

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

MARCH 25, 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:

Debbie Breslin	-	CHIME
Bob Vehec	-	Department of Banking and Insurance
Bob King	-	Department of Banking and Insurance
Mike Malloy	-	Department of Banking and Insurance
Joan Fusco	-	Horizon Blue Cross Blue Shield of NJ

The New Jersey Medigap Under 50 Plan Board meeting convened at the offices of the Department of Banking and Insurance at 10:00 a.m., on March 25, 1999. All Board members were present with the exception of Victor Shulman who was unable to attend due to a scheduling conflict.

1) Minutes

The minutes of the September 24, 1998 Board meeting were reviewed and approved. Keitha Lackey of Horizon Blue Cross Blue Shield made a comment that the 1998 and 1999 claim projections, which are a part of the minutes, have subsequently been found to be incomplete and thus would be an item for discussion at this meeting.

2) Administering Carrier Financial Report

Keitha reviewed with the Board the 1998 Performance Data for the Program which had been submitted to the Commissioner of Insurance on March 1, 1999. This report shows total losses for 1998 to be \$515,803.27. There was discussion regarding the difference in the actual Program performance as compared to the projections which had been presented at the September 24, 1998 meeting. Keitha explained that the projections had been put together by someone who was acting in a temporary capacity and it appears they did not understand what had been requested. She apologized and confirmed to the Board that the numbers as presented to the Commissioner of Insurance represented the experience of the Program.

The Board reviewed the performance report and found it to be acceptable. The Board agreed that the new loss amount would replace the previously projected amount in the assessment calculation.

Ms. Lackey then presented for the Board's review the 1999 projected Performance Data. This report contains actual experience through February of 1999. Total projected losses are \$690,289. The Board discussed the jump in total enrollment from December 1998 when enrollment was 351 and January 1999 when enrollment was 387. It was the consensus of the group that this increase was probably due to

enrollment of individuals who had lost Medicare Risk coverage. There were no further questions regarding the projected performance. The Board agreed that the amount projected would be included in the assessment calculation. (Note that this document is a part of a review document which Ms. Lackey presented showing 1996, 1997, 1998 and 1999 performance figures and projections for the Program. A copy of this summary document is attached as Exhibit 2.)

There was discussion regarding what types of medical conditions have come to the Program and if there was any way to determine who was paying the premiums. Keitha and Joan stated they would review what data could be compiled regarding these areas.

3) Assessment Calculation

The Board reviewed the assessment calculation that had been put together in September 1998. Based on 1998 experience and the new projections for 1999, it was agreed that the assessment calculation would be redone to reflect 1998 actual losses of \$515,804 and projected 1999 losses of \$690,289 for a total assessment of \$1,403,801. A copy of the recalculated assessment is attached as Exhibit 3.

4) Market Share Reports

The Board reviewed the Market Share Reports that had been prepared by United HealthCare Pool Administration. (Exhibit 4 to these minutes.) Rebecca briefly reviewed the actions that had transpired which resulted in this report. Market Share Reports which were to be completed by all carriers and HMOs were included in the 1997 annual statement filing packages prepared and sent by the Department of Insurance to all carriers with accident and health licenses in the state. The reports were to be completed for 1997 accident and health premium from the State of New Jersey. These reports had been returned to Mutual of Omaha inasmuch as the Board had not contracted with an assessment administrator at the time. The Board had entered into an agreement with United HealthCare Pool Administration to act in capacity as the assessment administrators with work to commence October 1, 1998. At that time, the Market Share Reports as compiled by Mutual of Omaha, were turned over to the United HealthCare Pool Administration. The Pool Administrators, in conjunction with the Department of Insurance, reviewed the list of carriers who had submitted reports versus the list of carriers with accident and health licenses. It was determined there were approximately 114 carriers that had not responded. Follow-up letters were sent to those carriers indicating that if they did not file a report, their premium Market Share for assessment under this Program would be the amount of total New Jersey accident and health premium reported on their annual statement. Once all carriers had responded, this report was generated. However, a review of the report seems to indicate that there are known carriers who did not report and the market share for certain carriers does not appear to represent what is known to be their presence in the New Jersey market. There was a suspicion that the HMOs had somehow not been included in the list of carriers getting the request for the report. Bob King obtained and distributed a list of the HMOs who reported 1997 premium. The Board compared that list to the Market Share Report List of Carriers and determined that indeed it appeared premium from many of those organizations was not included. The conclusion was that the Market Share Report materials did not get included in the annual statement reporting materials for the health maintenance organizations, probably due to the fact that those annual statement materials are put together in a different area than the annual statement materials for carriers. The Board agreed that Market Share Reports should be obtained from any of the HMOs that had not reported prior to finalizing the Market Share Reports and making the recommendation to the Commissioner of Insurance of the carrier assessment calculation.

Rebecca agreed to contact the Pool Administrators to ask for their assistance in contacting the HMOs and obtaining the necessary reports. Inasmuch as the Board is interested in being in a position to send out and collect the assessment as soon as possible, it was agreed that Rebecca would discuss with the Pool Administrators a strategy of making a personal contact with the representatives of the HMOs, as well as getting the necessary paperwork to them to complete. It was agreed that we would give the HMOs ten working days to respond with completed information. If, in fact, the Pool Administrators have the resources to work on the project starting next week, it was hoped that the Board would be in a position to

reevaluate the Market Share Reports and making a recommendation to the Commissioner the last week of April or the first part of May.

