

SENATE, No. 860

STATE OF NEW JERSEY

INTRODUCED FEBRUARY 26, 1996

By Senator BUBBA

1 AN ACT concerning health maintenance organizations and amending
2 P.L.1973, c.337.

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

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7 1. Section 15 of P.L.1973, c.337 (C.26:2J-15) is amended to read
8 as follows:

9 15. a. No health maintenance organization, or representative
10 thereof, may cause or knowingly permit the use of advertising which
11 is untrue or misleading, solicitation which is untrue or misleading, or
12 any form of evidence of coverage which is deceptive. For purpose of
13 this act:

14 (1) a statement or item of information shall be deemed to be untrue
15 if it does not conform to fact in any respect which is or may be
16 significant to an enrollee of, or person considering enrollment in, a
17 health care plan;

18 (2) a statement or item of information shall be deemed to be
19 misleading, whether or not it may be literally untrue, if, in the total
20 context in which such statement is made or such item of information
21 is communicated, such statement or item of information may be
22 reasonably understood by a reasonable person, not possessing special
23 knowledge regarding health care coverage, as indicating any benefit or
24 advantage or the absence of any exclusion, limitation, or disadvantage
25 of possible significance to an enrollee of, or person considering
26 enrollment in, a health care plan, if such benefit or advantage or
27 absence of limitation, exclusion or disadvantage does not in fact exist;

28 (3) an evidence of coverage shall be deemed to be deceptive if the
29 evidence of coverage taken as a whole, and with consideration given
30 to typography and format, as well as language, shall be such as to
31 cause a reasonable person, not possessing special knowledge regarding
32 health care plans and evidences of coverage [therefore] therefor, to
33 expect benefits, services, charges, or other advantages which the
34 evidence of coverage does not provide or which the health care plan

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.

1 issuing such evidence of coverage does not regularly make available
2 for enrollees covered under such evidence of coverage.

3 b. The unfair trade practice provisions of the New Jersey insurance
4 law (N.J.S.17B:30-1 through 22) shall be construed to apply to health
5 maintenance organizations, health care plans and evidences of
6 coverage except to the extent that the commissioner determines that
7 the nature of health maintenance organizations, health care plans and
8 evidence of coverage render such sections clearly inappropriate.

9 c. An enrollee may not be canceled or nonrenewed except for the
10 failure to pay the charge for such coverage, or for such other reasons
11 as may be promulgated by the commissioner.

12 d. No health maintenance organization, unless licensed as an
13 insurer, may use in its name, evidence of coverage, or literature any of
14 the words "insurance," "assurance," "casualty," "surety," "mutual," or
15 any other words descriptive of the insurance, casualty, or surety
16 business or deceptively similar to the name or description of any
17 insurance, or surety corporation doing business in this State.

18 e. A health maintenance organization shall not consider a person's
19 eligibility for medical assistance pursuant to P.L.1968, c.413
20 (C.30:4D-1 et seq.), or the equivalent statute in another state, when
21 determining the person's eligibility for enrollment in, or the provision
22 of health care services under, a contract or certificate for health care
23 services.

24 f. No health maintenance organization shall deny a provider the
25 right to enter into a contract pursuant to paragraph (4) of subsection
26 a. of section 5 of P.L.1973, c.337 (C.26:2J-5) if the provider is willing
27 to meet the terms and conditions of the contract.

28 g. No health maintenance organization shall terminate a contract
29 with a provider pursuant to paragraph (4) of subsection a. of section
30 5 of P.L.1973, c.337 (C.26:2J-5) unless the health maintenance
31 organization provides the provider with written notice of the reasons
32 for termination.

33 The provisions of this section shall be enforced by the State
34 Director of the Division of Consumer Affairs and, where applicable,
35 the commissioner or the Commissioner of Insurance. Nothing in this
36 act shall limit the powers of the Attorney General and the procedures
37 with respect to consumer fraud in P.L.1960, c.39 (C.56:8-1 et seq.).
38 (cf: P.L.1995, c.291, s.9)

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40 2. This act shall take effect immediately.

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STATEMENT

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45 This bill prohibits a health maintenance organization from denying
46 a provider the right to enter into a contract with a health maintenance

1 organization if the provider is willing to meet the terms and conditions
2 of the contract.

3 The bill also prohibits a health maintenance organization from
4 terminating a provider unless the health maintenance organization
5 provides the provider with written notice of the health maintenance
6 organization's reasons for termination.

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11 Prohibits HMOs from denying provider participation if provider meets
12 terms of contract; requires disclosure of reasons for termination of
13 provider.