SENATE, No. 1850



STATE OF NEW JERSEY

219th LEGISLATURE



INTRODUCED FEBRUARY 24, 2020

Sponsored by:

Senator VIN GOPAL

District 11 (Monmouth)

SYNOPSIS

“Ensuring Transparency in Prior Authorization Act.”

CURRENT VERSION OF TEXT

As introduced.



An Act concerning prior authorization of services covered by certain health benefits plans and supplementing and amending P.L.1997, c.192.

Be It Enacted by the Senate and General Assembly of the State of New Jersey:

1. (New section) This act shall be known and may be cited as the “Ensuring Transparency in Prior Authorization Act.”

2. (New section) The Legislature finds and declares that:

a. the physician-patient relationship is paramount and should not be subject to third party intrusion;

b. prior authorization programs can place attempted cost savings ahead of optimal patient care;

c. prior authorization programs shall not be permitted to hinder patient care or intrude on the practice of medicine; and

d. prior authorization programs must include the use of written clinical criteria and reviews by appropriate physicians to ensure a fair process for patients.

3. (New section) As used in this act:

“Adverse determination” means a decision by a utilization review entity that the covered services furnished or proposed to be furnished to a subscriber are not medically necessary, or are experimental or investigational; and benefit coverage is therefore denied, reduced, or terminated. A decision to deny, reduce, or terminate services which are not covered for reasons other than their medical necessity or experimental or investigational nature is not an “adverse determination” for purposes of this act.

“Authorization” means a determination by a utilization review entity that a covered service has been reviewed and, based on the information provided, satisfies the utilization review entity’s requirements for medical necessity and appropriateness and that payment will be made for that health care service.

"Carrier" means an insurance company, health service corporation, hospital service corporation, medical service corporation, or health maintenance organization authorized to issue health benefits plans in this State.

“Clinical criteria” means the written policies, written screening procedures, drug formularies or lists of covered drugs, determination rules, determination abstracts, clinical protocols, practice guidelines, medical protocols and any other criteria or rationale used by the utilization review entity to determine the necessity and appropriateness of covered services.

"Covered person" means a person on whose behalf a carrier offering the health benefits plan is obligated to pay benefits or provide services pursuant to the plan.

"Covered service" means a health care service provided to a covered person under a health benefits plan for which the carrier is obligated to pay benefits or provide services, and shall include “health care service” and “emergency health care services.”

“Emergency health care services” means those covered services that are provided in an emergency health care facility after the sudden onset of a medical condition that manifests itself by symptoms of sufficient severity, including severe pain, that the absence of immediate medical attention could reasonably be expected by a prudent layperson, who possesses an average knowledge of health and medicine, to result in: (1) placing a covered person’s health in serious jeopardy; (2) serious impairment to bodily function; or (3) serious dysfunction of any bodily organ or part.

"Health benefits plan" means a benefits plan which pays or provides hospital and medical expense benefits for covered services, and is delivered or issued for delivery in this State by or through a carrier. Health benefits plan includes, but is not limited to, Medicare supplement coverage and risk contracts to the extent not otherwise prohibited by federal law. For the purposes of this act, health benefits plan shall not include the following plans, policies, or contracts: accident only, credit, disability, long-term care, TRICARE supplement coverage, coverage arising out of a workers' compensation or similar law, automobile medical payment insurance, personal injury protection insurance issued pursuant to P.L.1972, c.70 (C.39:6A-1 et seq.), or hospital confinement indemnity coverage.

"Health care provider" means an individual or entity which, acting within the scope of its licensure or certification, provides a covered service defined by the health benefits plan. Health care provider includes, but is not limited to, a physician and other health care professionals licensed pursuant to Title 45 of the Revised Statutes, and a hospital and other health care facilities licensed pursuant to Title 26 of the Revised Statutes.

“Health care service" means health care procedures, treatments or services: (1) provided by a health care facility licensed in New Jersey; or (2) provided by a doctor of medicine, a doctor of osteopathy, or within the scope of practice for which a health care professional is licensed in New Jersey. The term “health care service” also includes the provision of pharmaceutical products or services or durable medical equipment.

