

CHAPTER 23**THIRD PARTY ADMINISTRATORS****Authority**

N.J.S.A. 17:1-8.2, 17:1-15e, and 17B:27B-1 et seq.

Source and Effective Date

R.2005 d.113, effective April 4, 2005.
See: 36 N.J.R. 1297(a), 37 N.J.R. 1077(a).

Chapter Expiration Date

Chapter 23, Third Party Administrators, expires on April 4, 2010.

Chapter Historical Note

Chapter 23, Third Party Administrators, was adopted as R.2005 d.113, effective April 4, 2005. See: Source and Effective Date.

CHAPTER TABLE OF CONTENTS**SUBCHAPTER 1. GENERAL PROVISIONS**

- 11:23-1.1 Purpose and scope
- 11:23-1.2 Definitions

SUBCHAPTER 2. LICENSE OR REGISTRATION REQUIREMENTS FOR THIRD PARTY ADMINISTRATORS

- 11:23-2.1 License or registration required
- 11:23-2.2 Application filing requirements for licensure or registration of third party administrators
- 11:23-2.3 Standards for approval of applications
- 11:23-2.4 Procedures for review of applications
- 11:23-2.5 Denial of application

SUBCHAPTER 3. THIRD PARTY ADMINISTRATORS

- 11:23-3.1 Third party administrator agreement with benefits payer
- 11:23-3.2 Access to certain information by the Commissioner
- 11:23-3.3 Adjudication of claims; compensation
- 11:23-3.4 Fiduciary capacity of third party administrator; fidelity bond to be maintained
- 11:23-3.5 Funds to be maintained in separate accounts
- 11:23-3.6 Prompt delivery of certain information
- 11:23-3.7 Notification of material change
- 11:23-3.8 Annual report
- 11:23-3.9 Services provided to self-funded multiple employer welfare arrangements

SUBCHAPTER 4. SUSPENSION OR REVOCATION OF LICENSE OR REGISTRATION

- 11:23-4.1 Suspension or revocation of license; grounds and penalties
- 11:23-4.2 Temporary suspension of license or registration; grounds and penalties
- 11:23-4.3 Civil penalties

SUBCHAPTER 5. THIRD PARTY BILLING SERVICES

- 11:23-5.1 Acting as, or holding oneself out as, a third party billing service; certification required
- 11:23-5.2 Application filing requirements
- 11:23-5.3 Information to be provided to Commissioner
- 11:23-5.4 Approval of certification application; standards
- 11:23-5.5 Denial of application for certification
- 11:23-5.6 Written agreement between third party billing service and client

- 11:23-5.7 Fiduciary duty of third party billing service; maintenance of separate accounts
- 11:23-5.8 Notification of material change in ownership or control of, or in other previously supplied information related to the billing service
- 11:23-5.9 Suspension or revocation of certification; grounds
- 11:23-5.10 Civil penalties

SUBCHAPTER 1. GENERAL PROVISIONS**11:23-1.1 Purpose and scope**

(a) This chapter sets forth the licensing and registration requirements of third party administrators of health benefits plans and the certification requirement of third party billing services in accordance with the provisions of N.J.S.A. 17B:27B-1 et seq.

(b) This chapter applies to all persons who act as, offer to act as, or hold themselves out to be, a third party administrator of health benefits plans or third party billing service in this State.

11:23-1.2 Definitions

The following words and terms, when used in this chapter, shall have the following meanings, unless the context clearly indicates otherwise:

“Act” means N.J.S.A. 17B:27B-1 et seq., an act concerning third party administrators of health benefits plans and third party billing services.

“Affiliate” means any company that controls, is controlled by, or is under common control with another company.

“Benefits payer” means an insurer authorized to issue health or dental benefits plans in this State, or any other person who undertakes to provide and assumes financial risk for the payment of health or dental benefits and is obligated to pay claims for health or dental benefits to providers or other claimants.

“Client” means a health care provider that contracts with a third party billing service to remit claims to benefits payers on behalf of the provider or other claimant.

“Commissioner” means the Commissioner of Banking and Insurance.

