

17:33A-15

**LEGISLATIVE HISTORY CHECKLIST**  
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(Health insurers--fraud prevention)

**NJSA:** 17:33A-15

**LAWS OF:** 1993 **CHAPTER:** 362

**BILL NO:** S1008

**SPONSOR(S):** Bennett and others

**DATE INTRODUCED:** June 29, 1992

**COMMITTEE:** **ASSEMBLY:** Insurance  
**SENATE:** Commerce

**AMENDED DURING PASSAGE:** Yes Amendments during passage  
Second reprint enacted denoted by superscript numbers

**DATE OF PASSAGE:** **ASSEMBLY:** June 21, 1993  
**SENATE:** December 7, 1992

**DATE OF APPROVAL:** January 4, 1994

**FOLLOWING STATEMENTS ARE ATTACHED IF AVAILABLE:**

**SPONSOR STATEMENT:** Yes

**COMMITTEE STATEMENT:** **ASSEMBLY:** Yes  
**SENATE:** Yes

**FISCAL NOTE:** No

**VETO MESSAGE:** No

**MESSAGE ON SIGNING:** Yes

**FOLLOWING WERE PRINTED:**

**REPORTS:** Yes

**HEARINGS:** No

974.90 New Jersey. Governor's Task Force on Health Care Fraud.  
I59 The fight against fraud: a comprehensive program to fight  
1993 health care fraud. December 1993. Trenton, 1993.  
[see especiall pp. 12-14 & Appendix C]

See newspaper clippings--attached:

"Taking aim at health fraud," 1-5-94, The Record.

"Health insurance fraud is targeted," 1-5-94, Philadelphia Inquirer.

"Health insurance bills signed," 1-5-94, Asbury Park Press.

KBG:pp

[SECOND REPRINT]

SENATE, No. 1008

STATE OF NEW JERSEY

INTRODUCED JUNE 29, 1992

By Senators BENNETT, Ciesla, Kyrillos and Palaia

1 AN ACT requiring health insurers to file insurance fraud  
2 prevention plans and supplementing P.L.1983, c.320  
3 (C.17:33A-1 et seq.).  
4

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

7 1. a. Every insurer writing health insurance in this State shall,  
8 within 120 days of the <sup>1</sup>[effective date of] adoption of regulations  
9 by the commissioner pursuant to<sup>1</sup> this act, file with the  
10 commissioner a plan for the prevention of fraudulent health  
11 insurance claims. The plan shall be deemed approved by the  
12 commissioner if not affirmatively approved or disapproved by the  
13 commissioner within 90 days of the date of filing. The  
14 commissioner may call upon the expertise of the director in his  
15 review of plans filed pursuant to this subsection. During the  
16 90-day approval period the commissioner may request such  
17 amendments to the plan as he deems necessary. Any subsequent  
18 amendments to a plan filed with and approved by the  
19 commissioner shall be submitted for filing and deemed approved  
20 if not affirmatively approved or disapproved within 90 days from  
21 the filing date.

22 b. The implementation of plans filed and approved pursuant to  
23 subsection a. of this section shall be monitored by the division.  
24 <sup>1</sup>The division shall promptly notify the Attorney General of any  
25 evidence of criminal activity encountered in the course of  
26 monitoring the implementation and execution of the plans.<sup>1</sup> Each  
27 insurer writing health insurance in this State shall report to the  
28 director on an annual basis, beginning January 1, <sup>1</sup>[1993] 1994<sup>1</sup>,  
29 on the experience in implementing its fraud prevention <sup>1</sup>plan<sup>1</sup>.

30 c. In addition to any other penalties provided pursuant to  
31 P.L.1983, c.320 (C.17:33A-1 et seq.), the commissioner may  
32 impose a penalty of up to \$5,000 per day on any insurer for:  
33 failure to submit a plan; failure to submit any amendments to an  
34 approved plan; failure to properly implement an approved plan in  
35 a reasonable manner and within a reasonable time period; failure  
36 to provide a report pursuant to subsection b. of this section; or  
37 for any other violation of the provisions of this section. Any  
38 penalty imposed and collected pursuant to this subsection shall be  
39 deposited in the <sup>2</sup>["New Jersey Health Care Trust Fund,"]  
40 unemployment compensation fund<sup>2</sup> created pursuant to <sup>2</sup>[section  
41 4 of P.L.1991, c.187 (C.26:2H-18.27) <sup>1</sup>or any successor entity  
42 established by statute<sup>1</sup>] R.S. 43:21-9<sup>2</sup> and shall be dedicated  
43 exclusively to the purposes stated therein.

