

26:2J-11.1

**LEGISLATIVE HISTORY CHECKLIST**  
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(HMO Contracts)

**LAWS OF:** 1989

**CHAPTER:** 321

**Bill No:** A474

**Sponsor(s):** Colburn

**Date Introduced:** Pre-filed

**Committee: Assembly:** Health & Human Services

**Senate:** Institutions, Health & Welfare

**Amended during passage:** Yes

**Date of Passage: Assembly:** June 22, 1989 Re-enacted 1-8-90

**Senate:** November 20, 1989 Re-enacted 1-8-90

**Date of Approval:** January 12, 1990

**Following statements are attached if available:**

**Sponsor statement:** Yes

**Committee Statement: Assembly:** Yes

**Senate:** Yes

**Fiscal Note:** ~~Yes~~ NO

**Veto Message:** Yes

**Message on signing:** No

**Following were printed:**

**Reports:** No

**Hearings:** No

KGB/SLJ

[SECOND REPRINT]  
ASSEMBLY, No. 474

STATE OF NEW JERSEY

PRE-FILED FOR INTRODUCTION IN THE 1988 SESSION

By Assemblymen COLBURN and SHINN

1 AN ACT concerning health maintenance organization contracts  
2 with health care facilities and <sup>1</sup>amending and<sup>1</sup> supplementing  
3 P.L.1973, c.337 (C.26:2J-1 et seq.).  
4

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

7 <sup>1</sup>Section 11 of P.L.1973, c.337 (C.26:2J-11) is amended to  
8 read as follows:

9 11. a. After a health maintenance organization has been in  
10 operation 24 months, it shall have an annual open enrollment  
11 period of at least one month during which it accepts enrollees up  
12 to the limits of its capacity, as determined by the health  
13 maintenance organization, in the order in which they apply for  
14 enrollment. A health maintenance organization may apply to  
15 the commissioner for authorization to impose such underwriting  
16 restrictions upon enrollment as are necessary to preserve its  
17 financial stability, to prevent excessive adverse selection by  
18 prospective enrollees, or to avoid unreasonably high or  
19 unmarketable charges for enrollee coverage for health care  
20 services. The commissioner shall approve or deny such  
21 application within 30 days of the receipt thereof from the health  
22 maintenance organization. The Commissioner of Insurance shall  
23 certify to the commissioner the appropriateness of any  
24 requested underwriting restrictions.

25 b. Health maintenance organizations providing or arranging  
26 for services exclusively on a group contract basis may limit the  
27 open enrollment provided for in subsection a. to all members of  
28 the group or groups covered by such contracts.

29 c. A health maintenance organization shall notify its  
30 enrollees in writing at the time of enrollment, and include a  
31 notice in the promotional material which it distributes to  
32 prospective enrollees, that a person's choice of health benefits

EXPLANATION--Matter enclosed in bold-faced brackets [thus] in the  
above bill is not enacted and is 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> Assembly AHH committee amendments adopted May 18, 1989.

<sup>2</sup> Assembly amendment adopted in accordance with Governor's  
recommendations January 4, 1990.

1 plan will determine his coverage until the next annual open  
2 enrollment period, regardless of the continued availability of a  
3 particular health care provider who contracts with that health  
4 maintenance organization, unless the enrollee moves his place of  
5 residence outside of the organization's designated service area.<sup>1</sup>

6 (cf: P.L.1973, c.337, s.11)

