

ASSEMBLY, No. 5237

STATE OF NEW JERSEY

222nd LEGISLATURE

INTRODUCED JUNE 8, 2026

Sponsored by:

Assemblyman JAMES J. KENNEDY

District 22 (Somerset and Union)

Assemblywoman LINDA S. CARTER

District 22 (Somerset and Union)

Assemblywoman ANDREA KATZ

District 8 (Atlantic and Burlington)

Co-Sponsored by:

Assemblyman Verrelli and Assemblywoman Peterpaul

SYNOPSIS

Requires DOBI to monitor, evaluate, and submit annual report concerning mental health insurance coverage for minors; requires carriers to maintain provider directory.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 10/19/2026)

1 AN ACT concerning mental health parity and amending and
2 supplementing P.L.2019, c.58.

3
4 **BE IT ENACTED** *by the Senate and General Assembly of the State*
5 *of New Jersey:*

6
7 1. Section 11 of P.L.2019, c.58 (C.26:2S-10.8) is amended to
8 read as follows:

9 11. a. For the purposes of this section:

10 "Benefit limits" includes both quantitative treatment limitations
11 and non-quantitative treatment limitations.

12 "Carrier" means an insurance company, health service
13 corporation, hospital service corporation, medical service
14 corporation, or health maintenance organization authorized to issue
15 health benefits plans in this State or any entity contracted to
16 administer health benefits in connection with the State Health
17 Benefits Program or School Employees' Health Benefits Program.

18 "Classification of benefits" means the classifications of benefits
19 found at 45 C.F.R. 146.136(c)(2)(ii)(A) and 45 C.F.R.
20 s.146.136(c)(3)(iii).

21 "Department" means the Department of Banking and Insurance.

22 "Mental health condition" means a condition defined to be
23 consistent with generally recognized independent standards of
24 current medical practice referenced in the current version of the
25 Diagnostic and Statistical Manual of Mental Disorders.

26 "Non-quantitative treatment limitations" or "NQTL" means
27 processes, strategies, or evidentiary standards, or other factors that
28 are not expressed numerically, but otherwise limit the scope or
29 duration of benefits for treatment. NQTLs shall include, but shall
30 not be limited to:

31 (1) Medical management standards limiting or excluding
32 benefits based on medical necessity or medical appropriateness, or
33 based on whether the treatment is experimental or investigative;

34 (2) Formulary design for prescription drugs;

35 (3) For plans with multiple network tiers, such as preferred
36 providers and participating providers, network tier design;

37 (4) Standards for provider admission to participate in a network,
38 including reimbursement rates;

39 (5) Plan methods for determining usual, customary, and
40 reasonable charges;

41 (6) Refusal to pay for higher-cost therapies until it can be shown
42 that a lower-cost therapy is not effective, also known as fail-first
43 policies or step therapy protocols;

44 (7) Exclusions based on failure to complete a course of
45 treatment;

EXPLANATION – Matter enclosed in bold-faced brackets **[thus]** in the above bill is
not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

1 (8) Restrictions based on geographic location, facility type,
2 provider specialty, and other criteria that limit the scope or duration
3 of benefits for services provided under the plan or coverage;

4 (9) In and out-of-network geographic limitations;

5 (10) Limitations on inpatient services for situations where the
6 participant is a threat to self or others;

7 (11) Exclusions for court-ordered and involuntary holds;

8 (12) Experimental treatment limitations;

9 (13) Service coding;

10 (14) Exclusions for services provided by a licensed professional
11 who provides mental health condition or substance use disorder
12 services;

13 (15) Network adequacy; and

14 (16) Provider reimbursement rates.

15 "Substance use disorder" means a disorder defined to be
16 consistent with generally recognized independent standards of
17 current medical practice referenced in the most current version of
18 the Diagnostic and Statistical Manual of Mental Disorders.

19 b. A carrier shall approve a request for an in-plan exception if
20 the carrier's network does not have any providers who are qualified,
21 accessible and available to perform the specific medically necessary
22 service. A carrier shall communicate the availability of in-plan
23 exceptions:

24 (1) on its website where lists of network providers are
25 displayed; and

26 (2) to beneficiaries when they call the carrier to inquire about
27 network providers.

