30:40-7 AND 17

LEGISLATIVE HISTORY CHECKLIST

NJSA 30:4D-7 and 30:4D-17 (N	Medicaid ove	rpayme		ties, interest, amages)
Laws of 1976 Chapter _	89		4.	amages)
Bill No. A1455				
Sponsor(s) Deverin & others				-
Date Introduced February 3, 1	L976			
Committee: Assembly Institut	ions, Healt	h & We	lfare	
Senate Instituti	ions, Health	& Wel	fare	
Amended during passage	Yes	ί¥ο		during passage asterisks.
Date of passage: Assembly Ma	ay 20, 1976		denoted by	40.01.10.10
Senate <u>July</u>	22, 1976			
Date of approval Sept. 15, 1	976			Processors Processors
Following statements are attach	ed if availa	able:		2
Sponsor statement	Yes	í¥o		
Committee Statement: Assembly	Yes	i ∛o		O NO CONTROL OF THE PROPERTY O
Senate	Yes	(%)		2 ammend
Fiscal Note	Yes	Жo		5
Veto message	YES	iko		
Hessage on signing	Yes	l¥o		
Following were printed:				£. A
Reports	Yěs	No		
Hearings	Yĕs	Nо		

For background see:

N.J. Commn. of Investigation. 974.90

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Interim report on New Jersey's system of reimbursement of rent and carrying costs to nursing homes participating in the Medicaid program. Trenton, 1975.

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974.901 183 (1976)	N.J. Commn. of Investigation. [Cited in Governor's statement?] Investigation of the New Jersey Medicaid Program of health care for the indigent. (Annual report of the Commn., 1976, p.134-221)
974.90 H434 1976d	N.J. Commn. of Investigation. Report on the practices and procedures of practitioner groups participating in the New Jersey Medicaid program. Trenton 1976.

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CHAPTER 89 LAWS OF IL J. 1974 APPROVED 9-15-74

[SECOND OFFICIAL COPY REPRINT]

ASSEMBLY, No. 1455

STATE OF NEW JERSEY

INTRODUCED FEBRUARY 3, 1976

By Assemblymen DEVERIN, BORNHEIMER, VISOTCKY and MARTIN

Referred to Committee on Institutions, Health and Welfare

An Act to amend the "New Jersey Medical Assistance and Health Services Act," approved January 15, 1969 (P. L. 1968, c. 413).

- 1 Be it enacted by the Senate and General Assembly of the State
- 2 of New Jersey:
- 1 1. Section 7 of P. L. 1968, c. 413 (C. 30:4D-7) is amended to
- 2 read as follows:
- 3 7. Duties of commissioner. The commissioner is authorized and
- 4 empowered to issue, or to cause to be issued through the Division
- 5 of Medical Assistance and Health Services all necessary rules and
- 6 regulations and administrative orders, and to do or cause to be
- 7 done all other acts and things necessary to secure for the State of
- 8 New Jersey the maximum Federal participation that is available
- 9 with respect to a program of medical assistance, consistent with
- 10 fiscal responsibility and within the limits of funds available for
- any fiscal year, and to the extent authorized by the medical assist-
- 12 ance program plan; to adopt fee schedules with regard to medical
- 13 assistance benefits and otherwise to accomplish the purposes of this
- 14 act, including specifically the following:
- a. Subject to the limits imposed by this act, to submit a plan for
- 16 medical assistance, as required by Title XIX of the Federal Social
- 17 Security Act, to the Federal Department of Health, Education and
- 18 Welfare for approval pursuant to the provisions of such laws;
- 19 to act for the State in making negotiations relative to the sub-
- 20 mission and approval of such plan, to make such arrangements,
- 21 not inconsisten with the law, as may be required by or pursuant
- 22 to Federal law to obtain and retain such approval and to secure
- 23 for the State the benefits of the provisions of such law;

EXPLANATION—Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted in the law.

