

ASSEMBLY, No. 1476

STATE OF NEW JERSEY

INTRODUCED FEBRUARY 5, 1996

By Assemblymen FELICE, KAVANAUGH, Assemblywomen
Vandervalk and Murphy

1 AN ACT creating the Health Information Electronic Data Interchange
2 Policy Council in the Department of Health and supplementing Title
3 26 of the Revised Statutes.

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

7
8 1. The Legislature finds and declares that:

9 a. The delivery of health care services and payment for those
10 services is often a fragmented process, sometimes inaccurately
11 described as a "system," that is comprised of health care providers,
12 insurance carriers or other benefit payers, employers who provide the
13 insurance or other benefit plans under which their employees are
14 covered, and patients, who are, ultimately, the consumers.

15 b. These various sectors perform separate, but interdependent
16 functions in the health care service delivery process, and while they
17 may perceive themselves and operate as economically independent
18 units, they are nevertheless functionally dependent in providing or
19 consuming health care services for which they then expect prompt
20 payment.

21 c. While the technology exists to advance communication in every
22 sector of this process, each sector operates as a computerized
23 information island, fully functional in itself but without the ability or
24 motivation for computer-to-computer communication with other such
25 islands.

26 d. As a result, despite the available technology, a plethora of bills
27 can emanate from even relatively simple diagnostic or treatment
28 services and the resulting massive flow of information, on paper,
29 creates much of the increasing administrative burden placed on the
30 system, accounting for anywhere from 17 to 24 percent of health care
31 costs.

32 e. It has been estimated that New Jersey currently processes 150
33 million health care claims annually, 85% of which are on paper, and
34 that \$760 million in administrative cost savings, or approximately
35 \$370.00 for each family in New Jersey, could be realized with the use
36 of standardized enrollment and claim forms, standardized health care

1 communication protocols and the use of electronic data interchange,
2 or EDI, to receive, transmit and store medical and claims information.

3 f. Thus, while state-of-the-art technology is the expected norm in
4 the diagnosis and treatment of illness and injury, in terms of recording,
5 routing and paying for those services, the several parties to the process
6 are using the venerable "paper trail" for billing purposes, which allows
7 them to avoid communicating in a more efficient manner.

8 g. Given the multiple parties and divergent interests which are
9 involved in and affected by the health care services delivery process,
10 a council representing those various interests and concerns, to develop
11 an effective electronic data interchange network for use by the various
12 parties; and to assist and enable them to achieve some commonality of
13 purpose in the exchange of such information, is necessary and
14 appropriate if the citizens of New Jersey are to benefit from the
15 efficiencies and economies such an interchange can effect.

16

17 2. The Health Information Electronic Data Interchange Policy
18 Council, hereinafter referred to as the council, is created in the
19 Executive Branch of State Government. For the purposes of
20 complying with the provisions of Article V, Section IV, paragraph 1
21 of the New Jersey Constitution, the council is allocated within the
22 Department of Health, but notwithstanding this allocation, the council
23 shall be independent of any supervision or control by the department
24 or by any board or officer thereof, and shall request appropriations for
25 its expenses independently therefrom.

26

27 3. The council shall consist of 25 members, as follows:

28 a. The Commissioner of Health or his designee, ex officio, who
29 shall serve as chairman of the council;

30 b. The Commissioner of Insurance or her designee, ex officio;

31 c. The Commissioner of Human Services or his designee, ex
32 officio;

33 d. The State Treasurer or his designee, ex officio;

34 e. The Attorney General or her designee, ex officio;

35 f. The Director of the Division of Pensions and Benefits, in his
36 capacity as the secretary to the State Health Benefits Commission or
37 his designee, ex officio;

38 g. The President of the University of Medicine and Dentistry of
39 New Jersey, or his designee, ex officio;

40 h. The President of the New Jersey Institute of Technology or his
41 designee, ex officio;

42 i. The President of Thomas Edison State College or his designee,
43 ex officio;

44 j. Four members to be appointed by the President of the Senate, no
45 more than two of whom shall be of the same political party, as follows:

46 (1) One representative of the medical profession, upon the

- 1 recommendation of the Medical Society of New Jersey;
- 2 (2) One representative of business, upon the recommendation of the
3 New Jersey Business and Industry Association;
- 4 (3) One representative of a health maintenance organization, upon
5 the recommendation of the New Jersey Health Maintenance
6 Organization Association; and
- 7 (4) One representative of a health insurer domiciled in this State;
- 8 k. Four members to be appointed by the Speaker of the General
9 Assembly, no more than two of whom shall be of the same political
10 party, as follows:
- 11 (1) One representative of the pharmacy profession, upon the
12 recommendation of the Pharmacist Institute of New Jersey;
- 13 (2) One representative of organized labor, upon the
14 recommendation of the New Jersey State AFL-CIO;
- 15 (3) One representative of hospitals, upon the recommendation of
16 the New Jersey Hospital Association; and
- 17 (4) One representative of a health service corporation, or if none
18 exists, a hospital or medical service corporation, domiciled in this
19 State; and
- 20 1. Eight members to be appointed by the Governor, with the advice
21 and consent of the Senate, no more than four of whom shall be of the
22 same political party, as follows:
- 23 (1) One representative of the chiropractic profession, upon the
24 recommendation of the New Jersey Chiropractic Society;
- 25 (2) One representative of small business, upon the recommendation
26 of the New Jersey State Chamber of Commerce;
- 27 (3) One representative of long-term health care facilities, upon the
28 recommendation of the New Jersey Association of Health Care
29 Facilities;
- 30 (4) One representative of a health insurer authorized to transact
31 business in this State, but not domiciled in this State;
- 32 (5) One representative of the nursing profession, upon the
33 recommendation of the New Jersey State Nurses Association; and
- 34 (6) Three members of the public, none of whom shall represent the
35 sectors of business, labor, health care providers or the professions or
36 insurers listed above, but who shall be consumers of health care
37 services.
- 38
- 39 4. a. The council shall organize upon the appointment of a
40 majority of its authorized membership.
- 41 b. Appointed members of the council shall serve for three year
42 terms, except that, of the members first appointed, one each of the
43 members appointed by the President of the Senate and the Speaker of
44 the General Assembly and two of the members appointed by the
45 Governor shall be appointed for terms of one year, and one each of the
46 members appointed by the President of the Senate and the Speaker of

1 the General Assembly and two of the members appointed by the
2 Governor shall be appointed for terms of two years.

3 c. Each member shall hold office for the term of appointment and
4 until a successor is appointed and qualified. All vacancies shall be
5 filled in the same manner as the original appointment. Members
6 appointed to fill a vacancy occurring for any reason other than the
7 expiration of the term shall serve for the unexpired term only. An
8 appointed member of the council shall be eligible for reappointment.
9 An appointed member may be removed for cause.

10 d. Appointed members shall serve without compensation, but shall
11 be reimbursed for necessary expenses incurred in the performance of
12 their duties.

13 e. Action may be taken and motions and resolutions may be
14 adopted by the council by an affirmative vote of not less than 12
15 members.

16

17 5. a. The council shall appoint an executive director, who shall
18 serve as secretary to the council. The executive director shall serve at
19 the pleasure of the council and shall be in the unclassified service of
20 the Civil Service. Upon the appointment of a majority of the members
21 of the council, the Commissioner of Health shall appoint an acting
22 executive director from among his staff, who shall serve until the
23 appointment of an executive director by the council and who shall not
24 be eligible for appointment by the council.

25 b. To the extent assistance is not available under subsection c. of
26 this section, the council may appoint other employees as may be
27 necessary, within the limits of funds appropriated to it or otherwise
28 made available to it for its purposes. The executive director shall be
29 responsible for the selection of properly qualified staff members, who
30 shall have backgrounds appropriate to the work of the council.
31 Appointed staff members shall be employed in the unclassified service
32 of the Civil Service, except that employees performing stenographic
33 or clerical duties shall be in the career service and appointed pursuant
34 to Title 11A of the New Jersey Statutes. Permanent career service
35 employees who are appointed to an unclassified position with the
36 council shall have a right of reinstatement to the career service to a
37 level held prior to service with the council, unless the employee has
38 been separated, after opportunity for a hearing, from the service with
39 the council for reasons which constitute cause for removal from the
40 career service.