“Medically necessary health care services” means health care services that a prudent physician would provide to a covered person for the purpose of preventing, diagnosing or treating an illness, injury, disease or its symptoms in a manner that is: (1) in accordance with generally accepted standards of medical practice; (2) clinically appropriate in terms of type, frequency, extent, site and duration; and (3) not primarily for the economic benefit of the health benefits plan and purchaser of a plan or for the convenience of the covered person, treating physician, or other health care provider.

“NCPDP SCRIPT Standard” means the National Council for Prescription Drug Programs SCRIPT Standard Version 2013101, or the most recent standard adopted by the United States Department of Health and Human Services. Subsequently released versions of the NCPDP SCRIPT Standard may be used, provided that the new version of the standard is backward compatible to the current version adopted by United States Department of Health and Human Services.

“Prior authorization” means the process by which a utilization review entity determines the medical necessity of an otherwise covered service prior to the rendering of the service including, but not limited to, preadmission review, pretreatment review, utilization review, and case management. “Prior authorization” also includes a utilization review entity’s requirement that a subscriber or health care provider notify the carrier or utilization review entity prior to providing a health care service.

“Step therapy protocol” means a protocol or program that establishes the specific sequence in which prescription drugs for a medical condition that are medically appropriate for a particular subscriber are authorized by a utilization review entity.

"Subscriber" means, in the case of a group contract, a person whose employment or other status, except family status, is the basis for eligibility for enrollment by the carrier or, in the case of an individual contract, the person in whose name the contract is issued. The term “subscriber” includes a subscriber’s legally authorized representative.

“Urgent health care service” means a health care service with respect to which the application of the time periods for making a nonexpedited prior authorization, in the opinion of a physician with knowledge of the covered person’s medical condition: (1) could seriously jeopardize the life or health of the covered person or the ability of the covered person to regain maximum function; or (2) could subject the covered person to severe pain that cannot be adequately managed without the care or treatment that is the subject of the utilization review.

“Utilization review entity” means an individual or entity that performs prior authorization for one or more of the following entities: (1) an employer with employees in New Jersey who are covered under a health benefits plan; (2) a carrier; and (3) any other individual or entity that provides, offers to provide, or administers hospital, outpatient, medical, or other health benefits to a person treated by a health care provider in New Jersey under a policy, plan, or contract. A carrier shall be a utilization review entity if it performs prior authorization.

4. (New section) a. A utilization review entity shall make any current prior authorization requirements and restrictions, including written clinical criteria, readily accessible on its Internet website to subscribers, health care providers, and the general public. Requirements shall be described in detail but also in easily understandable language.

b. If a utilization review entity intends either to implement a new prior authorization requirement or restriction, or amend an existing requirement or restriction, the utilization review entity shall ensure that the new or amended requirement is not implemented unless the utilization review entity’s Internet website has been updated to reflect the new or amended requirement or restriction.

c. If a utilization review entity intends either to implement a new prior authorization requirement or restriction, or amend an existing requirement or restriction, the utilization review entity shall provide contracted in-network health care providers with written notice of the new or amended requirement or amendment no less than 60 days before the requirement or restriction is implemented.

d. A utilization review entity that uses prior authorization shall make statistics available regarding prior authorization approvals and denials on its Internet website in a readily accessible format. Entities shall include categories for:

(1) physician specialty;

(2) medication or diagnostic tests and procedures;

(3) indication offered; and

(4) reason for denial.

5. (New section) Notwithstanding the provisions of any other law to the contrary:

a. If a utilization review entity requires prior authorization of a covered service, the utilization review entity shall make a prior authorization or adverse determination and notify the subscriber and the subscriber’s health care provider of the prior authorization or adverse determination within two business days of obtaining all necessary information to make the prior authorization or adverse determination. For purposes of this section, "necessary information" includes the results of any face-to-face clinical evaluation or second opinion that may be required.

b. A utilization review entity shall render a prior authorization or adverse determination concerning an urgent health care service, and notify the subscriber and the subscriber’s health care provider of that prior authorization or adverse determination, not later than one business day after receiving all information needed to complete the review of the requested service.

c. (1) A utilization review entity shall not require prior authorization for pre-hospital transportation or for provision of emergency health care services.