24b. Subject to the limits imposed by this act, to determine the 25 amount and scope of services to be covered, that the amounts to be 26paid are reasonable, and the duration of medical assistance to be 27 furnished; provided, however, that the department shall provide medical assistance on behalf of all recipients of categorical assist-28 ance and such other related groups as are mandatory under Federal 29 30 laws and rules and regulations, as they now are or as they may 31 be hereafter amended, in order to obtain Federal matching funds 32for such purposes and, in addition, provide medical assistance for the foster children specified in section 3. f. (5) of this act. The 33 medical assistance provided for these groups shall not be less in 34 scope, duration, or amount than is currently furnished such groups, 35 36 and in addition, shall include at least the minimum services required under Federal laws and rules and regulations to obtain 37 38 Federal matching funds for such purposes.

The commissioner is authorized and empowered, at such times 39 as he may determine feasible, within the limits of appropriated 40 funds for any fiscal year, to extend the scope, duration, and amount 41 of medical assistance on behalf of these groups of categorical 42assistance recipients, related groups as are mandatory, and foster 43 children authorized pursuant to section 3. f. (5) of this act, so as to 44 45 include, in whole or in part, the optional medical services authorized under Federal laws and rules and regulations, and the com-46 missioner shall have the authority to establish and maintain the 47 priorities given such optional medical services; provided, however, 48 that medical assistance shall be provided to at least such groups 49 and in such scope, duration, and amount as are required to obtain 50 Federal matching funds; 51

The commissioner is further authorized and empowered, at such 52 times as he may determine feasible, within the limits of appropri-53 ated funds for any fiscal year, to issue, or cause to be issued through 54 the Division of Medical Assistance and Health Services all neces-55 sary rules, regulations and administrative orders, and to do or 56 cause to be done all other acts and things necessary to implement 57 58 and administer demonstration projects pursuant to Title XI, Section 1115 of the Federal Social Security Act, including, but not 59 limited to waiving compliance with specific provisions of this act, 60to the extent and for the period of time the commissioner deems 61 necessary, as well as contracting with any legal entity, including 62 but not limited to corporations organized pursuant to Title 14A, 63 New Jersey Statutes (N. J. S. 14A:1-1 et seq.) and Title 15, Re-64 vised Statutes (R. S. 15:1-1 et seq.) as well as boards, groups, 65agencies, persons and other public or private entities. 66

- 67 c. To administer the provisions of this act;
- d. To make reports to the Federal Department of Health, Edu-
- 69 cation and Welfare as from time to time may be required by such
- 70 Federal department and to the New Jersey Legislature as here-
- 71 inafter provided;
- 72 e. To assure that any applicant for medical assistance shall be
- 73 afforded the opportunity for a fair hearing by the department
- 74 should his claim for medical assistance be denied or not acted upon
- 75 with reasonable promptness;
- 76 f. To provide that either the recipient or the provider shall be
- 77 afforded the opportunity for a fair hearing within a reasonable
- 78 time on any valid complaint;
- 79 g. To provide safeguards to restrict the use or disclosure of
- 80 information concerning applicants and recipients to purposes
- 81 directly connected with administration of this act;
- 82 h. To recover any and all payments incorrectly or illegally made
- 83 to a recipient or provided from such provider, the recipient or his
- 84 estate and to assess and collect such penalties as are provided for
- 85 herein;
- i. To recover any and all benefits incorrectly paid to a provider
- 87 on behalf of a recipient from such recipient or from his estate and
- 88 to assess and collect such penalties as are provided for herein,
- 89 except that no lieu may be imposed against property of the recip-
- 90 ient prior to his death except pursuant to the judgement of a court;
- 91 j. To take all reasonable measures to ascertain the legal liability
- 92 of third parties to pay for care and services (available under the
- 93 plan) arising out of injury, disease, or disability; where it is known 94 that a third party has a legal liability, to treat such legal liability
- 95 as a resource of the individual on whose behalf the care and services
- 96 are made available for purposes of determining eligibility; and
- 97 in any case where such a legal liability is found to exist after
- 98 medical assistance has been made available on behalf of the indi-
- 99 vidual, to seek reimbursement for such assistance to the extent of
- 100 such legal liability. In any case where such a legal liability is
- 101 found the department shall be subrogated to the rights of the
- 102 individual for whom medical assistance was made available;
- 103 k. To solicit, receive and review bids pursuant to the provisions
- 104 of P. L. 1954, c. 48 (C. 52:34-6 et seq.) and all amendments and
- 105 supplements thereto, by authorized insurance companies and non-
- 106 profit hospital service corporations or medical service corporations,
- 107 incorporated in New Jersey, and authorized to do business pursuant
- 108 to P. L. 1938, c. 366 (C. 17:48-1 et seq.) or P. L. 1940, c. 74

