

11:10-1.7 Financial reporting

(a) Every DPO shall submit a quarterly report of its activities for each of the first three calendar quarters ending March, June and September within 45 days of the end of each quarter on a form prescribed by the Commissioner to the addresses set forth in (e) below.

(b) A DPO which also maintains a non-dental plan practice shall segregate its non-dental plan activities from its dental plan activities and report its dental plan activities only in the quarterly and annual report forms prescribed by the Commissioner. Non-dental plan activities include those activities involving private practice dentistry.

(c) A DPO which is engaged in a non-dental plan practice shall also report the activities of the entire organization in financial reports prepared by its accountant within 15 working days of completion of the report, but no later than June 1 of each year. The assets of the entire organization of which the DPO is a part are considered to be assets of the DPO.

(d) All financial reports from DPOs which are not incorporated shall include a breakdown of the personal finances of its proprietors and the finances of the dental plan.

(e) An annual financial report of the DPO shall be prepared by an independent certified public accountant or independent public accountant on a statutory basis and attested to by an officer of the DPO. This report shall include full disclosure of all assets and liabilities of the DPO, the terms and conditions thereof, and the sources and disposition of all funds for the calendar year immediately preceding. Three copies of the report shall be submitted on or before March 1 of each year to the following address:

HMO Financial Operations
Office of Financial Examinations
New Jersey Department of Banking and Insurance
20 West State Street
PO Box 325
Trenton, NJ 08625-0325

(f) If a DPO's records have been audited by an independent certified public accountant, the audited financial report shall be certified by the certified public accountant having conducted the audit and shall be forwarded to the Department on or before June 1 of each year.

11:10-1.8 General surplus

(a) Every DPO shall accumulate and maintain a minimum general surplus as set forth in this subsection, of which \$50,000 shall be deposited with the Commissioner pursuant to N.J.A.C. 11:2-32 either within 90 days of the approval of the certificate of authority or by December 31, 2000, whichever is later:

1. For the reporting year ending December 31, 2000, the amount of the minimum general surplus shall be the greater of \$50,000 or .5 percent of the current annual premium;

2. For the reporting year ending December 31, 2001, the amount of the minimum general surplus shall be the greater of \$75,000 or .75 percent of the current annual premium;

3. For the reporting year ending December 31, 2002 and thereafter, the amount of the minimum general surplus shall be the greater of \$100,000 or one percent of the current annual premium; and

4. For a newly-approved DPO, the initial amount of the minimum general surplus shall be calculated pursuant to (a)1 through 3 above based on the calendar year of approval.

(b) The surplus in excess of the deposit set forth in (a) above shall be invested pursuant to N.J.S.A. 17B:20-1 et seq.

(c) The general surplus shall be maintained over and above its reserves, liabilities and special contingent surplus.

(d) The Commissioner may waive all or a part of the general surplus requirement if the DPO maintains a contract(s) with an insurer, or a hospital medical, dental or health service corporation which is sufficient to assure the performance of its obligations.

11:10-1.9 Expense limitation

(a) To achieve compliance with the expense limits set forth in N.J.S.A. 17:48D-14, every DPO shall:

1. Use at least 70 percent of its gross contract and certificate income in the first year of operation, 75 percent in the second year, and 80 percent in all subsequent years for the direct provision of professional dental services to enrollees;

2. Set its per enrollee retention in conformity with the statutory limits in constructing its schedule of charges.

(b) Expenditures for the direct provision of professional dental services are, in general, that portion of the DPO's total expenses which would exist if the DPO were simply a dental practice and if enrollees were the patients of that practice. Monies paid to dentists for their time, for the cost of their assistants, hygienists, and other support personnel, for their laboratory costs, malpractice insurance, and for all other necessary costs of offices and equipment which are not required for the non-dental care delivery activities of a DPO are examples of such dental expenditures.