28 c. A carrier that provides hospital or medical expense benefits
29 through individual or group contracts shall submit an annual report
30 to the department on or before March 1. The annual report shall
31 contain, to the extent that the commissioner determines practicable,
32 the following information:

33 (1) A description of the process used to develop or select the
34 medical necessity criteria for mental health benefits, the process
35 used to develop or select the medical necessity criteria for substance
36 use disorder benefits, and the process used to develop or select the
37 medical necessity criteria for medical and surgical benefits;

38 (2) Identification of all NQTLs that are applied to mental health
39 benefits, all NQTLs that are applied to substance use disorder
40 benefits, and all NQTLs that are applied to medical and surgical
41 benefits, including, but not limited to, those listed in subsection a.
42 of this section;

43 (3) The results of an analysis that demonstrates that for the
44 medical necessity criteria described in paragraph (1) of this
45 subsection and for selected NQTLs identified in paragraph (2) of
46 this subsection, as written and in operation, the processes,
47 strategies, evidentiary standards, or other factors used to apply the
48 medical necessity criteria and selected NQTLs to mental health

1 condition and substance use disorder benefits are comparable to,
2 and are no more stringently applied than the processes, strategies,
3 evidentiary standards, or other factors used to apply the medical
4 necessity criteria and selected NQTLs, as written and in operation,
5 to medical and surgical benefits. A determination of which selected
6 NQTLs require analysis will be determined by the department; at a
7 minimum, the results of the analysis shall entail the following,
8 provided that some NQTLs may not necessitate all of the steps
9 described below:

10 (a) identify the factors used to determine that an NQTL will
11 apply to a benefit, including factors that were considered but
12 rejected;

13 (b) identify and define the specific evidentiary standards, if
14 applicable, used to define the factors and any other evidentiary
15 standards relied upon in designing each NQTL;

16 (c) provide the comparative analyses, including the results of
17 the analyses, performed to determine that the processes and
18 strategies used to design each NQTL, as written, for mental health
19 and substance use disorder benefits are comparable to and applied
20 no more stringently than the processes and strategies used to design
21 each NQTL as written for medical and surgical benefits;

22 (d) provide the comparative analyses, including the results of
23 the analyses, performed to determine that the processes and
24 strategies used to apply each NQTL, in operation, for mental health
25 and substance use disorder benefits are comparable to and applied
26 no more stringently than the processes or strategies used to apply
27 each NQTL in operation for medical and surgical benefits; and

28 (e) disclose the specific findings and conclusions reached by the
29 carrier that the results of the analyses above indicate that the carrier
30 is in compliance with this section and the Paul Wellstone and Pete
31 Domenici Mental Health Parity and Addiction Equity Act of 2008,
32 42 U.S.C. s.18031(j), and its implementing and related regulations,
33 which includes 45 C.F.R. s.146.136, 45 C.F.R. s.147.160, and 45
34 C.F.R. s.156.115(a)(3); and

35 (4) Any other information necessary to clarify data provided in
36 accordance with this section requested by the Commissioner of
37 Banking and Insurance including information that may be
38 proprietary or have commercial value, provided that no proprietary
39 information shall be made publicly available by the department.

40 d. The department shall implement and enforce applicable
41 provisions of the Paul Wellstone and Pete Domenici Mental Health
42 Parity and Addiction Equity Act of 2008, 42 U.S.C. 18031(j), any
43 amendments to, and federal guidance or regulations issued under
44 that act, including 45 C.F.R. Parts 146 and 147, 45 C.F.R.
45 s.156.115(a)(3), P.L.1999, c.106 (C.17:48-6v et al.), and section 2
46 of P.L.1999, c.441 (C.52:14-17.29e), which includes:

47 (1) Ensuring compliance by individual and group contracts,
48 policies, plans, or enrollee agreements delivered, issued, executed,

1 or renewed in this State pursuant to P.L.1938, c.366 (C.17:48-1 et
2 seq.), P.L.1940, c.74 (C.17:48A-1 et seq.), P.L.1985, c.236
3 (C.17:48E-1 et seq.), chapter 26 of Title 17B of the New Jersey
4 Statutes (N.J.S.17B:26-1 et seq.), chapter 27 of Title 17B of the
5 New Jersey Statutes (N.J.S.17B:27-26 et seq.), P.L.1992, c.161
6 (C.17B:27A-2 et seq.), P.L.1992, c.162 (C.17B:27A-17 et seq.),
7 P.L.1973, c.337 (C.26:2J-1 et seq.), and P.L.1961, c.49 (C.52:14-
8 17.25 et seq.), or approved for issuance or renewal in this State by
9 the Commissioner of Banking and Insurance.

