



State of New Jersey
DEPARTMENT OF BANKING AND INSURANCE
DIVISION OF INSURANCE
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STEVEN M. GOLDMAN
Commissioner

BULLETIN 07-23

**TO: ALL INSURERS AUTHORIZED TO TRANSACT BUSINESS IN NEW JERSEY,
HEALTH SERVICE CORPORATIONS, HEALTH MAINTENANCE
ORGANIZATIONS AND ORGANIZED DELIVERY SYSTEMS**

FROM: STEVEN M. GOLDMAN, COMMISSIONER

**RE: PENALTY FOR FAILURE TO OBTAIN PREAUTHORIZATION,
PRECERTIFICATION OR ACKNOWLEDGMENT OF PRIOR NOTICE LEVIED
BY ORGANIZED DELIVERY SYSTEMS ON NETWORK PROVIDERS**

It has come to the Department's attention that some organized delivery systems (ODS) are administratively denying and withholding all reimbursement on claims submitted by network providers for medically necessary services which would otherwise be covered but for the provider's failure to obtain required pre-certification, pre-authorization or acknowledgment of prior notice (collectively "administrative procedures"). Such denial violates N.J.A.C. 11:24B:5.2(c)6, which permits a penalty of no greater than 50% of what would otherwise have been paid to the network provider had the administrative procedures been satisfied, provided such penalty is specified in the provider agreement.

The purpose of this bulletin is to remind ODSs and the insurance companies, health service corporations and health maintenance organizations that contract with ODSs of the maximum penalty that that can be levied on provider claims for medically necessary covered services for failure to comply with the ODS's or carrier's administrative procedures. In order to avoid enforcement action by the Department, ODSs that are not in compliance with N.J.A.C. 11:24B:5.2(c)6 are advised to submit for the Department's approval a Plan of Correction (POC) describing how the ODS intends to come into compliance, including remediation with interest of all improperly denied claims, on or before February 1, 2008. POCs and questions about this bulletin should be submitted to:

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The Department reserves the right to impose penalties of not less than \$250 or more than \$10,000 per day pursuant to N.J.S.A. 17:48H-29 for violations of N.J.A.C. 11:24B-5.2. The Department also intends to monitor provider arbitration filings and may impose additional penalties on ODSs that fail to take timely corrective action, resulting in providers being required to file appeals and arbitration requests in order to receive proper payment under N.J.A.C. 11:24B:5.2(c)6.

12/7/07
Date

/s/ Steven M. Goldman
Steven M. Goldman
Commissioner

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