(c) Portions of expenditures such as rent, utilities, building maintenance, accounting, real estate taxes, payroll taxes, depreciation, amortization, employee benefits, interest and bad debts, which a dentist or dental group incurs in deliver-

ing dental care, may also be counted as expenditures for dental services as long as a reasonable method of allocating these expenditures to the dental and non-dental functions is used.

(d) Gross contract and certificate income not needed for the direct provision of dental care shall be considered as retention and will be subject to the limitations of N.J.S.A. 17:48D-14. Two examples of items of retention are profits and marketing costs.

(e) Copayment income shall not be considered gross contract and certificate income in determining compliance with the expense limitations unless the DPO providers are employees or associates of the DPO. The costs of providing the dental services to which the copayments apply shall be included with other dental service costs. For the purpose of this subsection, copayment income means the fees that a DPO collects for the portion of the dental services which is not covered under the dental plan contract.

(f) For purposes of determining the applicable expense limitation pursuant to N.J.S.A. 17:48D-14, the DPO's first year of operation shall be the year the DPO obtains its initial certificate of authority.

11:10-1.10 Complaints and other communications

(a) Complaint systems required of every DPO (see N.J.S.A. 17:48D-12) shall provide that a written response shall be furnished to the enrollee within 15 working days after its receipt of a written complaint. The DPO's response shall, based on the information available to it at the time of response, be complete and accurate.

(b) Every DPO shall, based on the information available to it, provide the Department with a complete and accurate written response to any inquiry from the Department within 15 working days after its receipt of such inquiry.

(c) Every DPO shall furnish an appropriate reply to all other communications which reasonably suggest that a response is expected within 15 working days of receipt.

(d) Every DPO shall retain all written complaints and correspondence relating thereto for at least three years after the date of the last correspondence in file.

11:10-1.11 Fidelity bonds and malpractice insurance

(a) The minimum amount of the fidelity bond on each director, officer, partner or employee of the DPO required by N.J.S.A. 17:48D-8 shall be \$50,000.

1. Every DPO shall increase the bond amount as appropriate whenever its risk of loss for individual employee theft is greater than \$50,000.

2. The fidelity bond shall name the DPO and the State of New Jersey as dual obligees.

(b) All dentists serving enrollees of a DPO shall be insured against professional liability or for malpractice in an amount not less than \$1,000,000 per occurrence and \$3,000,000 in the aggregate.

(c) The fidelity bond and the malpractice policy shall be obtained only from insurers which are authorized to conduct business in New Jersey.

11:10-1.12 Schedule of charges

(a) Every new or revised schedule of charges must be filed with the Commissioner at least 60 days prior to its effective date. A DPO shall not use a schedule of charges which has been disapproved by the Commissioner.

(b) All filings of charges must include sufficient information to enable the Commissioner to determine whether the charges are not excessive, inadequate or unfairly discriminatory. All details, used in the development of rates, must accompany the filing, including:

1. Actuarial principles;
2. Assumptions and methods of calculation; and
3. Method of development of the dental portion of the charges.

i. Development shall be based upon actual utilization of the DPO, or on comparable experience if the DPO does not yet have adequate utilization. Included in this development shall be projections based on trends observed within the DPO, the profession of dentistry or the overall economy.

(c) Every filing of a schedule of charges shall include projections of the following information:

1. The schedule of charges to be used by the DPO during the period that the charges are to be effective;
2. The portion of the charge to be used for the direct provision of professional dental services to enrollees (N.J.A.C. 11:10-1.9(b) and (c)), including the contribution to the specialist pool where applicable;
3. The portion of the charges to be used for retention (N.J.A.C. 11:10-1.9(d)), except for the items of retention referred to in (c)4 below; and
4. Anticipated profits and losses, surplus additions and reductions, each of which shall be itemized separately.

(d) Every filing of a revised schedule of charges shall include the information required by (a) through (c) above, the percentage increase or decrease requested and the prior experience under the old rates itemized as described in (c) above.