



TO: NJ FamilyCare Managed Care Organizations (MCOs) – **For Action**
Acute care general hospitals, private psychiatric hospitals, and
special hospitals – **For Information**

SUBJECT: **Managed Care Organization (MCO) Contract Revisions for
Urgent Determinations for Inpatient Hospital Admissions**

EFFECTIVE: January 1, 2024

PURPOSE: To provide notice of new MCO contract revisions for Urgent
Determinations for inpatient hospital admins

BACKGROUND: Permedion, the audit vendor for NJ FamilyCare Utilization Review (NJUR), conducted a retrospective review and denied several prior authorizations for inpatient admissions by Managed Care Organizations (MCOs). The MCOs acknowledged that these denied admissions had initially been approved to meet the Department of Banking and Insurance's (DOBI) 24-hour prior authorization requirement but some admissions did not undergo the necessary medical necessity review in their rush to meet the deadline. Additionally, some hospitals and MCOs reported inconsistencies in hospital-specific MCO agreements for continued-stay authorization.

In response to these audit findings, the Division of Medical Assistance and Health Services (DMAHS) revised Section 4.6.4, Utilization Management, of the MCO contract section for July 2023, however, MCOs expressed concerns that these changes might lead to increased administration costs for hospitals and MCO plans. Subsequently, DMAHS engaged in discussions with the MCOs and made the following adjustments based on the outcomes of those meetings.

ACTION: **The MCO contract revision excerpts in italics will be removed:**

Section 4.6.4 Utilization Management:

B. Prior Authorization

2. Urgent Determinations

a. For acute care general, private psychiatric, and special hospital inpatient admissions for contractor shall:

ii. *Conduct continued stay medical necessity reviews to confirm level of care for approved or denied continued stay authorization within 72-hours of admission; and*

c. The contractor shall authorize eligible ancillary services when:

ii. *Authorization for continued stay denied; or*

iii. *Authorization for 'carve out' or 'non-covered' days within an inlier stay is approved. No additional reimbursement by the contractor shall be made when included in the reimbursement rate.*

If you have any questions concerning this Newsletter, please contact Anna Morrison, Utilization Management Unit, Office of the Medical Director, at 609-588-2739 or Anna.M.Morrison@dhs.nj.gov.

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