

**ORGANIZED DELIVERY SYSTEM
LICENSURE AND EXEMPTION FROM LICENSURE
APPLICATION**

INSTRUCTIONS

A checklist of documents to be submitted by an organized delivery system that assumes financial risk and seeks licensure or exemption from licensure pursuant to N.J.S.A. 17:48H-11 follows.

The application asks the applicant to specify whether it seeks licensure or expects to file for exemption. Where exemption is requested, the applicant should complete the application including an explanation as to how the exposure to financial loss is limited in amount or likelihood.

The checklist of required documents is divided into three sections:

Part A - the Application Cover Sheet,
organizational information and
standard forms of contracts;

Part B - financial information;

Part C – quality of care information,

Additional information may be required for review by the Commissioner of Banking and Insurance as deemed necessary in the course of reviewing the information submitted.

Pursuant to N.J.S.A. 17:48H-35, documents provided by the applicant that are deemed by the Commissioner of Banking and Insurance to be proprietary shall be confidential and shall not be considered public documents. The applicant is asked to identify those documents submitted with the application that it believes to be proprietary in nature by marking them confidential.

When preparing your response, please number each item to correspond with the section and the number of the item on the checklist.

Submit two (2) copies of your application (Parts A, B and C) to:

New Jersey Department of Banking and Insurance
Office of Life and Health
Attn: Organized Delivery System License
20 West State St.
P.O. Box 325
Trenton, NJ 08625-0325

N.J.A.C. 11:22-4.8(b), and 11:22-4.9(a) (b) and (c) all reference establishing, maintaining and filings with the NAIC, or the Department for the “segregated account” which is the ODS. As such, entities applying for licensure as an ODS are recommended to set up a separate entity for their New Jersey business. If that is the case for your business, the application shall be completed in the separate entities name and all documents submitted for the enclosed application shall be for the separate entity.

ORGANIZED DELIVERY SYSTEM
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APPLICATION

CHECKLIST OF DOCUMENTS REQUIRED

PART A

- 1) The completed Application Cover Sheet (form enclosed).
- 2) A non-refundable application fee of \$2,500.00, payable to the Treasurer, State of New Jersey.
- 3) Applicant organizations not organized under the laws of the State of New Jersey shall provide:
 - a) The completed Irrevocable Consent to Jurisdiction of the Commissioner and New Jersey Courts (form enclosed).
 - b) The completed Appointment of Attorney for the State of New Jersey appointing the Commissioner of Banking and Insurance as attorney for service of process (form enclosed).
- 4) A copy of the applicant organization's basic organization documents which shall include but not be limited to, articles of incorporation, articles of association, partnership agreement, management agreement, trust agreement or other applicable documents as appropriate to the applicant's form of business entity and all amendments to those documents.
- 5) A copy of the executed bylaws, rules and regulations, or similar documents, regulating the conduct of the applicant's internal affairs.
- 6) Biographical Affidavits of the persons who are to be responsible for the conduct of the affairs of the applicant. (NAIC Form 11 can be found at: http://www.naic.org/industry_ucaa.htm) This shall include but not be limited to:
 - a) Members of the board of directors, executive committee or other governing board or committee, the principal officers, medical director, if applicable, and any person or entity owning or having the right to acquire 10 percent or more of the voting securities of the applicant;
 - b) In the case of a partnership or association, the names of the partners or members; and
 - c) Each person who has loaned funds to the applicant for the operation of its business;
- 7) A statement of any criminal convictions or civil, enforcement or regulatory action, including actions relating to professional licenses, taken against any person who is a member of the board, the executive committee or other governing board or committee or the principal officers, or the person who is responsible for the conduct of the affairs of the applicant.
- 8) A business plan consisting of:
 - a) An organizational chart, showing parent, affiliates, and subsidiaries;
 - b) A statement generally describing the applicant, its facilities, personnel, and the health care services to be offered by the organized delivery system;
 - c) A list of the geographical areas in which the services are to be performed and approximate numbers of providers who will provide the services;
 - d) A description of any administrative services for which the applicant will be responsible;

