

GENERAL ASSEMBLY OF NORTH CAROLINA

EXTRA SESSION 1998

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SENATE BILL 2*

Short Title: State CHIP.

(Public)

Sponsors: Senators Rand; Albertson, Ballance, Basnight, Carrington, Cooper, Dalton, Dannelly, Forrester, Gulley, Hoyle, Jenkins, Kerr, Kinnaird, Lee, Lucas, Martin of Pitt, Martin of Guilford, Miller, Odom, Perdue, Phillips, Plyler, Purcell, Reeves, Shaw of Cumberland, Soles, Warren, Weinstein, Wellons, and Winner.

Referred to: Committee of the Whole.

March 24, 1998

A BILL TO BE ENTITLED

AN ACT TO ESTABLISH THE STATE CHILDREN'S HEALTH INSURANCE PROGRAM AND TO APPROPRIATE FUNDS THEREFOR.

The General Assembly of North Carolina enacts:

Section 1. Article 2 of Chapter 108A of the General Statutes is amended by adding the following new Part to read:

PART 8. CHILDREN'S HEALTH INSURANCE PROGRAM.

§ 108A-70.18. Short title; purpose; no entitlement.

This Part may be cited as the Children's Health Insurance Program Act of 1998. The purpose of this Part is to provide comprehensive health insurance coverage to uninsured low-income children who are residents of this State. Coverage shall be provided from State and federal funds appropriated and other funds made available for this purpose. Nothing in this Part shall be construed as obligating the General Assembly to appropriate funds for the Program or as entitling any person to coverage under the Program.

§ 108A-70.19. Program established.

There is established the Children's Health Insurance Program. The Program shall be administered by the Department of Health and Human Services in accordance with this

1 Part and as required under Title XXI, and related federal rules and regulations. Claims
2 processing, benefits administration, and eligibility determination processes for the
3 Program shall be as provided under the Medical Assistance Program. The Department
4 may authorize coverage under the Program to be provided by private insurers so long as
5 the private coverage meets the requirements for coverage under the Program and under
6 Title XXI, and the cost of the private coverage is equal to or less than the cost of
7 equivalent coverage under the Program.

8 **"§ 108A-70.20. Definitions.**

9 Unless the context clearly requires otherwise, the term:

- 10 (1) 'Comprehensive health coverage' means creditable health coverage as
11 defined under Title XXI.
12 (2) 'Family income' has the same meaning as used in determining eligibility
13 for the Medical Assistance Program.
14 (3) 'FPL' or ' federal poverty level' means the federal poverty guidelines
15 established by the United States Department of Health and Human
16 Services, as revised each April 1.
17 (4) 'Medical Assistance Program' means the State Medical Assistance
18 Program established under Part 6 of Article 2 of Chapter 108A of the
19 General Statutes.
20 (5) 'Program' means the children's health insurance program established in
21 this Part.
22 (6) 'State Plan' means the State Child Health Plan for the State Children's
23 Health Insurance Program established under Title XXI.
24 (7) 'Title XXI' means Title XXI of the Social Security Act, as added by
25 Pub. L. 105-33, 111 Stat. 552, codified in scattered sections of 42
26 U.S.C. (1997).
27 (8) 'Uninsured' means the applicant for Program benefits is not covered
28 under any private or employer-sponsored comprehensive health
29 insurance plan at the time of application.

30 **"§ 108A-70.21. Program eligibility; benefits; cost-sharing; appeals.**

31 (a) Eligibility. – The Department may enroll eligible children based on
32 availability of funds. In order to be eligible for benefits under the Program, children
33 must:

- 34 (1) Be under the age of 19;
35 (2) Be ineligible for Medicaid, Medicare, or other government-sponsored
36 health insurance;
37 (3) Be uninsured;
38 (4) Be in a family that meets the following family income requirements,
39 without regard to assets:
40 a. Infants under the age of one year whose family income is from
41 one hundred eighty-five percent (185%) through two hundred
42 percent (200%) of the federal poverty level;

1 b. Children age one year through five years whose family income is
2 from one hundred thirty-three percent (133%) through two
3 hundred percent (200%) of the federal poverty level; and

4 c. Children age six years through eighteen years whose family
5 income is from one hundred percent (100%) through two
6 hundred percent (200%) of the federal poverty level; and

7 (5) Be a resident of this State or otherwise eligible under federal law.

8 Proof of family income and residency and a declaration of uninsured status shall be
9 provided by the applicant.

10 Enrollment shall become effective beginning in the month in which the application is
11 received and shall be effective for one year. Applicants may reapply for enrollment at the
12 end of each year. If during the period of enrollment an enrollee fails to meet the
13 requirements of subdivision (1), (2), (3), (4), or (5) of this subsection due to a change in
14 status, the enrollee shall be ineligible for further coverage and shall be disenrolled from
15 the Program. The family member who is legally responsible for the children enrolled in
16 the Program has a duty to report any change in an enrollee's status within 60 days of the
17 change of status.

