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*Office of the Governor*  
**NEWS RELEASE**

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**GOVERNOR SIGNS LEGISLATION REIMBURSING  
DOCTORS AND HOSPITALS \$100 MILLION FOR LOSSES  
RESULTING FROM TWO HMO FAILURES**

Gov. Christie Whitman today signed legislation that will enable health care professionals and health care facilities to recover some \$100 million of the \$150 million in losses resulting from the failure of the HIP Health Plan of New Jersey Inc. (HIP) and American Preferred Provider Plan, Inc. (APPP). Fifty million dollars of the reimbursement will come from tobacco settlement funds and \$50 million through assessments on all Health Maintenance Organizations (HMOs) doing business in New Jersey.

"When the HIP Health Plan of New Jersey and American Preferred Provider Plan collapsed, more than 200,000 patients were then left without health insurance coverage. We were faced with a crisis," the Governor said.

"But the crisis was averted, thanks to our state's hospitals and doctors. They stepped up to the plate to make sure that none of the people who needed care went without it. Patient care came first, despite the risk of financial ruin," she said.

"It's not fair for us to ask doctors and hospitals to shoulder that burden alone. We can't expect our doctors and hospitals to swallow more than \$150 million in losses. That's why this legislation is so important. Our state's doctors and hospitals were there when we needed them. They need us to do the same. This legislation does that," Gov. Whitman said.

"We also have to do all we can to protect New Jersey patients by making sure we never have to ask doctors and hospitals to make that kind of sacrifice again," the Governor said. "We've strengthened our regulations covering financial requirements and I've signed legislation that requires the licensing of any subcontractor that accepts risk."

Gov. Whitman said in order to tackle the problem of slow payment by insurers and HMOs, she has asked the Departments of Banking and Insurance and Health and Senior Services to draft rules requiring that all insurers create a process for resolving late payment disputes and spell out that process in their contracts with providers. She said slow payment deprives doctors and hospitals of needed income and it is also a red flag indicating management or financial problems with the insurers.

The legislation, **A-1890**, was sponsored by Assembly Members Christopher "Kip" Bateman (R-Morris/Somerset), Joseph V. Doria, Jr. (D-Hudson), Nicholas R. Felice (R-Bergen/Passaic) and Neil M. Cohen (D-Union) and Senators Jack Sinagra (R-Middlesex) and Gerald Cardinale (R-Bergen). It applies to contractual obligations that were incurred prior to the insolvency of the two HMOs.

The bill provides that to receive a reimbursement, a health care professional or health care facility must forgive one-third of the unpaid contractual obligations incurred prior to the insolvencies. These obligations would otherwise have been paid by HIP and APPP. The bill raises money for the reimbursements by creating the New Jersey Insolvent Health Maintenance Organization Assistance Fund, with \$50 million coming from the tobacco settlement monies and \$50 million to be collected through equal assessments on all HMOs doing business in New Jersey.

The bill provides that the assessment on each HMO will be proportioned to its market share in the state. The bill includes a "no pass through" provision and prevents an HMO from passing the assessment on to businesses and consumers in the form of higher health insurance premiums.

The bill provides that the assessments shall be exempt, abated or deferred, in whole or in part, if, in the opinion of the Commissioner of Banking and Insurance, payment of the assessment would endanger the ability of a member organization to fulfill its contractual obligations or jeopardize its financial security.

HMOs may offset against their corporation business tax liability any assessment made by the fund in an amount of not more than ten percent of the amount of that assessment for each of the five calendar years following the second year after the year in which the assessment is paid. No organization may offset more than 20 percent of its corporation business tax liability in any one year.