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> Senate SCM committee amendments adopted November 23, 1992

<sup>2</sup> Assembly AIN committee amendments adopted May 6, 1993.

1 d. For the purposes of this section, "insurer" means an  
2 insurance company as defined in subsections a., b., c., d., e., and  
3 f. of section 3 of <sup>1</sup>[P.L.1987, c.358] P.L.1983, c.320 (C.  
4 17:33A-3)<sup>1</sup>.

5 2. This act shall take effect immediately.

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10 Requires health insurers to file insurance fraud prevention plans.

SENATE, No. 1008  
STATE OF NEW JERSEY

INTRODUCED JUNE 29, 1992

By Senator BENNETT

1 AN ACT requiring health insurers to file insurance fraud  
2 prevention plans and supplementing P.L.1983, c.320  
3 (C.17:33A-1 et seq.).  
4

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

7 1. a. Every insurer writing health insurance in this State shall,  
8 within 120 days of the effective date of this act, file with the  
9 commissioner a plan for the prevention of fraudulent health  
10 insurance claims. The plan shall be deemed approved by the  
11 commissioner if not affirmatively approved or disapproved by the  
12 commissioner within 90 days of the date of filing. The  
13 commissioner may call upon the expertise of the director in his  
14 review of plans filed pursuant to this subsection. During the  
15 90-day approval period the commissioner may request such  
16 amendments to the plan as he deems necessary. Any subsequent  
17 amendments to a plan filed with and approved by the  
18 commissioner shall be submitted for filing and deemed approved  
19 if not affirmatively approved or disapproved within 90 days from  
20 the filing date.

21 b. The implementation of plans filed and approved pursuant to  
22 subsection a. of this section shall be monitored by the division.  
23 Each insurer writing health insurance in this State shall report to  
24 the director on an annual basis, beginning January 1, 1993, on the  
25 experience in implementing its fraud prevention.

26 c. In addition to any other penalties provided pursuant to  
27 P.L.1983, c.320 (C.17:33A-1 et seq.), the commissioner may  
28 impose a penalty of up to \$5,000 per day on any insurer for:  
29 failure to submit a plan; failure to submit any amendments to an  
30 approved plan; failure to properly implement an approved plan in  
31 a reasonable manner and within a reasonable time period; failure  
32 to provide a report pursuant to subsection b. of this section; or  
33 for any other violation of the provisions of this section. Any  
34 penalty imposed and collected pursuant to this subsection shall be  
35 deposited in the "New Jersey Health Care Trust Fund," created  
36 pursuant to section 4 of P.L.1991, c.187 (C.26:2H-18.27) and shall  
37 be dedicated exclusively to the purposes stated therein.

38 d. For the purposes of this section, "insurer" means an  
39 insurance company as defined in subsections a., b., c., d., e., and  
40 f. of section 3 of P.L.1987, c.358.

41 2. This act shall take effect immediately.  
42  
43

44 STATEMENT  
45

46 New Jersey needs to attack health insurance fraud as

1 aggressively as it has auto insurance fraud. This bill requires  
2 health insurers to file and implement fraud prevention plans. It  
3 was modeled after section 56 of the "Fair Automobile Insurance  
4 Reform Act of 1990," P.L.1990, c.8 (C.17:33B-46), which requires  
5 automobile insurers to file fraud prevention plans. In addition to  
6 the penalties already provided under the "New Jersey Insurance  
7 Fraud Prevention Act," P.L.1983, c.320 (17:33A-1 et seq.),  
8 failure to comply with the provisions of this bill could result in  
9 penalties of up to \$5,000 per day. Any penalty collected pursuant  
10 to the provisions of this bill would be dedicated to the "New  
11 Jersey Health Care Trust Fund."

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16 Requires health insurers to file insurance fraud prevention plans.