18 (b) Benefits. – Health benefits coverage provided to children eligible under the
19 Program shall be the same as authorized under the Medical Assistance Program in the
20 Current Operations Appropriations Act. Except as otherwise provided in this Part, terms,
21 conditions, and limitations on Program benefits shall be the same as apply under the
22 Medical Assistance Program.

23 (c) Cost-sharing. – There shall be no premiums charged to Program participants.
24 There shall be no deductibles, copayments, or other cost-sharing charges for families
25 covered under the Program whose family income is at or below one hundred fifty percent
26 (150%) of the federal poverty level. Families covered under the Program whose family
27 income is above one hundred fifty percent (150%) of the federal poverty level shall be
28 responsible for copayments to providers as follows:

29 (1) Three dollars (\$3.00) per child for each physician visit, clinic visit,
30 dental visit, and optometry visit, except that no copayment shall be
31 required for preventive services;

32 (2) Five dollars (\$5.00) per child for each outpatient hospital visit;

33 (3) Three dollars (\$3.00) for each brand name prescription filled;

34 (4) Twenty dollars (\$20.00) for emergency room services for
35 nonemergency care. As used in this subsection, 'nonemergency care'
36 shall consist of diagnoses not meeting the definition of 'true emergency'
37 under the Carolina Access Program.

38 The total annual aggregate cost-sharing with respect to all children in a family
39 receiving Program benefits under this Part shall not exceed five percent (5%) of the
40 family's income for the year involved.

41 (d) Appeals. – Applicants for and participants in the Program who are dissatisfied
42 with the actions of a county or State agency pertaining to eligibility for and benefits
43 under the Program may appeal the action in accordance with procedures established for

1 the Medical Assistance Program pursuant to G.S. 108A-79 and applicable federal
2 regulations. To the extent the process for appeal under G.S. 108A-79 is inconsistent with
3 appeals under Chapter 150B of the General Statutes, the process under G.S. 108A-79
4 shall control.

5 **"§ 108A-70.22. Application for enrollment; outreach.**

6 (a) The Department shall develop an application form and enrollment process that
7 makes application for and enrollment in the Program as simple, accessible, and efficient
8 as possible.

9 (b) The Department shall conduct outreach activities statewide that will effectively
10 provide information about the Program and will encourage potential participants to
11 inquire and apply for enrollment. The outreach activities shall be targeted toward
12 families likely to be eligible for benefits under the Children's Health Insurance Program
13 or other health coverage programs to explain the eligibility requirements and benefits
14 available. The Department may seek private and federal grant funds to conduct outreach
15 activities. The Department may work with the State Health Plan Purchasing Alliance
16 Board to develop programs that utilize the expertise and resources of the Alliances in
17 outreach activities to employees of small businesses.

18 **"§ 108A-70.23. State Plan for Children's Health Insurance Program.**

19 The Department shall develop and submit a State Plan to implement the Child Health
20 Insurance Program authorized under this Part to the federal government as application for
21 federal funds under Title XXI. The Department shall report to the Joint Legislative
22 Health Care Oversight Committee amendments to the State Plan for the Committee's
23 review.

24 **"§ 108A-70.24. Data collection; reporting.**

25 (a) The Department shall establish procedures for the collection and analysis of
26 data pertinent to the implementation and continuing evaluation of the Program.

27 (b) The Department shall report on October 1 of each year, and more frequently if
28 requested, to the Joint Legislative Health Care Oversight Committee on the
29 implementation of the Program. The report shall include, but is not limited to, the
30 following:

- 31 (1) Number of children enrolled in the Program;
- 32 (2) Program areas that are working well and those that need improvement;
- 33 (3) Recommendations on ways to improve the efficiency and effectiveness
34 of the Program; and
- 35 (4) Any other items requested by the Joint Legislative Health Care
36 Oversight Committee.

37 The Department shall provide a copy of the report to the Joint Appropriations
38 Subcommittee on Health and Human Services.

39 **"§ 108A-70.25. Fraudulent misrepresentation.**

40 (a) It shall be unlawful for any person to knowingly and willfully, and with intent
41 to defraud, make or cause to be made a false statement or representation of a material fact
42 in an application for coverage under this Part or intended for use in determining
43 eligibility for coverage.

1 (b) It shall be unlawful for any applicant, participant, or person acting on behalf of
2 the applicant or participant to knowingly and willfully, and with intent to defraud,
3 conceal or fail to disclose any condition, fact, or event affecting the applicant's or
4 participant's initial or continued eligibility to receive coverage under this Part.

