

NEW HAMPSHIRE HEALTH PLAN
PLAN OF OPERATION - HIGH RISK POOL

WHEREAS, the New Hampshire General Court has enacted a law (hereinafter “the Act”) establishing a high risk pool (hereinafter “the Pool”) that will provide access to health insurance to all residents of the State of New Hampshire who are eligible for coverage under the Act;

WHEREAS, the Act authorizes the formation of a not-for-profit, voluntary corporation known as the New Hampshire Individual Health Plan Benefit Association (hereinafter “the Association”) to act as insurer to those persons eligible for individual health insurance coverage under policies or certificates issued by the Association;

WHEREAS, the Association is governed by a Board of Directors (hereinafter “the Board”);

WHEREAS, the Act requires the Board to develop a Plan of Operation (hereinafter “the Plan”) which establishes (a) procedures for handling and accounting for the assets and moneys of the Plan; (b) procedures for selecting and retaining a Pool administrator; (c) procedures to establish and maintain public awareness of the plan, including its eligibility requirements and enrollment procedures; (d) procedures to create a fund, under management of the Board, for administrative expenses; (e) procedures for handling, accounting and auditing of assets, moneys and claims of the Pool; (f) requirements for keeping financial and other records; (g) regular times and places for meetings of the Board; and, (h) procedures by which applicants and participants can submit utilization review determinations and grievances to the Pool Administrator(s) which determinations and grievances shall be processed properly and in accordance with all statutory and regulatory requirements;

WHEREAS, the Board has developed the following Plan as required by the Act:

ARTICLE I
(EFFECTIVE DATE)

This Plan and any amendments to same may be recommended from time to time by the Board and shall become effective upon the approval of the Commissioner of the Department of Insurance (hereinafter “the Commissioner”).

ARTICLE II
(CONFORMITY TO ACT)

The Association shall perform its functions under this Plan and in accordance with the Act, is hereby incorporated as part of this Plan. In the event of any conflict between this Plan and the Bylaws of the Association, the Bylaws shall control. Nothing in this Plan, the Bylaws, or the actual operation of the Association shall create any private right of action against (1) any member of the Board; (2) the Association; (3) any Member as defined by the Act.

ARTICLE III
(ASSETS OF THE POOL)

The Board shall select one or more third parties (hereinafter “the Assessment Administrators”) through a competitive bidding process to collect any and all assessments imposed pursuant to N.H. R.S.A. 404-G:5-a, I and to handle other assets of the Association. The Administrator(s) selected may be the same entity or entities selected by the Board to serve as Pool Administrator, as defined in Article IV. The assessments and other assets of the Association shall be handled and accounted for in accordance with the procedures described in Article VI. The Assessment Administrator(s) shall invest the assets of the Association in accordance with the investment plan adopted by the Board. The Board shall conduct an audit of the performance and compliance of the Assessment Administrator(s) as the Board may deem necessary from time to time.

ARTICLE IV
(POOL ADMINISTRATOR)

As required by N.H. R.S.A. 404-G:5-a, the Board shall select one or more Administrators (hereinafter “Pool Administrators”) through a competitive bidding process to perform certain duties, including, but not limited to, the following: (1) determine eligibility for Pool coverage; (2) pay claims and develop procedures to ensure that each claim is promptly paid; (3) establish a premium billing procedure for collection of premiums from participants; (4) accept payments of premiums from participants; (5) develop procedures to ensure that medical utilization reviews and grievance determinations are conducted in a fair and timely manner and in accordance with all statutory and regulatory requirements; and, (6) perform other necessary functions to assure timely payment of benefits to participants.

The Board shall evaluate bids submitted on the basis of criteria, which shall include: (1) the bidder's proven ability to handle individual accident and health insurance; (2) the efficiency of the bidder's claim-paying procedures; (3) the bidder's estimate of total charges for administering the Pool; and (4) the bidder's ability to administer the Pool in a cost-effective manner. The Pool Administrator(s) shall be selected after all bidders have had an opportunity to submit bids pursuant to a request for proposal to be approved by the Board. A contract shall be entered into between the Association and the Pool Administrator(s). The duties of the Pool Administrator(s) shall be specified in said contract. Nothing shall prohibit the Pool Administrator(s) from subcontracting with one or more legal entities to perform its (their) contractual obligations. The Board shall approve the selection of any and all such subcontractors.

The Pool Administrator(s) shall serve for a period of at least three (3) years subject to removal for cause. At least one (1) year prior to the expiration of each period of service by the Pool Administrator(s), the Board shall invite all interested parties, including the current Pool Administrator(s), to submit bids to serve as the Pool Administrator for the succeeding period of service. Selection of the Pool

Administrator(s) for the succeeding period shall be made at least six (6) months prior to the end of the then current period of service.

