

# NEW JERSEY UNDER 50 MED SUPP PROGRAM BOARD

## DRAFT MEETING MINUTES – AUGUST 10, 1998

### Present:

Debi Breslin	-	CHIME
Bob Hoffman	-	Public Member
Bob King	-	Department of Banking & Insurance
David Kreiss	-	Oxford Health Plans (Joined Late)
Mike Malloy	-	Department of Banking & Insurance
Christina Palme-Krizek	-	United HealthCare
Tom Rinaldi	-	Blue Cross/Blue Shield of NJ
Victor Shulman	-	Public Member
Rebecca Smart	-	Mutual of Omaha
Bob Vehec	-	Department of Banking & Insurance

The New Jersey Medigap Under 50 Plan Board meeting convened via conference call at 1:00 p.m. (CDT), 2:00 p.m. (EDT) on August 10, 1998

### 1) Minutes

Minutes of the June 25, 1998 Board Meeting were reviewed and approved with the change of the CHIME representative from Trish Kacuiba to Debi Higgs.

### 2) Contracting Arrangements

#### ▪ Auditor

Christina Palme-Krizek reported on her follow-up discussions with Arthur Anderson on their proposal for auditing the Program, based on the Board's request that audits be done on a two-year basis. Christina reported they agreed to modify their proposal and charge a total of \$48,000 for a two-year financial audit. The first audit would include financial activity from inception of the Program (i.e. any 1996 expenses) up to year-end 1998. The next audit would be for the years 1999 and 2000. The first audit would be completed in April 1999.

The Board agreed with this proposal and asked Christina to work with Arthur Anderson on a contract for review at the next meeting.

The Board then discussed the fact that under Regulation NJAC 11:4-23A.9, the Plan of Operation and the Administering contract with Blue Cross, the Blues would only be able to receive up to 80% of any reimbursement of losses prior to completion of the audit. Reimbursement of expenses could be made in full, subject, of course, to any ultimate adjustment being made based on the audit. Tom Rinaldi raised concern that the Program would have the funds but only pay 80% and that financially there is an additional cost to the Blues of the loss of interest on the money. His position is that the Administering Carrier should be reimbursed 100% if we move to two years and that interest should be paid. There was discussion of the current regulatory restrictions on 100% payment prior to audit.

Tom requested the Board agree to include an interest component. There was significant discussion regarding the Board's ability to do this and the equitable issues for the Blues. It was noted that the Administering Contract with the Blues does not provide for interest and the 80% reimbursement limitation is a part of the agreement. The Board decided a vote was

needed on the issue. There was discussion regarding whether Tom should excuse himself from the vote. He felt he should not as the vote would be generic as to any party seeking reimbursement from the Board. Some Board members disagreed as no other party is seeking interest and felt this was purely a Blue Cross issue. A poll of members showed Bob Hoffman, Victor Shulman and Tom Rinaldi in favor of providing for interest in some fashion. However, Bob and Victor requested that Tom provide specifics as to what he feels is equitable. Rebecca Smart and Christina Palme-Krizak were not in favor of providing interest. David Kreiss was not on the call at the time of the discussion. It was agreed Tom would provide a specific proposal with actual numbers at the next Board meeting. Bob Vehec reminded the Board that any assessment amount is subject to Commissioner approval and that would include any recommendation about interest.

▪ **Assessment Administrator**

Two proposals had been received for administering the Program assessment, one from Arthur Anderson, the other from United HealthCare Pool Administrators. Christina talked further to Arthur Anderson to see if there would be any savings if they did the audits and the assessment administration. They indicated there would not be because they are two different activities. She also asked about their experience in assessment administration and reported they had not done any such administration but had done some small scale similar projects.

Rebecca reported United HealthCare Pool Administrators currently administers assessment and reinsurance administration for approximately 27 state small employer high risk pools and/or state high risk pools, as well as being administrator for the New Hampshire Individual Reform Program Reinsurance assessment. All of these programs involve assessments of national carriers similar to this Program. She recommended the Board consider United HealthCare due to this experience and their ability to take over the work in progress. The Board agreed with this recommendation with Christina abstaining due to conflicts of interest. Rebecca will work with United HealthCare to have a contract for Board review and have them begin work.

3) **Assessment Determination**

The Board reviewed the Assessment Calculation formula. Rebecca reported she had received a letter from the Commissioner of Banking and Insurance dated July 8, 1998 which forwards to the Board the Administering Carrier Loss Report for 1997. This was the report reviewed by the Board at the June 25, 1998 meeting. The numbers from this report will be used in the assessment calculation.

Blue Cross did not have projected losses for 1998 and 1999. They will be available at the next Board meeting.

Program expenses will include Audit and Assessment Administration expense. The Board hopes to finalize a proposed assessment amount at the next Board meeting for submission to and review by the Commissioner.

4) **Coverage Issues/Addendum Revisions**

Debi Breslin reviewed with the Board two open enrollment circumstances that had previously been reviewed by the Board but that were not reflected in the Addendum to the Program's Plan of Operation submitted to the Commissioner on June 26, 1998. Those circumstances involved open enrollment for individuals who receive a determination of retroactive eligibility for Medicare coverage and individuals who were previously covered under a Medicare Supplement Plan provided by a Blue Cross/Blue Shield organization of another state. The Board reviewed a draft amended addendum and letter to the Commissioner put together to address these issues.

The Board agreed to the draft changes for retroactive determination of Medicare eligibility. There was discussion regarding language included to address the effective date of coverage. The language was included to clarify that there would be no back dating of coverage under the open enrollment guidelines. It was agreed this language should read "Under all circumstances, the effective date of coverage is the first of the month following the date the applicant enrolls in the Program and makes premium payment."

The recommendation to allow open enrollment from another Blues plan was based upon the belief that was the current practice of the administering carrier. Tom Rinaldi reported that is only the case if it is a plan from one of their affiliates as an internal conversion. The Board determined it was not appropriate to expand open enrollment to all Blues plans.

Rebecca will make changes noted and send the materials to the Commissioner.

5) **Next Meeting**

The Board agreed to meet on September 24, 1998 at the Department of Insurance at 10:00 a.m.