- e) A list of any affiliate of the applicant that provides services to the applicant in this State and a description of any material transaction between the affiliate and the applicant;
 - f) A description of any arrangements between the applicant and any other organized delivery system or subcontractor for services associated with the provision of health care services;
 - g) A description of any reinsurance or stop loss arrangements;
 - h) A plan, in the event of insolvency of the organized delivery system, for continuation of the health care services to be provided for under the contracts;
 - i) A description of the means by which the organized delivery system will be compensated under contracts with carriers;
 - j) A description of the arrangement for the applicant's reporting of data to the carriers and a description of the carriers' oversight responsibilities.
- 9) A copy of the standard form of any provider agreement, in compliance with N.J.A.C. 11:24B-5, made or to be made between the applicant and any providers relative to the provision of health care services.
- 10) A copy of the form of any contract between the applicant and any other ODS or subcontractor for services associated with the provision of health care services.
- 11) A copy of the form of any contract made or to be made between the applicant and any carrier for the provision of or arrangement to provide health care services, in compliance with N.J.A.C. 11:24B-4, which contract shall contain provisions establishing the respective duties of the carrier and the applicant with respect to compliance with N.J.S.A. 26:2S-1 et seq.
- 12) A list of all administrative, civil or criminal actions and proceedings to which the applicant, or any of its affiliates, or persons who are responsible for the conduct of the affairs of the applicant or affiliate, have been subject and the resolution of those actions and proceedings. If a license, certificate or other authority to operate has been refused, suspended or revoked by any jurisdiction, the applicant shall provide a copy of any orders, proceedings and determinations relating thereto.
- 13) A list of all states in which the applicant has been or currently is doing business as described in the application.
- 14) A list of the carriers with which the ODS has contracted or intends to execute a contract pending the approval of the application.

Part B

- 1) A copy of the applicant's most recent financial statements audited by an independent certified public accountant. If the financial affairs of the applicant's parent company are audited by an independent certified public accountant, but those of the applicant are not, then a copy of the most recent audited financial statement of the applicant's parent company, audited by an independent certified public accountant shall be submitted. A consolidated financial statement of the applicant and its parent company shall satisfy this requirement unless the Commissioner determines that additional or more recent financial information is required.
- 2) A copy of the applicant's financial plan, including:
- a) A three-year projection of anticipated operating results, on a statutory basis in accordance with the NAIC Accounting Practices and Procedures Manual (or for one year beyond the anticipated "break-even" year). The projections shall be on a quarterly basis for the first year, and on an annual basis for the subsequent years;
 - b) A description of the assumptions used in the projections that shall include an explanation of each line item;

- c) A statement of the sources of working capital and any other sources of funding and provisions for contingencies.
- 3) A copy of each reinsurance or stop loss contract.
- 4) A calculation that the ODS applicant meets the Minimum Deposit, Minimum Net Worth and the Liquidity requirements found at N.J.A.C. 11:22-4.8.
- a) [Minimum Deposit](#)
 - b) [Minimum Net Worth](#)
 - c) [Liquidity Worksheet](#)

PART C

- 1) Services for which licensure is being sought (please indicate all that apply):
- a) Performance of one or more types of health care services delivery
 - b) Network management
 - c) Credentialing and recredentialing
 - d) Utilization management development
 - e) Utilization management application
 - f) Utilization management appeals
 - g) Member complaints
 - h) Provider complaints
 - i) Continuous quality improvement ("CQI")
- 2) For performance of one or more types of health care services delivery:
- a) List of names of all providers by county, municipality, zip code, and services
 - b) Map of the service area identifying the location of the participating providers
 - c) Criteria to assure the availability and accessibility of services to be performed
- 3) For network management:
- a) Demonstration of adequacy of the network for services offered in relation to population to be served consistent with standards at N.J.A.C. 11:24B-3.5
 - b) Demonstration of the CQI program
 - c) Demonstration of the complaint and appeal system for providers
 - d) Demonstration of the provider participation panel
 - e) Demonstration of the hearing panel for provider terminations
 - f) Demonstration of records maintenance procedures and standards
 - g) Credentialing and recredentialing standards
- 4) For credentialing and recredentialing:
- a) Policies and procedures demonstrating compliance with N.J.A.C. 11:24B-3.6
 - b) Designated medical director and his/her functions
 - c) Explanation of linkage and coordination with the CQI and complaint systems of the carrier(s) and/or their other contractor(s), including flow chart(s)
- 5) For utilization management development:
- a) Policies and procedures for developing protocols and guidelines, demonstrating compliance with N.J.A.C. 11:24B-3.7
 - b) Designated medical director and his/her functions
 - c) Copy of the protocols and guidelines developed, and instructions for use
- 6) For performance of utilization management:
- a) Policies and procedures, demonstrating compliance with N.J.A.C. 11:24B-3.8
 - b) Designated medical director and his/her functions
 - c) Explanation of medical director's oversight, if employed by the carrier