41 c. The council is entitled to the assistance and services of the
42 employees of any State, county or municipal department, board,
43 bureau, commission or agency, as it may require and as may be
44 available to it for its purposes.

45 d. The council is authorized to contract with outside providers for
46 services in support of council responsibilities and documented as

1 otherwise unavailable to the council.

2

3 6. a. The council shall develop an effective electronic data
4 interchange (EDI) network for use by the various sectors in the health
5 care services delivery process. In particular, the council's
6 responsibilities shall include, but not be limited to:

7 (1) Promulgating Statewide protocol standards for
8 interorganizational communication among the participants in the health
9 care services delivery process.

10 (2) Promulgating application protocol standards for the
11 transmission of forms and information among the various sectors of
12 the health care services delivery process.

13 (3) Encouraging health insurers and other benefit providers to issue
14 magnetic stripe "smart cards," or similar type patient identification
15 cards or equipment, that provide rapid, efficient electronic access to
16 health care services, to covered individuals.

17 (4) Encouraging and facilitating the development of privately
18 owned and operated open networks which would be interconnected
19 and available to all participants of the health care services delivery
20 process.

21 b. In developing the EDI network pursuant to subsection a. of this
22 section, the council shall adopt and utilize the following guidelines:

23 (1) National standards, such as those developed by the American
24 National Standards Institute (ANSI) and the Health Care Financing
25 Administration (HCFA) should be adopted wherever possible.

26 (2) All participants shall be provided with equal functionality in
27 their access to the network. Interconnection speeds and types of
28 connections may vary, but the services offered shall be available to all
29 participants.

30 (3) If multiple networks are established, the sum total of all
31 networks shall act as a single network for all participants.

32 (4) As a national information super-highway is developed, New
33 Jersey's health care EDI shall provide a direct connection to the
34 highway and attach to the interim super-highway, the Internet.

35 (5) The network's design shall be flexible and allow for new
36 services to be offered without impacting existing services.

37 (6) Wherever possible, the network shall utilize existing networks
38 that are available for other applications and shall take into
39 consideration existing proprietary networks which can connect to and
40 transmit specified health care enrollment, claim and medical
41 information to the open networks in the State.

42 (7) All participants in the network shall establish a single
43 connection to the network and this single connection should support
44 all functions of the network.

45 (8) All providers of network services shall agree to work in an
46 ethical manner so as not to achieve a competitive advantage when

1 collecting or accumulating content information from the transmissions
2 carried on their network.

3

4 7. The council shall also perform the following functions in
5 furtherance of the State's responsibilities to monitor the quantity and
6 quality of health care:

7 a. The council shall examine carefully the Community Health
8 Management Information System (CHMIS) model and similar
9 information network models of a health care monitoring data base and
10 consider adopting their design features.

11 b. The council shall assure that the EDI network provides
12 appropriate structure for capture of data for monitoring health care
13 quantity and quality by the State.

14 c. The council shall assure that a data base system is developed to
15 capture data and store it in appropriate form for routine monitoring
16 reports and policy research.

17 d. The council shall provide continuous oversight with respect to
18 the establishment of, and compliance with, health care information
19 confidentiality and security requirements by health care providers and
20 payers.

21 e. The council shall establish a procedure for routinely producing
22 and distributing monitoring reports on the performance of payers and
23 providers.

24

25 8. In addition to its responsibilities pursuant to sections 6 and 7 of
26 this act, the council shall:

27 a. Consult with the Commissioner of Insurance, in the
28 promulgation of demonstration standards, and using national standards
29 wherever possible, for the electronic receipt, transmission and storage
30 of health care claim information by hospital service, medical service
31 and health service corporations, health insurers and health maintenance
32 organizations pursuant to section 7 of P.L. , c. (C.)(now pending
33 before the Legislature as Assembly, No. 1481 and Senate, No. 48 of
34 1996).

35 b. Consult with the Commissioner of Insurance in his promulgation
36 of standard health care enrollment and claim forms pursuant to section
37 7 of P.L. , c. (C.)(now pending before the Legislature as
38 Assembly, No. 1473 and Senate, No. 49 of 1996).

39 c. Consult with the Commissioner of Health in his preparation of
40 the annual report on health care expenditures in New Jersey required
41 by P.L. , c. (C.)(now before the Legislature as Assembly, No.
42 1479 and Senate, No. 43 of 1996.).

