ASSEMBLY HEALTH COMMITTEE

STATEMENT TO

ASSEMBLY, No. 2736

with committee amendments

STATE OF NEW JERSEY

DATED: MAY 1, 1997

The Assembly Health Committee reports favorably and with committee amendments Assembly Bill No. 2736.

As amended by the committee, this bill authorizes the Commissioner of Banking and Insurance to issue a certificate of authority to a limited purpose managed health services organization to provide comprehensive specialized mental health or substance abuse services to recipients of Medicaid, Medicare or other publicly funded services. The limited purpose managed health services organization would contract with the Division of Medical Assistance and Health Services or the Division of Mental Health Services in the Department of Human Services, or the Department of Health and Senior Services, to provide the services on a prepaid contractual basis.

The bill provides that, following receipt of an application for a certificate of authority, the Commissioner of Banking and Insurance shall review it in consultation with the Commissioners of Health and Senior Services and Human Services. The Commissioner of Banking and Insurance shall determine whether the applicant is financially sound and may reasonably be expected to meet its obligations to recipients. If the commissioner deems it necessary, he may require the applicant to deposit with the commissioner or with an entity or trustee acceptable to the commissioner, cash, securities or any combination of these or other measures that is acceptable to the commissioner in an amount established by the commissioner; or to purchase stop-loss insurance in an amount specified by the commissioner.

The commissioner shall issue the certificate of authority if he finds that the entity meets the standards required by the Department of Banking and Insurance and the Departments of Health and Senior Services and Human Services, by regulation. The certificate of authority shall be valid for three years and may be renewed in accordance with regulations adopted by the commissioner.

The bill directs the Commissioner of Banking and Insurance, in consultation with the Commissioners of Health and Senior Services and Human Services, to adopt regulations to carry out the purposes of the bill, including standards regarding financial solvency of limited

purpose managed health services organizations. Also, the Commissioners of Health and Senior Services and Human Services are directed to adopt regulations regarding standards for comprehensive specialized services provided by the organization for which their respective departments may contract.

The committee amendments:

- permit a health maintenance organization operating pursuant to P.L.1973, c.337 (C.26:2J-1 et seq.), as well as a limited purpose managed health services organization which receives a certificate of authority pursuant to this bill, to contract with the Department of Human Services or the Department of Health and Senior Services to furnish specialized mental health or substance abuse services to participants in publicly funded programs;
- stipulate that a limited purpose managed health services organization which is issued a certificate of authority pursuant to this bill shall furnish services through contracted providers which are financially independent of the limited purpose managed health services organization;
- restrict a limited purpose managed health services organization which is issued a certificate of authority pursuant to this bill to furnishing specialized mental health or substance abuse services to participants in publicly funded programs, including, but not limited to, Medicaid and Medicare;
- provide that a limited purpose managed health services organization which is issued a certificate of authority pursuant to this bill would contract with the Department of Health and Senior Services, rather than the Division of Addiction Services in that department; and
- provide that the standards adopted by the Commissioner of Banking and Insurance regarding financial solvency of limited purpose managed health services organizations shall include, but not be limited to, capital and reserve requirements, financial reporting, financial examination by the Commissioner of Banking and Insurance, fees, fines and penalties, as well as standards and procedures for the conservation, rehabilitation and liquidation of limited purpose managed health services organizations.