



Capital Health System v. Horizon Healthcare Services (Bergen Cnty. NJ Super. Ct.)

Topics Covered: Tiered and Narrowed Managed Care Networks

Outcome: Neutral

Issue

The issue in this case was whether Horizon Blue Cross Blue Shield of New Jersey (Horizon) breached its contractual obligations to certain of its in-network hospitals by creating a tiered network insurance plan.

AMA Interest

The AMA opposes tiered health insurance networks unless they meet standards of transparency, reliability, and quality of care.

Case Summary

Horizon is the largest health insurer in New Jersey, with more than 50% of the commercial insurance market. Within its already established panel of health care providers (including hospitals and physicians), Horizon established the OMNIA Health Plan (OMNIA Plan) tiering system. Patients receive monetary incentives (lower copays and/or deductibles) if they use the services of Tier 1 providers than of Tier 2 providers.

Horizon claims it chose the Tier 1 providers because those providers offered better value-based health care and were willing to accept reduced reimbursement rates. Beyond those generalities, Horizon did not disclose the specific criteria used in the selection process or how it weighted the criteria. Also, Horizon acknowledged that some of its criteria were subjective. Providers did not have an opportunity to appeal the selection decision. All of the Tier 1 hospitals entered into exclusivity agreements with Horizon.

Several Tier 2 hospitals have sued Horizon in the New Jersey Superior Court. The hospitals alleged, primarily, breach of contract.

The case settled.

Litigation Center Involvement

The Litigation Center, along with the Medical Society of New Jersey, had planned to file an amicus brief in opposition to the OMNIA Plan. Because the case settled, the case was not appealed to the Superior Court and the brief was never filed.