

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1991

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SENATE BILL 1226

Short Title: State Health Plan.

(Public)

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Sponsors: Senators Sherron; and Carpenter.

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Referred to: State Personnel and State Government.

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June 8, 1992

A BILL TO BE ENTITLED

AN ACT TO MODIFY THE ADMINISTRATIVE STRUCTURE OF THE  
TEACHERS' AND STATE EMPLOYEES' COMPREHENSIVE MAJOR  
MEDICAL PLAN.

The General Assembly of North Carolina enacts:

Section 1. G.S. 135-38 reads as rewritten:

**"§ 135-38. Committee on Employee Hospital and Medical Benefits.**

(a) The Committee on Employee Hospital and Medical Benefits shall consist of  
~~12-16~~ members as follows:

~~(1) The President Pro Tempore of the Senate;~~

~~(2) The Majority Leader of the Senate;~~

~~(3) The Chairman of the Senate Committee on Appropriations;~~

~~(4) Repealed by Session Laws 1987, c. 61, s. 1.~~

~~(5) A Cochairman of the Senate Committee on Finance designated by the  
President of the Senate;~~

~~(6) Two other members of the Senate appointed by the President of the  
Senate; and~~

~~(7) (10) Repealed by Session Laws 1989 (Reg. Sess., 1990), c. 1038, s.  
19.1.~~

~~(11) Six members of the House appointed by the Speaker.~~

(1) Eight members of the House appointed by the Speaker of the House;  
and

(2) Eight members of the Senate appointed by the President Pro Tempore  
of the Senate.

1 (b) ~~The members of the Committee who are members because of the offices they~~  
2 ~~hold shall remain on the Committee for the duration of their terms in those offices.—The~~  
3 President Pro Tempore of the Senate and Speaker of the House shall appoint the ~~other~~  
4 members of the Committee for two-year terms beginning on July 1 of odd-numbered  
5 years.

6 (c) The Committee ~~shall~~ shall:

7 (1) ~~review—~~Review existing and proposed programs of hospital, medical  
8 and related care provided by Part 3 of this Article—Article. as  
9 ~~recommended by the Executive Administrator and Board of Trustees of the~~  
10 ~~Plan.—~~The Executive Administrator and the Board of Trustees shall  
11 provide the Committee with any information or assistance requested  
12 by the Committee in performing its duties under this Article.

13 (2) Meet at least quarterly;

14 (3) Scrutinize systematically the actions of the Executive Administrator,  
15 the Board of Trustees, the Claims Processor, and the State Health Plan.

16 (d) The time members spend on Committee business shall be considered official  
17 legislative business for purposes of G.S. 120-3."

18 Sec. 2. G.S. 135-39(i) is repealed.

19 Sec. 3. G.S. 135-39.2 reads as rewritten:

20 "**§ 135-39.2. Officers, quorum, meetings.**

21 (a) The Board of Trustees shall elect from its own membership such officers as it  
22 sees fit.

23 (b) Six members of the Board of Trustees in office shall constitute a quorum.  
24 Decisions of the Board of Trustees shall be made by a majority vote of the Trustees  
25 present, except as otherwise provided in this Part.

26 (c) Meetings may be called by the Executive Administrator, the Chairman, or at  
27 the written request of three members."

28 Sec. 4. Part 2 of Article 3 of Chapter 135 of the General Statutes is amended  
29 by adding a new section to read:

30 "**§ 135-39.11. Board of Trustees.**

31 The Board of Trustees shall have the following powers and duties:

32 (1) Promulgate rules pursuant to Chapter 150B of the General Statutes to  
33 implement Parts 2 and 3 of this Article;

34 (2) Provide general direction to the Executive Administrator;

35 (3) Preparing and submitting to the Governor and the General Assembly  
36 annual cost estimates for the health benefits plan, including those  
37 required by Article 15 of Chapter 120 of the General Statutes;

38 (4) Recommending to the Governor and the General Assembly changes or  
39 additions to the health benefits program and health care cost  
40 containment programs, together with statements of financial and  
41 actuarial effects as required by Article 15 of Chapter 120 of the  
42 General Statutes;

- 1           (5) In case of termination of the contract under G.S. 135-39.5A, to select a  
2           new Claims Processor, after competitive bidding procedures approved  
3           by the Department of Administration;  
4           (6) Implementing pilot programs necessary to evaluate proposed cost  
5           containment measures which are not in direct conflict with Part 3 of  
6           this Article, and expending funds necessary for the implementation of  
7           such programs; and  
8           (7) Authorizing coverage for alternative forms of care not otherwise  
9           provided by the Plan in individual cases when medically necessary,  
10          medically equivalent to services covered by the Plan, and when such  
11          alternatives would be less costly than would have been otherwise."

12           Sec. 5. G.S. 135-39.4A reads as rewritten:

13   **"§ 135-39.4A. Executive Administrator.**

14           (a) The Plan shall have an Executive Administrator.