(2) A utilization review entity shall allow a subscriber and the subscriber’s health care provider a minimum of 24 hours following an emergency admission or provision of emergency health care services for the subscriber or health care provider to notify the utilization review entity of the admission or provision of covered services. If the admission or covered service occurs on a holiday or weekend, a utilization review entity shall not require notification until the next business day after the admission or provision of the service.

(3) A utilization review entity shall approve coverage for emergency health care services necessary to screen and stabilize a covered person. If a health care provider certifies in writing to a utilization review entity within 72 hours of a covered person’s admission that the covered person’s condition requires emergency health care services, that certification shall create a presumption that the emergency health care services are medically necessary and that presumption may be rebutted only if the utilization review entity establishes, with clear and convincing evidence, that the emergency health care services are not medically necessary.

(4) A utilization review entity shall not determine medical necessity or appropriateness of emergency health care services based on whether or not those services are provided by participating or nonparticipating providers. A utilization review entity shall ensure that restrictions on coverage of emergency health care services provided by nonparticipating providers shall not be greater than restrictions that apply when those services are provided by participating providers.

(5) If a subscriber receives an emergency health care service that requires immediate post-evaluation or post-stabilization services, a utilization review entity shall make an authorization determination within 60 minutes of receiving a request. If the authorization determination is not made within 60 minutes, those services shall be deemed approved.

6. (New section) A utilization review entity shall not:

a. require a health care provider offering services to a covered person to participate in a step therapy protocol if the provider deems that the step therapy protocol is not in the covered person’s best interests;

b. require that a health care provider first obtain a waiver, exception, or other override when deeming a step therapy protocol to not be in a covered person’s best interests; or

c. sanction or otherwise penalize a health care provider for recommending or issuing a prescription, performing or recommending a procedure, or performing a test that may conflict with the step therapy protocol of the carrier.

7. (New section) A utilization review entity shall not revoke, limit, condition or restrict a prior authorization if care is provided within 45 business days from the date the health care provider received the prior authorization. Any language in a contract or a policy or any other attempt to disclaim payment for services that have been authorized within that 45 day period shall be null and void.

8. (New section) A prior authorization shall be valid for purposes of authorizing the health care provider to provide care for a period of one year from the date the health care provider receives the prior authorization. In the case of a prior authorization for medication coverage for a chronic condition, the prior authorization shall remain valid for a period of one year from the date the medication receives the prior authorization, or until the last day the covered person receiving the medication is covered by the carrier.

9. (New section) No later than January 1, 2021, a carrier shall accept and respond to prior authorization requests for medication coverage, under the pharmacy benefit part of a health benefits plan, made through a secure electronic transmission using the NCPDP SCRIPT Standard electronic prior authorization transactions. Facsimile, propriety payer portals, and electronic forms shall not be considered secure electronic transmission.

10. (New section) Any failure by a utilization review entity to comply with a deadline or other requirement under the provisions of this act shall result in any health care services subject to review being automatically deemed authorized.

11. (New section) a. A series or pattern of violations of P.L.     , c.    (C.       ), committed with such frequency as to indicate a general business practice, shall constitute a violation of P.L.1947, c.379 (C.17:29B-1 et seq.) or chapter 30 of Title 17B of the New Jersey Statutes, as applicable.

b. The Commissioner of Banking and Insurance shall promulgate rules and regulations, pursuant to the “Administrative Procedure Act,” P.L.1968, c.410 (C.52:14B-1 et seq.), including any penalties or enforcement provisions, that the commissioner deems necessary to effectuate the purposes of this act.