- 109 (C. 17:48A-1 et seq.), and to make recommendations in connection
- 110 therewith to the State Medicaid Commission;
- 111 l. To contract, or otherwise provide as in this act provided, for
- 112 the payment of claims in the manner approved by the State
- 113 Medicaid Commission;
- 114 m. Where necessary, to advance funds to the underwriter or fiscal
- 115 agent to enable such underwriter or fiscal agent, in accordance
- 116 with terms of its contract, to make payments to providers;
- 117 n. To contract with and to pay for appropriate agencies that
- 118 investigate and determine whether applicants for benefits under
- 119 this act are eligible therefor under the standards prescribed by the
- 120 department;
- o. To assure that the nature and quality of the medical assistance
- 122 provided for under this act shall be uniform and equitable to all 123 recipients.
 - 1 2. Section 17 of P. L. 1968, c. 413 (C. 30:4D-17) is amended to
 - 2 read as follows:
 - 3 17. Penalty. (a) It shall be unlawful for any person, firm, cor-
 - 4 poration, partnership or other entity to willfully, by means of a
 - 5 false statement or representation, or by deliberate concealment of
 - 6 any material fact, or other fraudulent scheme or device on behalf
 - 7 of himself or others, obtain or attempt to obtain medical assistance
 - 8 or other benefits or payments under this act to which he is not en-
 - 9 titled, or in a greater amount than to which he is entitled, and,
- 10 further, it shall be unlawful for any provider to *willfully* receive
- 11 medical assistance payments to which he is not entitled, or in a
- 12 greater amount than to which he is entitled, or to falsify any report
- 13 or document required under this act.
- 14 (b) Any person**, firm, corporation, partnership or other legal
- 15 entity** who violates the provisions of subsection (a) of this sec-
- 16 tion shall be guilty of a misdemeanor and shall be liable to a penalty
- 17 of not more than \$10,000.00 for the first and each subsequent of-
- 18 fense, or to imprisonment for not more than 3 years, or both.
- 19 (c) Any person, firm, corporation, partnership, or other legal
- 20 entity who violates the provisions of subsection (a) of this section
- 21 shall, in addition to any other penalties provided by law, be liable
- 22 to civil penalties of (1) payment of interest on the amount of the
- 23 excess benefits or payments at the maximum legal rate in effect on
- 24 the date the payment was made to said person, firm, corporation,
- 25 partnership or other legal entity for the period from the date
- 26 upon which payment was made to the date upon which repayment

is made to the State * [and] *, (2) payment of an amount not to

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28 exceed threefold the amount of such excess benefits or payments*, and (3) payment in the sum of \$2,000.00 for each excessive claim 2930 for assistance, benefits or payments*. (d) Any person, firm, corporation, partnership or other legal 30A30B entity *other than an individual recipient of medical services reim-30c bursable by the Division of Medical Assistance and Health 30D Services,* who, without intent to violate this act, obtains medical assistance or other benefits or payments under this act in excess of 31 the amount to which he is entitled, shall be liable to **a** civil 32 ** [penalties] ** ** penalty ** of ** [(1)] ** payment of interest on 33 the amount of the excess benefits or payments at the maximum legal 34 35 rate in effect on the date the benefit or payment was made to said person, firm, corporation, partnership, or other legal entity for the 36 period from the date upon which payment was made to the date 37 upon which repayment is made to the State, ** and (2) payment of an amount not to exceed 50% of the excessive benefits or pay-39A ments.]** ** provided, however, that no such person, firm, corpora-39B tion, partnership or other legal entity shall be liable to such civil 39c penalty when excess medical assistance or other benefits or pay-39D ments under this act are obtained by such person, firm, corporation, 39E partnership or other legal entity as a result of error made by the 39F Division of Medical Assistance and Health Services, as determined 39g by said division.** 40 (e) All interest and penalties provided for in this act and ** recovery of ** all medical assistance and other benefits to which a 41 person, firm, corporation, partnership, or other legal entity was not 4243 entitled shall be recovered in an administrative procedure held pur-**4**4 suant to the "Administrative Procedure Act," P. L. 1968, c. 410 (C. 52:14B-1, et seq.) * [or in a court of competent jurisdiction]*. 45 **(f)** *Upon the failure of any person**, firm, corporation, 46 46A partnership or other legal entity** to comply within 10 days after service of any order of the Attorney General or his designee direct-47 ing payment of ** [a penalty assessed herein] ** ** any amount 49 found to be due pursuant to subsection (e) of this section**, the Attorney General may issue a certificate to the Clerk of the Su-50 perior Court that such person**, firm, corporation, partnership or 51other legal entity** is indebted to the State for the payment of 52such ** [penalty] ** ** amount **. A copy of such certificate shall 53 be served upon the person**, firm, corporation, partnership or 54 other legal entity** against whom the order was entered. There-55 upon the clerk shall immediately enter upon his record of docketed 56

