

SENATE HEALTH COMMITTEE

STATEMENT TO

SENATE COMMITTEE SUBSTITUTE FOR

**SENATE, No. 2192**

**STATE OF NEW JERSEY**

DATED: JUNE 12, 1997

The Senate Health Committee reports favorably a Senate Committee Substitute for Senate Bill No. 2192.

This committee substitute makes various changes to the New Jersey Individual Health Coverage Program (IHP), the Small Employer Health Benefits Program (SEP) and large group plans to conform the State's laws to the requirements of the recently enacted federal "Health Insurance Portability and Accountability Act of 1996." Changes in the laws generally concern preexisting condition exclusions, portability of health insurance and eligibility for coverage.

The substitute revises various definitions in the IHP and SEP and adds definitions for "church plan," "creditable coverage," "federally defined eligible individual," "governmental plan," "group health plan," "health status-related factor," "medical care," "plan sponsor," and "resident" as required by federal law. Comparable definitions and required provisions are added to Title 17B of the New Jersey Statutes for the large group (over 50 persons) market.

The substitute also makes the following changes in the IHP law:

- authorizes the nonrenewal of standard plans, following IHP board approval, in the case of a carrier that is withdrawing from the market in accordance with rules for orderly withdrawal adopted by the board;
- clarifies that an insurance company or health service corporation does not have to offer the health maintenance organization plan and that a hospital service corporation may offer either the standard plans, in conjunction with another carrier, or other individual health benefits plans approved by the commissioner;
- increases the allowable lapse in coverage from 30 to 31 days;
- shifts assessment and carrier reimbursement to a two-year cycle and reduces the burden of the loss assessment by allowing reimbursement only of incurred claims in excess of 115% of earned premium;
- changes the enrollment target to count "person life years," calculated as the average of quarterly enrollment over a two-year period, rather than the number of lives covered at year end, as a more accurate gauge of carrier enrollment over time.

The substitute also makes the following changes in the SEP law:

- directs the board to create high deductible options consistent with the federal law\*s requirements for tax-deductible medical savings accounts;

- makes permanent modified community rating, allowing the highest rates charged to small group to be no greater than 200% of the rate charged to the lowest rated small group, thus continuing the rating methodology currently in effect for the program; and

- permits carriers to aggregate their losses in all standard policy forms and in all non-standard policy forms with respect to the calculation of loss ratios, rather than require that the losses for each policy form be calculated separately.

Finally, the substitute repeals section 6 of P.L.1995, c.340 (C.17B:27A-23.1) concerning notification to small employers of ineligibility for a small employer plan. The notification provisions are provided for in the amendments that conform the law to the federal law.