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MEETING OF THE NEW JERSEY UNDER 50 MEDICARE SUPPLEMENT PROGRAM BOARD

April 12, 2006

Board Members Present:

Rebecca Smart (Chair and AHIP Rep) – Central States Health & Life Company
Sam Sandella – UnitedHealthcare (“UHC”)
Darren West – AmeriHealth
Bob Farrell – SHIP
Jeff Beck – Aetna
Sandi Kelly – Horizon Blue Cross/Blue Shield of N.J.

Others Present:

Dotti Outland – UHC (Alternate)
Taz Samji – UHC
Cathy Melino – Horizon Blue Cross/Blue Shield of N.J.
Kyle Johnson – Horizon Blue Cross/Blue Shield of N.J.
Bonnie Bajor – New Jersey Dept. of Banking and Insurance (“DOBI”)
Neil Vance – New Jersey Dept. of Banking and Insurance (“DOBI”)
Debbie Breslin – New Jersey Dept. of Health
Gerry Cote – Pool Administrators, Inc.
Rick Larose – Pool Administrators, Inc.

The April 12, 2006 New Jersey Under 50 Medicare Supplement Board met via telephone conference at 3:30 PM (EST)

I. Introduce New Board Members: Jeff Beck/Aetna and Crystal Rupert/Aegon

This meeting marked the formal confirmations of Jeff Beck and Crystal Rupert as members of the Board. Their appointments have been confirmed by the DOBI.

Jeff Beck is the Head of State Government Relations for Aetna. He also serves on board positions for the New Jersey Association of Health Plans and on New Jersey HMO assistance boards.

Crystal Rupert is Director of Marketing Services for Aegon’s Pennsylvania office. She provides oversight of the claims department that handles Medicare Supplement issues.

II. Approve 11/3/05 Meeting Minutes

Information regarding the 2004 assessments was added to the minutes including the attachment of assessment detail which had been approved by the DOBI. The November 3rd minutes, along with its amendments, were approved by the Board.

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III. Review Status of Assessment for Program Year 2004 / Approve Payment to Horizon

The Assessment for Program Year 2004 was mailed by Pool Administrators in January of 2006. Prior to the mailing, it was noted through audit by the DOBI that several carriers' 2004 Premium Reports were not consistent with other premium reports submitted to the DOBI. The largest difference was with the the United Healthcare ("UHC") report in which the company's Medicare Supplement premium was excluded. The issue was clarified with the company and before the assessment was mailed, an adjustment was madeto UHC's reported premium resulting in an increase in the amount assessment for that company. There were other company discrepancies which were not deemed to be significant and Pool Administrators will address these discrepancies with the companys for subsequent assessments.

Gerry Cote reported that Pool Administratos had collected assessments from all companies, except U.S. Life. It was also indicated that U.S. Life is aware that it has an outstanding balance of \$1,141.29 plus interest.

The Board reviewed the 2004 Program loss payments owed and credited to Horizon as Program Administrator. 2004 Program Losses (subject to audit) were \$2,673,070. Assessment Collected totaled \$2,706,525.60. The maximum payable prior to the audit is \$2,165,220.40 (80% of assessment collected). Horizon was given a credit of \$947,465.75 as their assessment amount. Thus a payment of \$507, 849.55 was approved by the Board.

Cathy Melino requested that her Board contact information be changed and that she have the new assessment information forwarded to her.

IV. 2005 Program Losses

The March 1, 2006 letter from Horizon to DOBI showed net program losses of \$3,049,650. Neil Vance of DOBI attributed this largely to an increase in enrollment. He is continuing his review of the report for approval.

It was requested that Horizon include more detailed information, including nature of the claim, breakdown of ages, and diagnosis. This will be made available for the next Board meeting.

Upon approval by the DOBI, the assessment for these Program losses will be mailed.

V. 2004-5 Audit of Horizon

The audit of Horizon is conducted every two years. Price Waterhouse Cooper was authorized to conduct the 2004-5 audit for \$63,600 plus expenses. This amount is the same as the previous 2-year cycle and there was \$1,000 in expenses. This audit has been

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budgeted for \$35,000 per year. It was noted that Price Waterhouse Cooper is familiar with Horizon's system.

The Board agreed to this audit. A letter of engagement will be signed and Price Waterhouse Cooper will likely begin in July.

VI. Audit of Pool Administrators

Carlin & Associates has audited the Pool Administrators handling of the Program from the beginning of the program through 2004. They have quoted current fees as being \$5,000 per audit plus approximately \$1,000 to \$1,500 for each year audited. The Board agreed that a two-year audit cycle to begin during next audit was appropriate based on the limited activity being audited and the cost associated with the audit. Therefore the next audit would be of Program years 2005 and 2006 to be conducted in 2007.

VII. Status of Revised Application

It was expressed there are no direct guidance in the rules pertaining to filing the application with DOBI for approval. It was indicated that revised applications need to be submitted by Horizon.

Horizon indicated it made the changes to the application. Sandi Kelly will send a copy of the revised application to the Board members and also submit the application to DOBI.

VIII. Review of Enrollment Exception

There was a special request to look at the issue of the exception, as noted in an attached e-mail correspondence between Rebecca Smart and Sandi Kelly. The exception involved enrollment in an Under 50 Plan C after the 63 day termination period from COBRA.

The Board agreed to allow the exception for continuous coverage.

IX. Board Membership/Consumer Representative

There is a statutory requirement for two consumer representatives on the Board. Carol Keating of the Hunterdon County Office on Aging has resigned from the Board and the Board will have to find a replacement for that consumer representative slot.

Rebecca Smart, as of this meeting, has resigned her posts as chair and AHIP representative, but will continue to assist with the transition. Dotti Outland of UHC will replace Sam Sandella on the Board and will serve as the new Chair. Taz Samji will serve as UHC's alternate.

In addition to the Board changes, Gerry Cote will be retiring from Pool Administrators.

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X. Next Meeting

The next meeting will be held in-person, in Trenton. Dotti Outland, the Board chair, will announce the time and date shortly.

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