

IN THE MATTER OF THE TERMINATION ) ORDER FOR A PLAN OF  
OF CONTRACTS BETWEEN PHYSICIANS ) CORRECTION, ASSESSMENT  
HEALTH SERVICES, INC. AND ) OF A PENALTY, AND  
HACKETTSTOWN COMMUNITY HOSPITAL ) SUBMISSION OF ADDITIONAL  
& VIRTUA WEST JERSEY HOSPITAL SYSTEM) INFORMATION

This matter having been opened by the Commissioner of the Department of Health and Senior Services (DHSS) pursuant to the authority vested by N.J.S.A. 26:2J-1 et seq.;

WHEREAS, the DHSS' Office of Managed Care received correspondence from Physicians Health Services' (PHS) dated October 13, 2000 setting forth notice of the impending termination of the provider agreement between PHS and Virtua-West Jersey Hospital System (WJHS), to be effective on or about November 5, 2000 and Virtua-Memorial Hospital of Burlington County (MHBC), to be effective on or about December 4, 2000;

WHEREAS, DHSS' Office of Managed Care received correspondence from PHS, dated December 11, 2000, but sent by facsimile on December 12, 2000, setting forth notice of the impending termination of the provider agreement between PHS and Hackettstown Community Hospital (Hackettstown), effective on or about January 2, 2001;

WHEREAS, N.J.A.C. 8:38-2.7(a)3, requires HMOs to submit notification to DHSS and the Department of Banking and Insurance of termination of a contract between the HMO and a hospital at least 30 days prior to the date the termination is expected to take place;

WHEREAS, PHS should have provided written notice of the anticipated termination of the WJHS contract to DHSS and the Department of Banking and Insurance on or before October 6, 2000, but did not;

WHEREAS PHS should have provided written notice of the anticipated termination of the Hackettstown contract to DHSS and the Department of Banking and Insurance on or before December 2, 2000, but did not;

WHEREAS, PHS has failed to provide DHSS and the Department of Banking and Insurance notice of termination of hospital contracts at least 30 days prior to the anticipated termination date previously, and there appears to be a pattern of practice by PHS in failing to comply with N.J.A.C. 8:38-2.7(a)<sup>3</sup>;

WHEREAS, N.J.S.A. 26:J-11.1, and rules promulgated pursuant thereto, require that an HMO and hospital abide by the terms of the most current contract for a period of four months following the date of termination of the contract;

WHEREAS, DHSS has calculated the end of the four month extension period for Hackettstown to be 11:59 p.m. on May 1, 2001<sup>2</sup>;

WHEREAS, pursuant to N.J.A.C. 8:38-3.5(e) an HMO is required to provide to all network health care providers and members of the HMO who reside in the county in which the terminating hospital is located or in an adjacent county within the HMO's service area written notice of the termination of the contract within 15 days following the date of the termination;

WHEREAS, HMOs are required to maintain an adequate network consistent with the HMO's current certificate of authority, and provide demonstration of such network adequacy as necessary, pursuant to N.J.A.C. 8:38-2.2 and 2.7; and

WHEREAS, DHSS requires more information from PHS regarding the adequacy of PHS' network in Warren County following the termination of Hackettstown, and the conclusion of the four month extension period, as well as PHS' compliance with N.J.A.C. 8:38-3.5 generally;

NOW, THEREFORE, it is hereby ORDERED on this 7th day of February, 2001 that:

1. PHS shall pay the amount of \$15,000 as a monetary penalty for PHS' failure to provide notice to DHSS and the Department of Banking and Insurance of the impending termination of the contract between PHS and Hackettstown as well as PHS and WJHS in

accordance with N.J.A.C. 8:38-2.7, assessed at \$1,000 per day of failure to provide timely notice, multiplied by 5 days with respect to the WJHS contract, and 10 days with respect to the Hackettstown contract. PHS shall remit the amount in one lump sum by check or money order made payable to the Treasurer, State of New Jersey, no later than the date that this paragraph becomes effective, as specified in Paragraph 2. PHS shall submit the check to the Director of the Office of Managed Care within DHSS.

2. Paragraph 1 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 PHS files with DHSS, prior to the end of the 30-day period, a written request for a hearing, and a written request to Stay the Order with respect to Paragraph 1 until an administrative hearing has been concluded and a final decision is rendered by the Commissioner of DHSS. A request for a hearing shall be accompanied by a written response to the violations set forth in this Order.

3. If PHS wishes to request an administrative hearing, PHS shall submit its request in writing no later than 30 days following the date of this Order to Carole Slimm, Office of Legal and Regulatory Affairs, P.O. Box 360, Trenton, NJ 08625-0360, or by fax at (609) 292-5333.