- d) Explanation of the UM criteria used
- 7) For utilization management appeals:
- a) Policies and procedures, demonstrating compliance with N.J.A.C. 11:24B-3.9
 - b) Designated medical director and his/her functions
 - c) Flow chart demonstrating communication and decision-making, if the medical director is employed by the carrier
 - d) Specimens of letters regarding appeal rights and decisions on appeals to be sent to both covered persons and providers.
- 8) For member complaints:
- a) Policies and procedures, demonstrating compliance with N.J.A.C. 11:24B-3.12
 - b) Explanation of linkage and coordination with the CQI and complaint system of the carrier(s) and/or their other contractor(s)
 - c) Explanation of how complaints are segregated among carriers (and other clients)
 - d) Specimens of the letters regarding complaint and complaint resolution to be sent to covered persons and providers acting on behalf of covered persons
- 9) For provider complaints:
- a) Policies and procedures, demonstrating compliance with N.J.A.C. 11:24B-3.11
 - b) Explanation of linkage and coordination with the CQI and complaint system of the carrier(s) and/or their other contractor(s)
 - c) Explanation of how complaints are segregated among carriers (and other clients)
 - d) Specimens of the letters regarding a complaint and complaint resolution to be sent to providers
- 10) For continuous quality improvement:
- a) Policies and procedures, demonstrating compliance with N.J.A.C. 11:24B-3.10
 - b) Explanation of linkage and coordination with the complaint systems and other continuous quality improvement components that the carrier(s) may have
 - c) Designated medical director and his/her functions
- 11) The following tables, located at: <http://www.state.nj.us/dobi/mcapps.htm>
- o [Summary of Physicians by County](#) (PDF)
 - o [Physicians by Region - North](#) (PDF)
 - o [Physicians by Region - Central](#) (PDF)
 - o [Physicians by Region - South](#) (PDF)
 - o [General Acute Care Hospitals](#) (PDF)
 - o [Summary of Ancillary, Tertiary and Specialized Providers by County](#) (PDF)
 - o [Provider Agreement Certification](#)

9. Contact Person _____
10. Phone Number () _____
11. Toll Free Number () _____
12. Fax Number () _____
13. E-Mail Address _____
14. Resident Status _____ Resident of New Jersey
 _____ Non-Resident of New Jersey

Certification

I _____
(Name and Title) certify that I am authorized to file this certification on behalf of the applicant, the information set forth in the enclosed application and herein is true to the best of information, knowledge and belief, and that the Department of Banking and Insurance may rely on the information set forth in the application and herein in determining whether to grant a license pursuant to N.J.S.A. 17:48H-1 et seq.

I further certify that _____
(Name of Applicant) is familiar and will comply with the requirements set forth at N.J.S.A. 17:48H-1 et seq. and N.J.A.C. 11:22-3.

 Signature of Applicant

 Full Legal Name (Type or Print)

 Title

 Date

**IRREVOCABLE CONSENT TO JURISDICTION OF THE COMMISSIONER
AND NEW JERSEY COURTS**

THE STATE OF _____ }
}KNOW ALL MEN BY THESE PRESENTS:

COUNTY OF _____ }

That _____ of
(name of applicant)

_____ is filing herewith its application for
(domiciliary city and state)

a license to operate as an organized delivery system in the State of New Jersey,

That, upon issuance of said license by the Commissioner of Banking and Insurance;

_____ shall consent to the jurisdiction
(name of applicant)

of the Commissioner of Banking and Insurance and all New Jersey courts in relation to any transactions or other activity subject to regulation under N.J.S.A. 17B:48H-1 et seq. and all other applicable New Jersey statutes or rules; and

That such consent to the jurisdiction of the Commissioner of Banking and Insurance and the New Jersey courts shall be and remain irrevocable for as long as

_____ possesses a license from the
(name of applicant)
Commissioner of Banking and Insurance or engages in business as an organized delivery system in or from the State of New Jersey, and until all contractual obligations in the State of New Jersey are satisfied.

