

[First Reprint]
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:*

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.

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 Senate SHH committee amendments adopted February 22, 1996.

1 e. It has been estimated that New Jersey currently processes 150
2 million health care claims annually, 85% of which are on paper, and
3 that \$760 million in administrative cost savings, or approximately
4 \$370.00 for each family in New Jersey, could be realized with the use
5 of standardized enrollment and claim forms, standardized health care
6 communication protocols and the use of electronic data interchange,
7 or EDI, to receive, transmit and store medical and claims information.

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

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

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

31
32 3. The council shall consist of ¹[25]27¹ members, as follows:

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

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

36 c. The Commissioner of Human Services or his designee, ex
37 officio;

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

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

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

43 g. The President of the ¹[University of Medicine and Dentistry of
44 New Jersey] New Jersey Hospital Association¹, or his designee, ex
45 officio;

46 h. The President of the New Jersey Institute of Technology or his

- 1 designee, ex officio;
- 2 i. The President of Thomas Edison State College or his designee,
3 ex officio;
- 4 j. ¹[Four] Five¹ members to be appointed by the President of the
5 Senate, no more than two of whom shall be of the same political party,
6 as follows:
- 7 (1) One representative of the medical profession, upon the
8 recommendation of the Medical Society of New Jersey;
- 9 (2) One representative of business, upon the recommendation of the
10 New Jersey Business and Industry Association;
- 11 (3) One representative of a health maintenance organization, upon
12 the recommendation of the New Jersey Health Maintenance
13 Organization Association; ¹[and]¹
- 14 (4) One representative of a health insurer domiciled in this State;
15 ¹and
- 16 (5) One representative of the home health care industry, upon the
17 recommendation of the Home Health Assembly of New Jersey;¹
- 18 k. ¹[Four] Five¹ members to be appointed by the Speaker of the
19 General Assembly, no more than two of whom shall be of the same
20 political party, as follows:
- 21 (1) One representative of the pharmacy profession, upon the
22 recommendation of the Pharmacist Institute of New Jersey;
- 23 (2) One representative of organized labor, upon the
24 recommendation of the New Jersey State AFL-CIO;
- 25 (3) One representative of hospitals, upon the recommendation of
26 the New Jersey Hospital Association; ¹[and]¹
- 27 (4) One representative of a health service corporation, or if none
28 exists, a hospital or medical service corporation, domiciled in this
29 State; and
- 30 ¹(5) One representative of the dental profession, upon the
31 recommendation of the New Jersey Dental Association;¹
- 32 l. Eight members to be appointed by the Governor, with the advice
33 and consent of the Senate, no more than four of whom shall be of the
34 same political party, as follows:
- 35 (1) One representative of the chiropractic profession, upon the
36 recommendation of the New Jersey Chiropractic Society;
- 37 (2) One representative of small business, upon the recommendation
38 of the New Jersey State Chamber of Commerce;
- 39 (3) One representative of long-term health care facilities, upon the
40 recommendation of the New Jersey Association of Health Care
41 Facilities;
- 42 (4) One representative of a health insurer authorized to transact
43 business in this State, but not domiciled in this State¹, upon the
44 recommendation of the Health Insurance Association of America¹;
- 45 (5) One representative of the nursing profession, upon the
46 recommendation of the New Jersey State Nurses Association; and

1 (6) Three members of the public, none of whom shall represent the
2 sectors of business, labor, health care providers or the professions or
3 insurers listed above, but who shall be consumers of health care
4 services.

5
6 4. a. The council shall organize upon the appointment of a
7 majority of its authorized membership.

8 b. Appointed members of the council shall serve for three year
9 terms, except that, of the members first appointed, ¹[one] two¹ each
10 of the members appointed by the President of the Senate and the
11 Speaker of the General Assembly and two of the members appointed
12 by the Governor shall be appointed for terms of one year, and one
13 each of the members appointed by the President of the Senate and the
14 Speaker of the General Assembly and two of the members appointed
15 by the Governor shall be appointed for terms of two years.

16 c. Each member shall hold office for the term of appointment and
17 until a successor is appointed and qualified. All vacancies shall be
18 filled in the same manner as the original appointment. Members
19 appointed to fill a vacancy occurring for any reason other than the
20 expiration of the term shall serve for the unexpired term only. An
21 appointed member of the council shall be eligible for reappointment.
22 An appointed member may be removed for cause.

23 d. Appointed members shall serve without compensation, but shall
24 be reimbursed for necessary expenses incurred in the performance of
25 their duties.

26 e. Action may be taken and motions and resolutions may be
27 adopted by the council by an affirmative vote of not less than ¹[12] 13¹
28 members.

29
30 5. a. The council shall appoint an executive director, who shall
31 serve as secretary to the council. The executive director shall serve at
32 the pleasure of the council and shall be in the unclassified service of
33 the Civil Service. Upon the appointment of a majority of the members
34 of the council, the Commissioner of Health shall appoint an acting
35 executive director from among his staff, who shall serve until the
36 appointment of an executive director by the council and who shall not
37 be eligible for appointment by the council.

