

SENATE, No. 1359

STATE OF NEW JERSEY

INTRODUCED JUNE 20, 1996

By Senator CODEY

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

3

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

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7 1. Section 24 of P.L.1973, c.337 (C.26:2J-24) is amended to read  
8 as follows:

9 24. a. The commissioner may, in lieu of suspension or revocation  
10 of a certificate of authority under section 18 hereof, levy an  
11 administrative penalty in an amount not less than ~~[\$100.00]~~ \$250 nor  
12 more than ~~[\$1,000.00]~~ \$10,000 for each day the health maintenance  
13 organization is in violation of P.L.1973, c.337 (C.26:2J-1 et seq.), if  
14 reasonable notice in writing is given of the intent to levy the penalty  
15 [and the health maintenance organization has a reasonable time within  
16 which to remedy the defect in its operations which gave rise to the  
17 penalty citation, and fails to do so within said time]. Any such  
18 penalty may be recovered in a summary proceeding pursuant to [the  
19 Penalty Enforcement Law (N.J.S. 2A:58-1 et seq.)] "the penalty  
20 enforcement law," N.J.S.2A:58-1 et seq.

21 b. Any person who violates this act is a disorderly person and shall  
22 be prosecuted and punished pursuant to the "disorderly persons law"  
23 subtitle 12 of Title 2A of the New Jersey Statutes.

24 c. (1) If the commissioner or the Commissioner of Insurance shall  
25 for any reason have cause to believe that any violation of this act has  
26 occurred or is threatened, the commissioner or Commissioner of  
27 Insurance may give notice to the health maintenance organization and  
28 to the representatives, or other persons who appear to be involved in  
29 such suspected violation, to arrange a conference with the alleged  
30 violators or their authorized representatives for the purpose of  
31 attempting to ascertain the facts relating to such suspected violation,  
32 and, in the event it appears that any violation has occurred or is  
33 threatened, to arrive at an adequate and effective means of correcting  
34 or preventing such violation.

**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 (2) Proceedings under this subsection c. shall not be governed by  
2 any formal procedural requirements, and may be conducted in such  
3 manner as the commissioner or the Commissioner of Insurance may  
4 deem appropriate under the circumstances.

5 d. (1) The commissioner or the Commissioner of Insurance may  
6 issue an order directing a health maintenance organization or a  
7 representative of a health maintenance organization to cease and  
8 desist from engaging in any act or practice in violation of the  
9 provisions of this act.

10 (2) Within 20 days after service of the order of cease and desist, the  
11 respondent may request a hearing on the question of whether acts or  
12 practices in violation of this act have occurred. Such hearings shall be  
13 conducted pursuant to the Administrative Procedure Act, P.L.1968,  
14 c.410 (C.52:14B-1 et seq.) and judicial review shall be available as  
15 provided therein.

16 e. In the case of any violation of the provisions of this act, if the  
17 commissioner elects not to issue a cease and desist order, or in the  
18 event of noncompliance with a cease and desist order issued pursuant  
19 to subsection d. of this section, the commissioner may institute a  
20 proceeding to obtain injunctive relief, in accordance with the  
21 applicable Court Rules.

22 (cf: P.L.1973, c.337, s 24)

23  
24 2. This act shall take effect 30 days after the date of enactment.  
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## 27 STATEMENT

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29 This bill increases the penalties for violations of the "Health  
30 Maintenance Organizations Act," P.L.1973, c.337 (C.26:2J-1 et seq.)  
31 from a range of \$100 to \$1,000 to a range of \$250 to \$10,000 for each  
32 day the health maintenance organization is in violation of the law. The  
33 penalties have not been changed since the law was enacted in 1973,  
34 and need to be increased in order to provide for more effective  
35 enforcement of the law governing these health care services providers.  
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41 Increases penalties for violations of "Health Maintenance  
Organizations Act."