15           (b) The Executive Administrator shall be appointed by the Commissioner of  
16 Insurance. The term of employment and salary of the Executive Administrator shall be  
17 set by the Commissioner of Insurance upon the advice of an executive committee of the  
18 Committee on Employee Hospital and Medical Benefits. The Executive Administrator  
19 may be removed from office by the Commissioner of Insurance, upon the advice of an  
20 executive committee of the Committee on Employee Hospital and Medical Benefits,  
21 and any vacancy in the office of Executive Administrator may be filled by the  
22 Commissioner of Insurance with the term of employment and salary set upon the advice  
23 of an executive committee of the Committee on Employee Hospital and Medical  
24 Benefits.

25           (c) to (e) Repealed by Session Laws 1987, c. 857, s. 5, effective July 1, 1987.

26           (f) The Executive Administrator may employ such clerical and professional staff,  
27 and such other assistance as may be necessary to assist the Executive Administrator and  
28 the Board of Trustees in carrying out their duties and responsibilities under this Article.  
29 The Executive Administrator may also negotiate, renegotiate and execute contracts with  
30 third parties in the performance of his duties and responsibilities under this Article;  
31 provided any contract negotiations, renegotiations and execution with a Claims  
32 Processor or with an optional prepaid hospital and medical benefit plan or with a  
33 preferred provider of institutional or professional hospital and medical care shall be  
34 done only after consultation with the Committee on Employee Hospital and Medical  
35 ~~Benefits.~~ Benefits and approval by the Board of Trustees.

36           (f1) The Executive Administrator shall assist the Board of Trustees in carrying out  
37 its powers and duties.

38           (g) The Executive Administrator shall be responsible for:

- 39           (1) Cost management programs;  
40           (2) Education and illness prevention programs;  
41           (3) Training programs for Health Benefit Representatives;  
42           (4) Membership functions;  
43           (5) Long-range planning;

1           (5a) Establishing and operating a hospital bill audit program and a fraud  
2           detection program."

3           (6) Provider and participant relations; and

4           (7) Communications.

5           (h) The Executive Administrator shall make reports and recommendations on the  
6 Plan to the President Pro Tempore of the Senate, the Speaker of the House of  
7 Representatives and the Committee on Employee Hospital and Medical Benefits."

8           Sec. 6. G.S. 135-39.5 reads as rewritten:

9   "**§ 135-39.5. Powers and duties of the Executive Administrator and Board of**  
10   **Trustees.**

11       The Executive Administrator and Board of Trustees of the Teachers' and State  
12 Employees' Comprehensive Major Medical Plan shall have the following powers and  
13 duties:

14           (1) Supervising and monitoring of the Claims Processor.

15           (2) Providing for enrollment of employees in the Plan.

16           (3) Communicating with employees enrolled under the Plan.

17           (4) Communicating with health care providers providing services under  
18 the Plan.

19           (5) Making payments at appropriate intervals to the Claims Processor for  
20 benefit costs and administrative costs.

21           (6) Conducting administrative reviews under G.S. 135-39.7.

22           (7) Annually assessing the performance of the Claims Processor.

23           ~~(8) Preparing and submitting to the Governor and the General Assembly~~  
24 ~~cost estimates for the health benefits plan, including those required by~~  
25 ~~Article 15 of Chapter 120 of the General Statutes.~~

26           ~~(9) Recommending to the Governor and the General Assembly changes or~~  
27 ~~additions to the health benefits program and health care cost~~  
28 ~~containment programs, together with statements of financial and~~  
29 ~~actuarial effects as required by Article 15 of Chapter 120 of the~~  
30 ~~General Statutes.~~

31           (10) Working with State employee groups to improve health benefit  
32 programs.

33           (11) Repealed by Session Laws 1985, c. 732, s. 9.

34           (12) Determining basis of payments to health care providers, including  
35 payments in accordance with G.S. 58-260.6.

36           (13) Requiring bonding of the Claims Processor in the handling of State  
37 funds.

38           (14) Repealed by Session Laws 1985, c. 732, s. 7.

39           ~~(15) In case of termination of the contract under G.S. 135-39.5A, to select a~~  
40 ~~new Claims Processor, after competitive bidding procedures approved~~  
41 ~~by the Department of Administration.~~

42           (16) Notwithstanding the provisions of Part 3 of this Article, to formulate  
43 and implement cost-containment measures which are not in direct  
44 conflict with that Part.

