

SENATE, No. 594

STATE OF NEW JERSEY
221st LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2024 SESSION

Sponsored by:

Senator JON M. BRAMNICK

District 21 (Middlesex, Morris, Somerset and Union)

SYNOPSIS

Prohibits downcoding in health insurance claims.

CURRENT VERSION OF TEXT

Introduced Pending Technical Review by Legislative Counsel.



1 AN ACT concerning downcoding in reimbursement of health
2 insurance claims and supplementing N.J.S.17B:30-1 et seq.

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4 **BE IT ENACTED** by the Senate and General Assembly of the State
5 of New Jersey:

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7 1. a. Notwithstanding the provisions of any law, rule, or
8 regulation to the contrary, no payer shall use downcoding in a
9 manner that prevents a health care provider from submitting a
10 health benefits claim for the actual service performed and collecting
11 reimbursement from the payer for that service.

12 b. The Department of Banking and Insurance shall adopt
13 regulations, pursuant to the "Administrative Procedure Act,"
14 P.L.1968, c.410 (C.52:14B-1 et seq.) to effectuate the purposes of
15 this act.

16 c. As used in this section:

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

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

24 "Downcoding" means the adjustment of a health benefits claim
25 submitted to a payer to a less complex or lower cost service in order
26 to reimburse a provider in an amount less than is required pursuant
27 to the provider contract. "Downcoding" includes, but is not limited
28 to, the use of remark codes.

29 "Health benefits claim" means a claim by a covered person for
30 payment of benefits under a health benefits plan.

31 "Health benefits plan" means a hospital and medical expense
32 insurance policy; health service corporation contract; hospital
33 service corporation contract; medical service corporation contract;
34 health maintenance organization subscriber contract; or other plan
35 for medical care delivered or issued for delivery in this State.

36 "Payer" means a carrier or any agent thereof or an organized
37 delivery system or any agent thereof that is doing business in the
38 State and is under a contractual obligation to pay insured claims.

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40 2. This act shall take effect on the 180th day next following the
41 date of enactment.

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STATEMENT

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46 This bill prohibits a health insurance claims payer from using
47 downcoding in a manner that prevents a health care provider from
48 submitting a health benefits claim for the actual service performed

1 and collecting reimbursement from the payer for that service. The
2 bill applies to health insurance carriers, organized delivery systems,
3 or any agents of a health insurance carrier or organized delivery
4 system doing business in New Jersey.

5 Downcoding refers to the practice of adjusting health benefits
6 claims submitted to a payer to a less complex or lower cost service
7 than the service actually performed so the payer can reimburse a
8 lower amount to the health care provider that submitted the claim.
9 Downcoding may occur where a payer disputes a specific service or
10 contends that the diagnosis did not require the specific service code
11 submitted by the health care provider. Excessive or routine
12 downcoding can significantly reduce revenue for health care
13 providers.

14 Health care providers are already subject to robust State laws
15 concerning fraud relating to health benefits claims. These laws,
16 including the “New Jersey False Claims Act,” the “New Jersey
17 Health Care Claims Fraud Act,” and the “New Jersey Insurance
18 Fraud Prevention Act,” penalize health care providers that submit
19 fraudulent claims to a payer.