43

44 9. a. The council shall submit an annual report to the Governor
45 and the Legislature which assesses current efforts, and makes such
46 recommendations, including legislative or administrative action for

1 proposed efforts, to reduce health care administrative costs through
2 electronic data interchange and other automated information
3 technology, and which specifies the costs of implementation and
4 discusses any anticipated difficulties with respect to the use of the
5 technology.

6 b. In addition, every fifth annual report shall also include an
7 analysis of the council's accomplishment of its stated objectives, a
8 forecast of emerging technologies and the EDI needs of the health care
9 services delivery process for the ensuing five years, and how the
10 council anticipates responding to those needs and incorporating those
11 technologies in its operations over the next five years, including any
12 recommendations for change in its membership or charge, or other
13 legislative or administrative action.

14 c. The reports required by this section shall be prepared with the
15 cooperation and assistance of the New Jersey Institute of Technology
16 and Thomas Edison State College and the council shall use the funds
17 appropriated to it or otherwise made available to it to fund the costs
18 of Thomas Edison State College and the New Jersey Institute of
19 Technology for their services provided to the council in this regard.

20

21 10. For the fiscal year beginning July 1, 1997 and thereafter, funds
22 for the operation of the council shall be appropriated from the
23 Electronic Data Interchange Technology Development Fund
24 established in P.L. , c. (C.)(now before the Legislature as
25 Assembly, No. 1480 and Senate, No. 45 of 1996.).

26

27 11. The council may adopt, in accordance with the "Administrative
28 Procedure Act," P.L. 1968, c. 410 (C. 52:14B-1 et seq.), such rules
29 and regulations as it deems necessary to carry out its responsibilities
30 under this act.

31

32 12. For the fiscal year beginning July 1, 1996, there is appropriated
33 \$250,000 from the General Fund to the Health Information Electronic
34 Data Interchange Policy Council to effectuate the purposes of this act.

35

36 13. This act shall take effect immediately.

37

38

39

STATEMENT

40

41 This bill establishes the Health Information Electronic Data
42 Interchange Policy Council in the Department of Health. The council
43 is comprised of 25 members, representing the various participants in
44 the health care services delivery process, including health care
45 providers, insurers, employers and the patients - or consumers - of
46 health care services. The council will be primarily responsible for

1 developing an effective electronic data interchange (EDI) network for
2 use in the health care services delivery process. The council will also
3 be responsible for assuring that any EDI network it adopts will
4 integrate the State's responsibilities to monitor the quantity and quality
5 of health care.

6 In addition to these responsibilities, the council will consult with the
7 Commissioner of Insurance in the promulgation of demonstration
8 standards for the electronic processing of health care coverage claim
9 information by health insurers pursuant Assembly, No. 1481 of 1996;
10 and will consult with the commissioner in his promulgation of standard
11 health care enrollment and claim forms pursuant to Assembly, No.
12 1473 of 1996; as well as with the Commissioner of Health in his
13 preparation of the annual report on health care expenditures required
14 by Assembly, No. 1479 of 1996.

15 The council is authorized to promulgate rules to effectuate its
16 purposes, and therefore, any EDI standards it would develop for use
17 in the health care service delivery process would be open to discussion
18 and review by the Legislature pursuant to Article V, Section IV,
19 paragraph 6 of the State Constitution.

20 An appropriation of \$250,000 is provided from the General Fund
21 for the current fiscal year to enable the council to operate initially.
22 However, in subsequent years, funds for the council's expenses will be
23 appropriated from the Electronic Data Interchange Technology Fund,
24 established by Assembly, No. 1480 of 1996 and supported by a
25 processing surcharge on payment transactions of health care facilities.
26 Finally, the bill specifies that although the council is allocated within
27 the Department of Health, it shall make its own budget request.

28 This bill is part of a legislative package designed to effectuate the
29 recommendations of the Healthcare Information Networks and
30 Technologies (HINT) report to the Legislature under the joint auspices
31 of Thomas Edison State College and the New Jersey Institute of
32 Technology.

33

34

35

36

37 Establishes Health Information Electronic Data Interchange Policy
38 Council.