

[Second 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 <sup>2</sup>[and], <sup>2</sup>supplementing  
3 Title 26 of the Revised Statutes <sup>2</sup>, and making an appropriation<sup>2</sup>.  
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:**

<sup>1</sup> Senate SHH committee amendments adopted February 22, 1996.

<sup>2</sup> Senate SBA committee amendments adopted March 7, 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 standards for an effective electronic data interchange network for  
17 use by the various parties; and to assist and enable them to achieve  
18 some commonality of purpose in the exchange of such information, is  
19 necessary and appropriate if the citizens of New Jersey are to benefit  
20 from the 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 <sup>1</sup>[25] <sup>2</sup>[27<sup>1</sup>] 29 <sup>2</sup> members, as  
33 follows:

34 a. The Commissioner of Health or <sup>2</sup>[his] the commissioner's <sup>2</sup>  
35 designee, ex officio, who shall serve as chairman of the council;

36 b. The Commissioner of Insurance or <sup>2</sup>[her] the commissioner's <sup>2</sup>  
37 designee, ex officio;

38 c. The Commissioner of Human Services or <sup>2</sup>[his] the  
39 commissioner's <sup>2</sup> designee, ex officio;

40 d. The State Treasurer or <sup>2</sup>[his] the State Treasurer's <sup>2</sup> designee,  
41 ex officio;

42 e. The Attorney General or <sup>2</sup>[her] the Attorney General's <sup>2</sup>  
43 designee, ex officio;

44 f. The Director of the Division of Pensions and Benefits, in <sup>2</sup>[his]  
45 the director's <sup>2</sup> capacity as the secretary to the State Health Benefits  
46 Commission or <sup>2</sup>[his] the secretary's <sup>2</sup> his designee, ex officio;

- 1 g. The President of the <sup>1</sup>[University of Medicine and Dentistry of  
2 New Jersey] New Jersey Hospital Association<sup>1</sup>, or <sup>2</sup>[his] the  
3 President's<sup>2</sup> designee, ex officio;
- 4 h. The President of the <sup>2</sup>[New Jersey Institute of Technology]  
5 University of Medicine and Dentistry of New Jersey, <sup>2</sup> or <sup>2</sup>[his] the  
6 President's<sup>2</sup> designee, ex officio;
- 7 i. The President of Thomas Edison State College or <sup>2</sup>[his] the  
8 President's<sup>2</sup> designee, ex officio;
- 9 j. <sup>1</sup>[Four] <sup>2</sup>[Five<sup>1</sup>] Six<sup>2</sup> members to be appointed by the President  
10 of the Senate, no more than <sup>2</sup>[two] three<sup>2</sup> of whom shall be of the  
11 same political party, as follows:
- 12 (1) One representative of the medical profession, upon the  
13 recommendation of the Medical Society of New Jersey;
- 14 (2) One representative of business, upon the recommendation of the  
15 New Jersey Business and Industry Association;
- 16 (3) One representative of a health maintenance organization, upon  
17 the recommendation of the New Jersey Health Maintenance  
18 Organization Association; <sup>1</sup>[and]<sup>1</sup>
- 19 (4) One representative of a health insurer domiciled in this State;  
20 <sup>2</sup>[<sup>1</sup>and]<sup>2</sup>
- 21 (5) One representative of the home health care industry, upon the  
22 recommendation of the Home Health Assembly of New Jersey;<sup>1</sup> <sup>2</sup>and
- 23 (6) One representative of physical therapists in the State, upon  
24 recommendation of the American Physical Therapy Association of  
25 New Jersey;<sup>2</sup>
- 26 k. <sup>1</sup>[Four] <sup>2</sup>[Five<sup>1</sup>] Six<sup>2</sup> members to be appointed by the Speaker  
27 of the General Assembly, no more than <sup>2</sup>[two] three<sup>2</sup> of whom shall  
28 be of the same political party, as follows:
- 29 (1) One representative of the pharmacy profession, upon the  
30 recommendation of the Pharmacist Institute of New Jersey;
- 31 (2) One representative of organized labor, upon the  
32 recommendation of the New Jersey State AFL-CIO;
- 33 (3) One representative of hospitals, upon the recommendation of  
34 the New Jersey Hospital Association; <sup>1</sup>[and]<sup>1</sup>
- 35 (4) One representative of a health service corporation, or if none  
36 exists, a hospital or medical service corporation, domiciled in this  
37 State; <sup>2</sup>[and]<sup>2</sup>
- 38 <sup>1</sup>(5) One representative of the dental profession, upon the  
39 recommendation of the New Jersey Dental Association;<sup>1</sup> <sup>2</sup>and
- 40 (6) One representative of the occupational therapists in this State,  
41 upon the recommendation of the New Jersey Occupational Therapy  
42 Association;<sup>2</sup>
- 43 l. Eight members to be appointed by the Governor, with the advice  
44 and consent of the Senate, no more than four of whom shall be of the  
45 same political party, as follows:
- 46 (1) One representative of the chiropractic profession, upon the

- 1 recommendation of the New Jersey Chiropractic Society;
- 2 (2) One representative of small business, upon the recommendation  
3 of the New Jersey State Chamber of Commerce;
- 4 (3) One representative of long-term health care facilities, upon the  
5 recommendation of the New Jersey Association of Health Care  
6 Facilities;
- 7 (4) One representative of a health insurer authorized to transact  
8 business in this State, but not domiciled in this State<sup>1</sup>, upon the  
9 recommendation of the Health Insurance Association of America<sup>1</sup>;
- 10 (5) One representative of the nursing profession, upon the  
11 recommendation of the New Jersey State Nurses Association; and
- 12 (6) Three members of the public, none of whom shall represent the  
13 sectors of business, labor, health care providers or the professions or  
14 insurers listed above, but who shall be consumers of health care  
15 services.

