

School Employees' Health Benefits Commission

Meeting Minutes

March 27, 2019

Adequate notice of this meeting has been provided through the annual notice of the schedule of regular meetings of the Commission filed with and prominently posted in the offices of the Secretary of State. The 2019 annual meeting schedule was mailed to the Secretary of State, Star Ledger and the Trenton Times on December 20, 2018.

The meeting of the School Employees' Health Benefits Commission of New Jersey was called to order on Wednesday, March 27, 2019 at 10:00 AM. The meeting was held at the Division of Pensions and Benefits, 50 West State Street in Trenton.

The text of Resolution A (Closed Session) and Resolution B (Executive Session) were read in their entirety in the event that the Commission desires, at any point in the meeting, to approve a motion to go into closed or executive session.

Acting Secretary Nicole Ludwig took Roll Call and established that a quorum was present.

Roll Call

**Commissioners:**

**Sonia Rivera-Perez**, representing State Treasurer Elizabeth Maher Muoio

**Thomas Gallagher**, representing Commissioner Marlene Caride of the Dept. of Banking and Insurance

**Kevin Kelleher**, NJEA

**Dan Goldman**, NJEA

**Julie Giordano Plotkin**, NJEA (appearing telephonically)

**Cynthia Jahn**, N.J. School Boards Association (appearing telephonically)

**Michael Maillaro**, AFL-CIO representative

**Also Present:**

**Amy Chung**, Deputy Attorney General

**Dave Pointer**, New Jersey Division of Pensions and Benefits

**Mark Cipriano**, New Jersey Division of Pensions and Benefits

**Nicole Ludwig**, New Jersey Division of Pensions and Benefits

**Michele Engle**, Aon

**Michael Morfe**, Aon

**Matthew Rudman**, Aon

## Interim Chair

Commissioner Kelleher made a motion to elect Thomas Gallagher as the Interim Chair. Commissioner Goldman seconded the motion; all voted in favor.

## Presentation by Aon regarding Rate Stratification.

Michele Engle of Aon stated an analysis of banded rates for local education stratification was requested by the Commission. Today's presentation is to go over the results of the analysis.

Michael Morfe of Aon stated the reason for the analysis was to review the current methodology and to determine what can be done to make the SEHBP more attractive to employers to join the program. Mr. Morfe went over the current state of the program. The SEHBP has seen a slow decline of membership in the last few years. According to Aon participation in the SEHBP is down about 40% from over 50% five years ago. Which shows that participation is at about 20%.

Mr. Morfe explained the current rates for the SEHBP are set by groups: the pre-65 group and the post-65 group. The current methodology makes it very easy to administer and communicate. The rates are based on the groups only, and do not look at geographic cost drivers. Aon suggested two new rating strategies:

The first suggested change was to offers rates and premium differentials based on regional cost drivers. This would break the employers down by region, and would charge rates based solely on the location. The advantage to the regional cost drivers is that the rates would be determined by location. Regionally, claims experience are approximately the same. This would also provide relief in rates for regions where the claims experiences are lower than average. The disadvantage to this approach is that some employers will experience higher premium differentials; despite having better-than-average experiences.

Commissioner Gallagher asked what benefit this would provide to the employers. According to Aon, as it stands Northern part of NJ would see an increase in their rates while the southern part would see a decrease. Mr. Rudman explained that the differentials should normalize over time. He went on to explain that it is important to note that the majority of SEHBP membership resides in Northern NJ. A larger portion of the membership would receive an increased premium differential as opposed to the rest of the membership. Mr. Morfe explained that regionalizing the rates would make the plan more attractive for Central and Southern NJ. This option would not have a dramatic effect on the plan. Rather, it would just provide a more attractive offer for participation while maintaining the existing employers.

Mr. Rudman explained that the second suggested change to the rates and premiums is based on actual claims experience and cost differences compared to that of the average SEHBP employer. The concern is that the employers can currently enter and exit the SEHBP at will, this could prove to be difficult to accurately place employers into groups based on claims experience.

