

IN THE MATTER OF THE FAILURE OF)
HEALTH NET OF NEW JERSEY, INC.,)
TO TIMELY SUBMIT A COMPLETE)
HMO ANNUAL SUPPLEMENT)

ADMINISTRATIVE
ORDER

THIS MATTER having been opened by the Department of Health and Senior Services (“Department”) in accordance with the authority set forth at N.J.S.A. 26:1A-15, and N.J.S.A. 26:2J-1 et seq.;

WHEREAS, in accordance with N.J.S.A. 26:2J-18, the Department is authorized to conduct at any time, but no less frequently than once every three years, an examination of health maintenance organizations (HMOs) regarding the quality of health care services and other affairs of the HMO and providers with whom the HMO contracts;

WHEREAS, in accordance with N.J.S.A. 26:2J-12, HMOs are required to maintain a complaint system to provide reasonable procedures for the resolution of written complaints initiated by enrollees concerning health care services, and to submit to the Department an annual report regarding the complaint mechanism in a form prescribed by the Department;

WHEREAS, in accordance with N.J.S.A. 26:2J-9, HMOs are required to submit an annual report to the Department no later than March 1 annually with respect to activities occurring in the preceding calendar year, on a form prescribed by the Department, information regarding the HMO’s financial statements, enrollment, network and health care services access capability and quality assurance programs, and such other information as the Department may determine appropriate;

WHEREAS, to minimize the number of times that HMOs must routinely submit information to the Department while accommodating the Department's need to examine the HMO's activities, the Department developed a document commonly referred to as the HMO Annual Supplement;

WHEREAS, the HMO Annual Supplement is routinely required to be submitted by HMOs to the Department on March 1 annually, in accordance with N.J.S.A. 26:2J-9 and N.J.A.C. 8:38-3.8, accompanied by the \$1,000 fee set forth at N.J.S.A. 26:2J-18 for examination, unless the Department postpones the due date;

WHEREAS, Health Net of New Jersey, Inc., (Health Net) is an HMO;

WHEREAS, Health Net submitted its HMO Annual Supplement for 2004 on April 1, 2005 following a request for an extension, which was granted by the Department;

WHEREAS, upon review, the following information was missing from the submission:

1. Table E: a complete identification of specialty providers and specialty outpatient centers;
2. Table F: complete ambulatory encounters by type and payer for behavioral health and substance abuse treatment;
3. Table H: complete health care facility expenses for behavioral health and substance abuse treatment and skilled nursing facility services;
4. Table I: complete medical expenses by type of payment for all categories;
5. Table J: Categories of Commercial Member Complaints --"other" is undefined;
6. Table K: Categories of Commercial Member Behavioral Health & Substance Abuse Treatment Services Complaints--"other" is undefined;
7. Table M: Categories of Provider Complaints --"other" is undefined;

8. Table N: a complete description of the two-stage UM appeal process with a copy of denial letters issued at each stage of the appeal, as well as the definition of “other” as an appeal category;

9. Table R: Categories of Stage I and II Appeals of Behavioral Health and Substance Abuse Treatment Services --“other” is undefined;

10. Table S: a copy of the 2004 continuous quality improvement plan submitted to Health Net’s Board of Directors, the clinical activities monitored during 2004, and the quality improvement interventions implemented.

WHEREAS, the Department issued a letter to Health Net on May 4, 2005 stating that the foregoing items were to be submitted no later than May 13, 2005;

WHEREAS, Health Net submitted information to the Department on May 13, 2005;

WHEREAS, the Department has reviewed the May 13th submission for completeness, and has determined the following information remains outstanding:

1. Table E (iv): behavioral health and substance abuse-related data.¹
2. Table F: behavioral health and substance abuse data.
3. Table G(i): behavioral health and substance abuse data, skilled nursing facility data and comprehensive rehab services data.
4. Table N: UM letters used by subcontractors.
5. Table S: copy of the 2004 Continuous Quality Improvement Plan submitted to the Board of Directors as required by N.J.A.C. 8:38-3.8 (c).²

¹ Health Net indicated that data for specialty outpatient centers was included, but that portion of the table is missing.

