

# Governor Christie Signs Bipartisan Legislation Protecting Taxpayers, Medicaid Recipients, Insurance Subscribers

Tuesday, July 4, 2017 Tags: [Shutdown](#)



*New Rules Of Transparency And Accountability Established for New Jersey's Largest Insurance Carrier, Horizon, Which Was Established By The State As The Insurer Of The Last Resort*

*"The winners will be Horizon policyholders and the taxpayers of our state. No more operating in the shadows for Horizon."*  
- Governor Christie, 7/3/17

Governor Chris Christie signed today, Democrat-sponsored Senate Bill No. 2 to protect millions of New Jersey taxpayers, Medicaid recipients and health insurance subscribers.

All of the central elements of the reforms Governor asked of the Legislature over the past weeks and months are incorporated in the new law bringing new transparency and accountability to the operations of New Jersey's largest insurer. Horizon, with 3.8 million New Jersey subscribers, including approximately 1.85 million taxpayer-funded members, such as the state's Medicaid population, holds more than 55 percent of the insurance market in the state.

Thanks to the legislature and in particular Senate President Sweeney and Senator Vitale for standing with the Governor to reign in this enormous New Jersey charity, the reforms include:

**Increased Transparency and Detailed Financial Reporting:** The law subjects Horizon, as a largely taxpayer-funded organization that holds more than 55 percent of the insurance market, to new requirements established by the state Department of Banking and Insurance for health service corporations to provide detailed financial reporting information, including executive compensation, to be posted on the departmental website.

**Caps Excessive Reserves:** Under the new law, the Commissioner of Banking and Insurance will establish an appropriate range for Horizon requiring minimum reserves of 550 percent of Risk-Based Capital reserves and a "hard cap" maximum of 725 percent, sufficient to cover claims for all of its policyholders in the event of unanticipated medical emergencies.

**Excess Reserves to Benefit Policyholders:** The law sets up a process for Horizon to submit a plan to the Department of Banking and Insurance to determine how excess reserves above 725 percent should be used to reduce future policyholder premiums or otherwise benefit policyholders.

**Increased public representation to oversight of Horizon's board of directors.** Two more public members will be appointed to the Horizon board by the Senate President and Assembly Speaker, increasing the total number of public members to six, with four already appointed by the Governor. With 11 members chosen by Horizon, the board of the is now more closely split.

**Annual Independent Audits:** The new law also requires the state Department of Banking and Insurance to commission independent annual audits to be paid for by Horizon.

**Plan To Benefit Policyholders With Excess Reserves:** The law also sets up a process for Horizon to submit a plan to the Department of Banking and Insurance to determine how excess reserves above 725% should be used to reduce future policyholder premiums or otherwise benefit policyholders.

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A Recent Timeline on Why Reforms Are Necessary:

Horizon's most profitable line is Medicaid services, direct tax dollars that continue to build upon Horizon's more than \$2.4 billion surplus. In 2016, while the problems in this briefing compounded, Horizon's Medicaid profits from the poor exceeded \$163 million in taxpayer dollars.

On June 19, 2017, the Department of Human Services(DHS), Division of Medical Assistance and Health Services, served a Notice of Sanction to Horizon, the State's largest health insurer, for non-compliance with several provisions of its managed care contract involving the faulty processing and handling of thousands of claims since spring of 2016.

In April 2016, DHS began receiving an increasing number of complaints from enrollees, providers, and professional associations regarding Horizon's processing of claims. DHS's investigation of the complaints revealed that Horizon's issues were wide-ranging and had a significant and detrimental impact on thousands of claims involving the NJ FamilyCare program, including Medicaid enrollees and their healthcare providers throughout the State, where Horizon controls over 55 percent of the market.

DHS's sanction notice concludes Horizon violated the terms of its managed care contract in its non-timely and inaccurate processing of claims; inadequate handling of provider and member complaints and inquiries about these processing issues; and inaccurate reporting of financial information.

Horizon also failed to meet the contract's requirements for abandon call rates, which refers to when a caller hangs up because they don't want to wait on hold any more, and it involved both members and providers. Its failure to meet the contractual timeframes was not an isolated event, and the troubles cited in 2016 continued into the first quarter of 2017. Their backlog of unprocessed claims, which involved claims concerning the State's most vulnerable people, increased more than tenfold from the first to second quarter of 2016. The backlog then ballooned into the middle and end of 2016, and by the beginning of 2017, the backlog was still not back to the level at which it started before the processing changes were made in early 2016.

Pursuant to a contractual formula, liquidated damages have been calculated at \$15,523,370.

It also should be noted that, in September 2016 and March 2017, Horizon entered into two settlement agreements with the Department of Banking and Insurance (DOBI), resulting in \$550,000 in fines to resolve related allegations of mishandling provider claims since July 2015.

In September 2016, Horizon agreed to pay DOBI \$400,000 to resolve claims that Horizon and a vendor improperly processed claims made by commercial providers of home health care and hospice service between July 2015 and March 2016, just before the new and troubling claims system was installed. This issue resulted in Horizon's improper denial of approximately 4,500 claims, failure to promptly pay claims and failure to pay interest on late claims to providers. Horizon promised to fix its processing issues.

In March 2017, Horizon agreed to pay DOBI \$150,000 to resolve problems also involving the new claims system that was implemented in April 2016. In this matter, Horizon's new system failed to generate almost 9,500 statutorily required overpayment recovery notices to over 1,100 Medicaid providers between September 2016 and January 2017. Despite not having advised the providers of their right to dispute or appeal Horizon's claim of overpayment, Horizon nevertheless recouped the nearly \$8.1 million it had mistakenly overpaid those providers.

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