ARTICLE V
(PUBLIC AWARENESS)

The Board shall establish and maintain public awareness of the Pool, including eligibility requirements and enrollment procedures, through the following procedures. The Board shall mail notices to health insurance brokers, health care providers such as physicians and hospitals, and national and local advocacy groups advising of the existence of the Pool, including eligibility requirements and enrollment procedures. The Board shall develop similar notices to be approved by the Commissioner and used by individual health insurance carriers to mail to those persons currently insured by an individual health insurance carrier who are believed to be eligible for Pool coverage under N.H. R.S.A. 404-G:5-e. If in the judgment of the Board additional efforts are required to establish and maintain public awareness of the Pool, the Board shall be authorized to undertake such additional efforts. The Board shall establish a budget for expenses associated with the mailing of such notices and other such public awareness efforts as are authorized by the Board.

ARTICLE VI
(ADMINISTRATIVE EXPENSES/ACCOUNTING AND AUDITING OF POOL/
FINANCIAL AND OTHER RECORDS)

Administrative Expenses: The Board shall be authorized to expend monies for the payment of administrative expenses, including but not limited to, the following types of expenses: fees for professional services, including marketing, legal, actuarial, accounting, auditing or any other services that are necessary to provide assistance in the operation of the Pool; travel expenses, and other administrative expenses deemed necessary by the Board to effectively conduct operations of the Pool. The Association's financial records shall segregate administrative expenses for the benefit of the Board in managing such expenses. In order to ensure the appropriate expenditure of Pool money for the payment of administrative expenses, the Board, with the assistance of a certified public accounting (CPA) firm, if deemed necessary, shall develop policies for allowable administrative expenses and procedures for the payment of such expenses.

Accounting and Auditing: The Association shall retain an independent CPA firm to conduct an annual audit of the financial statements of the Association. The audit shall be conducted in accordance with generally accepted auditing standards, and an opinion shall be rendered by the CPA firm as to whether the Association's financial statements are fairly stated in accordance with generally accepted accounting principles. In conjunction with the annual audit, the CPA firm shall produce a management letter for the benefit of the Board. The results of the annual audit, together with the management letter, shall be presented to the Board at its annual meeting. The CPA firm selected by the Association must be authorized to do business in the State of New Hampshire. The CPA firm shall be selected by the Board through a competitive bidding process.

The Board shall develop an annual budget, including revenues, expenditures and cash flows prior to the commencement of the fiscal year. The Board shall assume that adequate internal control policies and procedures with respect to the handling of Association assets and liabilities by the Pool Administrator(s), Assessment Administrator(s) and/or the Association, including but not limited to, cash, cash receipts, cash disbursements, assessments, premiums, claims payments, investments, accounts payable, incurred but not reported liabilities (IBNR), and administrative expenses, are in place and may engage the CPA firm to review such policies and procedures as appropriate.

Financial and Other Records: The Association has an existing accounting system for the maintenance of financial and other records with respect to the risk sharing operations. The Association shall expand its existing system to include the maintenance of financial and other records with respect to the operations of the Pool. Notwithstanding the manner in which financial and other records are maintained under the existing accounting system, the Association shall be required to produce unaudited quarterly financial statements. The quarterly financial statements shall be prepared by the CPA firm selected by the Board through the competitive bidding process and shall include a schedule comparing the Association's annual budget to actual results of operations. The CPA firm shall also perform a compilation or review of the quarterly financial statements, as directed by the Board. The quarterly financial statements, and the results of the compilation or review of same, shall be prepared and distributed to Board members in advance of the Board's quarterly meeting. Other records maintained shall be adequate for oversight of the Pool by the Board, including such areas as claims timeliness.

ARTICLE VII (MEETINGS OF THE BOARD)

Meetings of the Board shall be conducted with such frequency as required by Article IV, Section 9 of the Bylaws. The regular annual meeting shall be held in New Hampshire during the second quarter of the year. The precise date, time and place of such regular annual meeting shall be determined by the Board. An additional meeting shall be held on a quarterly basis at such date, time and place as the Board shall determine. The Board may conduct its meetings by teleconference as allowed by the Bylaws.

ARTICLE VIII (UTILIZATION REVIEW DETERMINATIONS AND GRIEVANCES)

Utilization Review: In accordance with N.H. R.S.A. 404-G:3, III(g), each of the Pool's benefit plans, as appropriate, shall provide for and employ cost-containment measures, which shall include but not be limited to, preadmission screening, second surgical opinion, concurrent utilization review, and individual case management (collectively referred to as "utilization review") for the purpose of making the benefit plans more cost effective. The Pool Administrator(s) shall be responsible for conducting such utilization review and shall have the authority to establish its (their) own policies

and procedures with respect to same. However, any and all such policies and procedures shall be subject to the requirement that all utilization review must be conducted in a fair and timely manner, as required by N.H. R.S.A. 404-G:5-c, III(e).

