

SENATE, No. 1621

STATE OF NEW JERSEY

INTRODUCED OCTOBER 28, 1996

By Senator CODEY

1 AN ACT concerning health insurance benefits for treatment of mental  
2 illness and supplementing P.L.1938, c.366 (C.17:48-1 et seq.),  
3 P.L.1940, c.74 (C.17:48A-1 et seq.), P.L.1985, c.236 (C.17:48E-1  
4 et seq.), chapter 26 of Title 17B of the New Jersey Statutes,  
5 chapter 27 of Title 17B of the New Jersey Statutes, and P.L.1973,  
6 c.337 (C.26:2J-1 et seq.).  
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8 **BE IT ENACTED** by the Senate and General Assembly of the State  
9 of New Jersey:

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11 1. Except as otherwise provided in P.L.1992, c.161 (C.17B:27A-2  
12 et seq.) or P.L.1992, c.162 (C.17B:27A-17 et seq.), every hospital  
13 service corporation authorized to do business in this State shall, no  
14 later than December 31, 1997, offer for sale individual and group  
15 health care contracts in accordance with accepted underwriting  
16 standards which provide benefits to any subscriber or other person  
17 covered thereunder for expenses incurred in connection with the  
18 treatment of mental illness or nervous disorders, which benefits are at  
19 least equal to the following minimum requirements:

20 a. In the case of benefits based either upon confinement as an  
21 inpatient or partial hospitalization in an acute care or psychiatric  
22 licensed hospital, the period of confinement for which benefits shall be  
23 payable shall be at least 30 days for inpatient care or 60 days for  
24 partial hospitalization in any 12-month benefit period. For the purpose  
25 of computing the period for which benefits are payable, each two days  
26 of partial hospitalization care shall reduce by one day the 30 days  
27 available for inpatient care, and each day of inpatient care shall reduce  
28 by two days the 60 days available for partial hospitalization care. Each  
29 day of confinement as an inpatient or each two days of partial  
30 hospitalization shall reduce by one day the total days available for all  
31 other illnesses during any one 12-month benefit period. For the  
32 purpose of this section, "partial hospitalization" means continuous  
33 treatment for at least three hours, but not more than 12 hours in any  
34 24-hour period.

35 b. In the case of outpatient benefits for treatment of mental illness  
36 or nervous disorders, the benefits shall at least cover services equal to  
37 an aggregate benefit of \$800 over a 12-month benefit period.

1 c. The contract may provide for a copayment requirement for  
2 mental illness or nervous disorders benefits but that copayment  
3 requirement shall not be greater than 50%.

4 d. The contract may establish a deductible requirement for mental  
5 illness or nervous disorders benefits but the deductible amount shall  
6 not be greater than the deductible amount for any other sickness  
7 benefits provided in the contract.

8 e. The contract may limit the benefits required in this section to  
9 coverage for treatment of clinically significant mental illnesses  
10 recognized by a standard psychiatric diagnostic manual, in accordance  
11 with rules and regulations adopted by the Commissioner of Banking  
12 and Insurance, pursuant to the "Administrative Procedure Act,"  
13 P.L.1968, c.410 (C.52:14B-1 et seq.).

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15 2. Except as otherwise provided in P.L.1992, c.161 (C.17B:27A-2  
16 et seq.) or P.L.1992, c.162 (C.17B:27A-17 et seq.), every medical  
17 service corporation authorized to do business in this State shall, no  
18 later than December 31, 1997, offer for sale individual and group  
19 health care contracts in accordance with accepted underwriting  
20 standards which provide benefits to any subscriber or other person  
21 covered thereunder for expenses incurred in connection with the  
22 treatment of mental illness or nervous disorders, which benefits are at  
23 least equal to the following minimum requirements:

24 a. In the case of benefits based either upon confinement as an  
25 inpatient or partial hospitalization in an acute care or psychiatric  
26 licensed hospital, the period of confinement for which benefits shall be  
27 payable shall be at least 30 days for inpatient care or 60 days for  
28 partial hospitalization in any 12-month benefit period. For the purpose  
29 of computing the period for which benefits are payable, each two days  
30 of partial hospitalization care shall reduce by one day the 30 days  
31 available for inpatient care, and each day of inpatient care shall reduce  
32 by two days the 60 days available for partial hospitalization care. Each  
33 day of confinement as an inpatient or each two days of partial  
34 hospitalization shall reduce by one day the total days available for all  
35 other illnesses during any one 12-month benefit period. For the  
36 purpose of this section, "partial hospitalization" means continuous  
37 treatment for at least three hours, but not more than 12 hours in any  
38 24-hour period.