12. Section 4 of P.L.1997, c.192 (C.26:2S-4) is amended to read as follows:

4. A carrier shall disclose in writing to a subscriber, in a manner consistent with the "Life and Health Insurance Policy Language Simplification Act," P.L.1979, c.167 (C.17B:17-17 et seq.), the terms and conditions of its health benefits plan, and shall promptly provide the subscriber with written notification of any change in the terms and conditions prior to the effective date of the change. The carrier shall provide the required information at the time of enrollment and upon request thereafter.

a. The information required to be disclosed pursuant to this section shall include a description of:

(1) covered services and benefits to which the subscriber or other covered person is entitled;

(2) restrictions or limitations on covered services and benefits, including, but not limited to, physical and occupational therapy services, clinical laboratory tests, hospital and surgical procedures, prescription drugs and biologics, radiological examinations and behavioral health care services;

(3) financial responsibility of the covered person, including copayments and deductibles;

(4) prior authorization and any other review requirements with respect to accessing covered services;

(5) where and in what manner covered services may be obtained;

(6) changes in covered services or benefits, including any addition, reduction or elimination of specific services or benefits;

(7) the covered person's right to appeal and the procedure for initiating an appeal of a utilization management decision made by or on behalf of the carrier with respect to the denial, reduction or termination of a health care benefit or the denial of payment for a health care service;

(8) the procedure to initiate an appeal through the Independent Health Care Appeals Program established pursuant to this act; and

(9) such other information as the commissioner shall require.

b. The carrier shall file the information required pursuant to this section with the department.

c. In the case of a carrier that owns, wholly or in part, or contracts with a managed behavioral health care organization, the information required to be disclosed pursuant to this section shall include the following:

(1) the specific behavioral health care services covered and the specific exclusions that apply to the subscriber or other covered person;

(2) the covered person's responsibilities for obtaining behavioral health care services;

(3) the reimbursement methodology that the carrier and managed behavioral health care organization use to reimburse health care providers for behavioral health care services; and

(4) if the carrier offers a managed care plan that provides for both in-network and out-of-network benefits, the procedure that a covered person must utilize when attempting to obtain behavioral health care services from a health care provider who is not included in the network of providers used by the carrier or managed behavioral health care organization.

d. A carrier that makes a utilization management decision with respect to the denial, reduction or termination of a health care benefit or the denial of payment for a health care service shall provide the covered person with a notice informing the person of the person’s right to appeal and the procedure for initiating an appeal of the utilization management decision or denial of payment, and the procedure to initiate an appeal through the Independent Health Care Appeals Program. The notification shall be provided at the same time the decision is communicated to the covered person.

(cf: P.L.2005, c.172, s.2.)

13. Section 6 of P.L.1997, c.192 (C.26:2S-6) is amended to read as follows:

6. a. A carrier which offers a managed care plan or uses a utilization management system in any of its health benefits plans shall designate a licensed physician to serve as medical director. The medical director, or his designee, shall be designated to serve as the medical director for medical services provided to covered persons in the State and shall be licensed to practice medicine in New Jersey.

The medical director shall be responsible for treatment policies, protocols, quality assurance activities and utilization management decisions of the carrier. The treatment policies, protocols, quality assurance program and utilization management decisions of the carrier shall be based on written clinical criteria followed by the carrier, which shall be based on generally accepted standards of health care practice. The quality assurance and utilization management programs shall be in accordance with standards adopted by regulation of the department pursuant to this act.

b. The medical director shall ensure that:

(1) Any utilization management decision to deny, reduce or terminate a health care benefit or to deny payment for a health care service, because that service is not medically necessary, shall be made by a physician in the same general specialty as typically manages the medical condition, procedure, or treatment subject to the decision. In the case of a health care service prescribed or provided by a dentist, the decision shall be made by a dentist;

(2) A utilization management decision shall not retrospectively deny coverage for health care services provided to a covered person when prior approval has been obtained from the carrier for those services, unless the approval was based upon fraudulent information submitted by the covered person or the participating provider;

(3) In the case of a managed care plan, a procedure is implemented whereby participating physicians and dentists have an opportunity to review and comment on all medical and surgical and dental protocols, respectively, of the carrier;

(4) The utilization management program is available on a 24-hour basis to respond to authorization requests for emergency and urgent services and is available, at a minimum, during normal working hours for inquiries and authorization requests for nonurgent health care services; **[**and**]**

(5) In the case of a managed care plan, a covered person is permitted to: choose or change a primary care physician from among participating providers in the provider network, and, when appropriate, choose a specialist from among participating network providers following an authorized referral, if required by the carrier, and subject to the ability of the specialist to accept new patients; and

(6) No physician or dentist shall receive any compensation, bonus, or other incentive based on any utilization management decision.