16

17 4. a. The council shall organize upon the appointment of a  
18 majority of its authorized membership.

19 b. Appointed members of the council shall serve for three year  
20 terms, except that, of the members first appointed, <sup>1</sup>[one] two<sup>1</sup> each  
21 of the members appointed by the President of the Senate and the  
22 Speaker of the General Assembly and two of the members appointed  
23 by the Governor shall be appointed for terms of one year, and <sup>2</sup>[one]  
24 two<sup>2</sup> each of the members appointed by the President of the Senate  
25 and the Speaker of the General Assembly and two of the members  
26 appointed by the Governor shall be appointed for terms of two years.

27 c. Each member shall hold office for the term of appointment and  
28 until a successor is appointed and qualified. All vacancies shall be  
29 filled in the same manner as the original appointment. Members  
30 appointed to fill a vacancy occurring for any reason other than the  
31 expiration of the term shall serve for the unexpired term only. An  
32 appointed member of the council shall be eligible for reappointment.  
33 An appointed member may be removed for cause.

34 d. Appointed members shall serve without compensation, but shall  
35 be reimbursed for necessary expenses incurred in the performance of  
36 their duties.

37 e. Action may be taken and motions and resolutions may be  
38 adopted by the council by an affirmative vote of not less than <sup>1</sup>[12]  
39 <sup>2</sup>[13<sup>1</sup>] 15<sup>2</sup> members.

40

41 5. a. The council shall appoint an executive director, who shall  
42 serve as secretary to the council. The executive director shall serve at  
43 the pleasure of the council and shall be in the unclassified service of  
44 the Civil Service. Upon the appointment of a majority of the members  
45 of the council, the Commissioner of Health shall appoint an acting  
46 executive director from among his staff, who shall serve until the

1 appointment of an executive director by the council and who shall not  
2 be eligible for appointment by the council.

3 b. To the extent assistance is not available under subsection c. of  
4 this section, the council may appoint other employees as may be  
5 necessary, within the limits of funds appropriated to it or otherwise  
6 made available to it for its purposes. The executive director shall be  
7 responsible for the selection of properly qualified staff members, who  
8 shall have backgrounds appropriate to the work of the council.  
9 Appointed staff members shall be employed in the unclassified service  
10 of the Civil Service, except that employees performing stenographic  
11 or clerical duties shall be in the career service and appointed pursuant  
12 to Title 11A of the New Jersey Statutes. Permanent career service  
13 employees who are appointed to an unclassified position with the  
14 council shall have a right of reinstatement to the career service to a  
15 level held prior to service with the council, unless the employee has  
16 been separated, after opportunity for a hearing, from the service with  
17 the council for reasons which constitute cause for removal from the  
18 career service.

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

23 d. The council is authorized to contract with outside providers for  
24 services in support of council responsibilities and documented as  
25 otherwise unavailable to the council.

26

27 6. a. The council shall develop <sup>2</sup>standards for <sup>3</sup>an effective  
28 electronic data interchange (EDI) network for use by the various  
29 sectors in the health care services delivery process. In particular, the  
30 council's responsibilities shall include, but not be limited to:

31 (1) Promulgating Statewide protocol standards for  
32 interorganizational communication among the participants in the health  
33 care services delivery process.

34 (2) Promulgating application protocol standards for the  
35 transmission of forms and information among the various sectors of  
36 the health care services delivery process.

37 (3) Encouraging health insurers and other benefit providers to issue  
38 <sup>2</sup>[magnetic stripe "smart cards," or similar type]<sup>2</sup> patient identification  
39 cards or equipment, <sup>2</sup>such as magnetic stripe, "smart cards" or other  
40 patient identification technology.<sup>2</sup> that provide rapid, efficient electronic  
41 access to health care services, to covered individuals.

42 (4) Encouraging and facilitating the development of privately  
43 owned and operated <sup>2</sup>[open] secure <sup>3</sup>networks which would be  
44 interconnected and available to all participants of the health care  
45 services delivery process.

46 b. In developing the <sup>2</sup>standards for the<sup>2</sup> EDI network pursuant to

1 subsection a. of this section, the council shall adopt and utilize the  
2 following guidelines:

3 (1) National standards, such as those developed by the American  
4 National Standards Institute (ANSI) and the Health Care Financing  
5 Administration (HCFA) <sup>2</sup>[should] shall<sup>2</sup> be evaluated and<sup>2</sup> adopted  
6 <sup>2</sup>[wherever possible]<sup>2</sup>.