judgments the name of the person**, firm, corporation, partnership

or other legal entity** so indebted, and of the State, a designation of the statute under which ** the penalty is imposed ** ** such amount is found to be due**, the amount ** to the penalty imposed ** ** due**, and the date of the certification. Such entry shall have the same force and effect as the entry of a docketed judgment in the Superior Court. Such entry, however, shall be without prejudice to the right of appeal to the Appellate Division of the Superior Court from the final order of the Attorney General or his designee.*

3. This act shall take effect immediately *and the ** remedies provided in subsections (c) and (d) ** ** provisions of subsections (c), (d), (e) and (f) ** of Section 17 of P. L. 1968, c. 413 ** as amended by this act, ** shall apply to all pending and subsequent judicial and administrative proceedings*.

27 is made to the State and, (2) payment of an amount not to exceed 28 threefold the amount of such excess benefits or payments.

- 29 (d) Any person, firm, corporation, partnership or other legal entity who, without intent to violate this act, obtains medical as-30 sistance or other benefits or payments under this act in excess of 31 32the amount to which he is entitled, shall be liable to civil penalties of (1) payment of interest on the amount of the excess benefits or 33 34payments at the maximum legal rate in effect on the date the benefit 35 or payment was made to said person, firm, corporation, partnership, 36 or other legal entity for the period from the date upon which pay-37 ment was made to the date upon which repayment is made to the State, and (2) payment of an amount not to exceed 50% of the 3839 excessive benefits or payments.
- 40 (e) All interest and penalties provided for in this act and recov-41 ery of all medical assistance and other benefits to which a person, 42 firm, corporation, partnership, or other legal entity was not en-43 titled shall be recovered in an administrative procedure held pur-44 suant to the "Administrative Procedure Act," P. L. 1968, c. 410 45 (C. 52:14B-1, et seq.) or in a court of competent jurisdiction.
- 1 3. This act shall take effect immediately.

STATEMENT

Present law provides that where excessive reimbursement has been made by the Division of Medical Assistance and Health Services to a provider of medical services, civil remedies are limited to recovery of the overpayment without any statutory provision for the recovery of interest or penalties. This is true whether or not the overpayment was intentionally obtained. The maximum available criminal penalty is presently \$1,000.00.

Recent investigations have demonstrated that abuses of the Medicaid system have occurred. Existing penalties have not been sufficient to deter this behavior. This bill therefore increases the maximum available criminal penalty to \$10,000.00. It also provides that where excessive payments have been willfully sought or received, available civil remedies will include, in addition to recovery of excessive reimbursement, the imposition of interest plus treble damages. Finally, this legislation provides that where there have been nonwillful violations, the State may recover the excessive reimbursement, interest and penalties of up to 50% of the excessive reimbursement.

ASSEMBLY INSTITUTIONS, HEALTH AND WELFARE COMMITTEE

STATEMENT TO

ASSEMBLY, No. 1455

STATE OF NEW JERSEY

DATED: APRIL 8, 1976

The committee amended this bill to include an additional penalty of \$2,000.00 for each excessive claim for assistance benefits or payments. Another amendment exempts individual recipients who have unintentionally received medical assistance or overpayments for medical services which are Medicaid reimbursable from penalties under this legislation. Lastly, a committee amendment provides a mechanism whereby the Attorney General or his designee shall enter a certificate of indebtedness in the Superior Court to collect penalties imposed by this bill.