39 b. In the case of outpatient benefits for treatment of mental illness  
40 or nervous disorders, the benefits shall at least cover services equal to  
41 an aggregate benefit of \$800 over a 12-month benefit period.

42 c. The contract may provide for a copayment requirement for  
43 mental illness or nervous disorders benefits but that copayment  
44 requirement shall not be greater than 50%.

45 d. The contract may establish a deductible requirement for mental  
46 illness or nervous disorders benefits but the deductible amount shall

1 not be greater than the deductible amount for any other sickness  
2 benefits provided in the contract.

3 e. The contract may limit the benefits required in this section to  
4 coverage for treatment of clinically significant mental illnesses  
5 recognized by a standard psychiatric diagnostic manual, in accordance  
6 with rules and regulations adopted by the Commissioner of Banking  
7 and Insurance, pursuant to the "Administrative Procedure Act,"  
8 P.L.1968, c.410 (C.52:14B-1 et seq.).

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10 3. Except as otherwise provided in P.L.1992, c.161 (C.17B:27A-2  
11 et seq.) or P.L.1992, c.162 (C.17B:27A-17 et seq.), every health  
12 service corporation authorized to do business in this State shall, no  
13 later than December 31, 1997, offer for sale individual and group  
14 health care contracts in accordance with accepted underwriting  
15 standards which provide benefits to any subscriber or other person  
16 covered thereunder for expenses incurred in connection with the  
17 treatment of mental illness or nervous disorders, which benefits are at  
18 least equal to the following minimum requirements:

19 a. In the case of benefits based either upon confinement as an  
20 inpatient or partial hospitalization in an acute care or psychiatric  
21 licensed hospital, the period of confinement for which benefits shall be  
22 payable shall be at least 30 days for inpatient care or 60 days for  
23 partial hospitalization in any 12-month benefit period. For the purpose  
24 of computing the period for which benefits are payable, each two days  
25 of partial hospitalization care shall reduce by one day the 30 days  
26 available for inpatient care, and each day of inpatient care shall reduce  
27 by two days the 60 days available for partial hospitalization care. Each  
28 day of confinement as an inpatient or each two days of partial  
29 hospitalization shall reduce by one day the total days available for all  
30 other illnesses during any one 12-month benefit period. For the  
31 purpose of this section, "partial hospitalization" means continuous  
32 treatment for at least three hours, but not more than 12 hours in any  
33 24-hour period.

34 b. In the case of outpatient benefits for treatment of mental illness  
35 or nervous disorders, the benefits shall at least cover services equal to  
36 an aggregate benefit of \$800 over a 12-month benefit period.

37 c. The contract may provide for a copayment requirement for  
38 mental illness or nervous disorders benefits but that copayment  
39 requirement shall not be greater than 50%.

40 d. The contract may establish a deductible requirement for mental  
41 illness or nervous disorders benefits but the deductible amount shall  
42 not be greater than the deductible amount for any other sickness  
43 benefits provided in the contract.

44 e. The contract may limit the benefits required in this section to  
45 coverage for treatment of clinically significant mental illnesses  
46 recognized by a standard psychiatric diagnostic manual, in accordance

1 with rules and regulations adopted by the Commissioner of Banking  
2 and Insurance, pursuant to the "Administrative Procedure Act,"  
3 P.L.1968, c.410 (C.52:14B-1 et seq.).