² Health Net submitted the Quality Improvement Program Annual Evaluation January 1, 2004-December 31, 2004 Executive Summary and the 2004 Annual Quality Improvement Program Evaluation, but not the actual continuous quality improvement plan for 2004.

NOW, THEREFORE, IT IS ORDERED on this 26th day of May that:

1. Health Net shall submit within ten business days following the date of this Order, for inclusion in the HMO Annual Supplement for 2004, the information set forth in this Order and identified as still missing from the HMO Annual Supplement following Health Net's May 13th submission.

2. Health Net shall pay a fine of Two Thousand Five Hundred (\$2,500) in one lump sum, made payable by check or money order to "Treasurer, State of New Jersey," no later than the date on which this paragraph becomes effective, as specified in Paragraph 9 of this Order, to the Director of the Office of Managed Care, P.O. Box 360, Trenton, NJ 08625-0360, for failure to submit a complete HMO Annual Supplement in a timely manner.

3. If Health Net fails to submit the information identified as still outstanding within ten business days following the date of this Order, then Health Net shall pay an additional fine of \$250 per day for each subsequent business day that Health Net fails to submit the required information, inclusive of the date that the information is submitted.

4. Health Net may combine payment of the fine set forth in Paragraph 3 with payment of the fine set forth in Paragraph 2, as appropriate, but in no instance shall payment of the fine in Paragraph 3 delay payment of the fine in Paragraph 2. Payment of the fine in Paragraph 3 shall be due upon submission of the required information and examination fee or upon the effective date of this paragraph, whichever date is later.

5. All fines shall be payable by check or money order made payable to "Treasurer, State of New Jersey," no later than the date on which this paragraph becomes effective, as specified in Paragraph 9 of this Order. Health Net shall submit the check or money

order to the Director of the Office of Managed Care, P.O. Box 360, Trenton, NJ 08625-0360.

6. Health Net shall submit a Plan of Correction within 30 business days following the date of this Order specifying how Health Net shall assure that it will timely submit information required for future reports, and how Health Net shall assure that it will be responsive to future requests for information made by the Department.

7. Nothing set forth in this Order shall be construed to preclude the Department from taking enforcement against Health Net for related matters not set forth herein.

8. Obligations under this Order are imposed pursuant to the police powers of the State of New Jersey for the enforcement of law and the protection of public health, safety and welfare and are not intended to constitute a debt or debts subject to limitation or discharge in a bankruptcy proceeding.

9. All numbered paragraphs of this Order, other than Paragraphs 2, 3, and 4, shall be effective as of the date of the Order, and no paragraphs of this Order shall be stayed pending the conclusion of an administrative hearing and the rendering of a final decision by the Commissioner of the Department, except as Paragraph 10 applies.

10. Paragraphs 2, 3, and 4 shall not become effective until 30 days following the date of this Order, in accordance with N.J.A.C. 8:38-2.14 (c), unless Health Net, prior to the end of the 30-day period, files with the Department a written request for a hearing and a written request to Stay the Order with respect to Paragraphs 2, 3, and 4 until the conclusion of an administrative hearing and the rendering of a final decision by the Commissioner of the Department. A request for a hearing shall be accompanied by a written response to the violations set forth in this Order.

11. If Health Net wishes to request an administrative hearing, then Health Net shall submit such a request in writing no later than 30 days following the date of this Order to: Director, Office of Legal and Regulatory Affairs, P.O. Box 360, Trenton, New Jersey 08625-0360, or by fax at 609-292-5333.

Questions should be submitted to Marilyn Dahl, Deputy Commissioner, at 609-984-3939 or to Sylvia Allen-Ware, Director of the Office of Managed Care, at 609-633-0660.

MARILYN DAHL
Deputy Commissioner

/s/ Marilyn Dahl