

[First Reprint]
ASSEMBLY, No. 2736

STATE OF NEW JERSEY

INTRODUCED FEBRUARY 20, 1997

By Assemblywoman VANDERVALK
and Assemblyman GARRETT

1 AN ACT concerning limited purpose managed health services
2 organizations and supplementing Title 17B of the New Jersey
3 Statutes.

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

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8 1. An entity shall not contract with the Division of Medical
9 Assistance and Health Services or the Division of Mental Health
10 Services in the Department of Human Services, or with the ¹[Division
11 of Addiction Services in the]¹ Department of Health and Senior
12 Services, to offer comprehensive specialized mental health or
13 substance abuse services on a prepaid contractual basis to recipients
14 of the State Medicaid program, P.L.1968, c.413 (C.30:4D-1 et seq.),
15 Medicare program pursuant to Title XVIII of the federal Social
16 Security Act (42 U.S.C. §1395 et seq.) or other publicly funded
17 services, unless that entity is issued a certificate of authority for a
18 limited purpose managed health services organization pursuant to this
19 act ¹or a certificate of authority to operate a health maintenance
20 organization pursuant to P.L.1973, c.337 (C.26:2J-1 et seq.)¹.

21 ¹[The] An¹ entity ¹[shall apply to the Department of Banking and
22 Insurance for] seeking¹ a limited purpose managed health services
23 organization certificate of authority pursuant to this act ¹shall apply
24 to the Department of Banking and Insurance¹ and shall submit such
25 information about the entity and remit such application fees as shall
26 be required by the Commissioner of Banking and Insurance, by
27 regulation.

28 ¹A limited purpose managed health services organization which is
29 issued a certificate of authority pursuant to this act shall be restricted
30 to furnishing specialized mental health or substance abuse services.

EXPLANATION - Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and intended to be omitted in the law.

Matter underlined thus is new matter.

Matter enclosed in superscript numerals has been adopted as follows:

¹ Assembly AHL committee amendments adopted May 1, 1997.

1 through contracted providers which are financially independent of the
2 limited purpose managed health services organization, to participants
3 in publicly funded programs, including, but not limited to, Medicaid
4 and Medicare.¹

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6 2. a. Following receipt of an application for a certificate of
7 authority, the Commissioner of Banking and Insurance shall review it
8 in consultation with the Commissioners of Health and Senior Services
9 and Human Services and notify the applicant of any deficiencies
10 contained therein.

11 The Commissioner of Banking and Insurance shall determine
12 whether the applicant is financially sound and may reasonably be
13 expected to meet its obligations to recipients. The commissioner may
14 require the applicant, if he deems it necessary in order to ensure that
15 the applicant will be able to meet its obligations to recipients, to:

16 (1) deposit with the commissioner or with an entity or trustee
17 acceptable to the commissioner through which a custodial or
18 controlled account is utilized, cash, securities or any combination of
19 these or other measures that is acceptable to the commissioner in an
20 amount established by the commissioner; or

21 (2) purchase stop-loss insurance in an amount specified by the
22 commissioner.

23 b. The commissioner shall issue the certificate of authority if he
24 finds that the entity meets the standards required by the Department
25 of Banking and Insurance and the Departments of Health and Senior
26 Services and Human Services pursuant to this act.

27 c. The certificate of authority shall be valid for three years and may
28 be renewed in accordance with regulations adopted by the
29 commissioner.

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31 3. a. The Commissioner of Banking and Insurance, in consultation
32 with the Commissioners of Health and Senior Services and Human
33 Services shall adopt regulations pursuant to the "Administrative
34 Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.) to carry out the
35 purposes of this act. The regulations shall include standards regarding
36 financial solvency of limited purpose managed health services
37 organizations¹, including, but not limited to, capital and reserve
38 requirements, financial reporting, financial examination by the
39 Commissioner of Banking and Insurance, fees, fines and penalties, as
40 well as standards and procedures for the conservation, rehabilitation
41 and liquidation of limited purpose managed health services
42 organizations¹.

43 b. The Commissioners of Health and Senior Services and Human
44 Services, respectively, shall adopt regulations pursuant to the
45 "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.)
46 regarding standards for comprehensive specialized services provided

1 by limited purpose managed health services organizations ¹or health
2 maintenance organizations¹ for which their respective departments
3 may contract pursuant to this act.

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5 4. This act shall take effect immediately.

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10 Authorizes Commissioner of Banking and Insurance to issue certificate
11 of authority to certain limited purpose managed health services
12 organizations.