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5 4. Except as otherwise provided in P.L.1992, c.161 (C.17B:27A-2  
6 et seq.) or P.L.1992, c.162 (C.17B:27A-17 et seq.), every individual  
7 health insurer authorized to do business in this State shall, no later  
8 than December 31, 1997, offer for sale individual health care policies  
9 in accordance with accepted underwriting standards which provide  
10 benefits to the insured or other person covered thereunder for  
11 expenses incurred in connection with the treatment of mental illness or  
12 nervous disorders, which benefits are at least equal to the following  
13 minimum requirements:

14 a. In the case of benefits based either upon confinement as an  
15 inpatient or partial hospitalization in an acute care or psychiatric  
16 licensed hospital, the period of confinement for which benefits shall be  
17 payable shall be at least 30 days for inpatient care or 60 days for  
18 partial hospitalization in any 12-month benefit period. For the purpose  
19 of computing the period for which benefits are payable, each two days  
20 of partial hospitalization care shall reduce by one day the 30 days  
21 available for inpatient care, and each day of inpatient care shall reduce  
22 by two days the 60 days available for partial hospitalization care. Each  
23 day of confinement as an inpatient or each two days of partial  
24 hospitalization shall reduce by one day the total days available for all  
25 other illnesses during any one 12-month benefit period. For the  
26 purpose of this section, "partial hospitalization" means continuous  
27 treatment for at least three hours, but not more than 12 hours in any  
28 24-hour period.

29 b. In the case of outpatient benefits for treatment of mental illness  
30 or nervous disorders, the benefits shall at least cover services equal to  
31 an aggregate benefit of \$800 over a 12-month benefit period.

32 c. The policy may provide for a copayment requirement for mental  
33 illness or nervous disorders benefits but that copayment requirement  
34 shall not be greater than 50%.

35 d. The policy may establish a deductible requirement for mental  
36 illness or nervous disorders benefits but the deductible amount shall  
37 not be greater than the deductible amount for any other sickness  
38 benefits provided in the policy.

39 e. The policy may limit the benefits required in this section to  
40 coverage for treatment of clinically significant mental illnesses  
41 recognized by a standard psychiatric diagnostic manual, in accordance  
42 with rules and regulations adopted by the Commissioner of Banking  
43 and Insurance, pursuant to the "Administrative Procedure Act,"  
44 P.L.1968, c.410 (C.52:14B-1 et seq.).

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46 5. Except as otherwise provided in P.L.1992, c.161 (C.17B:27A-2

1 et seq.) or P.L.1992, c.162 (C.17B:27A-17 et seq.), every group  
2 health insurer authorized to do business in this State shall, no later  
3 than December 31, 1997, offer for sale health care policies in  
4 accordance with accepted underwriting standards which provide  
5 benefits to any insured or other person covered thereunder for  
6 expenses incurred in connection with the treatment of mental illness or  
7 nervous disorders, which benefits are at least equal to the following  
8 minimum requirements:

9 a. In the case of benefits based either upon confinement as an  
10 inpatient or partial hospitalization in an acute care or psychiatric  
11 licensed hospital, the period of confinement for which benefits shall be  
12 payable shall be at least 30 days for inpatient care or 60 days for  
13 partial hospitalization in any 12-month benefit period. For the purpose  
14 of computing the period for which benefits are payable, each two days  
15 of partial hospitalization care shall reduce by one day the 30 days  
16 available for inpatient care, and each day of inpatient care shall reduce  
17 by two days the 60 days available for partial hospitalization care. Each  
18 day of confinement as an inpatient or each two days of partial  
19 hospitalization shall reduce by one day the total days available for all  
20 other illnesses during any one 12-month benefit period. For the  
21 purpose of this section, "partial hospitalization" means continuous  
22 treatment for at least three hours, but not more than 12 hours in any  
23 24-hour period.

24 b. In the case of outpatient benefits for treatment of mental illness  
25 or nervous disorders, the benefits shall at least cover services equal to  
26 an aggregate benefit of \$800 over a 12-month benefit period.

27 c. The policy may provide for a copayment requirement for mental  
28 illness or nervous disorders benefits but that copayment requirement  
29 shall not be greater than 50%.

30 d. The policy may establish a deductible requirement for mental  
31 illness or nervous disorders benefits but the deductible amount shall  
32 not be greater than the deductible amount for any other sickness  
33 benefits provided in the policy.

34 e. The policy may limit the benefits required in this section to  
35 coverage for treatment of clinically significant mental illnesses  
36 recognized by a standard psychiatric diagnostic manual, in accordance  
37 with rules and regulations adopted by the Commissioner of Banking  
38 and Insurance, pursuant to the "Administrative Procedure Act,"  
39 P.L.1968, c.410 (C.52:14B-1 et seq.).

