

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

WEDNESDAY MARCH 8, 2000

Board Members Present:

Bob Hoffman	-	Public Member
Victor Shulman	-	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 King	-	Department of Banking and Insurance
Karl Ideman	-	Pool Administrators
Gerry Cote	-	Pool Administrators
Rick Larose	-	Pool Administrators
	-	Horizon Blue Cross Blue Shield of NJ

The New Jersey Medigap Under 50 Plan Board met via conference call at 2:30 p.m. (EDT) on Wednesday, March 8, 2000. Chris Palme-Krizak agreed to take minutes on behalf of the Board.

1) Minutes

The Board reviewed the Meeting minutes from the prior Board meetings held on March 25, 1999, May 14, 1999, September 7, 1999 and October 1, 1999. The Minutes from the March and May meetings were previously approved by the Board, which will be reflected in the September 7th Minutes. With no further changes, the September and October minutes were approved.

2) Administrative Guidelines/Regulatory Changes

The Board reviewed Addendum #2 to the Plan of Operation and discussed the need for any additional changes. Addendum #2 will be updated to reference "Medicare Plus Choice" plans to reflect the current name of Medicare HMO plans and then be forwarded to the Commissioner for approval. The effective date of the Addendum is September 7, 1999 to reflect the changes in administrative practice adopted and implemented by the Board.

3) Update on 1999 Assessment

Karl Ideman, Gerry Cote and Rick Larose gave an update on the status of the 1999 assessment and reviewed the assessment report dated March 1, 2000 with the Board, which identifies those carriers and HMOs who have not paid their assessment amount. There are 9 carriers who have not paid, for a total outstanding amount of \$26, 593.35.

Several of the carriers with outstanding balances are Medicaid carriers, including Americaid, Community and University Health. These carriers have been exempted from the individual reinsurance pool in NJ. However, the current regulation (NJAC 11:4-23A.2) for this Program specifically includes Medicaid premium in the definition of net earned premium and therefore, these carriers are not exempt. Several Board members indicated that they would not be opposed to a regulatory change exempting Medicaid premium for public policy reasons but that the Board could not exempt these carriers on their own without a corresponding change in the regulations.

A letter will be sent to the chief executive officer or president of all carriers and HMOs with outstanding balances, identifying the interest now due under NJAC 11:4-23A.10(d); an additional note will be made indicating that Medicaid premiums are not exempt from assessments under this Program. Rebecca Smart will work with the Pool Administrators on the form and content of the delinquency letter and send it to the DOI for their review prior to mailing.

Prudential HealthCare paid its assessment in the amount of \$18,807.82 but filed an objection with the Board via correspondence dated January 4, 2000. Prudential HealthCare filed its objection indicating that Medicare premiums are exempt from assessment pursuant to 42 C.F.R. Section 422.404. This provision states that:

"No premium tax, fee, or other similar assessment may be imposed by any State, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, and American Samoa, or any of their political subdivision or other governmental authorities with respect to any payment HCFA makes on behalf of M+Choice enrollees under subpart F of this part."

Bob King indicated that this issue is currently under review by the Department and he will follow up to determine the status of the ruling regarding this issue, including the effective date. If exempt, and depending on the effective date of the exemption, the 1999 assessment amounts based on Medicare +Choice premium will need to be reallocated. Rebecca Smart and Keitha Lackey will work on getting Medicare premium data to the Pool Administrator. Any overpayments made by Medicare +Choice carriers or HMOs will be handled as a credit on the 2000 assessment.

4) Program Expenses and Audit

The Board reviewed and approved for payment the bills for the Pool Administrator in the amount of \$19,037.90 and for Mutual of Omaha in the amount of \$3,366.65.

The Board also reviewed and approved the Arthur Andersen Audit report. (Horizon abstained from voting) Keitha Lackey explained the variances in the Audit report from the financial report submitted by Horizon. The first difference is the use of cost accounting versus accrual accounting for premium revenue. Horizon has modified its reports to conform to the accrual premium accounting method adopted and used in the Audit. The only other difference is that the Audit report also included expenses that were not included in the Horizon expenses such as those incurred for the audit itself, the Pool Administrators and Mutual of Omaha.

The program currently has approximately \$114,000 in cash on hand with outstanding debts of \$19,037.90 for the Pool Administrators, \$3,366.65 for Mutual of Omaha, and \$104,500.20 for Horizon. Since there is not enough cash on hand to pay these amounts in full, the Board agreed to reimburse the Pool Administrators for their entire outstanding balance and pay the remaining cash on hand to Horizon. Any amounts that are collected from the delinquent carriers will be paid first to Horizon up to the amount of \$104,500.20 and then to Mutual of Omaha to satisfy its remaining balance. (Both Mutual of Omaha and Horizon abstained from voting)

The 1999 market share reports are being generated. Any carrier or HMO who did not receive the market share report in its annual statement packet from the state should contact Gerry Cote (1-800-628-7734) to obtain the appropriate form for submitting premium data. The Pool Administrators will report the status to the Board no later than March 17th. If the data is available, the Board will hope to make a recommendation to the Commissioner no later than April 15th.

5) Horizon Administrator Report

The Board reviewed and discussed the Horizon 1999 financial statements submitted to the Commissioner. Horizon included components for lost investment income and interest due to Horizon due to the continued loss status that the program runs in. The statement is under review by the Commissioner and the Department will let us know when she has completed her review.

6) 2000 Assessment

The Board agreed that before a 2000 assessment amount could be determined, we would need to confirm audit costs, get an estimate of Pool Administrator costs and obtain the approved net loss amount that could be assessed. The Board discussed the current restriction in determining assessment amounts, the timing and cost of the assessments and audit requirements. In light of the small size of the pool and the Board's desire to keep administrative costs down, the Board agreed that it might be prudent to recommend changes to the statutes, regulations or Plan of Operations to give more flexibility to the Board in administration of the Program. Chris Palme-Krizak agreed to review the statutes, regulations and Plan of Operations and make recommendations on potential changes.

7) Annual Report to the Commissioner

The Annual report to the Commissioner is due by May 1, 2000. Rebecca Smart will prepare an outline for the Board's review.

8) Miscellaneous

The next meeting will be held on April 12, 2000 at 10:00 a.m. eastern time in Trenton, NJ at the offices of the Department of Insurance.

There being no additional business, the meeting was adjourned at 4:45 p.m. eastern time.