(cf: P.L.1997, c.192, s.6.)

14. This act shall take effect on the 90th day next following enactment.

STATEMENT

This bill places certain requirements regarding the use of prior authorization of health benefits on carriers and utilization review entities acting on behalf of carriers.

The bill requires a utilization review entity to make certain disclosures regarding its prior authorization requirements and restrictions, on its website and in writing, including certain statistics concerning approvals and denials, as set forth in the bill.

The bill provides that if a utilization review entity requires prior authorization of a covered service, the utilization review entity shall make a prior authorization or adverse determination and notify the subscriber (also commonly known as a “policyholder”) and the subscriber’s health care provider of the prior authorization or adverse determination within two business days of obtaining all necessary information to make the prior authorization or adverse determination.

The bill provides that a utilization review entity shall render a prior authorization or adverse determination concerning an urgent health care service, and notify the subscriber and the subscriber’s health care provider of that prior authorization or adverse determination, not later than one business day after receiving all information needed to complete the review of the requested service.

The bill requires a utilization review entity to adhere to certain practices with respect to authorization of emergency health care services, establishes a presumption that these services are medically necessary in some situations, and deems certain services to be approved under certain circumstances.

The bill also prohibits a utilization review entity from:

* Requiring a health care provider offering services to a covered person to participate in a step therapy protocol if the provider deems that the step therapy protocol is not in the covered person’s best interests;
* Requiring that a health care provider first obtain a waiver, exception, or other override when deeming a step therapy protocol to not be in a covered person’s best interests; or
* Sanctioning or otherwise penalizing a health care provider for recommending or issuing a prescription, performing or recommending a procedure, or performing a test that may conflict with the step therapy protocol of the carrier.

The bill further provides that a utilization review entity shall not revoke, limit, condition or restrict a prior authorization if care is provided within 45 business days from the date the health care provider received the prior authorization. A prior authorization shall be valid for purposes of authorizing the health care provider to provide care for a period of one year from the date the health care provider receives the prior authorization. In the case of a prior authorization for medication coverage for a chronic condition, the prior authorization shall remain valid for a period of one year from the date the medication receives the prior authorization, or until the last day the covered person receiving the medication is covered by the carrier.

The bill provides that no later than January 1, 2021, a carrier shall accept and respond to a prior authorization request for medication coverage, under the pharmacy benefit part of a health benefits plan, made through a secure electronic transmission using the NCPDP SCRIPT Standard electronic prior authorization transactions. Facsimile, propriety payer portals, and electronic forms shall not be considered secure electronic transmission.

Any failure by a utilization review entity to comply with a deadline or other requirement under the provisions of the bill shall result in any health care services subject to review being automatically deemed authorized.

The bill requires a carrier that makes a utilization management decision with respect to the denial, reduction or termination of a health care benefit or the denial of payment for a health care service to provide the covered person with a notice informing the person of the person’s right to appeal and the procedure for initiating an appeal of the utilization management decision or denial of payment, and the procedure to initiate an appeal through the Independent Health Care Appeals Program. The notification shall be provided at the same time the decision is communicated to the covered person.

The bill provides that the treatment policies, protocols, quality assurance program and utilization management decisions of a carrier must be based on written clinical criteria followed by the carrier.

The bill provides that a carrier’s medical director must ensure that any utilization management decision to deny, reduce or terminate a health care benefit or to deny payment for a health care service, because that service is not medically necessary, is made by a physician in the same general specialty as typically manages the medical condition, procedure, or treatment subject to the decision.

The bill provides that no physician or dentist may receive any compensation, bonus, or other incentive based on any utilization management decision.

Finally, the Commissioner of Banking and Insurance shall promulgate rules and regulations, pursuant to the “Administrative Procedure Act,” P.L.1968, c.410 (C.52:14B-1 et seq.), including any penalties or enforcement provisions, that the commissioner deems necessary to effectuate the purposes of the bill.

A series or pattern of violations of the bill, committed with such frequency as to indicate a general business practice, constitute a violation of the unfair insurance claims practices laws, P.L.1947, c.379 (C.17:29B-1 et seq.) or chapter 30 of Title 17B of the New Jersey Statutes, as applicable.