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

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

13 (4) <sup>2</sup>[As a national information super-highway is developed, New  
14 Jersey's] The State's<sup>2</sup> health care EDI shall provide <sup>2</sup>[a]<sup>2</sup> direct  
15 <sup>2</sup>[connection] connections<sup>2</sup> to the <sup>2</sup>[highway and attach to the interim  
16 super-highway,]<sup>2</sup> the Internet <sup>2</sup>for communication and research  
17 purposes<sup>2</sup>.

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

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

25 (7) All participants in the network shall establish a single  
26 connection to the network and this single connection should support  
27 all functions of the network.

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

32 <sup>2</sup>c. To the maximum extent possible and practicable, the council  
33 shall coordinate its responsibilities and activities with other health  
34 care quality improvement efforts undertaken by the Department of  
35 Health.<sup>2</sup>

36  
37 7. The council shall also perform the following functions in  
38 <sup>2</sup>[furtherance] support<sup>2</sup> of the State's responsibilities to monitor the  
39 quantity and quality of health care:

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

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

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

4 d. The council shall provide continuous oversight with respect to  
5 the establishment of, and compliance with, health care information  
6 confidentiality and security requirements by health care providers and  
7 payers. <sup>2</sup>The council shall develop means for the maintenance of the  
8 confidentiality of proprietary information of health care providers and  
9 payers.<sup>2</sup>

10 e. The council shall establish a procedure for routinely producing  
11 and distributing monitoring reports on the performance of payers and  
12 providers.

13 <sup>2</sup>To the maximum extent possible and practicable, the council shall  
14 coordinate its functions with other health care quality improvement  
15 efforts undertaken by the Department of Health.<sup>2</sup>

16  
17 <sup>2</sup>8. The council shall accept applications for certification by the  
18 council that a network meets the standards developed by the council  
19 pursuant to section 6 of P.L. , c. (C. )(now pending before  
20 the Legislature as this bill). A network owner may apply to the  
21 council for certification. After certification, the council shall monitor  
22 the certified network for compliance with the council's standards.  
23 Certification of a network by the council shall be valid for a term of  
24 twelve months and may be renewed annually upon application by the  
25 network owner.

26 The council may charge a fee for the granting of a certification and  
27 the annual renewal of a certification. The fees collected by the council  
28 shall be appropriated to the council annually for the administrative  
29 costs of certifications, renewals and compliance monitoring. The fee  
30 shall be set by the council at a level deemed appropriate to support  
31 certification, renewal and monitoring activities.<sup>2</sup>

32  
33 <sup>2</sup>[8.] 9.<sup>2</sup> In addition to its responsibilities pursuant to sections 6  
34 and 7 of this act, the council shall:

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

42 b. Consult with the Commissioner of Insurance in his promulgation  
43 of standard health care enrollment and claim forms pursuant to section  
44 7 of P.L. , c. (C. )(now pending before the Legislature as Senate,  
45 No.49 of 1996).

46 c. Consult with the Commissioner of Health in his preparation of

1 the annual report on health care expenditures in New Jersey required  
2 by P.L. , c. (C. )(now before the Legislature as Senate, No.<sup>1</sup>[42]  
3 43<sup>1</sup>of 1996.).

4 <sup>2</sup>[9.] 10.<sup>2</sup> a. The council shall submit an annual report to the  
5 Governor and the Legislature which assesses current efforts, and  
6 makes such recommendations, including legislative or administrative  
7 action for proposed efforts, to reduce health care administrative costs  
8 through electronic data interchange and other automated information  
9 technology, and which specifies the costs of implementation and  
10 discusses any anticipated difficulties with respect to the use of the  
11 technology.

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

20 c. The reports required by this section shall be prepared with the  
21 cooperation and assistance of the New Jersey Institute of Technology  
22 and Thomas Edison State College and the council shall use the funds  
23 appropriated to it or otherwise made available to it to fund the costs  
24 of Thomas Edison State College and the New Jersey Institute of  
25 Technology for their services provided to the council in this regard.

26  
27 <sup>2</sup>[10.] 11.<sup>2</sup> For the fiscal year beginning July 1, 1997 and  
28 thereafter, funds for the operation of the council shall be appropriated  
29 from the Electronic Data Interchange Technology Development Fund  
30 established in P.L. , c. (C. )(now before the Legislature as  
31 Senate, No.45 of 1996.).

32  
33 <sup>2</sup>[11.] 12.<sup>2</sup> The council may adopt, in accordance with the  
34 "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et  
35 seq.), such rules and regulations as it deems necessary to carry out its  
36 responsibilities under this act.

37  
38 <sup>2</sup>[12. For the fiscal year beginning July 1, 1996, there] 13. There<sup>2</sup>  
39 is appropriated \$250,000 from the General Fund to the Health  
40 Information Electronic Data Interchange Policy Council to effectutae  
41 the purposes of this bill.

42  
43 <sup>2</sup>[13.] 14.<sup>2</sup> This act shall take effect immediately.

1

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2

3 Establishes Health Information Electronic Data Interchange Policy

4 Council; appropriates \$250,000.