7 <sup>1</sup>[1.] 2. (New section)<sup>1</sup> If a health maintenance organization  
8 authorized to operate in this State pursuant to P.L.1973, c.337  
9 (C.26:2J-1 et seq.) and a general hospital <sup>1</sup>[or other health care  
10 facility as defined in section 2 of] licensed pursuant to<sup>1</sup>  
11 P.L.1971, c.136 <sup>1</sup>[(C.26:2H-2)] (C.26:2H-1 et seq.)<sup>1</sup> with which  
12 the health maintenance organization has a contract to provide  
13 services to its enrollees, are unable to agree on the terms of a  
14 new contract upon the expiration of the current contract, the  
15 <sup>1</sup>[health care facility] hospital<sup>1</sup> and the health maintenance  
16 organization shall continue to abide by the terms of the most  
17 current contract for a period of four months from <sup>1</sup>[the date of  
18 expiration of that contract] a severance date mutually agreed  
19 upon by both parties<sup>1</sup>. In that event, the health maintenance  
20 organization shall promptly notify <sup>1</sup>the health care providers  
21 with which it has contracted to provide services and <sup>2</sup>provide  
22 notification within the four-month extension period to<sup>2</sup> those  
23 of<sup>1</sup> its enrollees <sup>1</sup>who reside in the county in which the hospital  
24 is located or in an adjacent county<sup>1</sup> in writing as to the <sup>1</sup>[four  
25 month]<sup>1</sup> extension of the terms of the most current contract<sup>1,1</sup>  
26 and <sup>1</sup>shall in the notice to its enrollees advise them of<sup>1</sup> the  
27 options available to <sup>1</sup>[its enrollees] them<sup>1</sup> with respect to their  
28 health care coverage. <sup>1</sup>[An enrollee of the health maintenance  
29 organization who has been receiving services from the health  
30 care facility under the terms of the most current contract may  
31 terminate his enrollment in the health maintenance organization  
32 during the four month period, notwithstanding any provisions in  
33 the enrollee's contract or certificate with the health  
34 maintenance organization.]<sup>1</sup>

35 <sup>1</sup>[2.] 3.<sup>1</sup> This act shall take effect immediately.

## 37 HEALTH

### 38 Health Care Facilities and Providers

39  
40 Provides for extension of HMO contracts with hospitals under  
41 certain circumstances.

*Sponsors*

## STATEMENT

1

3 This bill provides that in the event that a health maintenance  
4 organization (HMO) and a general hospital or other health care  
5 facility with which the HMO has a contract to provide services  
6 to its enrollees, are unable to agree on the terms of a new  
7 contract upon the expiration of the current contract, the health  
8 care facility and the HMO shall continue to abide by the terms  
9 of that contract for a period of four months from the date of  
10 expiration of the contract, during which time an enrollee of that  
11 HMO who has been receiving services from the health care  
12 facility under the terms of the previously existing contract may  
13 terminate his enrollment in the HMO and purchase health care  
14 benefits from another provider or insurance carrier. This  
15 provision will allow for an adequate transition period for an  
16 HMO enrollee who wishes to continue receiving services at the  
17 same health care facility and must therefore enroll in a  
18 different HMO or obtain alternative health care coverage.

19

21

## HEALTH

## Health Care Facilities and Providers

23

24 Provides for extension of HMO contracts with health care  
25 facilities under certain circumstances.

ASSEMBLY HEALTH AND HUMAN RESOURCES COMMITTEE

STATEMENT TO

ASSEMBLY, No. 474

with Assembly committee amendments

STATE OF NEW JERSEY

DATED: MAY 18, 1989

The Assembly Health and Human Resources Committee favorably reports Assembly Bill No. 474 with committee amendments.

As amended by the committee, this bill provides for a transitional period for a health maintenance organization (HMO) enrollee who wishes to continue receiving services at the same general hospital upon the expiration of a contract between the HMO and that hospital, and who must therefore enroll in a different HMO or obtain alternative health care coverage.

The amended bill stipulates that in the event that an HMO and a general hospital with which the HMO has a contract to provide services to its enrollees, are unable to agree on the terms of a new contract upon the expiration of the current contract, the hospital and the HMO shall continue to abide by the terms of that contract for a period of four months from a severance date mutually agreed upon by both parties.

The amended bill requires that the HMO promptly notify the health care providers with which it has contracted to provide services, as well as those of its enrollees who reside in the county in which the hospital is located or in an adjacent county, in writing as to the extension of the terms of the most current contract, and in the notice to its enrollees advise them of the options available to these individuals with respect to their health care coverage.

The committee amended the bill to:

- (1) restrict its provisions to contracts between an HMO and a general hospital, rather than including all health care facilities;
- (2) provide that the hospital and the HMO shall continue to abide by the terms of that contract for a period of four months from a severance date mutually agreed upon by both parties, rather than from the date of expiration of the contract;

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SENATE INSTITUTIONS, HEALTH AND WELFARE COMMITTEE

STATEMENT TO

[FIRST REPRINT]

ASSEMBLY, No. 474

STATE OF NEW JERSEY

DATED: JUNE 29, 1989

The Senate Institutions, Health and Welfare Committee favorably reports Assembly Bill No. 474 (1R).

