

# ASSEMBLY, No. 2920

## STATE OF NEW JERSEY 216th LEGISLATURE

INTRODUCED MARCH 20, 2014

**Sponsored by:**

**Assemblyman REED GUSCIORA**

**District 15 (Hunterdon and Mercer)**

**SYNOPSIS**

Establishes up to four-month extension for expiring carrier contracts with acute care hospitals while parties engage in contract renegotiation.

**CURRENT VERSION OF TEXT**

As introduced.



1 AN ACT concerning certain insurance contracts with acute care  
2 hospitals, supplementing Title 17B of the New Jersey Statutes  
3 and repealing section 2 of P.L.1989, c.321.

4  
5 **BE IT ENACTED** *by the Senate and General Assembly of the State*  
6 *of New Jersey:*

7  
8 1. a. As used in this section:

9 “Carrier” means an insurance company, health service  
10 corporation, hospital service corporation, medical service  
11 corporation or health maintenance organization authorized to issue  
12 health benefits plans in this State.

13 “Covered person” means a person on whose behalf a carrier  
14 offering a health benefits plan is obligated to pay benefits or  
15 provide services pursuant to the plan.

16 “Covered service” means a health care service provided to a  
17 covered person under a health benefits plan for which the carrier is  
18 obligated to pay benefits or provide services.

19 “Health benefits plan” means a benefits plan which pays or  
20 provides hospital and medical expense benefits for covered  
21 services, and is delivered or issued for delivery in this State by or  
22 through a carrier. Health benefits plan includes, but is not limited  
23 to, Medicare supplement coverage and Medicare Advantage  
24 contracts to the extent not otherwise prohibited by federal law. For  
25 the purposes of this section, health benefits plan shall not include  
26 the following plans, policies or contracts: accident only, credit,  
27 disability, long-term care, Civilian Health and Medical Program for  
28 the Uniformed Services, CHAMPUS supplement coverage,  
29 TRICARE, coverage arising out of a workers' compensation or  
30 similar law, automobile medical payment insurance, personal injury  
31 protection insurance issued pursuant to P.L.1972, c.70 (C.39:6A-1  
32 et seq.) or hospital confinement indemnity coverage.

33 “Hospital” means a general or special acute care facility licensed  
34 by the Commissioner of Health pursuant to P.L.1971, c.136  
35 (C.26:2H-1 et seq.), including rehabilitation, psychiatric and long-  
36 term acute facilities.

37 b. (1) If a carrier, and a hospital with which the carrier has a  
38 contract to provide covered services to covered persons pursuant to  
39 a health benefits plan, are unable to agree on the terms of a new  
40 contract upon the expiration date expressly stated in that expiring  
41 contract, the carrier and hospital shall continue to abide by the  
42 terms of the expiring contract for a period of up to four months  
43 while engaged in efforts to renew or otherwise renegotiate the terms  
44 of that contract.

45 (2) In the event of a period of extension described in paragraph  
46 (1) of this subsection, the carrier shall promptly notify in writing:  
47 (a) each health care provider with which it has contracted to provide  
48 covered services; and (b) each covered person who resides in the

1 county in which the hospital is located or in an adjacent county as  
2 to the extension of the terms of the expiring contract, and include in  
3 the notice options available to the covered person with respect to  
4 the person's health care coverage.

5 (3) (a) The period of extension may terminate before the end of  
6 the four-month period if the carrier and hospital agree on the terms  
7 of a new contract and mutually agree in writing to supersede the  
8 period of extension by operating under the terms of the new  
9 contract.

10 (b) The period of extension shall not be further extended by  
11 either the carrier or hospital, whether by unilateral action or mutual  
12 agreement of the parties.

13 c. (1) The provisions of this section shall not apply if either the  
14 carrier or hospital, or both, provide notice of their intention to  
15 terminate the contractual relationship upon the expiration of the  
16 contract with no intention of renewing or otherwise renegotiating  
17 the terms of that contract.

18 (2) Upon issuance of, or receipt by, the carrier of the notice  
19 described in paragraph (1) of this subsection, the carrier shall  
20 promptly notify in writing: (a) each health care provider with which  
21 it has contracted to provide covered services; and (b) each covered  
22 person who resides in the county in which the hospital is located or  
23 in an adjacent county as to the date of expiration of the expiring  
24 contract, and include in the notice options available to the covered  
25 person with respect to the person's health care coverage.

26  
27 2. Section 2 of P.L.1989, c.321 (C.26:2J-11.1) is repealed.

28  
29 3. This act shall take effect on the first day of the fourth month  
30 next following enactment, and shall apply to any contract entered  
31 into on or after the effective date.

#### 32 33 34 STATEMENT

35  
36 This bill establishes an up to four-month extension for expiring  
37 health insurance carrier contracts with acute care hospitals while the  
38 parties engage in contract renegotiations to continue their  
39 relationship concerning the provision of services to covered  
40 persons. It applies uniformly to all carriers, including each  
41 insurance company, health service corporation, hospital service  
42 corporation, medical service corporation or health maintenance  
43 organization authorized to issue health benefits plans in this State.

44 If a carrier and hospital are unable to agree on the terms of a new  
45 contract upon the expiration date expressly stated in their expiring  
46 contract, the carrier and hospital shall continue to abide by the  
47 terms of the expiring contract for a period of up to four months  
48 while engaged in efforts to renew or otherwise renegotiate the terms

1 of that contract. In the event of a period of extension pursuant to  
2 the bill, the carrier shall promptly notify in writing: (1) each health  
3 care provider with which it has contracted to provide covered  
4 services; and (2) each covered person who resides in the county in  
5 which the hospital is located or in an adjacent county as to the  
6 extension of the terms of the expiring contract, and include in the  
7 notice options available to the covered person with respect to the  
8 person's health care coverage.

9 This period of extension may terminate before the end of the  
10 four-month period if the carrier and hospital agree on the terms of a  
11 new contract and mutually agree in writing to supersede the period  
12 of extension by operating under the terms of the new contract.

13 The period of extension provided by the bill shall not be further  
14 extended by either the carrier or hospital, whether by unilateral  
15 action or mutual agreement of the parties.

16 The provisions of the bill shall not apply if either the carrier or  
17 hospital, or both, provide notice of their intention to terminate the  
18 contractual relationship upon the expiration of the contract with no  
19 intention of renewing or otherwise renegotiating the terms of that  
20 contract. Upon issuance of, or receipt by, the carrier of this notice,  
21 the carrier shall promptly notify in writing: (1) each health care  
22 provider with which it has contracted to provide covered services;  
23 and (2) each covered person who resides in the county in which the  
24 hospital is located or in an adjacent county as to the date of  
25 expiration of the expiring contract, and include in the notice options  
26 available to the covered person with respect to the person's health  
27 care coverage.

28 In order to establish a uniform standard regarding any period of  
29 extension, the bill repeals section 2 of P.L.1989, c.321 (C.26:2J-  
30 11.1), which established an extension on contracts applicable  
31 between only a health maintenance organization and a hospital. As  
32 stated above, contracts involving a health maintenance organization,  
33 as one category of carrier, shall be henceforth covered under the  
34 provisions of this bill.