

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1989

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HOUSE BILL 467*

Committee Substitute Favorable 5/10/89

Manufacturing & Labor Senate Committee Substitute Adopted 8/10/89

Short Title: Indigent Care Study Recommendations.

(Public)

Sponsors:

Referred to:

March 6, 1989

A BILL TO BE ENTITLED

AN ACT TO REMOVE BARRIERS TO COVERAGE IN EMPLOYER-SPONSORED GROUP HEALTH PLANS.

The General Assembly of North Carolina enacts:

Section 1. G.S. 58-254.4(b) reads as rewritten:

"(b) No policy or contract of group accident, group health or group accident and health insurance shall be delivered or issued for delivery in this State unless the group of persons thereby insured conforms to the requirements of the following paragraph subdivisions:

(1) Under a policy issued to an employer, principal, or to the trustee of a fund established by an employer or two or more employers in the same industry or kind of business, or by a principal or two or more principals in the same industry or kind of business, which employer, principal, or trustee shall be deemed the policyholder, covering, except as hereinafter provided, only employees, or agents, of any class or classes thereof determined by conditions pertaining to employment, or agency, for amounts of insurance based upon some plan which will preclude individual selection. The premium may be paid by the employer, by the employer and the employees jointly, or by the employee; and where the relationship of principal and agent exists, the premium may be paid by the principal, by the principal and agents, jointly, or by the agents. If the premium is paid by the employer and

1 the employees jointly, or by the principal and agents jointly, or by the
2 employees, or by the agents, the group shall be structured on an
3 actuarially sound basis.

4 (2) For employer groups of 50 or more persons no evidence of individual
5 insurability may be required at the time the person first becomes
6 eligible for insurance or within 31 days thereafter except for any
7 insurance supplemental to the basic coverage for which evidence of
8 individual insurability may be required. With respect to trustee
9 groups the phrase 'groups of 50' must be applied on a participating unit
10 basis for the purpose of requiring individual evidence of insurability.

11 (3) Policies may contain a provision limiting coverage for
12 preexisting conditions. Preexisting conditions must be covered no
13 later than 12 months after the effective date of coverage. Preexisting
14 conditions are defined as 'those conditions for which medical advice
15 or treatment was received or recommended or which could be
16 medically documented within the 12-month period immediately
17 preceding the effective date of the person's coverage.' Preexisting
18 conditions exclusions may not be implemented by any successor
19 plan as to any covered persons who have already met all or part of
20 the waiting period requirements under any prior group plan. Credit
21 must be given for that portion of the waiting period which was met
22 under the prior plan."

23 Sec. 2. G.S. 58-254.4(c) reads as rewritten:

24 "(c) The term 'employees' as used in this section shall be deemed to include, for
25 the purposes of insurance hereunder, employees of a single employer, the officers,
26 managers, and employees of the employer and of subsidiary or affiliated corporations of
27 a corporation employer, and the individual proprietors, partners, and employees of
28 individuals and firms of which the business is controlled by the insured employer
29 through stock ownership, contract or otherwise. Employees shall be added to the group
30 coverage no later than 90 days after their first day of employment. Employment shall
31 be considered continuous and not be considered broken except for unexcused absences
32 from work for reasons other than illness or injury. The term 'employee' is defined as a
33 nonseasonal person working 30 hours per week, and who is otherwise eligible for
34 coverage. The term 'employer' as used herein may be deemed to include the State of
35 North Carolina, any county, municipality or corporation, or the proper officers, as such,
36 of any unincorporated municipality or any department or subdivision of the State,
37 county, such corporation, or municipality determined by conditions pertaining to the
38 employment."

39 Sec. 3. Article 26 of Chapter 58 of the General Statutes is amended by
40 adding a new section to read:

41 **"§ 58-254.4A. Renewal, discontinuance, or replacement of group health insurance.**

42 (a) This section applies to group accident, group health, or group accident and
43 health policies or certificates that are delivered, issued for delivery, renewed, or used in
44 this State which provide hospital, surgical, or major medical expense insurance, or any

1 combination of these coverages, on an expense incurred or service basis. It specifically
2 includes a certificate issued under a policy that was issued to a trust located out of this
3 State, but which includes participating employers located in this State. Renewal of
4 these policies or certificates is presumed to occur on the anniversary date that the
5 coverage was first effective on the employees of the employer.

6 (b) Whenever a contract described in subsection (a) of this section is replaced
7 by another group contract within 15 days of termination of coverage of the previous
8 group contract, the liability of the succeeding insurer for insuring persons covered under
9 the previous group contract is:

10 (1) Each person who is eligible for coverage in accordance with the
11 succeeding insurer's plan of benefits with respect to classes eligible
12 and activity at work and nonconfinement rules must be covered by the
13 succeeding insurer's plan of benefits; and

14 (2) Each person not covered under the succeeding insurer's plan of
15 benefits in accordance with subdivision (b)(1) of this section must
16 nevertheless be covered by the succeeding insurer if that person was
17 validly covered, including benefit extension, under the prior plan on
18 the date of discontinuance and if the person is a member of the class of
19 persons eligible for coverage under the succeeding insurer's plan."

20 Sec. 4. G.S. 57-7(e) reads as rewritten:

21 "(e) A hospital service corporation may issue a master group contract with the
22 approval of the Commissioner of Insurance provided such contract and the individual
23 certificates issued to members of the group, shall comply in substance to the other
24 provisions of this Chapter. Any such contract may provide for the adjustment of the rate
25 of the premium or benefits conferred as provided in said contract, and in accordance
26 with an adjustment schedule filed with and approved by the Commissioner of Insurance.
27 If such master group contract is issued, altered or modified, the subscribers' contracts
28 issued in pursuance thereof are altered or modified accordingly, all laws and clauses in
29 subscribers' contracts to the contrary notwithstanding. Nothing in this Chapter shall be
30 construed to prohibit or prevent the same. Forms of such contract shall at all times be
31 furnished upon request of subscribers thereto.