SENATE INSTITUTIONS, HEALTH AND WELFARE COMMITTEE

STATEMENT TO

ASSEMBLY, No. 1455

[Official Copy Reprint] with Senate committee amendment

STATE OF NEW JERSEY

DATED: JUNE 24, 1976

Under New Jersey's Medicaid law, when any overpayment is made for services, either unintentionally or as a result of fraud, the State's civil remedies are limited to recovery of the overpayment. There is no provision for recovery of penalties or of interest on the overpayment. The maximum available criminal penalty is \$1,000.00.

This bill attempts to deter abuses of the Medicaid program by increasing the maximum available criminal penalty to \$10,000.00. In addition, it expands available civil remedies to include the imposition of interest plus treble damages, when excessive payments have been willfully sought or received. If excessive payments are nonwillfully received, under the terms of the bill the State could recover the excess reimbursement, plus interest and penalties of up to 50% of the excess reimbursement.

The Assembly Institutions, Health and Welfare Committee made several amendments to this bill. One of these added an additional civil penalty of \$2,000.00 for each excessive claim for assistance benefits or payments. Another amendment exempted individual recipients of services from penalties or interest charges when they unintentionally receive overpayments for services. A final amendment provided a mechanism for the Attorney General or his designee to collect penalties imposed by the bill, when administrative procedures fail to force payment of such penalties.

The Senate committee felt that penalties should not be imposed when overpayments are received unintentionally, and that interest on overpayments in these cases should be charged only when providers of services, and not the State, are guilty of error causing the overpayment. It therefore amended the bill to this effect.

FISCAL NOTE TO

ASSEMBLY, No. 1455

STATE OF NEW JERSEY

DATED: JULY 22, 1976

The Senate Reprint of Assembly Bill No. 1455 increases the maximum penalty for any overpayment that was willfully obtained under the "Medical Assistance and Health Services Act" (P. L. 1968, c. 413).

For the additional assistance required by deputy attorneys general it is thought would be needed, the cost of fringe benefits and support costs, the Division of Budget and Accounting estimates enactment of this legislation would require a net State expenditure of \$24,600.00 in fiscal 1976-77 and \$36,650.00 in fiscal 1977-78.

It is the thinking of the Office of Fiscal Affairs that this program should certainly break even financially, if not be a revenue producer, through fines collected or reduced costs as a result of improved compliance with rules and regulations.

The fiscal note is based on an estimate of costs rather than actual cost information.

In compliance with written request received, there is hereby submitted a fiscal estimate for the above bill, pursuant to P. L. 1962, c. 27.

FROM THE OFFICE OF THE GOVERNOR

SEPTEMBER 15, 1976

FOR FURTHER INFORMATION

FOR IMMEDIATE RELEASE

BOB COMSTOCK

Governor Brendan T. Byrne today signed into law a bill that increases the penalities for Medicaid fraud and facilitates the recovery of excessive payments in Medicaid funds.

In signing the bill, Governor Byrne also said he would ask the Legislature to approve a supplemental appropriation to provide additional funds that would permit increased efforts in the policing of the Medicaid system.

"I am pleased," Governor Byrne said, "that federal officials have found New Jersey's Medicaid program one of the cleanest in the nation and recognized our innovative efforts to minimize opportunities for fraud and to prosecute aggressively those cases that do arise

"However, Medicaid is one area where relatively small expenditures in administrative and law enforcement oversight pay large dividends in terms of protecting public monies," the Governor said.

The bill that was signed into law was A-1455 sponsored by Assemblyman Thomas Deverin (D- Middlesex). The bill increases from \$1,000 to \$10,000 the fines for convictions for willful Medicaid fraud. The maximum permissible jail sentence remains at three years. In addition, the bill establishes for the first time a system of civil penalties equal to three times the amount of excess payments to those fraudulently receiving Medicaid funds, a \$2,000 fine for each claim for excessive payments submitted to Medicaid, and the imposition of interest on the amount of excess payments in addition to recovery of the payment.