Witness our hands and the impress of the seal of said applicant, this _____ day of _____, 20____.

(Corporate Seal--if applicable)

(Signature) President
(or authorized representative)

(Print or Type Name)

Attest:

(Signature) Secretary
(or authorized representative)

(Print or Type Name)

Appointment of Attorney for the State of New Jersey

KNOW ALL MEN BY THESE PRESENTS: That the _____ of the State of _____ in the County of _____, desiring to do business in the State of New Jersey in conformity with the laws thereof, hereby, constitutes and appoints the Commissioner of Banking and Insurance of New Jersey, and his or her successor in office, to be its true and lawful Attorney, upon whom all original process in any action or legal proceeding against said _____ may be served. And the said _____ hereby stipulates and agrees that any original process against it, which is served upon said Attorney, shall be of the same legal force and validity as if served upon said _____, and that the authority of said Attorney shall continue in force irrevocable so long as any liability of said _____ remains outstanding in New Jersey.

IN WITNESS WHEREOF, the said _____ has caused these presents to be subscribed by its President, and attested by its Secretary, and its corporate seal to be hereunto affixed, this _____ day of _____ 20_____.

(Corporate Seal--if applicable)

President
(or authorized representative)

(Print or Type Name)

Attest:

Secretary
(or authorized representative)

(Print or Type Name)

ORGANIZED DELIVERY SYSTEMS

EXAMPLES

Example 1.

Nature of Services

Carrier contracts with Contractor to provide and/or arrange for the provision of certain mental health and substance abuse services to individuals covered by the Carrier's benefit plans.

Method of Payment

Carrier pays Contractor an administrative fee on a Per Member Per Month basis. The Carrier is responsible for depositing amounts to pay for mental health and substance abuse services into a bank account designated by a claims administrator. The carrier is responsible for adequately funding the account, which will be used to pay claims for services received by covered persons. Providers are paid on a fee for service basis.

Determination

The Contractor is an Organized Delivery System providing limited health care services. However, the Contractor receives only an administrative fee and the Carrier is responsible for all claim costs, the Contractor does not assume financial risk. Therefore, the Contractor must apply for Certification as an Organized Delivery System.

Example 2.

Nature of Services

Carrier contracts with Contractor to provide and/or arrange for the provision of certain mental health and substance abuse services to individuals covered by the Carrier's benefit plans.

Method of Payment

Carrier pays Contractor an administrative fee on a Per Member Per Month basis subject to adjustments based on a comparison of actual claim costs to target claim costs. The Carrier is responsible for depositing amounts to pay for mental health and substance abuse services into a bank account designated by an administrator. Such funds will be used to pay claims for services received by covered persons. Providers are paid on a fee for service basis.

Determination

The Contractor is an Organized Delivery System providing limited health care services. Since the Contractor shares the risk for claim costs through adjustments to the administrative fee, the Contractor does assume financial risk. Therefore, the Contractor must apply to the Department of Banking & Insurance for licensure as an Organized Delivery System, or upon demonstration that the risk is de minimis, exemption from licensure. If the Department of Banking &

Insurance agrees that the risk is de minimis, the Carrier will be required to obtain Certification as an Organized Delivery System.

Example 3.

Nature of Services

Carrier contracts with a physician hospital organization (“PHO”) for comprehensive health care services. The PHO contracts with hospitals and physicians to provide a network for delivery of services. In some cases the PHO does not contract directly with physicians, but instead contracts with individual practice associations (“IPA”), which in turn contract with physicians other than its shareholders to provide services.

Method of Payment

Carrier pays the PHO a Per Member Per Month fee. The PHO reimburses the hospitals on a reduced fee for service basis or on a case rate basis. Generally, the physicians are paid on a capitation basis, however specialists are reimbursed on a reduced fee for service basis. The IPAs, which are paid a Per Member per Month fee, pay physicians on a capitation basis, and also reimburse specialists on a reduced fee for service basis.

Determination

The PHO is an Organized Delivery System providing comprehensive health care services and assuming financial risk. Therefore, the PHO must apply to the Department of Banking & Insurance for licensure as an Organized Delivery System. The IPAs, which indirectly provide a network of providers to the carrier, are also risk assuming and must apply for licensure as Organized Delivery System.