Mr. Rudman provided an example of the second option, which included five rating bands based on claims experience. He explained that there is room to add bands if needed, however more ratings bands means

more analysis and more administration. Commissioner Maillaro asked if an employer could move in and out of the bands based on claims experience. Mr. Morfe replied that option 2 is more complex, however this option offers more incentive for employers to join the SEHBP. Furthermore, he explained that “on-boarding” is one detail that would need to be worked out.

Commissioner Kelleher made a motion to form a Subgroup, designed to work on developing the concept of Rate Stratification. Commissioner Maillaro seconded the motion; all voted in favor.

Acting Secretary Nicole Ludwig took a vote to see who would sit on the subgroup. The Commission voted and the following Commissioners were elected to serve on the Subgroup:

- Cynthia Jahn
- Kevin Kelleher
- Sonia Rivera Perez
- Michel Maillaro

At this time the Commissioner Gallagher made a motion to go into Closed Session to hear member appeals. Commissioner Kelleher seconded the motion; all voted in favor.

#### **CLOSED SESSION APPEALS**

**Case #03271901:** This is an appeal for coverage and reimbursement of services provided by a doctor who has opted out of Medicare.

Aetna representative Donna Ruotola advised that the claim was denied because the provider has “opted-out” of Medicare, and the plan specifically excludes doctors who do not participate in Medicare. She went on to explain that prior to enrolling in the plan the member was provided incorrect information by a member of Horizon’s team. The member was advised, at that time, that the services would be covered. As a result of this misinformation, Horizon authorized a onetime payment of claims submitted from July 2018 through September 2018. The total reimbursed was \$7,560.00. The member was informed this was a one-time payment.

Commissioner Kelleher made a motion to deny the appeal based on the provisions of the plan. Commissioner Maillaro seconded the motion; all voted in favor.

#### **CLOSED SESSION APPEALS: OAL REQUESTS**

**Case #03271901:** This is an Office of Administrative Law (OAL) appeal. The member is requesting the appeal which was heard and denied in January be sent to the OAL as a contested case.

Commissioner Kelleher made a motion to go into Executive Session to seek counsel from the Deputy Attorney General. Commissioner Goldman seconded the motion; all voted in favor.

Upon return from Executive session, Commissioner Kelleher made a motion to grant an OAL hearing as a contested case. Commissioner Goldman seconded the motion; all voted in favor.

Commissioner Kelleher made a motion to go into Open Session to hear the Settlement Proposals. Commissioner Goldman seconded the motion; all voted in favor.

#### **OPEN SESSION: SETTLEMENT PROPOSALS**

**Case # 03271902:** Commissioner Kelleher made a motion to authorize Equian to settle the matter as presented. Commissioner Gallagher seconded the motion; all voted in favor.

**Case # 03271903:** Commissioner Kelleher made a motion to authorize Equian to settle the matter as presented. Commissioner Gallagher seconded the motion; all voted in favor.

**Case # 03271904:** Commissioner Kelleher made a motion to authorize Equian to settle the matter as presented. Commissioner Gallagher seconded the motion; all voted in favor.

**Case # 03271905:** Commissioner Kelleher made a motion to authorize Equian to settle the matter as presented. Commissioner Gallagher seconded the motion; all voted in favor.

**Case # 03271906:** Commissioner Kelleher made a motion to authorize Equian to settle the matter as presented. Commissioner Gallagher seconded the motion; all voted in favor.

There being no further business, Commissioner Gallagher made a motion to adjourn. Commissioner Kelleher seconded the motion; all voted in favor. The meeting adjourned at 11:19am.

Sincerely,

A handwritten signature in black ink that reads "Nicole Ludwig". The signature is written in a cursive, flowing style.

Nicole Ludwig  
Acting Secretary School Employees Health Benefit Commission