10 (2) Detecting violations of the law by individual and group
11 contracts, policies, plans, or enrollee agreements delivered, issued,
12 executed, or renewed in this State pursuant to P.L.1938, c.366
13 (C.17:48-1 et seq.), P.L.1940, c.74 (C.17:48A-1 et seq.), P.L.1985,
14 c.236 (C.17:48E-1 et seq.), chapter 26 of Title 17B of the New
15 Jersey Statutes (N.J.S.17B:26-1 et seq.), chapter 27 of Title 17B of
16 the New Jersey Statutes (N.J.S.17B:27-26 et seq.), P.L.1992, c.161
17 (C.17B:27A-2 et seq.), P.L.1992, c.162 (C.17B:27A-17 et seq.),
18 P.L.1973, c.337 (C.26:2J-1 et seq.), and P.L.1961, c.49 (C.52:14-
19 17.25 et seq.), or approved for issuance or renewal in this State by
20 the Commissioner of Banking and Insurance.

21 (3) Accepting, evaluating, and responding to complaints
22 regarding violations.

23 (4) Maintaining and regularly reviewing for possible parity
24 violations a publicly available consumer complaint log regarding
25 mental health condition and substance use disorder coverage,
26 provided that the names of specific carriers will be redacted and not
27 disclosed on the complaint log.

28 (5) The commissioner shall adopt rules as may be necessary to
29 effectuate any provisions of this section and the Paul Wellstone and
30 Pete Domenici Mental Health Parity and Addiction Equity Act of
31 2008 that relate to the business of insurance.

32 e. Not later than May 1 of each year, the department shall issue
33 a report to the Legislature pursuant to section 2 of P.L.1991, c.164
34 (C.52:14-19.1). The report shall:

35 (1) Describe the methodology the department is using to check
36 for compliance with the Paul Wellstone and Pete Domenici Mental
37 Health Parity and Addiction Equity Act of 2008, 42 U.S.C
38 s.18031(j), and any federal regulations or guidance relating to the
39 compliance and oversight of that act.

40 (2) Describe the methodology the department is using to check
41 for compliance with P.L.1999, c.106 (C.17:48-6v et al.) and section
42 2 of P.L.1999, c.441 (C.52:14-17.29e).

43 (3) Identify market conduct examinations conducted or
44 completed during the preceding 12-month period regarding
45 compliance with parity in mental health and substance use disorder
46 benefits under state and federal laws and summarize the results of
47 such market conduct examinations. This shall include:

- 1 (a) The number of market conduct examinations initiated and
2 completed;
- 3 (b) The benefit classifications examined by each market conduct
4 examination;
- 5 (c) The subject matters of each market conduct examination,
6 including quantitative and non-quantitative treatment limitations;
- 7 (d) A summary of the basis for the final decision rendered in
8 each market conduct examination; and
- 9 (e) Individually identifiable information shall be excluded from
10 the reports consistent with state and Federal privacy protections.
- 11 (4) Detail any educational or corrective actions the department
12 has taken to ensure compliance with Paul Wellstone and Pete
13 Domenici Mental Health Parity and Addiction Equity Act of 2008,
14 42 U.S.C s.18031(j), P.L.1999, c.106 (C.17:48-6v et al.) and section
15 2 of P.L.1999, c.441 (C.52:14-17.29e).
- 16 (5) Detail the department's educational approaches relating to
17 informing the public about mental health condition and substance
18 use disorder parity protections under State and federal law.
- 19 (6) Be written in non-technical, readily understandable language
20 and shall be made available to the public by, among such other
21 means as the department finds appropriate, posting the report on the
22 department's website.
- 23 f. The department shall post on its Internet website a report
24 disclosing the department's conclusions as to whether the analyses
25 collected from the carriers as specified in paragraph (3) of
26 subsection c. of this section demonstrate compliance with the
27 Mental Health Parity and Addiction Equity Act of 2008 and its
28 implementing regulations, specifically including whether or not
29 there is compliance with 45 C.F.R. 146.136(c)(4). The name and
30 identity of carriers shall be confidential, shall not be made public by
31 the department, and shall not be subject to public inspection.
- 32 g. (1) In addition to any mental health parity compliance
33 monitoring required by the Paul Wellstone and Pete Domenici
34 Mental Health Parity and Addiction Equity Act of 2008, 42 U.S.C
35 s.18031(j), or any other law, the department shall conduct regular
36 market conduct reviews, including secret shopper surveys, to assess
37 access to mental health services for covered persons who are 18
38 years of age or younger. The market reviews shall assess network
39 adequacy and appointment access standards. The market reviews
40 shall be conducted for various populations, age groups of minors,
41 and geographic areas, and shall collect data on those various
42 classifications, as determined by the department.
- 43 (2) The department shall require carriers to submit an annual
44 report on mental health services for minors with data on:
- 45 (a) usage rates for mental health services for minors,
46 categorized by type of service;
- 47 (b) prior authorization requirements and denial of coverage
48 requests pursuant to those requirements;

