

MEETING MINUTES OF THE
NEW JERSEY UNDER 50 MED SUPP PROGRAM BOARD

MAY 14, 1999

Board Members Present:

Bob Hoffman	-	Public Member
David Kreiss	-	Oxford Health Plans
Keitha Lackey	-	Horizon Blue Cross Blue Shield of NJ
Christina Palme-Krizak	-	United HealthCare
Rebecca L. Smart	-	Mutual of Omaha

Others Present:

Bob Vehec	-	Department of Banking and Insurance
Bob King	-	Department of Banking and Insurance
Joan Fusco	-	Horizon Blue Cross Blue Shield of NJ

The New Jersey Medigap Under 50 Plan Board met via conference call at 11:00 a.m. (Eastern Daylight Time), on May 14, 1999. All Board members were present with the exception of Victor Shulman who was unable to attend due to a scheduling conflict.

1) Minutes

Rebecca indicated that a draft copy of the minutes for the March 25, 1999 meeting was enclosed in a packet of materials that had been sent to Board members earlier in the week. Recognizing that Board members had not had an opportunity to fully review the minutes, they were not voted on. However, Rebecca pointed out a change needed on page 3 in the first paragraph regarding the market shares. They would be finalized in the Spring of 2000. Rebecca also asked everyone to carefully review that entire paragraph to make sure it accurately reflects the discussion the Board had for the "truing up" of market share calculations. She particularly asked that Bob Vehec take a look at this to make sure it accurately reflected his understanding of how the accounting needed to be set up.

2) Review of Market Share Calculation Reports

The Board members reviewed the market share calculation reports which had been prepared by the assessment administrator. Rebecca gave a report of the activities to date for following up with the HMO carriers in an effort to obtain 1997 market share reports. Each carrier had been contacted by phone with a follow-up letter sent on April 1 requesting they respond by April 15. A follow-up letter was sent to carriers not responding by the 15th, indicating that if we did not hear from them by April 30, the Board would be using their number as reported in their annual statement reports to the Department of Insurance. At this point, there still were a couple of HMO carriers who had not responded. It was the Board's consensus that at this point for those carriers we would recommend using the number reported to the Department of Insurance to calculate their market share. Rebecca also reported that there were four carriers (American Preferred, Harmony, HIP and Mission/Health Plans of America) which were either in liquidation or no longer existed. She had conferred with Bob Vehec of the Department of Insurance and the administrative office of the Individual Health Coverage Program Board in order to determine the status for these companies. The Board discussed whether they should make a recommendation to the Commissioner of

Insurance consistent with the decision made at the March 25, 1999 meeting which was to exclude HIP from the calculation.

After discussion regarding various ways to approach this issue, it was determined by the Board that assessment billings should be sent to each of these carriers in the amount calculated based on their 1997 premium. However, the Board did not feel that it was prudent to ignore the fact there would be, in all likelihood, no money collected from these carriers. Therefore, for all other carriers, the Board's recommendation to the Commissioner will be that the assessment billings be based on a market share excluding the market share of these carriers.

There was some further discussion that some of the business of American Preferred in some way had been taken over by Horizon Blue Cross. Keitha will look into that matter and will report back to Rebecca as the market share reports are being finalized. *[Keitha subsequently reported to Rebecca that Horizon Blue Cross did not purchase the legal entity of American Preferred. However, the Medicaid business that had been written by American Preferred was transferred to Horizon in March of 1999. Therefore, it appears as though Horizon is not a legal successor of American Preferred in such a way that the assessment amounts attributable to that company would be payable by Horizon.]*

Two companies, CIGNA and Liberty Health Plans, had responded to the request for market share reports, however, they had indicated they did not believe the law was applicable to them. The Board, with the concurrence of the Department of Insurance, felt that we are on strong legal grounds that the business written through the CIGNA and Liberty Health Plans HMO is assessable business. It was recommended that we go back to those two companies and advise them of the Board's position indicating that our recommendation to the Commissioner would be their numbers, as reported to the Department of Insurance, be included.

Rebecca reported there seemed to be a large discrepancy between the NAIC premium report for Prudential which showed approximately \$616 million of premium for accident and health coverage and the market share they had submitted to the Under 50 Program which showed \$3.8 million of accident and health premium and the managed care premium which showed approximately \$170 million. Adding the \$3.8 million reported to the Under 50 Program and \$170 million for the managed care premium came to a total of \$173.8 million which is still significantly less than the \$616 million on the NAIC report. It was agreed Rebecca would follow up with Prudential and ask them to reevaluate their initial report to the Under 50 Program again indicating to them the Board would be recommending to the Commissioner that their assessment be based on the \$616 million (which is probably too high) unless they are able to supply us a report that tied back more closely to that number.

The Board then discussed how to approach the amounts of assessment of certain carriers. Rebecca said she had done a quick tally based on the reports the Board was reviewing and there appeared to be approximately forty-four companies that would be receiving an assessment billing for an amount less than \$10.00. It was the Board's consensus that it did not make sense to spend the money to bill companies for these amounts. The total of all amounts combined is less than \$200. The Board agreed it would be appropriate to make a recommendation to the Commissioner that the market shares for these carriers be eliminated from the equation and the amounts of their assessment be absorbed by the remaining carriers.

Rebecca indicated she would be working with the assessment administrator to finalize these last details and that she would then proceed to prepare a report to be submitted to the Commissioner of Insurance for her approval. She will work with Bob Vehec to put together that letter and Bob will facilitate getting the report to the Commissioner. Should there be issues that arise which have not been addressed by the Board, Rebecca will convene a subsequent meeting prior to submitting the report.

3) **Administering Carrier Report**

Keitha indicated that as a follow up to the discussion of the March 25, 1999 meeting, Horizon had started a project to review the ICD9 codes for this business to determine where the claims were coming from. This review will categorize the claims into the major areas. They had already noted that approximately \$400,000 of the 1998 paid claims was under the code for end stage renal disease. It was anticipated that the other high payout codes would end up being for heart disease and cancer. Once the categorization is finalized, she will give a more detailed report to the Board.

Keitha also reported that as of the date of the meeting they were not seeing any significant changes in the losses for 1999 versus the projection that had been presented. It will still be a couple of months before they are able to determine more accurately what the year is looking like. Therefore, at this time, for the assessment amount, we will be seeking Commissioner approval of the projections as reviewed at the March 25, 1999 meeting.

Horizon reported that they had been contacted by Mr. Leo Garrett of Arthur Anderson and were working with him to prepare materials for the audit of the Program. Christina reported that she had spoken to them and that Arthur Anderson had been willing to proceed in light of the fact that we do not have funds to pay them at this time, but in anticipation that we would have those funds in a short amount of time. Chris also reminded the Board that Arthur Anderson does audit Horizon Blue Cross and Blue Shield's other business. They will be maintaining a "Chinese Wall" in their audit of this Program, but they did feel there would be no conflict of interest and could actually be helpful to them. The Board agreed that we did not believe this created a conflict of interest.

4) **Adjournment**

There being no additional business, the meeting was adjourned. No date was set for the next Board meeting. Rebecca indicated she will keep Board members apprised of the activities regarding the Market Share Reports, the Report to the Commissioner and the commencement of assessment billing.

Approved at 09/07/99 Board Meeting