38 b. To the extent assistance is not available under subsection c. of
39 this section, the council may appoint other employees as may be
40 necessary, within the limits of funds appropriated to it or otherwise
41 made available to it for its purposes. The executive director shall be
42 responsible for the selection of properly qualified staff members, who
43 shall have backgrounds appropriate to the work of the council.
44 Appointed staff members shall be employed in the unclassified service
45 of the Civil Service, except that employees performing stenographic
46 or clerical duties shall be in the career service and appointed pursuant

1 to Title 11A of the New Jersey Statutes. Permanent career service
2 employees who are appointed to an unclassified position with the
3 council shall have a right of reinstatement to the career service to a
4 level held prior to service with the council, unless the employee has
5 been separated, after opportunity for a hearing, from the service with
6 the council for reasons which constitute cause for removal from the
7 career service.

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

12 d. The council is authorized to contract with outside providers for
13 services in support of council responsibilities and documented as
14 otherwise unavailable to the council.

15
16 6. a. The council shall develop an effective electronic data
17 interchange (EDI) network for use by the various sectors in the health
18 care services delivery process. In particular, the council's
19 responsibilities shall include, but not be limited to:

20 (1) Promulgating Statewide protocol standards for
21 interorganizational communication among the participants in the health
22 care services delivery process.

23 (2) Promulgating application protocol standards for the
24 transmission of forms and information among the various sectors of
25 the health care services delivery process.

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

30 (4) Encouraging and facilitating the development of privately
31 owned and operated open networks which would be interconnected
32 and available to all participants of the health care services delivery
33 process.

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

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

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

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

45 (4) As a national information super-highway is developed, New
46 Jersey's health care EDI shall provide a direct connection to the

1 highway and attach to the interim super-highway, the Internet.

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

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

9 (7) All participants in the network shall establish a single
10 connection to the network and this single connection should support
11 all functions of the network.

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

16

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

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

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

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

30 d. The council shall provide continuous oversight with respect to
31 the establishment of, and compliance with, health care information
32 confidentiality and security requirements by health care providers and
33 payers.

34 e. The council shall establish a procedure for routinely producing
35 and distributing monitoring reports on the performance of payers and
36 providers.

37

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

40 a. Consult with the Commissioner of Insurance, in the
41 promulgation of demonstration standards, and using national standards
42 wherever possible, for the electronic receipt, transmission and storage
43 of health care claim information by hospital service, medical service
44 and health service corporations, health insurers and health maintenance
45 organizations pursuant to section 7 of P.L. , c. (C.)(now pending
46 before the Legislature as Senate, No.48 of 1996).

1 b. Consult with the Commissioner of Insurance in his promulgation
2 of standard health care enrollment and claim forms pursuant to section
3 7 of P.L. , c. (C.)(now pending before the Legislature as Senate,
4 No.49 of 1996).

5 c. Consult with the Commissioner of Health in his preparation of
6 the annual report on health care expenditures in New Jersey required
7 by P.L. , c. (C.)(now before the Legislature as Senate, No.¹[42]
8 43¹of 1996.).

9
10 9. a. The council shall submit an annual report to the Governor
11 and the Legislature which assesses current efforts, and makes such
12 recommendations, including legislative or administrative action for
13 proposed efforts, to reduce health care administrative costs through
14 electronic data interchange and other automated information
15 technology, and which specifies the costs of implementation and
16 discusses any anticipated difficulties with respect to the use of the
17 technology.

18 b. In addition, every fifth annual report shall also include an
19 analysis of the council's accomplishment of its stated objectives, a
20 forecast of emerging technologies and the EDI needs of the health care
21 services delivery process for the ensuing five years, and how the
22 council anticipates responding to those needs and incorporating those
23 technologies in its operations over the next five years, including any
24 recommendations for change in its membership or charge, or other
25 legislative or administrative action.

26 c. The reports required by this section shall be prepared with the
27 cooperation and assistance of the New Jersey Institute of Technology
28 and Thomas Edison State College and the council shall use the funds
29 appropriated to it or otherwise made available to it to fund the costs
30 of Thomas Edison State College and the New Jersey Institute of
31 Technology for their services provided to the council in this regard.

32
33 10. For the fiscal year beginning July 1, 1997 and thereafter, funds
34 for the operation of the council shall be appropriated from the
35 Electronic Data Interchange Technology Development Fund
36 established in P.L. , c. (C.)(now before the Legislature as
37 Senate, No.45 of 1996.).

38
39 11. The council may adopt, in accordance with the "Administrative
40 Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.), such rules and
41 regulations as it deems necessary to carry out its responsibilities under
42 this act.

43
44 12. For the fiscal year beginning July 1, 1996, there is appropriated
45 \$250,000 from the General Fund to the Health Information Electronic
46 Data Interchange Policy Council to effectuate the purposes of this act.

1 13. This act shall take effect immediately.

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5

6 Establishes Health Information Electronic Data Interchange Policy

7 Council.