Grievances: All participants or applicants for Pool coverage shall have the right(s) to file a grievance regarding any aspect of the risk Pool. Specific procedures for filing a grievance shall be developed by the Board, with the assistance of the Pool Administrator(s), for each of the Pool's benefit plans (the 'Grievance Procedures'). All such procedures shall be compliant with the requirements of the State of New Hampshire. The Pool Administrator(s) shall be responsible for administering and/or conducting the grievance process, in conjunction with the Board's Grievance Committee as appropriate. The Pool Administrator(s) shall agree to comply with the procedures provided by the Pool's benefit plans and the requirements of the State of New Hampshire.

Whenever a complaint about a decision by the Pool Administrator(s) or the Association cannot be resolved to the participant's or applicant's satisfaction, the Pool Administrator(s) shall offer the appropriate grievance process. There shall be two separate processes: one relating to utilization review issues, including adverse determinations as defined by the State of New Hampshire in N.H. R.S.A. 420:J, (hereinafter "clinical grievances") and one relating to non-utilization review issues, (hereinafter "administrative grievances"). Each process shall include the right to a first and second level determination.

At each level, the Pool Administrator(s) shall acknowledge the grievance in writing to the participant or applicant within five (5) business days of receiving the request, which shall include notification of the grievance process. The Pool Administrator(s) shall document the substance of the grievance and the actions taken. The Pool Administrator(s), together with the Board's Grievance Committee, as appropriate, shall conduct a full investigation of the substance of the complaint, including any aspects of clinical care involved. The grievance shall be reviewed by a person or persons not previously involved in the initial determination, and for clinical grievances, the grievance shall be reviewed by at least one practitioner in the same or similar specialty that typically manages the medical condition, procedure or treatment. The Pool Administrator(s) shall render a decision within the time frames and in the manner established by the laws of the State of New Hampshire and set forth in the Grievance Procedures. Upon concurrence of the participant or applicant, a copy of the decision shall be forwarded to the Commissioner. Upon request of the participant or applicant, the Pool Administrator(s) shall provide to the participant or applicant all relevant information that is not confidential or privileged. The Pool Administrator(s) and Association shall protect the participant's or applicant's right to confidentiality of information regarding the participant's or applicant's grievance, health, illness or treatment to the fullest extent required by law. The Pool Administrator(s) shall offer the necessary assistance to participants or applicants filing a grievance.

The Pool Administrator(s) shall provide each participant, upon enrollment, with an easily understandable description of the grievance policy and procedure, which

description may be incorporated into the policy provided to each participant. The Pool Administrator(s) shall also include a statement of the participant's right to contact the Commissioner for assistance at any time and the toll-free telephone number and address of the Commissioner. The Pool Administrator(s) shall notify participants of any changes in the policy through periodic participant publications or other written means.

It shall be the policy of the Association to require a complete and full investigation of the substance of any and all grievances, including all aspects of clinical care involved. The Pool Administrator(s) and/or the Board's Grievance Committee, as appropriate, shall document the substance of all grievances, including the actions taken, if any. The Pool Administrator(s) shall maintain written records documenting all grievances received during a calendar year, including a general description of the reason for the grievance, the name of the participant or applicant for whom the grievance was filed, the dates of the grievance and the date of the resolution of each level of the grievance, the date and content of participant or applicant communications, and notice to the participant or applicant of the right to further grieve, if applicable. At least quarterly, the Board or its Grievance Committee shall conduct a review, with input from the Pool Administrator, of the number and types of grievances received, timeliness of resolution, and rate of reversal in an attempt to identify opportunities for improvement in the Association's products, services, provider networks, and processes. An annual report will be filed with the Commissioner detailing the prior year participant or applicant grievance data. The Pool Administrator(s) shall be required to assist in the preparation of such report. The report shall include statistics on grievances, adverse determinations and prior authorizations.

ARTICLE IX (CERTAIN ELIGIBLES)

Individuals certified as eligible for either Federal Trade Act Adjustment Assistance (TAA) or a benefit from the Pension Benefit Guaranty Corporation (PBGC) shall be eligible to apply for a policy in the Pool. All policies issued will be guaranteed renewable. Should the Board determine, at any point, that the opening of eligibility under this article has contributed to adverse experience or excessive costs in operation of the Pool, it may suspend eligibility of future TAA and PBGC applicants indefinitely or for such a period of time as the Board may determine. Any such suspension shall take effect on a date set by the Board, but not earlier than six months from the day the Board advises the Commissioner of its intended action.

ARTICLE X (ASSESSMENT RELATED CLAIMS)

No claim for adjustment, repayment or collection of assessments shall be effective for an assessment paid or due three years before presentment of the claim to the Association, unless the Association elects in writing to waive the limitations period as equity and fairness may dictate, in its sole discretion. Presentment shall be deemed the date the notice is received by the Association. If the Association is required to refund collected assessments to a Member, the Association may elect to refund such amounts in

installments for a period of up to three (3) years, with annual interest accruing at the federal applicable rate. The frequency and amount of such installments will be determined by the Board, in its discretion, based on the projected cash needs of the Association.