5 (c) It is unlawful for any person knowingly, willingly, and with intent to defraud,
6 to obtain or attempt to obtain, or to assist, aid, or abet another person, either directly or
7 indirectly, to obtain money, services, or any other thing of value to which the person is
8 not entitled as a participant under this Part, or otherwise to deliberately misuse a Program
9 identification card. This misuse includes the sale, alteration, or lending of the Program
10 identification card to others for services and the use of the card by someone other than the
11 participant to receive or attempt to receive Program coverage for services rendered to that
12 individual.

13 Proof of intent to defraud does not require proof of intent to defraud any particular
14 person.

15 (d) A person who violates a provision of this section shall be guilty of a Class I
16 felony if the value of the coverage wrongfully obtained is more than four hundred dollars
17 (\$400.00). A person who violates a provision of this section shall be guilty of a Class 1
18 misdemeanor if the value of the coverage wrongfully obtained is four hundred dollars
19 (\$400.00) or less.

20 (e) For purposes of this section, the word 'person' includes any natural person,
21 association, consortium, corporation, body politic, partnership, or other group, entity, or
22 organization."

23 Section 2. G.S. 120-70.111 reads as rewritten:
24 **"§ 120-70.111. Purpose and powers of Committee.**

25 (a) The Joint Legislative Health Care Oversight Committee shall review, on a
26 continuing basis, the provision of health care and health care coverage to the citizens of
27 this State, in order to make ongoing recommendations to the General Assembly on ways
28 to improve health care for North ~~Carolinians~~ Carolinians. To this end, the Committee shall
29 study the delivery, availability, and cost of health care in North Carolina. The Committee
30 shall also review, on a continuing basis, the implementation of the State Children's Health
31 Insurance Program established under Part 8 of Article 2 of Chapter 108A of the General
32 Statutes. The Committee may also study other matters related to health care and health
33 care coverage in this State.

34 (b) The Committee may make interim reports to the General Assembly on matters
35 for which it may report to a regular session of the General Assembly. A report to the
36 General Assembly may contain any legislation needed to implement a recommendation
37 of the Committee."

38 Section 3. G.S. 143-626(2) reads as rewritten:

39 "(2) Accept applications by carriers to qualify as Accountable Health
40 Carriers, determine the eligibility of carriers to become Accountable
41 Health Carriers according to criteria described in G.S. 143-629,
42 designate carriers as Accountable Health Carriers, ~~and~~ approve one
43 additional qualified health care plan to be offered to small employers

1 beyond the basic and standard health care ~~plans~~—plans, and approve
2 programs that provide options for the purchase of private insurance for
3 dependent coverage that meets the requirements of the Children's Health
4 Insurance Program established under Part 8 of Article 2 of Chapter
5 108A of the General Statutes and Title XXI of the Social Security Act."

6 Section 4. (a) There is appropriated from the General Fund to the Department
7 of Health and Human Services the sum of fourteen million nine hundred eighty-four
8 thousand four hundred forty-seven dollars (\$14,984,447) in recurring funds for the 1998-
9 99 fiscal year to be used for the Children's Health Insurance Program established under
10 this act and under Title XXI of the Social Security Act, as added by Pub. L. 105-33, 111
11 Stat. 552. The Office of State Budget and Management shall establish a Contingency
12 Reserve for fiscal year 1998-99 and shall deposit into the Reserve ten percent (10%) of
13 the funds appropriated under this section. Funds in the Reserve shall be used for
14 unanticipated start-up, enrollment, and services costs occurring during the first year of
15 Program implementation. The Office of State Budget and Management shall include in
16 the proposed continuation budget the amount of State funds necessary for Program
17 implementation for the budgeted fiscal year but not more than the amount necessary to
18 draw down the maximum amount of federal funds available to the State for the budgeted
19 fiscal year for the Children's Health Insurance Program under Title XXI of the Social
20 Security Act, as added by Pub. L. 105-33, 111 Stat. 552.

21 (b) Of the funds appropriated under subsection (a) of this section, the
22 Department may use up to two million dollars (\$2,000,000) to cover unmatched start-up
23 costs for the Children's Health Insurance Program established under this act.

24 (c) Funds appropriated under this section and not expended or obligated in the
25 1998-99 fiscal year shall revert to the General Fund on June 30, 1999.

26 (d) No State funds appropriated under this act may be expended for any
27 purpose other than implementation of the State Children's Health Insurance Program
28 established under this act and approved by the United States Secretary of Health and
29 Human Services under Title XXI of the Social Security Act, as added by Pub. L. 105-33,
30 111 Stat. 552.

31 Section 5. Section 4 of this act becomes effective July 1, 1998. Health
32 insurance coverage provided to children under the Children's Health Insurance Program
33 established in this act shall become effective no earlier than October 1, 1998. The
34 remainder of this act is effective when it becomes law.