There was discussion regarding the fact that the market share information is for 1997 premium. The assessment will include 1996, 1997, 1998 and projected 1999 program losses and expenses. Bob Vehec clarified for the Board that Program losses and expenses for any particular year need to ultimately be aligned with market share percentages for that same year. 1996 and 1997 Program losses and expenses are to be aligned with 1997 market share reports inasmuch as 1996 expenses were start-up expenses and 1997 was the first calendar year there was statutory authority for an assessment. Due to the timing of reporting of premium and the ability of the Board to verify market shares, it is appropriate to use the 1997 numbers for the 1998 and projected 1999 Program losses. However, once the 1998 market share reports are finalized (in the Spring of 2000), there will need to be a true-up comparing what was assessed and paid by each carrier as compared to what they would have paid had their 1998 market share been available at the time of the assessment. The same would then be true for 1999 assessment calculations.

Rebecca agreed to work with the Pool Administrators to explain this and to ask their assistance in putting together the carrier assessment amounts in such a manner that the true-up can be accomplished without having to reconstruct prior assessments in future years.

5) **Letter to the Commissioner**

Rebecca reviewed with the Board a draft letter to Commissioner LaVecchia requesting her approval of the assessment amount and market share percentages. Obviously this letter will be put on hold pending finalization of market share amounts. However, Rebecca pointed out to the Board that she had addressed the issue of HIP Insurance Company of New Jersey's recent insolvency. There is a provision in the statute and the regulation for a carrier to have their assessment amounts waived by the Commissioner of Insurance due to financial solvency issues. Rebecca asked the Board to consider excluding HIP from the market share calculations either by requesting that the Commissioner declare a waiver or by just agreeing to not pursue filing a claim with the liquidator. The Board agreed that the best course of action would be to exclude HIP from the calculation so as to avoid having to do a recalculation at a future date. Further, it was agreed that in the letter to be sent to Commissioner LaVecchia would be a note made of the exclusion. This approach was based on the fact that under the market share calculations as currently being reported, the total assessment amount for HIP would be \$506.85. This amount should decrease once the market shares are recalculated with the additional HMOs market shares included.

There was also a discussion of how to handle carrier assessment amounts that are diminimis. It was agreed Rebecca would seek input from the New Jersey Individual Health Coverage Program administrators as to how they deal with this issue and also seek input from the assessment administrator as to how other state pools address the issue. The Board will then make a recommendation to the Commissioner.

6) **Contracts**

a) **Assessment Administrator**

Rebecca reported that she had been informed by United HealthCare Pool Administration Manager, Karl Ideman, that United HealthCare had made the decision that they would no longer be providing pool administration services. Karl Ideman himself has incorporated an entity by the name of Pool Administrators, Inc., through which he would continue the pool administration for any and all of the Pools/Boards which are currently being handled through the United HealthCare operation to the extent that the Boards for those Pools agree. Rebecca stated that if this Board agreed, it is Karl's intent to continue to provide services as agreed to for 1999 activity through a seamless transfer of the administration activity.

There is an assignment provision in the contract that the Board has with United HealthCare that could be executed in order to contractually make the transfer. Bob Vehec raised a question regarding whether the new entity would be bonded inasmuch as they would be handling a considerable amount of money for the Pool. Rebecca agreed to discuss that issue with Karl Ideman. By assigning the current agreement and continuing to work with Mr. Ideman's organization, the current activities relating to the assessment could be carried through. The Board could then evaluate whether or not there was a need to do an RFP on a going-forward basis.

b) Program Audit

Chris Palme-Krizak reported that she had received a Letter of Understanding from Arthur Anderson to act as auditors of the Program. She was going to follow-up on two issues with them. The first issue was to clarify that the audit would be of the balance sheet of the Program from the start of the Program through 12/31/98. Secondly, she was going to discuss with them whether they would be willing to initiate and begin the audit recognizing that we are in the process of doing an assessment and would not be in a position to pay them for the audit until the assessment had been collected.

7) Bank Accounts

a) Tax ID Number

Rebecca reported that application had been made to the IRS for a Tax ID Number for this program. The IRS required that there be a New Jersey address for the Program and Rebecca had used Bob Vehec's name and the address of the Department of Banking & Insurance for that purpose. Bob had received the Tax ID information and Rebecca will be forwarding that on to the assessment administrators for their use in setting up a bank account.

b) Board Resolutions

Rebecca presented Board resolutions which are required in order to establish a bank account on behalf of the Program. Copies of these resolutions are attached to these minutes. They were unanimously agreed to by the Board and appropriate signatures of the Board members were obtained. Rebecca will be in contact with Victor Shulman to obtain his signature as required.

8) Consumer Issues

There were no consumer issues which needed to be addressed.

9) Adjournment

There being no additional business, the meeting was adjourned. The next Board meeting will be called at such time as the follow-up work on the Market Share Reports has been concluded.

Approved at 09/07/99 Board Meeting