“Control” (including the terms “controlling,” “controlled by” and “under common control with”) means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract other than a commercial contract for goods or non-management services, or otherwise, unless the power is the

result of an official position with or corporate office held by the person. Control shall be presumed to exist if any person, directly or indirectly, owns, controls, holds with the power to vote, or holds proxies representing, 10 percent or more of the voting securities of any other person.

“Department” means the New Jersey Department of Banking and Insurance.

“Enrollee” means a person entitled to receive benefits under a health benefits plan.

“Health benefits plan” means a benefits plan which pays or provides hospital and medical expense or dental benefits for covered services. For the purposes of this chapter, health benefits shall not include the following plans, policies or contracts: accident only, credit, disability, long-term care, Civilian Health and Medical Program of the Uniformed Services (CHAMPUS) supplement coverage, coverage arising out of a worker’s compensation or similar law, automobile medical payment insurance, personal injury protection insurance issued pursuant to N.J.S.A. 39:6A-1 et seq. or hospital confinement indemnity coverage.

“Health care provider” or “provider” means an individual or entity, including for the purposes of this chapter, a group practice or faculty practice, which provides a covered benefit or service.

“Impaired third party administrator” means a third party administrator that is not insolvent but is deemed, by the Commissioner of this or any other state, to be potentially unable to fulfill its contractual obligations or that is placed under an order of rehabilitation, reorganization or conservation by a court of competent jurisdiction.

“Insolvent third party administrator” means a third party administrator:

1. Which is determined to be insolvent by a court of competent jurisdiction in this State or any other state;
2. Which files for relief in bankruptcy under Title 11 of the United States Code, 11 U.S.C. §§ 101 et seq.;
3. Against which involuntary bankruptcy proceedings are filed under that title; or
4. For which a receiver has been appointed by a court of competent jurisdiction.

“Insurer” means a licensed health insurer, health, hospital or medical service corporation, health maintenance organization, dental service corporation or dental plan organization.

“NAIC” means the National Association of Insurance Commissioners.

“Temporary initial license, registration or certification” means a license, registration or certification issued by the Department for a limited period following April 4, 2005 which allows third party administrators or third party billing services operating in this State prior to April 4, 2005 to continue operating during the initial application process.

“Third party administrator” means a person or entity that: processes and pays claims on behalf of a benefits payer without the assumption of financial risk for the payment of health or dental benefits. Third party administrator shall include: an entity not licensed in New Jersey as an insurer that is not an affiliate or a subsidiary of a New Jersey licensed insurer, that processes claims on behalf of a benefits payer; an entity that is a subsidiary or an affiliate of a New Jersey licensed insurer that processes claims on behalf of that insurer and any other benefits payer; and an entity that is a subsidiary or affiliate of a New Jersey licensed insurer that only processes claims on behalf of benefits payers other than insurers. Third party administrator shall not include an employee, affiliate or subsidiary of a benefits payer formed for the purpose of processing and paying claims solely on behalf of the benefits payer, nor shall it include a collection agency or bureau or pharmacy benefits manager. For purposes of this chapter, third party administrator shall include organized delivery systems as defined by N.J.S.A. 17:48H-1, who are acting as third party administrators, which are certified by the Department of Health and Senior Services, but shall not include those organized delivery systems licensed by the Department of Banking and Insurance.

“Third party billing service” means a person or entity that is paid by a health care provider to process claims or claim payments on behalf of the health care provider, and that is not an employee, affiliate or subsidiary of the health care provider.

SUBCHAPTER 2. LICENSE OR REGISTRATION REQUIREMENTS FOR THIRD PARTY ADMINISTRATORS

11:23-2.1 License or registration required

(a) No person shall act as, offer to act as, or hold himself or herself out to be, a third party administrator in this State unless licensed or registered by the Commissioner as set forth in N.J.A.C. 11:23-2.2.

(b) Every third party administrator that is either not licensed in New Jersey as an insurer or an organized delivery system and is not an affiliate or subsidiary of an insurer licensed in New Jersey, or an affiliate or a subsidiary of a New Jersey licensed insurer and only processes or pays claims on behalf of benefits payers other than insurers shall be licensed by the Commissioner pursuant to the provisions of the Act.