4. PHS shall submit a Plan of Correction to DHSS' Office of Managed Care no later than 10 business days following the date of this Order, specifying the changes to its current operations PHS shall make to assure that it will provide notice to DHSS and the Department of Banking and Insurance in accordance with the time frames set forth at N.J.A.C. 8:38-2.7, the date by which PHS expects these changes to be implemented, and the mechanism by which PHS intends to demonstrate to DHSS and the Department of Banking and Insurance that implementation is complete and effective.

5. PHS shall submit the following information no later than 10 business days following the date of this Order to DHSS' Office of Managed Care, with a complete copy to both the Managed Care Bureau at the Department of Banking and Insurance, and the Office of Managed Health Care at the Department of Human Services:

(a). A written statement confirming that the end of the extension period with Hackettstown shall be no earlier than 11:59 p.m. on May 1, 2001, a statement of the actual end date of the extension period (which shall be no earlier than 11:59 p.m. on May 1, 2001), a copy of the document informing Hackettstown of the end date of the extension period, and a certification that the terms of the current contract will be continued for the four-month extension period.

(b). A written summary of the events or reasons cited by Hackettstown as determining factors in Hackettstown's decision to terminate its contract with PHS.

(c). A written statement specifying the date that the contract with Hackettstown would have renewed but for the termination, or the anniversary date of the contract, if the contract did not otherwise specify a date of formal renewal, with an explanation as to whether the date is a renewal date or anniversary date.

(d). A separate *Table 2 (Summary of Physicians by County)* completed<sup>3</sup> to show each of the following:

(1). The current physician network in Warren County;

(2). The number of primary care and specialty care physicians who only have privileges with Hackettstown, with a written explanation of how many providers in each discipline PHS expects to leave its network, and the means by which PHS will address this issue; and

(3). The network PHS expects to be available on May 2, 2001 under a worst-case scenario.

(g). A separate *Table 3 (General Acute Hospitals)* completed<sup>4</sup> to show each of the following:

(1). The current acute care hospitals in Warren County under contract with PHS, specifying the number of beds available at each hospital and the services each hospital offers;

(2). The hospitals, beds, and services that will be available on May 2, 2001.

(h). A geo-access evaluation report of the hospital and physician networks that will be available to PHS' enrollees on May 2, 2001, using a worst case scenario, submitted on diskette as well as hardcopy.

(i). A current enrollment chart for Warren County by male/female under age 18 and male/female age 18 and over.

(j). Copies of all forms of notification letters to be sent to enrollees who reside in Warren County informing them of their options with respect to their health care coverage, including a list of the network hospitals that will be available at the conclusion of the four-month extension period. This notice shall include a statement that the terms of the current contract between PHS and Hackettstown will continue from January 1, 2001 until the end of the extension period, which shall be no earlier than 11:59 p.m. on May 1, 2001. The notice also shall include an explanation of the right of members to have care continued in accordance with N.J.S.A. 26:2S-9.1.

(k). Copies of all forms of notification letters to be sent to network health care providers, and specifically physicians that have admitting privileges at Hackettstown. This notice shall include a statement that the terms of the current contract between PHS and Hackettstown will continue from January 1, 2001 until the end of the extension period, which shall be no earlier than 11:59 p.m. on May 1, 2001. The notice also shall include an explanation of the right of members to have care continued in accordance with N.J.S.A. 26:2S-9.1.

FOR: CHRISTINE GRANT, COMMISSIONER  
NEW JERSEY DEPARTMENT OF HEALTH  
AND SENIOR SERVICES

BY: \_\_\_\_\_  
MARILYN DAHL  
SENIOR ASSISTANT COMMISSIONER

DATE: \_\_\_\_\_

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<sup>1</sup> In 2000, in addition to failing to provide timely notice of the proposed termination of contract between PHS and Hackettstown and PHS and WJHS, PHS failed to provide timely notice of the proposed termination of its contract with CentraState Medical Center (but note that PHS has requested a hearing regarding the termination of its contract with CentraState Medical Center).

<sup>2</sup> A new contract was struck between PHS and WJHS, as well as MHBC.

<sup>3</sup> In preparation of *Table 2*, PHS shall not leave blanks or “1s” for any specialist provider category; if out-of-county providers are used to provide or supplement the network for Warren County, that number shall be indicated, and followed by an asterisk, which shall provide an explanation on a separate page(s) listing the provider(s) by name, specialty, office address, including county, and hospital affiliation. In preparation of *Table 2*, PHS shall include behavioral/mental health and substance abuse providers, regardless of whether a secondary contractor provides the services.

<sup>4</sup> Include the behavioral/mental health and substance abuse services available to enrollees at these hospitals.