

SENATE SENIOR CITIZENS, VETERANS' AFFAIRS AND  
HUMAN SERVICES COMMITTEE

STATEMENT TO

**SENATE, No. 1827**

with committee amendments

**STATE OF NEW JERSEY**

DATED: MAY 8, 1997

The Senate Senior Citizens, Veterans' Affairs and Human Services Committee favorably reports Senate Bill No. 1827 with committee amendments

As amended by the committee, this bill authorizes the Commissioner of Banking and Insurance to issue a certificate of authority to a limited purpose managed health services organization to provide comprehensive specialized mental health or substance abuse services to recipients of Medicaid, Medicare or other publicly funded services. The limited purpose managed health services organization would contract with the Division of Medical Assistance and Health Services or the Division of Mental Health Services in the Department of Human Services, or the Division of Addiction Services in the Department of Health and Senior Services, to provide the services on a prepaid contractual basis.

The bill provides that, following receipt of an application for a certificate of authority, the Commissioner of Banking and Insurance shall review it in consultation with the Commissioners of Health and Senior Services and Human Services. The Commissioner of Banking and Insurance shall determine whether the applicant is financially sound and may reasonably be expected to meet its obligations to recipients. If the commissioner deems it necessary, he may require the applicant to deposit with the commissioner or with an entity or trustee acceptable to the commissioner, cash, securities or any combination of these or other measures that is acceptable to the commissioner in an amount established by the commissioner; or to purchase stop-loss insurance in an amount specified by the commissioner.

The commissioner shall issue the certificate of authority if he finds that the entity meets the standards required by the Department of Banking and Insurance and the Departments of Health and Senior Services and Human Services, by regulation. The certificate of authority shall be valid for three years and may be renewed in accordance with regulations adopted by the commissioner.

The bill directs the Commissioner of Banking and Insurance, in consultation with the Commissioners of Health and Senior Services and Human Services, to adopt regulations to carry out the purposes of the bill, including standards regarding financial solvency of limited purpose managed health services organizations. Also, the Commissioners of Health and Senior Services and Human Services are directed to adopt regulations regarding standards for comprehensive specialized services provided by the organization for which their respective departments may contract.

The committee amendments:

- C permit a health maintenance organization operating pursuant to P.L.1973, c.337 (C.26:2J-1 et seq.), as well as a limited purpose managed health services organization which receives a certificate of authority pursuant to this bill, to contract with the Department of Human Services or the Department of Health and Senior Services to furnish specialized mental health or substance abuse services to participants in publicly funded programs;
- C restrict a limited purpose managed health services organization which is issued a certificate of authority pursuant to this bill to furnishing specialized mental health or substance abuse services to participants in publicly funded programs, including, but not limited to, Medicaid and Medicare;
- C provide that the standards adopted by the Commissioner of Banking and Insurance regarding financial solvency of limited purpose managed health services organizations shall include, but not be limited to, capital and reserve requirements, financial reporting, financial examination by the Commissioner of Banking and Insurance, fees, fines and penalties, as well as standards and procedures for the conservation, rehabilitation and liquidation of limited purpose managed health services organizations; and
- C provide that the Commissioner of Banking and Insurance, in determining whether to issue a certificate of authority, and the Division of Medical Assistance and Health Services or the Division of Mental Health Services in the Department of Human Services or the Division of Addiction Services in the Department of Health and Senior Services, in awarding contracts for the provision of comprehensive specialized mental health or substance abuse services, shall not discriminate among classes of providers on grounds unrelated to their demonstrated effectiveness and efficiency in providing those services. "Provider" is defined as a "managed care organization or other health care delivery system such as, but not limited to, a preferred provider organization, network or affiliation of networks which is adequate to provide access to quality health care services in an efficient manner."