This bill provides for a transitional period for a health maintenance organization (HMO) enrollee who wishes to continue receiving services at the same general hospital upon the expiration of a contract between the HMO and that hospital, and who must therefore enroll in a different HMO or obtain alternative health care coverage.

The stipulates that in the event that an HMO and a general hospital with which the HMO has a contract to provide services to its enrollees, are unable to agree on the terms of a new contract upon the expiration of the current contract, the hospital and the HMO shall continue to abide by the terms of that contract for a period of four months from a severance date mutually agreed upon by both parties.

The requires that the HMO promptly notify the health care providers with which it has contracted to provide services, as well as those of its enrollees who reside in the county in which the hospital is located or in an adjacent county, in writing as to the extension of the terms of the most current contract, and in the notice to its enrollees advise them of the options available to these individuals with respect to their health care coverage.

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STATE OF NEW JERSEY  
EXECUTIVE DEPARTMENT

January 4, 1990

ASSEMBLY BILL NO. 474

(First Reprint)

To the General Assembly:

Pursuant to Article V, Section I, Paragraph 14 of the Constitution, I am returning Assembly Bill No. 474 (First Reprint) with my objections, for reconsideration.

This bill stipulates that in the event that a health maintenance organization and a general hospital have a contract to provide services to the enrollees of the health maintenance organization and are unable to agree on the terms of a new contract upon the expiration of the current contract, the hospital and the health maintenance organization shall continue to abide by the terms of the current contract for a period of four months from a severance date mutually agreed upon by both parties. The bill requires that the health maintenance organization promptly provide written notice of the four-month contract extension to the health care providers with which it has contracted to provide services as well as to those of its enrollees who reside in the county in which the hospital is located or in an adjacent county. The notice to the enrollees shall advise them of their available options with respect to their health care coverage.

I am supportive of the purpose of this bill which is to provide information to health care providers and consumers when a general hospital and a health maintenance organization are unable to negotiate the terms of a new contract. I am concerned, however, about the cost to the health maintenance organization of providing separate notification of the four-month contract extension to all of its enrollees within a several county area. Most, if not all, health maintenance organizations routinely provide information to their members through a report or newsletter delivered quarterly. I am satisfied that notification provided in conjunction with the quarterly newsletter will properly disseminate the information in a timely manner, yet not impose an undue expense upon the health maintenance organization that will unnecessarily result in increased health care costs.

STATE OF NEW JERSEY  
EXECUTIVE DEPARTMENT

2

Therefore, I herewith return Assembly Bill No. 474 (First Reprint) for reconsideration as follows:

Page 2, Section 2, Line 20: After "and" INSERT "provide notification within the four-month extension period to"

Respectfully,

/s/ Thomas H. Kean

GOVERNOR

[seal]

Attest:

/s/ Ross A. Lewin

Acting Chief Counsel

Kean also submitted conditional vetoes to the Assembly on the following bills:

A-474, sponsored by Assemblymen Harold Colburn and Robert Shinn, both R-Burlington, to require a general acute care hospital to continue to provide services to members of a health maintenance organization (HMO) for four months beyond the expiration of a contract between the hospital and the HMO. Kean recommended removing the requirement that the HMO provide separate notification to its members that a contract has expired because such notification would increase costs.

A-1400, sponsored by Assemblywoman Lisa Randall, R-Bergen, to authorize the appointment of two additional Superior Court judges in Bergen County and to exempt the two from the requirement that the county assume certain costs for judicial salaries. Kean recommended that the salary exemption provision be removed from the bill.

A-2588, also sponsored by Assemblywoman Lisa Randall, R-Bergen, to increase the rate of pay for school election officers from \$4 per hour to approximately \$5.77 per hour. The bill also provides that voting requirements for school elections correspond to registration and age requirements currently in effect for regular elections. Kean's veto proposes the elimination of the salary increase and the retention of the uniform requirements.

A-2733, sponsored by Assemblymen Robert Singer, R-Ocean, and John Bennett, R-Monmouth, to permit the chief administrator of a nonprofit charitable institution to bring an action for the appointment of a conservator for a patient unable to do so for himself. Kean recommended that the bill be amended to remove the provision that the chief administrator of such an institution be permitted to serve as a conservator.

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