1 (c) appeals from coverage denials and outcomes of those
2 appeals;

3 (d) how quickly prior authorization and appeal determinations
4 are made from the time of request; and

5 (e) approval rates for specialty services, including, but not
6 limited to, intensive outpatient, partial hospitalization, residential
7 treatment, and eating disorder care.

8 (3) The department shall review the data compiled pursuant to
9 this section to identify barriers to medically necessary care and to
10 ensure that prior authorization and medical necessity criteria are
11 applied consistently with mental health parity requirements.
12 Recommendations may be included in the report issued pursuant to
13 paragraph (4) of this subsection.

14 (4) No later than one year following the effective date of
15 P.L. , c. (C.) (pending before the Legislature as this bill),
16 and annually thereafter, the department shall submit a report to the
17 Governor and, pursuant to section 2 of P.L.1991, c.164 (C.52:14-
18 19.1), to the Legislature, as required by this subsection. The report
19 shall be accessible to the public on the department's website.

20 (cf: P.L.2019, c.58, s.11)

21
22 2. (New section) a. A carrier shall maintain an accurate and
23 regularly verified provider directory. The directory shall be
24 provided in non-technical, readily understandable language and
25 shall be made available to the public on the carrier's website.

26 b. The directory shall also be made available in a
27 downloadable, machine-readable format to support independent
28 research, verification, and monitoring of network adequacy and
29 access.

30
31 3. (New section) A carrier that violates the provisions of
32 P.L. , c. (C.) (pending before the Legislature as this bill)
33 shall be subject to the penalties established pursuant to section 16 of
34 P.L.1997, c.192 (C.26:2S-16).

35
36 4. This act shall take effect on the first day of fourth month
37 next following the date of enactment, except that the department
38 may take any administrative action as may be necessary to
39 implement the provisions of this act.

40 41 42 STATEMENT

43
44 This bill provides that, in addition to any mental health parity
45 compliance monitoring required pursuant to current law, the
46 Department of Banking and Insurance is required to conduct regular
47 market conduct reviews, including secret shopper surveys, to assess
48 access to mental health services for covered persons who are 18

1 years of age or younger. The bill provides that the market reviews
2 are required to assess network adequacy and appointment access
3 standards, and are to be conducted for various populations, age
4 groups of minors, and geographic areas, and to collect data on those
5 various classifications, as determined by the department.

6 The bill requires health insurance carriers to submit an annual
7 report on mental health services for minors with data on:

8 (1) usage rates for mental health services for minors,
9 categorized by type of service;

10 (2) prior authorization requirements and denial of coverage
11 requests pursuant to those requirements;

12 (3) appeals from coverage denials and outcomes of those
13 appeals;

14 (4) how quickly prior authorization and appeal determinations
15 are made from the time of request; and

16 (5) approval rates for specialty services, including, but not
17 limited to, intensive outpatient, partial hospitalization, residential
18 treatment, and eating disorder care.

19 The department is required to review the data compiled pursuant
20 to the bill to identify barriers to medically necessary care and to
21 ensure that prior authorization and medical necessity criteria are
22 applied consistently with mental health parity requirements.

23 The department is also required to submit an annual report to the
24 Governor and the Legislature on the findings and recommendations
25 based on the bill's requirements. The report is to be accessible to
26 the public on the department's website.

27 The bill stipulates that a carrier is to maintain an accurate and
28 regularly verified provider directory. The directory must be
29 provided in non-technical, readily understandable language and
30 must be made available to the public on the carrier's website.
31 Additionally, the directory will be made available in a
32 downloadable, machine-readable format to support independent
33 research, verification, and monitoring of network adequacy and
34 access.

35 A carrier that violates the provisions of the bill is subject to the
36 penalties established by the "Health Care Quality Act." Those
37 penalties include civil fines of not less than \$250 and not greater
38 than \$10,000 for each day that the carrier is in violation.
39 Additionally, the commissioner may issue an order directing a
40 carrier to cease and desist from engaging in any act or practice that
41 is in violation of the provisions of the bill.