- 1           (17) ~~Implementing pilot programs necessary to evaluate proposed cost~~  
 2           ~~containment measures which are not in direct conflict with Part 3 of~~  
 3           ~~this Article, and expending funds necessary for the implementation of~~  
 4           ~~such programs.~~
- 5           (18) ~~Authorizing coverage for alternative forms of care not otherwise~~  
 6           ~~provided by the Plan in individual cases when medically necessary,~~  
 7           ~~medically equivalent to services covered by the Plan, and when such~~  
 8           ~~alternatives would be less costly than would have been otherwise.~~
- 9           (19) ~~Establishing and operating a hospital and other providerbill audit~~  
 10           ~~program and a fraud detection program.~~
- 11           (20) Determining administrative and medical policies that are not in direct  
 12           conflict with Part 3 of this Article upon the advice of the Claims  
 13           Processor and upon the advice of the Plan's consulting actuary when  
 14           Plan costs are involved.
- 15           (21) Supervising the payment of claims and all other disbursements under  
 16           this Article, including the recovery of any disbursements that are not  
 17           made in accordance with the provisions of this Article."

18           Sec. 7. G.S. 135-39.5A reads as rewritten:

19   **"§ 135-39.5A. Termination.**

20           The ~~Executive Administrator and~~ Board of Trustees may terminate the contract with  
 21           the Claims Processor as provided in the request for proposal."

22           Sec. 8. G.S. 135-39.5B reads as rewritten:

23   **"§ 135-39.5B. Prepaid plans.**

24           The ~~Executive Administrator and~~ Board of Trustees may, after consultation with the  
 25           Committee on Employee Hospital and Medical Benefits, provide for optional prepaid  
 26           hospital and medical benefits plans. Benefits offered under such optional plans shall be  
 27           comparable to those offered under the Plan. The amounts of State funds contributed for  
 28           such optional plans shall not be more than the amounts contributed for each person  
 29           eligible under G.S. 135-40.2 on a noncontributory Employee Only basis, with the  
 30           person selecting an optional plan paying any excess, if necessary. The amount of State  
 31           funds contributed to such optional plans shall also not exceed the amount of an optional  
 32           plan's cost for Employee Only coverage. The ~~Executive Administrator and~~ Board of  
 33           Trustees ~~are~~ is authorized to assess and collect fees from participating optional plans  
 34           provided by this section for administrative purposes and for risk management purposes.  
 35           Such fees may be based upon the enrollees' risk factors and the number and types of  
 36           contracts enrolled by each participating optional plan, and may be collected by the Plan  
 37           in a manner prescribed by the ~~Executive Administrator and~~ Board of Trustees. In no  
 38           instance shall benefits be paid under Part 3 of this Article for persons enrolled in an  
 39           optional prepaid hospital and medical benefit plan authorized under this section on and  
 40           after the effective date of enrollment in the optional prepaid plan, except in cases of  
 41           continuous hospital confinement approved by the Executive Administrator."

42           Sec. 9. G.S. 135-39.6A reads as rewritten:

43   **"§ 135-39.6A. Premiums set.**

1 The ~~Executive Administrator and~~ Board of Trustees shall, from time to time, and after  
2 consulting with the Committee on Employee Hospital and Medical Benefits, establish  
3 premium rates for the Comprehensive Major Medical Plan except as they may be  
4 established by the General Assembly in the Current Operations Appropriations Act, and  
5 establish regulations for payment of the premiums. Premium rates shall be established  
6 for coverages where Medicare is the primary payer of health benefits separate and apart  
7 from the rates established for coverages where Medicare is not the primary payer of  
8 health benefits."

9 Sec. 10. G.S. 135-39.7 reads as rewritten:

10 **"§ 135-39.7. Administrative review.**

11 If, after exhaustion of internal appeal handling as outlined in the contract with the  
12 Claims Processor any person is aggrieved, the Claims Processor shall bring the matter to  
13 the attention of the Executive Administrator and Board of Trustees, which may make a  
14 binding decision on the matter in accordance with procedures established by the  
15 ~~Executive Administrator and~~ Board of Trustees. The Executive Administrator and Board  
16 of Trustees shall provide a written summary of the decisions made pursuant to this  
17 section to all employing units, all health benefit representatives, the oversight team  
18 provided for in G.S. 135-39.3, all relevant health care providers affected by a decision,  
19 and to any other parties requesting a written summary and approved by the Executive  
20 Administrator and Board of Trustees to receive a summary immediately following the  
21 issuance of a decision."

22 Sec. 11. G.S. 135-39.8 is repealed.

23 Sec. 12. G.S. 135-39.9 is repealed.

24 Sec. 13. G.S. 135-39.10 reads as rewritten:

25 **"§ 135-39.10. Meaning of 'Executive Administrator and Board of Trustees'.**

26 Whenever in this Article the words 'Executive Administrator and Board of Trustees'  
27 appear, they mean that the ~~Executive Administrator—Board of Trustees of the Teachers'~~  
28 and State Employees' Comprehensive Major Medical Plan shall have the power, duty,  
29 right, responsibility, privilege or other function mentioned, after consulting with the  
30 ~~Board of Trustees of the Teachers' and State Employees' Comprehensive Major Medical Plan~~  
31 Executive Director."

32 Sec. 14. This act becomes effective October 1, 1992.