exactly as reported. She noted that this virtually never happens, but that it may be due to the audit being performed so close in time to the period being audited. She stated that WSB issued its opinion for CY2017 without any qualifications.

E. DeRosa reported that WSB completed its audit of the MSU50 Program beginning with the transfer of all activities from PAI in September of 2016 through June 30, 2017. She explained that R. Lenox established the starting balances based on the records available, and that WSB found that method acceptable. She stated that WSB issued an unqualified audit opinion, identifying no deficiencies in internal control that were considered material weaknesses.

E. DeRosa reminded Board members that the intent is to perform audits of both the Contracting Carrier and the MSU50 Program for all current and future periods. She also reminded them that approximately \$300,000 was transferred from PAI in September 2016. She stated that all costs of the current MSU50 Program audits will be paid for from the remaining funds transferred from PAI. She further explained that the funds are currently being held in the Small Employer Health Benefits (SEH) Program Money Market account, earning interest, and will be transferred to the SEH Program's checking account when the MSU50 Board is ready to spend the funds.

IV. Report of the Operations & Audit Committee: Discussion of the Financials of the MSU50 Program; Assessments for CY2017 losses

Discussion of the Financials of the MSU50 Program

R. Lenox presented Management's Discussion and Analysis of the financial performance of the MSU50 Program for the fiscal year ended June 30, 2018. She noted the following:

- The audit of the losses for CY2016 was completed in FY2018, assessments invoiced for losses totaling \$7,047,124, and audited losses for CY2014 through CY2016 were reimbursed
- MSU50 Program assets decreased nearly \$14,000,000 in FY2018 compared to FY2017 based on the collection and subsequent reimbursement of losses, offset by the recording of the CY2017 loss
- Operating expenditures for FY2018 totaled \$57,653 offset by \$138 for interest income and \$16,749 in late penalties.

R. Lenox then briefly discussed the financial statements for the period ended June 30, 2018: Statement of Net Assets, Statement of Changes in Net Assets, and Statement of Cash Flows. She noted specifically that: the professional fees incurred for upgrading accounting hardware is shared evenly with the SEH Program and the Individual Health Coverage Program; and, that she will be increasing accrual for audit fees for FY2017 and FY2018 due to an under-accrual of audit costs for FY2017 compared to actual costs of the audit.

Assessments for CY2017 losses

R. Lenox reported that, with the completion of the audit, the Board is in a position to recommend assessing carriers. She explained that the total audited loss is \$6,129,268, that no carrier could be assessed for more than 35% of total losses, and she suggested the Board not assess for *de minimis* amounts of \$10 or less – a recommendation the Operations and Audit Committee endorsed. She noted that the 2017 Loss Assessment document includes a re-allocated amount based on the *de minimis* of \$144.94, and also noted that no carrier met the 35% maximum threshold.

S. Kane made a motion, seconded by D. Gerow, to recommend to the Commissioner the issuance of assessments for the CY2017 losses as presented by staff, for the purpose of collecting funds to reimburse the Contracting Carrier. By roll call, the motion carried.

E. DeRosa explained that the 2017 Loss Assessment document will be presented to the Commissioner for approval, and if approved, staff will issue invoices. She stated that once

mailed, carriers will have 45 days to submit payment. She further explained that after the funds are collected, the loss payment to Horizon will be made following the Commissioner's approval.

V. Close of Meeting

S. Kane made a motion, seconded by P. Gennace, to adjourn the meeting. The motion carried.

[The meeting ended at 2:00 P.M.]