32 (1) For employer groups of 50 or more persons no evidence of individual
33 insurability may be required at the time the person first becomes
34 eligible for coverage or within 31 days thereafter except for any
35 insurance supplemental to the basic coverage for which evidence of
36 individual insurability may be required. With respect to trustee
37 groups the phrase 'groups of 50' must be applied on a participating unit
38 basis for the purpose of requiring individual evidence of insurability.

39 (2) Employer master group contracts may contain a provision
40 limiting coverage for preexisting conditions. Preexisting conditions
41 must be covered no later than 12 months after the effective date of
42 coverage. Preexisting conditions are defined as 'those conditions for
43 which medical advice or treatment was received or recommended or
44 which could be medically documented within the 12-month period

1 immediately preceding the effective date of the person's coverage.'
2 Preexisting conditions exclusions may not be implemented by any
3 successor plan as to any covered persons who have already met all
4 or part of the waiting period requirements under any prior group
5 plan. Credit must be given for that portion of the waiting period
6 which was met under the prior plan.

7 (3) Employees shall be added to the master group coverage no later than
8 90 days after their first day of employment. Employment shall be
9 considered continuous and not be considered broken except for
10 unexcused absences from work for reasons other than illness or injury.
11 The term 'employee' is defined as a nonseasonal person working 30
12 hours per week, and who is otherwise eligible for coverage.

13 (4) Whenever an employer master group contract replaces another group
14 contract, whether this contract was issued by a Chapter 57, 57B, or 58
15 corporation, the liability of the succeeding corporation for insuring
16 persons covered under the previous group contract is (i) each person is
17 eligible for coverage in accordance with the succeeding corporation's
18 plan of benefits with respect to classes eligible and activity at work
19 and nonconfinement rules must be covered by the succeeding
20 corporation's plan of benefits; and (ii) each person not covered under
21 the succeeding corporation's plan of benefits in accordance with (i)
22 above must nevertheless be covered by the succeeding corporation if
23 that person was validly covered, including benefit extension, under the
24 prior plan on the date of discontinuance and if the person is a member
25 of the class of persons eligible for coverage under the succeeding
26 corporation's plan."

27 Sec. 5. Chapter 57B is amended by adding a new section to read:

28 **"§ 57B-8.1. Master group contracts, filing requirement; required and prohibited**
29 **provisions.**

30 (a) A health maintenance organization may issue a master group contract with
31 the approval of the Commissioner of Insurance provided the contract and the individual
32 certificates issued to members of the group, shall comply in substance to the other
33 provisions of this Chapter. Any such contract may provide for the adjustment of the
34 rate of the premium or benefits conferred as provided in the contract, and in accordance
35 with an adjustment schedule filed with and approved by the Commissioner of Insurance.
36 If the master group contract is issued, altered or modified, the enrollees' contracts issued
37 in pursuance thereof are altered or modified accordingly, all laws and clauses in the
38 enrollees' contracts to the contrary notwithstanding. Nothing in this Chapter shall be
39 construed to prohibit or prevent the same. Forms of such contract shall at all times be
40 furnished upon request of enrollees thereto.

41 (b) For employer groups of 50 or more persons no evidence of individual
42 insurability may be required at the time the person first becomes eligible for insurance
43 or within 31 days thereafter except for any insurance supplemental to the basic coverage
44 for which evidence of individual insurability may be required. With respect to trustee

1 groups the phrase 'groups of 50' must be applied on a participating unit basis for the
2 purpose of requiring individual evidence of insurability.

3 (c) Employer master group contracts may contain a provision limiting
4 coverage for preexisting conditions. Preexisting conditions must be covered no later
5 than 12 months after the effective date of coverage. Preexisting conditions are defined
6 as 'those conditions for which medical advice or treatment was received or
7 recommended or which could be medically documented within the 12-month period
8 immediately preceding the effective date of the person's coverage.' Preexisting
9 conditions exclusions may not be implemented by any successor plan as to any covered
10 persons who have already met all or part of the waiting period requirements under any
11 prior group plan. Credit must be given for that portion of the waiting period which was
12 met under the prior plan.

13 (d) Employees shall be added to the master group coverage no later than 90 days
14 after their first day of employment. Employment shall be considered continuous and
15 not be considered broken except for unexcused absences from work for reasons other
16 than illness or injury. The term 'employee' is defined as a nonseasonal person working
17 30 hours per week, and who is otherwise eligible for coverage.

18 (e) Whenever an employer master group contract replaces another group
19 contract, whether the contract was issued by a Chapter 57, 57B, or 58 corporation, the
20 liability of the succeeding corporation for insuring persons covered under the previous
21 group contract is:

22 (1) Each person who is eligible for coverage in accordance with the
23 succeeding corporation's plan of benefits with respect to classes
24 eligible and activity at work and nonconfinement rules must be
25 covered by the succeeding corporation's plan of benefits; and

26 (2) Each person not covered under the succeeding corporation's plan of
27 benefits in accordance with (e)(1) must nevertheless be covered by the
28 succeeding corporation if that person was validly covered, including
29 benefit extension, under the prior plan on the date of discontinuance
30 and if the person is a member of the class of persons eligible for
31 coverage under the succeeding corporation's plan."

32 Sec. 6. This act shall become effective January 1, 1990.