INSURANCE
DEPARTMENT OF BANKING AND INSURANCE
DIVISION OF INSURANCE

Health Benefit Plans

Electronic Receipt and Transmission of Health Insurance Claims

Proposed Amendments: N.J.A.C. 11:22-3.2 and 3.3

Proposed New Rules: N.J.A.C. 11:22-3, Appendix Exhibits 1A and 1B

Proposed Repeal: N.J.A.C. 11:22-3, Appendix Exhibit 1

Authorized By: Holly C. Bakke, Commissioner, Department of Banking and Insurance

Authority: N.J.S.A. 17:1-8.1 and 17:1-15e and 17B:30-23

Calendar Reference: See Summary below for explanation of exception to calendar requirements

Proposal Number: PRN 2004-73

Submit written comments by May 14, 2004 to:

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The agency proposal follows:

## Summary

The Department of Banking and Insurance (Department) proposes to amend N.J.A.C. 11:22-3, Electronic Receipt and Transmission of Health Care Claims. The Department seeks to repeal Appendix Exhibit 1 and replace it with two forms--one enrollment/change request form for the group market; and one application/change request form for the individual market. These two forms, identified as Appendix Exhibits 1A and 1B, accurately reflect the distinctions

between the two markets. Amendments are also proposed to N.J.A.C. 11:22-3.3 to reflect the establishment of two forms. The proposal also adds a definition of "health insurance coverage" to N.J.A.C. 11:22-3.2 to clarify the scope of applicability of the rules. The definition is based upon the statutory definition found at N.J.S.A. 17B:27-54. The definition of "health benefit payer" found at N.J.A.C. 11:22-3.2, Definitions, is also amended to correct the erroneous citation to the entities subject to the chapter.

Appendix Exhibit 1A Enrollment/Change Request Form is to be used exclusively for the group market. The form elicits information regarding the type of enrollment, employee information, plan options, individuals covered, pre-existing conditions, other previous insurance, and dependent information. The form also requires the employee's signature and employer verification. The form includes a detailed set of instructions.

Appendix Exhibit 1B Application/Change Request form is to be used exclusively for the individual market. The form contains categories including type of authority, applicant information, plan option, individuals covered, pre-existing conditions, person covered, dependent information, availability of coverage, payment information and applicant information. The form includes a detailed set of instructions.

A 60 day comment period is provided and, therefore, pursuant to N.J.A.C. 1:30-3.3(a)5, the proposal is not subject to the provisions of N.J.A.C. 1:30-3.1 and 3.2 governing rulemaking calendars.

## Social Impact

The proposed amendments, repeal and new rules benefit the public by gathering the specific, necessary information required pursuant to N.J.A.C. 11:22-3. The use of standardized forms will make the application process easier for applicants because the forms from all carriers will be similar. Carriers will benefit from the availability of two forms because one form reflects the regulatory and operational framework of the group market, while the other form reflects the regulatory and operational framework of the individual market.

## Economic Impact

Carriers will be required to bear any costs associated with use of the new forms. Since the new forms replace an existing form, there will be some additional, one-time costs to carriers when they replace the existing standard form with new standard forms. This is true whenever a standard form is changed. The Department believes that use of the new standard forms, which are more precisely tailored to the individual and group markets, will lessen or obviate the need for carriers to make follow-up telephone calls or issue additional correspondence to applicants and enrollees to gather more data or clarify information as it is presented in the existing form. The Department believes that carriers may thus incur lower administrative costs as they process enrollments using the new standard forms.

There is no economic impact from the new and revised definitions. The definition of "health insurance coverage" is included to clarify the scope of the applicability of the rules and, as was mentioned in the Summary, to conform the text of the rule to the statutory definition. It does not change the universe of entities covered. The amendment to the definition of "health benefit payer" merely corrects an incorrect citation. This likewise does not change the universe of entities affected.

## Federal Standards Statement

A Federal standards analysis is not required because the proposed repeal, amendments and new rule are not subject to any Federal standards or requirements.