For persons receiving excess reimbursements or payments where there is no intent to defraud the bill permits the imposition of interest on the amount of excess benefits or payments pending repayment.

"By signing this bill into law, I am substantially strengthening the power of the Medicaid Division to recover fraudulent payments from both recipients and providers," Governor Byrne said. "In addition, I am making it substantially less profitable for unscrupulous health care providers to take advantage of a system that was designed to provide much needed medical care for our less fortunate citizens."

In announcing that he would seek additional funds for the policing of the Medicaid system, the Governor noted that such expenditures ought to be viewed not so much in terms of absolute dollar amounts as in terms of the amounts of money that can be saved through more efficient and aggressive oversight.

"I am told, for instance, that the present Medicaid Investigation Unit in the Division of Criminal Justice costs the State approximately \$245,000 per year but has already brought indictments and accusations alleging more than \$1 million in Medicaid fraud.

"Similarly, proper screening of claims in the Division of Medical Care and Health Services (Medicaid) has saved the State \$23 million in 1974 and \$33 million in 1975," the Covernor said.

However, he said, while it may be reassuring to know that New Jersey's efforts have been partially successful in this area, he noted that there is still apparent fraud and other misuse of the Medicaid program as evidenced by a recent report of the State Commission of Investigation.

Covernor Byrne said the additional funds to be requested would permit an increase in the staffs of the Medicaid Division in the Department of Institutions and Agencies and in the legal and investigative staffs of the Divisions of Law and Criminal Justice in the Department of Law and Public Safety. "I hope for early action on this request," the Governor said. He noted that several legislators have already expressed an interest in sponsoring such supplemental legislation.

Several key legislators have been working closely with the Medicaid, Law and minal Justice Divisions, the SCI, and Counsel's Office on further reforms of the system.

Governor Byrne said that further amendments that would tighten administrative controls over the program and streamline criminal procedures will be introduced in bill form shortly.

In discussing the history of the Medicaid program in New Jersey, the Governor said that seven providers were suspended from the program in 1974; 15 providers were suspended in 1975; and seven providers thus far in 1976. Program Integrity Units within the Medicaid Division recovered \$1,130,000 in 1974 and \$1,467,000 in 1975 in funds improperly paid. In addition, \$578,000 was recovered from nursing home providers alone in 1974 and \$752,000 in 1975, and approximately \$600,000 has been recovered as a result of civil and administrative actions initiated by the Law Division of the Attorney General's Department of Law and Public Safety. (The funds were recovered from Medicaid providers, recipients or their estates, and third parties such as insurance companies,)

THE REPORT OF THE PARTY OF THE

The Medicaid Investigation Unit was created in the Division of Criminal Justice in early 1975. This Unit is composed of attorneys, investigators and accountants. Since its creation, the Unit has filed charges through indictments or accusations against 20 persons, including seven physician, three pharmacists, six nursing home administrators, two accountants, one public official and one nursing home employee. Prior to the creation of the Unit only two physicians and one pharmacist were indicted over a two-year period. Of those cases that have gone to trial, there have been pleas of guilty or convictions of three pharmacists, three psychiatrists and one obstetrician. All of the other cases are pending and there have been no acquittals.

The Medicaid Investigation Unit is presently reviewing or investigating approximately 75 allegations of fraud involving more than \$3 million. The subjects of these investigation include nursing homes, physicians, dentists, pharmacists and other providers.

"I am informed by the Attorney General that more indictments may be expected over the next several months," the Governor said.

The Attorney General and the United States Attorney are cooperating in this area. Several investigations are being conducted jointly and an indictment has already been returned in one of those investigations.

In addition to criminal and civil remedies, the Attorney General's office, through the Professional Boards, has been taking action against professionals found guilty of wrongdoing. These actions have been delayed so that criminal matters already pending may be disposed of first. Governor Byrne said that the supplemental funds would help finance more legal and investigation staff so that these professional matters might be expedited along with the criminal cases.

On a related topic, Governor Byrne urged the Legislature to approve the uniform enforcement bill (A-1540 and S-1011) which would clarify the powers of the Attorney General over the various professional boards in the Division of Consumer Affairs. Such a measure, the Governor said, would result in more uniform regulation of the professions and thus better protection for the public that is served by these professionals.