ASSEMBLY INSURANCE COMMITTEE

STATEMENT TO

[FIRST REPRINT]

SENATE, No. 1008

with committee amendments

STATE OF NEW JERSEY

DATED: MAY 6, 1993

The Assembly Insurance Committee reports favorably and with committee amendments, Senate, No. 1008 (1R).

As amended, the bill requires health insurers to file and implement fraud prevention plans. Every health insurer must file a plan with the Commissioner of Insurance for the prevention of fraudulent health insurance claims within 120 days of the adoption of regulations by the commissioner pursuant to this bill. Each health insurer must report annually on its experience in implementing its fraud prevention plan.

The bill provides that the Division of Insurance Fraud Prevention must monitor the implementation of the plans and promptly notify the Attorney General of any evidence of criminal activity encountered in the course of monitoring the implementation and execution of the plans.

In addition to the penalties already provided under the "New Jersey Insurance Fraud Prevention Act," failure to comply with the provisions of this bill could result in a penalty of up to \$5,000 per day. Any penalty collected pursuant to the provisions of the bill would be deposited in the unemployment compensation fund created pursuant to R.S.43:21-9.

As amended, this bill is identical to Assembly, No. 2081 (1R).

SENATE COMMERCE COMMITTEE

STATEMENT TO

**SENATE, No. 1008**

with committee amendments

**STATE OF NEW JERSEY**

DATED: NOVEMBER 23, 1992

The Senate Commerce Committee reports favorably and with committee amendments Senate, No. 1008.

This bill, as amended, requires health insurers to file and implement fraud prevention plans. Every health insurer must file a plan with the Commissioner of Insurance for the prevention of fraudulent health insurance claims within 120 days of the adoption of regulations by the commissioner pursuant to this bill. Each health insurer must report annually on its experience in implementing its fraud prevention plan.

The bill provides that the Division of Insurance Fraud Prevention must monitor the implementation of the plans and promptly notify the Attorney General of any evidence of criminal activity encountered in the course of monitoring the implementation and execution of the plans.

In addition to the penalties already provided under the "New Jersey Insurance Fraud Prevention Act," failure to comply with the provisions of this bill could result in a penalty of up to \$5,000 per day. Any penalty collected pursuant to the provisions of the bill would be deposited in the "New Jersey Health Care Trust Fund" or any successor entity established for the purpose of funding uncompensated health care.



# OFFICE OF THE GOVERNOR NEWS RELEASE

**CN-001  
Contact:**

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**TRENTON, N.J. 08625**

**Release:**  
Tuesday  
January 4, 1994

## GOVERNOR FLORIO SIGNS LEGISLATION TO CRACK DOWN ON HEALTH INSURANCE FRAUD

**TRENTON** - Stressing the need to stop dishonest people from ripping off the health care system and driving up the cost of insurance for everyone else, Governor Jim Florio today signed legislation designed to crack down on health insurance fraud and make health care more affordable.

"You can't reform health care without cracking down on fraud, just like you can't run a business if shoplifters are carrying all your goods out the door," Governor Florio said during the Statehouse ceremony. "Government, insurers, patients and providers must all work together to educate the public, detect fraud and abuse, and root it out. It's not about creating bigger bureaucracies and more red tape, it's about everyone taking responsibility for keeping down the cost of health care."

The Governor signed two bills, S-1008 and S-1372, which will assist the state and health insurance providers in their efforts to reduce fraud. The legislation was recommended in the task force report on health care fraud presented to the Governor today.

S-1008 requires every insurer writing health insurance in New Jersey to file plans for the prevention of health care fraud with the state Commissioner of Insurance. Penalties of up to \$5,000 per day could be imposed on any health insurer who fails to submit a plan.

S-1372 makes it a crime for anyone to use a patient's health care benefits for purposes other than paying for health care. If the amount of fraud exceeds \$75,000, the crime would be punishable by a prison term of five to 10 years, and a fine of up to \$100,000. If the fraud involves less than \$75,000, the crime would be punishable by a prison term of three to five years and a fine of up to \$7,500.

"People in this country shouldn't have to choose between paying the mortgage and paying for health insurance. And businesses shouldn't have to choose between doing right by their employees and making a profit," Governor Florio said. "By tackling real reform like health care fraud, we can make the system work better so we all come out ahead."

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