

SENATE, No. 50

STATE OF NEW JERSEY

INTRODUCED JANUARY 18, 1996

By Senators LITTELL and LaROSSA

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:*

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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
37 communication protocols and the use of electronic data interchange,

1 or EDI, to receive, transmit and store medical and claims information.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

45 (1) One representative of the medical profession, upon the
46 recommendation of the Medical Society of New Jersey;

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

1 Governor shall be appointed for terms of two years.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

43 (8) All providers of network services shall agree to work in an
44 ethical manner so as not to achieve a competitive advantage when
45 collecting or accumulating content information from the transmissions
46 carried on their network.

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

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

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

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

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

18 e. The council shall establish a procedure for routinely producing
19 and distributing monitoring reports on the performance of payers and
20 providers.

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

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

31 b. Consult with the Commissioner of Insurance in his promulgation
32 of standard health care enrollment and claim forms pursuant to section
33 7 of P.L. , c. (C.)(now pending before the Legislature as Senate,
34 No.49 of 1996).

35 c. Consult with the Commissioner of Health in his preparation of
36 the annual report on health care expenditures in New Jersey required
37 by P.L. , c. (C.)(now before the Legislature as Senate, No.42 of
38 1996.).

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40 9. a. The council shall submit an annual report to the Governor
41 and the Legislature which assesses current efforts, and makes such
42 recommendations, including legislative or administrative action for
43 proposed efforts, to reduce health care administrative costs through
44 electronic data interchange and other automated information
45 technology, and which specifies the costs of implementation and
46 discusses any anticipated difficulties with respect to the use of the

1 technology.

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

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

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

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

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28 12. For the fiscal year beginning July 1, 1996, there is appropriated
29 \$250,000 from the General Fund to the Health Information Electronic
30 Data Interchange Policy Council to effectuate the purposes of this act.

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32 13. This act shall take effect immediately.

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STATEMENT

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37 This bill establishes the Health Information Electronic Data
38 Interchange Policy Council in the Department of Health. The council
39 is comprised of 25 members, representing the various participants in
40 the health care services delivery process, including health care
41 providers, insurers, employers and the patients - or consumers - of
42 health care services. The council will be primarily responsible for
43 developing an effective electronic data interchange (EDI) network for
44 use in the health care services delivery process. The council will also
45 be responsible for assuring that any EDI network it adopts will
46 integrate the State's responsibilities to monitor the quantity and quality

1 of health care.

2 In addition to these responsibilities, the council will consult with the
3 Commissioner of Insurance in the promulgation of demonstration
4 standards for the electronic processing of health care coverage claim
5 information by health insurers pursuant Senate, No.48 of 1996; and
6 will consult with the commissioner in his promulgation of standard
7 health care enrollment and claim forms pursuant to Senate, No.49 of
8 1996; as well as with the Commissioner of Health in his preparation of
9 the annual report on health care expenditures required by Senate, No.
10 43 of 1996.

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

16 An appropriation of \$250,000 is provided from the General Fund
17 for the current fiscal year to enable the council to operate initially.
18 However, in subsequent years, funds for the council's expenses will be
19 appropriated from the Electronic Data Interchange Technology Fund,
20 established by Senate, No.45 of 1996 and supported by a processing
21 surcharge on payment transactions of health care facilities. Finally, the
22 bill specifies that although the council is allocated within the
23 Department of Health, it shall make its own budget request.

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

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33 Establishes Health Information Electronic Data Interchange Policy
34 Council.