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41 6. Except as otherwise provided in P.L.1992, c.161 (C.17B:27A-2  
42 et seq.) or P.L.1992, c.162 (C.17B:27A-17 et seq.), and  
43 notwithstanding any provisions of law to the contrary, a certificate of  
44 authority to establish and operate a health maintenance organization  
45 in this State shall not be issued or continued by the Commissioner of  
46 Health and Senior Services after the effective date of this act unless

1 the health maintenance organization offers health care services to any  
2 enrollee for treatment of mental illness or nervous disorders pursuant  
3 to this act.

4 The Commissioner of Health and Senior Services shall adopt rules  
5 and regulations in accordance with the "Administrative Procedure  
6 Act," P.L.1968, c.410 (C.52:14B-1 et seq.) which establish the  
7 following minimum requirements for services for treatment of mental  
8 illness and nervous disorders provided by health maintenance  
9 organizations:

10 a. In the case of services based either upon confinement as an  
11 inpatient or partial hospitalization in an acute care or psychiatric  
12 licensed hospital, the period of confinement for which services shall be  
13 rendered shall be at least 30 days for inpatient care or 60 days for  
14 partial hospitalization in any 12-month service period. For the  
15 purpose of computing the period for which services are rendered, each  
16 two days of partial hospitalization care shall reduce by one day the 30  
17 days available for inpatient care, and each day of inpatient care shall  
18 reduce by two days the 60 days available for partial hospitalization  
19 care. Each day of confinement as an inpatient or each two days of  
20 partial hospitalization may reduce by one day the total days available  
21 for all other illnesses during any one 12-month service period. For the  
22 purpose of this section, "partial hospitalization" means continuous  
23 treatment for at least three hours, but not more than 12 hours, in any  
24 24-hour period.

25 b. In the case of outpatient services for treatment of mental illness  
26 or nervous disorders, the services shall at least cover services equal to  
27 an aggregate benefit of \$800 over a 12-month period.

28 c. The health maintenance organization may provide for a  
29 copayment requirement for mental illness or nervous disorders services  
30 but that copayment requirement shall not be greater than 50%.

31 d. The health maintenance organization may establish a deductible  
32 requirement for mental illness or nervous disorders services but the  
33 deductible amount shall not be greater than the deductible amount for  
34 any other sickness services provided by the health maintenance  
35 organization.

36 e. The health maintenance organization may limit the services  
37 required in this act to coverage for treatment of clinically significant  
38 mental illnesses recognized by a standard psychiatric diagnostic  
39 manual, in accordance with rules and regulations adopted by the  
40 Commissioner of Health and Senior Services.

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42 7. Sections 1 through 5 of this act shall take effect immediately and  
43 section 6 shall take effect on the 90th day following the date of  
44 enactment.

## STATEMENT

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This bill requires hospital, medical and health service corporations, commercial insurers, and health maintenance organizations to offer in all contracts and policies, no later than December 31, 1997, benefits for the treatment of mental illness and nervous disorders. The bill also establishes minimum benefit levels for these benefits. The requirement to offer the benefits would not apply to individual and small employer health benefits plans established pursuant to P.L.1992, c.161 and P.L.1992, c.162, respectively.

The bill requires that the benefits provide for at least 30 days of inpatient hospital care or 60 days of partial hospitalization within a 12-month benefit period. Two partial hospitalization days shall be equal to one inpatient hospitalization day and the total number of days used for this benefit shall be deducted from the total number of days available for all sickness.

The bill also requires that at least the equivalent of \$800 of outpatient benefits within a 12-month benefit period be provided and states that there may be a copayment requirement of up to 50% and a deductible requirement, but the deductible must not be greater than the deductible for any other covered sickness.

Finally, to ensure that the required benefits under this bill are used for the treatment of illness, the bill permits carriers to limit coverage to the treatment of clinically significant mental illness recognized by a standard psychiatric diagnostic manual as prescribed by the Commissioner of Banking and Insurance.

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Requires health insurers to offer benefits for treatment of mental illness.