



NEW JERSEY SENATE

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April 20, 2018

Honorable Elizabeth Muoio
Treasurer, State of New Jersey
P.O. Box 002
Trenton, New Jersey 08625-0002

Dear Treasurer Muoio:

Regarding the management and operations of the State Health Benefit Plan for state employees, local government entities and educational units (the "State Plans"), I have the following questions for your consideration and timely reply. These questions principally relate to our third-party administrators ("TPAs") management of the health plans:

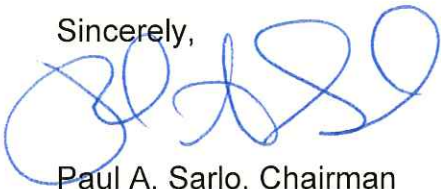
1. Regarding subrogation, is this permissible under the State Plans? If so, do the TPAs retain any portion of savings attributed to subrogation recoveries? If they retain some portion, what is the percent they maintain and what was the aggregate value of said recoveries to our various TPAs for the last 3 calendar years?
2. Regarding coordination of benefits ("COB"), is this permissible under the State Plans? If so, do the TPAs retain any portion of savings attributed to COB recoveries? If they retain some portion, what is the percent they maintain and what was the aggregate value of said recoveries to our various TPAs for the last 3 calendar years?
3. Regarding claim payments, does the TPA charge the State Plans the precise (exact) amount paid to members and providers or does the TPA pay the member and provider at a certain level and maintain some portion of the actual cost of the claim for themselves as additional income? This is sometimes referred to as "spread pricing". Is spread-pricing permissible under the State Plans (in or out of network)? If so, what is the calculated value of any "spread" the TPAs have earned for the last 3 calendar years?

4. Regarding Horizon Blue Cross Blue Shield of NJ ("Horizon"), for their BlueCard out of area program, what is the surcharge (i.e., claims and fixed fees) the State Plans have been accessed for active and retire "out of NJ" claims for the last 3 calendar years? Are these amounts regularly disclosed to the State? Has the State Plan looked to cap or eliminate these surcharges?
5. Regarding the TPAs under contract, does the State Plan pay separate fees related to the TPA's management of ACO's, patient attribution for patient centered medical homes or other forms of population health and disease management? If so, what are fees and costs and what have they been for the past 3 calendar years?
6. For any of the TPAs, in addition to their base monthly administrative fees, are there any additional revenue sources they may earn under their agreements with the State? If so, please describe what they are and please provide the item-by-item amounts paid to said TPAs under these arrangements by year for the past 3 calendar years.
7. Under the agreements with the State Plans and the TPAs, how often are the TPAs audited with respect to claims adjudication accuracy? When were the last audits performed and what were the results / findings?

In addition, please provide the most recent audited financial statements for the 3 state plans (state workers, school and local governments).

Thank you for your timely response to these items.

Sincerely,



Paul A. Sarlo, Chairman
Senate Budget and Appropriations Committee

cc: Senate President Stephen M. Sweeney
Assembly Speaker Craig J. Coughlin
Assemblywoman Eliana Pintor Marin