## Jobs Impact

The Department does not anticipate that any jobs will be generated or lost as a result of the proposed amendments, repeal and new rules.

## Agriculture Industry Impact

The proposed amendments, repeal and new rules will not have any impact on the agriculture industry in New Jersey.

## Regulatory Flexibility Analysis

The proposed amendment and new rules will apply to all hospital service corporations, medical service corporations, health service corporations, individual and group health insurers, health maintenance organizations, dental service corporations, dental plan organizations, and prepaid prescription service organizations. Some of these entities are "small businesses" as that term is defined in the Regulatory Flexibility Act, N.J.S.A. 52:14B-16 et seq. Because the HINT Act does not allow for any small business exception, all entities, regardless of size, will be required to comply with these requirements. The proposed rulemaking does not create any new requirements since purchasers in both group and individual markets currently complete forms as required by the carrier to which application is being made.

The costs associated with the use of replacement forms are discussed in the Economic Impact statement. The proposed rulemaking will not require the use of any additional professional services. To ensure consistency and uniformity in the use of enrollment/change request forms and application/change request forms for the individual and group insurance markets, no differentiation in compliance requirements is provided based on business size. Finally, since no differentiation based upon business size is made in the definition of "health insurance coverage" set forth in N.J.S.A. 17B:27-54, the definition being added to N.J.A.C. 11:22-3.2 also makes no differentiation based upon business size.

## Smart Growth Impact

The proposed repeal, amendment and new rules will not have an impact on the achievement of smart growth or the implementation of the State Development and Redevelopment Plan.

Full text of the proposed repeal may be found in the New Jersey Administrative Code at N.J.A.C. 11:22-3, Appendix Exhibit 1.

Full text of the proposed amendments and new rule follows (additions indicated in boldface **thus**, deletions indicated in brackets [thus]):

11:22-3.2 Definitions

The following words, phrases and terms, when used in this subchapter, shall have the following meanings unless the context clearly indicates otherwise.

. . .

"Health benefit payer" or "payer" means those entities identified in N.J.A.C. 11:22-3.1[(c)] **(d)** that are subject to the provisions of this chapter.

. . .

**"Health insurance coverage" means benefits consisting of medical care, provided directly, through insurance or reimbursement, or otherwise, and including items and services paid for as medical care, under any hospital or medical expense policy or certificate or health maintenance organization contract offered by a health benefit payer. The following shall constitute excepted benefits:**

**1. Coverage only for accident or disability income insurance, or any combination thereof; coverage issued as a supplement to liability insurance; liability insurance, including general liability insurance and automobile liability insurance; workers' compensation or similar insurance; automobile medical payment insurance; credit-only insurance; coverage for on-site medical clinics; and other similar insurance coverages, as specified by Federal regulations, under which benefits for medical care are secondary or incidental to other insurance benefits;**

**2. Benefits provided under a separate policy, certificate or contract of insurance, or otherwise not an integral part of the group health plan benefits for long-term**

**care, nursing home care, home health care, community based care, or any combination thereof, and such other similar, limited benefits as are specified by Federal regulation;**

**3. Benefits offered as independent, noncoordinated benefits, hospital indemnity or other fixed indemnity insurance;**

**4. Benefits offered as a separate insurance policy, certificate or contract of insurance, Medicare supplement insurance as defined under section 1882(g)(1) of the Federal Social Security Act (42 U.S.C. § 1395ss(g)(1) and coverage supplemental to the coverage provided under chapter 55 of Title 10, United States Code (10 U.S.C. §§ 1071 et seq.), and similar supplemental coverage provided in addition to coverage under a group health plan.**

. . .

11:22-3.3 Standard enrollment[and claim]**/change request** forms **and application/change request forms**

(a) – (b) (No change.)

(c) The paper standard formats for a universal enrollment**/change request form and application/change request** form [is] **are** located at subchapter Appendix Exhibit**s** [1] **1A and 1B** and [is] **are** incorporated herein by reference.

(Agency Note: The brackets included in Appendix Exhibits 1A and 1B below are permanent, and do not indicate text proposed for deletion.)